


6/4/24

Item # 1.B



City Council Meeting

**Item# 1.B – Study Session:
Review of the Proposed
FY 2024/25 & FY 2025/26
Biennial Capital Improvement
Program Budget and FY 2024/25
Operating Budget Changes**

June 4, 2024

Agenda

- Proposed Budget Overview
- Capital Budget for FY 2024/25 and FY 2025/26 and Five-Year CIP
- Operating Budget Amendments to FY 2024/25
- Responses from May 7th Study Session
- Questions and Answers

Proposed Budget Overview

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Budget Calendar

- **Oct – Nov 2023** – Departments submit CIP Project requests; turn over Operating Budget and begin work on proposed Municipal Fee Schedule
- **December – March** – Review of CIP and Operating Budget requests; prepare Ten-Year General Fund Forecast, complete review of Proposed Municipal Fee Schedule
- **April 9** – City Council Study Session on the Proposed Municipal Fee Schedule
- **April 23** – Public Hearing and Adoption of the Proposed Municipal Fee Schedule
- **April 29** – Proposed Capital Budget Released
- **May 7** – City Council Study Session on Capital Budget and Operating Budget Changes
- **June 4 – Second City Council Study Session on Capital Budget and Operating Budget Changes**
- **June 25** – City Council Adoption of Capital Budget, Gann limit, Operating Budget Changes and CIP Carryovers



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Capital Budget Overview



- This two-year budget cycle focuses on the capital budget with amendments to the FY 2024/25 Operating Budget
- FY 2024/25 and FY 2025/26 Capital Budget (\$642.6 M) and Five-Year Capital Improvement Program (CIP) (\$1.04 B)
- Capital program is a mixed bag: well-funded for the utilities (88% of the CIP), investments in projects with dedicated funding (e.g., transportation), but falls well short in other areas
- Insufficient funding to address unfunded needs of over \$600 M; General Fund Capital Projects Reserve of \$23.9 M to support projects; recommended use of \$15.0 M in this CIP and \$1.0 M from last CIP
- Project carryover requests (from FY 2023/24 to FY 2024/25) will be brought forward with the June 25th budget adoption



Operating Budget Overview



- Updates to the FY 2024/25 Adopted Operating Budget
 - Updates to revenue, labor, non-personnel, resource/production costs for General Fund and all operating funds
 - General Fund structural deficit remains
 - No capacity for restorations, service expansion, ongoing capital maintenance, reserve contributions
 - Unknown impact of ongoing labor negotiations
- Small FY 2024/25 General Fund shortfall balanced with use of reserves; additional budget balancing actions expected in next Biennial Operating Budget
- Limited budget actions supported by current year savings



FY 2023/24 and FY 2024/25
Adopted Operating Budget

City Budget

City of Santa Clara Budget*			
Fund Type	FY 2023/24 Adopted Budget	FY 2024/25 Adopted Budget	FY 2024/25 Amended Budget
General Fund	\$ 281,795,558	\$287,458,968	\$306,591,330
Special Revenue Funds	48,639,709	37,111,226	41,458,963
Enterprise Funds	872,344,414	968,035,945	940,385,745
Internal Service Funds	39,606,414	41,304,602	45,524,215
Debt/Other*	374,983,049	40,658,134	152,273,904
Less (Transfers, Contributions, and Reserves)**	(515,319,491)	(247,455,561)	(416,463,413)
Subtotal Operating Budget	\$1,102,049,653	\$1,127,113,314	\$1,069,770,744
Capital Funds	\$657,486,151	\$108,385,754	\$286,566,592
Less (Transfers, Contributions, and Reserves)**	(3,188,205)	(1,454,000)	(1,818,315)
Subtotal Capital Budget	\$654,297,946	\$106,931,754	\$284,748,277
Total Budget	\$1,756,347,599	\$1,234,045,068	\$1,354,519,021

* Does not include the Stadium Authority Budget

** Adjusts for transfers, contributions and reserves to avoid double counting of the same funds (e.g., internal service funds are excluded)



General Fund Ten-Year Forecast

FY 2025-2035 General Fund Ten-Year Financial Forecast											
\$ in millions											
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Projected Revenues	\$297.4	\$309.9	\$321.6	\$333.8	\$346.6	\$360.2	\$373.9	\$388.4	\$403.2	\$418.8	\$434.9
Projected Expenditures	\$298.3	\$315.9	\$333.5	\$348.5	\$364.9	\$378.3	\$393.2	\$404.0	\$418.6	\$432.5	\$448.9
Cumulative (Shortfall)/ Surplus	(\$0.9)	(\$6.0)	(\$11.9)	(\$14.7)	(\$18.3)	(\$18.1)	(\$19.3)	(\$15.6)	(\$15.4)	(\$13.7)	(\$14.0)

- Use of reserves to balance FY 2024/25
- Structural deficit remains, future budget actions will continue to address budget challenges
- No capacity for service restorations/expansion and deferred/unmet capital infrastructure needs
- Forecast does not include potential additional revenue from Stadium (performance rent/excess revenue) and Related (future project phases)



Capital Budget for FY 2024/25 and 2025/26 and Five-Year CIP

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Capital Budget - Accomplishments

- Fairway Glen Neighborhood Park - completed the restroom in March 2024
- Montague Park – added a new play area, group picnic areas, fitness areas, a half-size basketball court and renovated the community building
- Magical Bridge Playground - groundbreaking occurred in May 2023 and the park is slated to open in the summer of 2024
- Phase I of the Stationary Standby Generators (9 emergency generators)
- Enhanced public spaces in the Convention Center with interior furniture, patio furniture for the second-floor terrace, and more food offerings
- In 2023, replaced 4.2 miles of transmission line serving the Grizzly Hydroelectric power plant that was severed during the 2021 Dixie Fire
- Oaks Junction Substation was completed and energized in July 2022
- In December 2023, Council certified the Environmental Impact Report and adopted the Downtown Precise Plan and Form Based Zoning Code



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Capital Budget - Accomplishments

- Completed 167,000 linear feet of CCTV sewer inspection and over 507,000 linear feet of flushing/jetting
- Completed repairs to approx. 12,000 linear feet of sanitary sewer main
- \$3 million grant for the Anna Drive Neighborhood Flood Protection Project and began the design phase
- Completed Laurelwood Pump Station Rehabilitation project
- Installed trash capture devices to reduce trash loads entering waterways
- In November 2023, launched a new on-demand rideshare service in the southern half of Santa Clara called Silicon Valley (SV) Hopper
- Completed approx. 42 lane miles of street pavement in 2022 and 2023
- Completed construction work for the Santa Clara School Access Improvements and Uncontrolled Crosswalks Phase 1 projects
- American Public Works Assoc. Project of the Year for Serra Tanks Rehab



CIP Projects by Theme



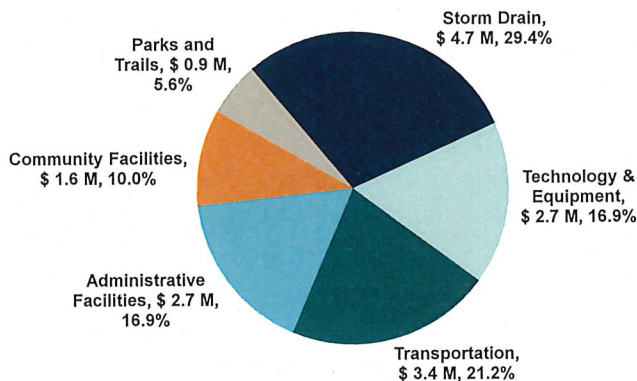
Theme	2024/25 Budget	2025/26 Budget	Biennial Budget	Five-Year CIP
Administrative Facilities	\$2,343,000	\$310,000	\$2,653,000	\$2,653,000
Community Facilities	2,771,934	500,000	3,271,934	3,271,934
Convention Center	2,150,000	0	2,150,000	2,150,000
Electric Utility	217,697,515	304,154,500	521,852,015	751,516,215
Other Community Projects	6,080,775	5,411,998	11,492,773	24,281,792
Parks and Trails	3,550,760	2,158,838	5,709,598	10,209,598
Sewer Utility	19,570,472	22,216,632	41,787,104	132,647,325
Solid Waste	788,000	812,000	1,600,000	4,180,000
Storm Drain	2,404,365	480,750	2,885,115	4,685,115
Technology and Equipment	2,993,823	751,000	3,744,823	6,213,623
Transportation	18,566,948	14,470,938	33,037,886	74,122,562
Water and Recycled Water Utilities	6,195,000	6,225,000	12,420,000	26,320,000
TOTAL	\$285,112,592	\$357,491,656	\$642,604,248	\$1,042,251,164

General Fund Capital Projects Reserve (CPR)



- General Fund CPR funded from excess revenues and expenditure savings at the end of a fiscal year
- Used to fund capital projects with no other funding source
- Current balance of \$23.9 M proposed to be reduced by \$15.0 M to \$8.9 M; additional \$1.0 M funded from CPR funds set aside in last CIP
- Address high priority needs across program areas

CPR Funding in Five-Year CIP = \$16.0 M



Proposed CIP – Administrative Facilities Theme



Five-Year CIP: \$2.7 million

- Fire Training Tower Renovation (\$504 K)
- Emergency Operations Center Security Upgrades (\$294K)
- City Hall Gutter and Waterproofing Repair (\$485 K)
- City Buildings – Upgrade Lighting to LED (\$500 K)
- Electric Vehicle Charging (Fleet) (\$200K)
- Maintenance and Repair of City and Historic Buildings (\$670 K)

Major Funding Sources: General Fund CPR



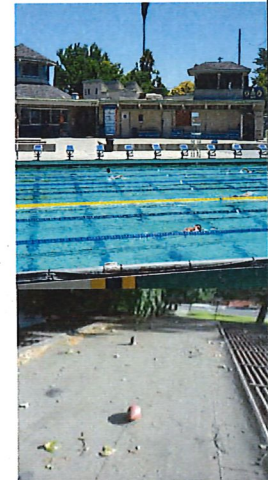
Proposed CIP – Community Facilities Theme



Five-Year CIP: \$3.3 million

- Planning and Construction of Temporary and/or Permanent International Swim Center (ISC) Replacement Facility (\$1.0 M)
- Bowers Roof/Building Replacement Project (\$1.2 M)
- Northside Branch Library – Automated Materials Handling System (\$332 K)
- Parks Service Center Improvements (\$235 K)
- Lawn Bowls Improvements (\$175 K)
- Senior Center Natatorium HVAC- Phase (\$173 K)
- Central Park Library – Radio Coverage (\$120 K)

Major Funding Sources: General Fund CPR, Mitigation Fee Act & Quimby Act fees, developer contributions

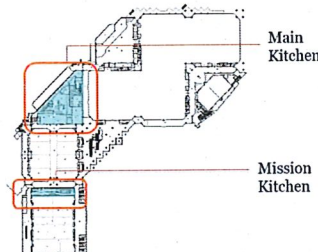
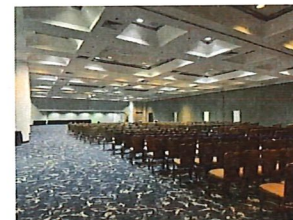


Proposed CIP – Convention Center Theme



Five-Year CIP: \$2.2 million

- Santa Clara Convention Center Condition Assessment Repair (\$2.2 M); replacement of air wall system in the Grand Ballroom and various upgrades to bathrooms
- Complete the indoor digital signage project (wayfinding, event/meeting announcements, and advertising) and update the kitchens using existing funds



Major Funding Sources: Convention Center Enterprise Fund, OVG360 and Levy Contributions

Proposed CIP – Electric Utility Theme



Five-Year CIP: \$751.5 million

- Northern Receiving Station (NRS) Upgrades and Expansion (\$134.0 M) Santa Clara
- Kifer Receiving Station (KRS) Rebuild and Replacement (\$107.0 M)
- Scott Receiving Station (SRS) Rebuild and Replacement (\$98.0 M)
- Transmission Loop 1 (\$76.3 M)
- Homestead Substation Rebuild (\$75.1 M)
- New Business Estimate Work (\$54.6 M)
- NRS-KRS 115kV Line (\$38.1 M)

Major Funding Sources: Transfer from Electric Utility Fund (customer service charges), debt financing, developer contributions, load development fees



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Proposed CIP – Parks and Trails Theme



Five-Year CIP: \$10.2 million

- Community Park North – Phase 1 (\$5.0 M)
- Central Park Access & Parking Improvements (\$3.0 M)
- Park Improvements (\$949 K)
- Earl Carmichael Park Playground Rehabilitation (\$508 K)
- Mary Gomez Park Playground Rehabilitation (\$414 K)
- Maywood Park Playground Rehabilitation (\$338 K)

Major Funding Sources: Mitigation Fee Act & Quimby Act fees, developer contributions, General Fund CPR



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Proposed CIP – Sewer Utility Theme



Five-Year CIP: \$132.6 million

- San Jose-Santa Clara Wastewater Facility (\$86 M)
- Sanitary Sewer Improvements (\$10.2 M)



- Sanitary Sewer Capacity Improvements (\$30.0 M)
- Sanitary Sewer Condition Assessment (\$5.0 M)
- Sanitary Sewer Hydraulic Modeling (\$1.4 M)

Major Funding Sources: Transfer from Sewer Utility Fund (customer service charges), debt financing

Proposed CIP – Storm Drain Theme



Five-Year CIP: \$4.7 million

- Storm Drain Pump Station Remote Terminal Unit (RTU) Upgrade (\$2.5 M)
- Green Stormwater Infrastructure Design and Construction (\$748 K)
- Storm Drain Pump Station Motor and Control Maintenance, Repair and Replacement (\$646 K)
- Storm SCADA Fiber Ready (\$364 K)
- Storm Drain Repairs and Maintenance (\$300 K)

Major Funding Sources: General Fund CPR, grants



Proposed CIP – Transportation Theme



Five-Year CIP: \$74.1 million

- Annual Street Maintenance and Rehabilitation (\$46.2 M)
- Tasman Complete Streets Plan 2021 Improvements Phase 1 – North San Jose Settlement (\$6.3 M)
- Traffic Signal Enhancements (\$3.3 M)
- Uncontrolled Crosswalks Improvements (\$2.8 M)
- Sidewalk, Curb and Gutter Repair (\$2.6 M)
- Pedestrian and Bicycle Enhancement Facilities (\$2.0 M)
- Street Tree Services (\$1.4 M)
- Cupertino-Santa Clara On-Demand Shuttle (\$1.3 M)

Major Funding Sources: gas tax, vehicle registration fees, SB1-Road Repair and Accountability Act, County Measure B, traffic mitigation fees, grants, General Fund CPR



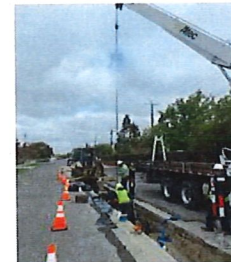
Proposed CIP – Water & Recycled Water Utilities Theme



Five-Year CIP: \$26.3 million

- Distribution System Replacement/Restoration (\$15.3 M)
- New and Replacement Wells (\$5.7 M)
- Building and Grounds (\$3.4 M)
- SCADA Improvements (\$1.3 M)
- Recycled Water System Mains and Services (\$600 K)

Major Funding Sources: Transfer from Water Utility and Recycled Water Utility Operating Funds (customer service charges)



Proposed CIP – Technology and Equipment Theme



Five-Year CIP: \$6.2 million

- Geospatial Information System (GIS) Enterprise System (\$1.5 M)
- Utility Management Information System Enhancements (\$1.5 M)
- FHRMS Update Project (\$1.2 M)
- Fire Protective Equipment Replacement (\$592 K) and Fire Defibrillator Replacement (\$70K); shifted to operating starting in FY 2025/26
- Police Vehicle Mobile Data Center Computer Replacement (\$350 K)
- Cyber Security Risk Mitigation (\$410 K); shifted to operating starting in FY 2025/26
- City Hall Data Center HVAC Remediation (\$350 K)

Major Funding Sources: General Fund CPR

Unfunded Capital Needs

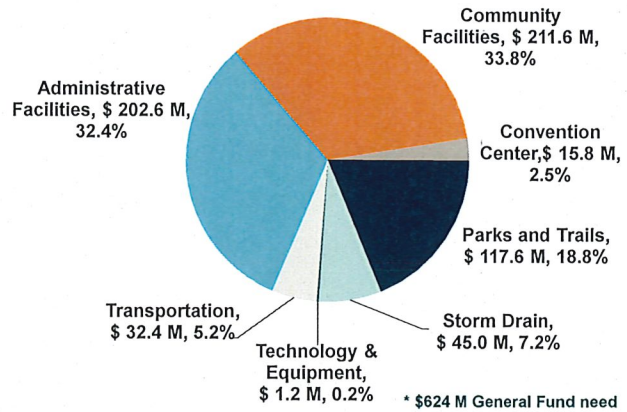


Unfunded Capital Needs



- Unfunded needs across several themes
- Identified unfunded projects in CIP represent only a portion of the unmet/deferred infrastructure. Other needs include:
 - Storm Drain Master Plan - \$290 million (in 2018 dollars)
 - Santa Clara Bicycle Plan Update 2018 - \$39.3 million (in 2018 dollars)
 - Santa Clara Pedestrian Master Plan - \$194.0 million (in 2019 dollars)
 - Americans with Disabilities Act Self-Evaluation and Transition Plan (Draft)- \$758.5 million (in 2024 dollars)
 - Public buildings (e.g., new City Hall, existing City Hall, historic buildings, corporation yard)

Five-Year CIP Unfunded Needs = \$626 M*



Operating Budget Amendments to FY 2024/25

FY 2024/25 Operating Budget Amendments



- FY 2023/24 and FY 2024/25 Adopted Operating Budget approved June 2023
- FY 2024/25 Operating Budget amendments necessary to:
 - update revenue estimates for the General Fund and other funds
 - make adjustments to account for updated labor and non-personnel costs in the General Fund and other funds
 - Update resources and production costs in Enterprise Funds
 - Update positions to reflect adjustments and reclassifications
- Described in the Appendices section of the Proposed Budget

General Fund Budget Actions



- Use of the Budget Balancing Reserve (\$0.4 M) and the Budget Stabilization Reserve (\$0.5 M) addresses the FY 2024/25 General Fund shortfall of \$0.9 M
- Limited budget actions using current year savings to support key areas:
 - **Police Park Patrols:** adds reserve officer funding of \$230,000 for parks patrols on weekdays from 3 p.m. to 11 p.m., Saturdays from 7 a.m. to 8 p.m., and Sundays from 11 a.m. to 7 p.m.
 - **Library Hours:** adds four hours of library service at Central Library on Sundays
 - **Senior Center Trips:** restores funding for approximately 10 local trips annually that would be partially offset by revenue; the net cost is estimated at \$13,100
- Structural Deficit remains - Additional budget balancing actions expected in next FY Biennial Operating Budget (June 2025) to address projected General Fund shortfalls

General Fund Reserves



Reserve Type	FY 2023/24 Current Balance	FY 2024/25 Proposed Balance
General Fund Budget Stabilization (BSR)	\$54.3 M	\$53.8 M*
General Fund Capital Projects	\$23.9 M	\$8.9 M
Land Sale Reserve	\$18.5 M	\$18.5 M
Pension Trust (General Fund)	\$27.5 M	\$27.5 M

* The BSR reserve is at 17.6% of the FY 2024/25 expenditure budget

Responses to May 7th Study Session Questions

May 7th Study Session Responses

Question: What is the difference between the \$45 million of unfunded Storm Drain projects listed in the CIP and the unfunded projects in the Storm Drain Master Plan of \$290 million?


Response: The \$45 million is a subset of the \$290 million in the Storm Drain Master Plan and reflects the most urgent needs over the five-year CIP cycle. Given the size of the needs, they are phased in with only a portion reflected based on urgent needs identified over the five-year CIP period.

Question: Will the potential bond get the City through the \$626 million of unfunded needs? Please reconcile the timing of the bond (30-year bond vs. five-years of unfunded needs).

Response: The City is evaluating a \$598 million bond. While that would not address all unfunded projects, it would make a sizable dent. This would be a substantial investment and provide dedicated one-time funding to address the City's capital needs.

If voters approve a bond measure, the dollar amount would be issued in phases to align with the capital project delivery schedules; projects are expected to be delivered over three to eight years. Typically, the bond issuances have a term of 30 years, allowing the projects to be paid off over time.

Questions and Answers



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