5/22/18

5:00PM
Study Session

City of Santa Clara
Council Meeting

2018/19 Annual Operating Budget Study Session

May 22, 2018

City of Santa Clara

Agenda

- Previous Annual Financial Forecasts
- Public Funds
- Summary of Reserve Funds
- Council Strategic Pillars
- Key Initiatives and Summary of Key Changes
- Proposed Annual Operating Budget-Citywide
- General Fund
- Enterprise Funds
- Internal Service Funds
- Special Revenue Funds
- Agency/Authority Funds
- Ten-Year Outlook

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POST MEETING MATERIAL

City of Santa Clara

Previous Annual Financial Forecasts

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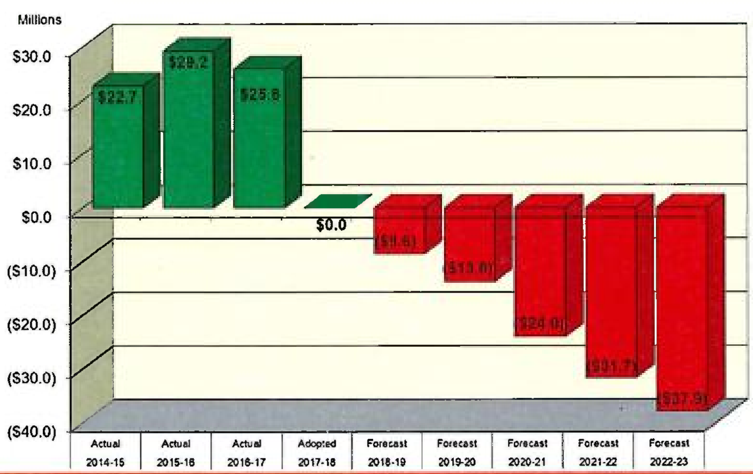
The Center of What's Possible

2017/18 Five-Year Financial Plan: Operating Surplus/(Deficits)



Updated to include 2016/17 Budget Surplus

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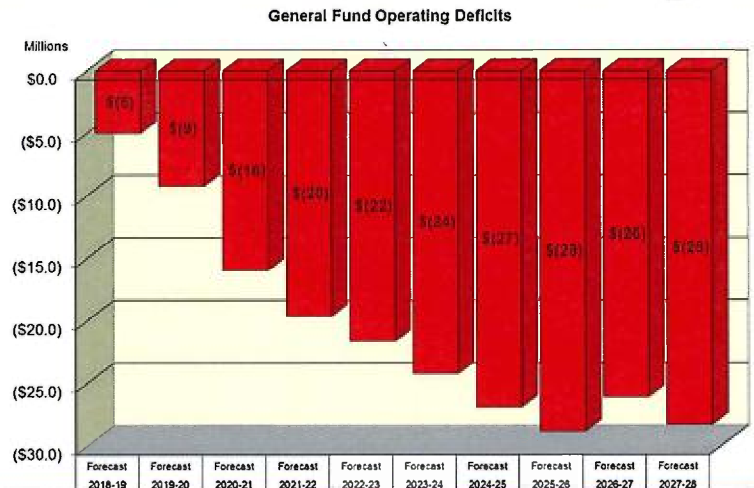
Preliminary Ten-Year Financial Plan: Presented at Council Priority Setting



Assumptions include:

- Actual PERS rates for 2018/19
- Includes revised revenue projections & salary projections that stay within growth rates

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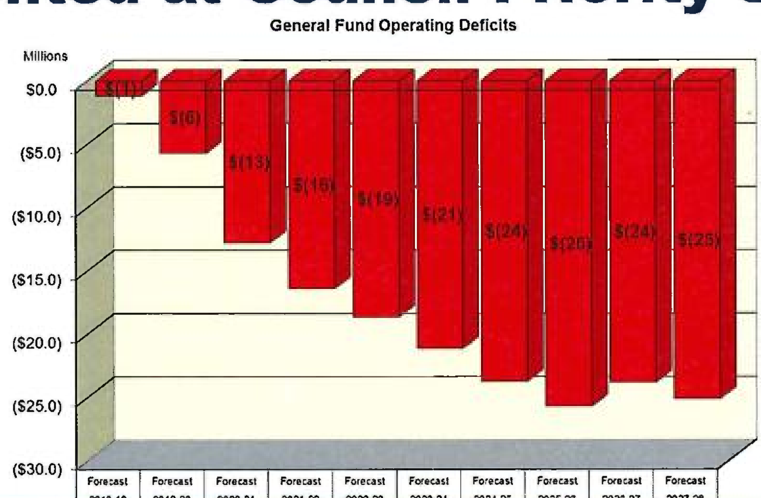
Preliminary Ten-Year Financial Plan: Presented at Council Priority Setting



Assumptions include:

- Actual PERS rates for 2018/19
- Includes revised revenue estimates & salary projections that stay within growth rates
- Funding of Working Capital Reserve Fund with one-time sources versus ongoing funds

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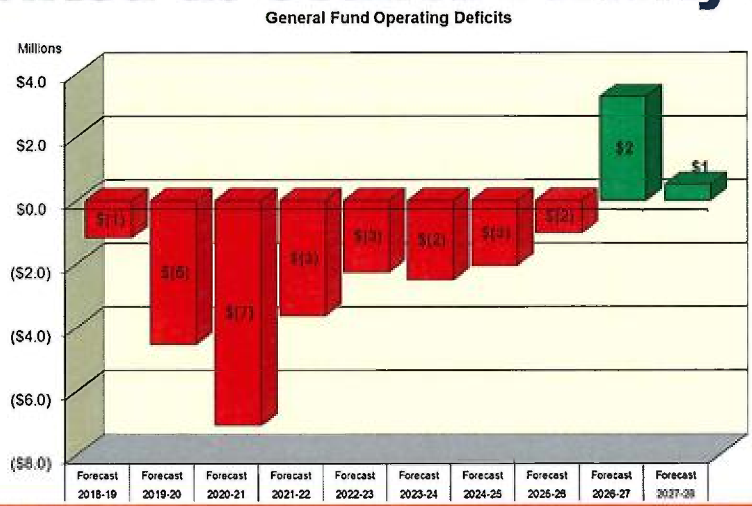
Preliminary Ten-Year Financial Plan: Presented at Council Priority Setting



Assumptions include:
- Actual PERS rates for 2018/19
- Includes revised revenue projections & salary projections
- Funding of Working Capital Reserve Fund with ongoing funds/one-time sources
- Ongoing deficits Solved with Ongoing Solutions

City of Santa Clara

Public Funds Managed by City's Public Entities

($ millions)

Budget Type	FY 2018/19	Status
Capital Improvement Program (CIP)	$83.5	Study Session – May 8th
Annual Operating Budget	$859.5	Study Session – May 22nd
Santa Clara Stadium Authority (SCSA)	$196.3	Adopted – March 27, 2018
Total Funds Administered	**$1,139.3**	

Note: Includes interfund transfers and Internal Service Fund charges

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Summary of Reserve Funds

($ millions)

Reserve Type	June 2017 Balance	October 2017 Contribution	Increase/ (Decrease)	Proposed Budget Contribution	Total Reserve Balance
General Fund Budget Stabilization	$50.0	$6.0	($0.9)	$4.2	$59.3
General Fund Capital Projects	$32.8	$7.0	($8.9)	-	$30.9
Land Sale Reserve	$39.3	-	($10.2)*	-	$29.1
Building Inspection	$8.4	$0.4	$0.9	-	$9.7
Special Liability	$0.5	$5.4	($3.5)	$3.5	$5.9
Pension Trust	$5.0	$10.5	-	-	$15.5
Electric Rate Stabilization	$87.0	$34.0	-	$6.2	$127.2
Total	**$223.0**	**$63.3**	**($22.6)**	**$13.9**	**$277.6**

**loan receivable of $10.2M from Park Fees*

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Council Strategic Pillars

- Promote and Enhance Economic and Housing Development
- Enhance Community Sports and Recreational Assets
- Deliver and Enhance High Quality Efficient Services and Infrastructure
- Maintain Adequate Staffing Levels
- Enhance Community Engagement and Transparency
- Ensure Compliance with Measure J and Manage Levi's Stadium

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Key Initiatives

- Work to eliminate year-over-year deficits in the General Fund-Revenue Opportunities & Expenditure Control
- Increase Transparency for Stadium Operations
- Strengthen and Streamline Administrative Processes
- Address Citywide Risk Management
- Transition Audit function to the Finance Department
- Improve Contract and Records Management
- Citywide Sustainability

Summary of Key Changes

- Transfers are shown as Transfers-In (Revenue) and Transfers-Out (Expenditure/Expense)
- Stadium Operations is shown as a separate program in the Non-Departmental Section of the Budget
- Moved from a Five-Year Financial Plan to a Ten-Year Plan
- Renamed the Working Capital Reserve to the Budget Stabilization Reserve

Summary of Key Changes

- One-time allocation of $100k for the waiver of fees or sponsorship as approved by the Council
- Council Contingency of $100k to expend on Council initiatives
- Added Risk Manager, Management Analyst (audit function), and Contracts Analyst
- Reduced three vacant positions
- Reclass of vacant Office Specialist to a Records Manager
- Incorporates the recently approved MOU agreements and the minimum wage increase of $15 in Jan 2019

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2018/19 Proposed Annual Operating Budget – Citywide

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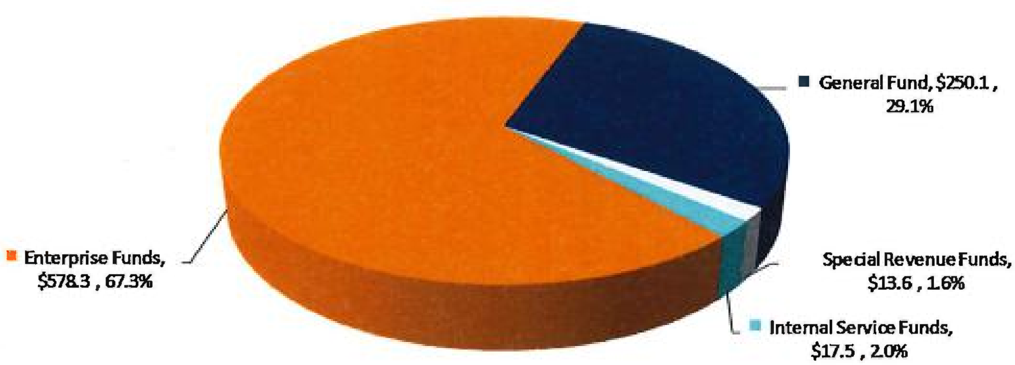
2018/19 Proposed Annual Operating Budget Citywide $859.5M

Fund Type ($ millions)	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change	Transfers
General Fund	$221.6	$250.1	$28.5	13%	$12.8
Special Revenue Funds	$7.2	$13.6	$6.4	90%	$6.5
Internal Service Funds	$15.8	$17.5	$1.7	11%	-
Enterprise Funds	$484.5	$578.3	$93.8	19%	$55.7
Total	$729.1	$859.5	$130.4	18%	$75.0

2018/19 Proposed Annual Operating Budget Citywide - $859.5M

($ millions)



Summary of Full Time Equivalent (FTE) Positions

Fund Type	2017/18	2018/19	Change
General Fund	819.40	822.35	2.95
Special Revenue Funds	0.60	0.60	-
Internal Service Funds	15.75	15.75	-
Enterprise Funds	269.50	272.55	3.05
Total	**1,105.25**	**1,111.25**	**6.00**

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Change in Full Time Positions

Departments	2017/18	2018/19	Change
City Council[1]	11.00	10.00	(1.00)
City Clerk	7.00	6.00	(1.00)
City Attorney	6.00	7.00	1.00
City Manager	14.00	13.00	(1.00)
Community Development	64.00	65.00	1.00
Fire	167.50	167.25	(0.25)
Library	45.50	46.75	1.25
Non-Departmental[2]	0.00	4.00	4.00
Public Works	106.65	105.60	(1.05)
Solid Waste	5.50	5.55	0.05
Electric	186.00	189.00	3.00
All other departments	492.1	492.1	-
Total	1,105.25	1,111.25	6.00

Net Increase of 2.95 FTE Positions to the General Fund

Net Increase of 3.05 FTE Positions to the Enterprise Funds

[1] Includes 7.0 Council members

[2] Risk Manager, Contracts Analyst, Management Analyst (audit), and Records Manager

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Change in Full Time Positions

Deleted	Department	Total
Office Specialist III	City Clerk	(1.00)
Communication Coordinator	City Manager	(1.00)
Quality Improvement Nurse	Fire	(0.25)
Materials Testing Technician	Public Works	(1.00)
Subtotal		**(3.25)**

Reclassed		
Office Specialist to City Council	City Council	(1.00)
Records Manager	Non-Departmental	1.00
Subtotal		**-**

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Change in Full Time Positions

New	Department	Total
Deputy City Attorney	City Attorney	1.00
Code Enforcement Officer	Community Development	1.00
Library Program Coordinator	Library	1.00
Library Assistant I/II/III	Library	0.25
Risk Manager	Non-Departmental	1.00
Contracts Analyst	Non-Departmental	1.00
Management Analyst (Audit)	Non-Departmental	1.00
Subtotal		**6.25**
Net Total - General Fund		**3.00**
Communication Coordinator	Electric	1.00
Electric Utility Engineer (Fiber)	Electric	1.00
Staff Aide II	Electric	1.00
Total Electric Fund		**3.00**

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General Fund

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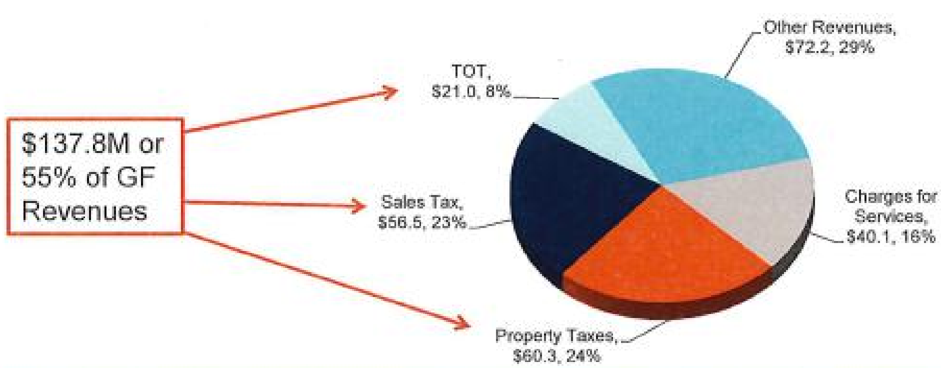
2018/19 Proposed Budget: General Fund Resources $250.1M



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2018/19 Proposed Budget: General Fund Resources

Revenue Source	Stable	Trend	% of General Fund
Sales Tax		↓	23%
Property Tax	☑	↑	24%
Transient Occupancy Tax (TOT)		↔	8%
Total			55%

2018/19 Proposed Budget: General Fund Appropriations by Type ($ millions)

Expenditure Category	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change	% of Total GF Budget
Salary and Benefits	$170.2	$184.8	$14.6	9%	74%
Services and Supplies	38.0	37.8	(0.2)	(0.5%)	15%
Interfund Services	10.2	11.3	1.1	11%	5%
Capital Outlay	0.7	0.9	0.2	29%	-
Debt Service	2.5	2.5	-	-	1%
Transfers-Out	-	12.8	12.8	100%	5%
Total General Fund	$221.6	$250.1	$28.5	13%	100%

2018/19 Proposed Budget: General Fund Appropriations by Department ($ millions)

Departments	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
General Government[1]	$35.8	$64.3	$28.5	80%
Public Works Department	24.4	25.7	1.3	5%
Police	72.4	68.6	(3.8)	(5%)
Fire	45.3	46.7	1.4	3%
Parks & Recreation	18.4	19.5	1.1	6%
Library Department	10.2	10.7	0.5	5%
Community Development	15.1	14.6	(0.5)	(3%)
General Fund Departments	**$221.6**	**$250.1**	**$28.5**	**13%**

[1]Primarily due to moving $11.5M of Transfers-out from Revenue to Expense, $5.6M for Stadium Operations, $1.5M for new initiatives, and allocation of attrition savings to depts.

2018/19 Proposed Budget: Stadium Operations ($ millions)

Function	2018/19 Proposed
General Admin	$0.5
Police	4.2
Fire	0.4
Public Works	0.5
Total	**$5.6**

- Public Safety costs are based on 10 NFL events and 10 Non-NFL events

General Fund Reserves

- Budget Stabilization Reserve (BSR)
  - Formerly Working Capital Reserve
  - 25% of budgeted appropriations
  - Projected 2017/18 ending balance of $55.1M
  - 2018/19 BSR amount should be $59.3M (not budgeted)
  - Staff will recommend allocating $4.2M of the 2017/18 General Fund year-end surplus to this reserve (October/November timeframe)
- Capital Projects Reserve
  - Estimated beginning balance of $30.9M
  - CIP Budget includes use of $9.9M in FY 2018/19

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Enterprise Funds

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2018/19 Proposed Budget: Enterprise Funds $578.3M

($ millions)

Enterprise Funds	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
Electric Utility	$392.1	$450.1	$58.0	15%
Water Utility	39.1	50.4	11.2	29%
Recycled Water Utility	4.5	7.1	2.6	58%
Sewer Utility	25.0	44.7	19.7	79%
Solid Waste	22.8	24.8	2.0	9%
Cemetery	1.0	1.2	0.2	20%
Total	**$484.5**	**$578.3**	**$93.8**	**19%**

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2018/19 Proposed Annual Operating Budget - Electric Utility

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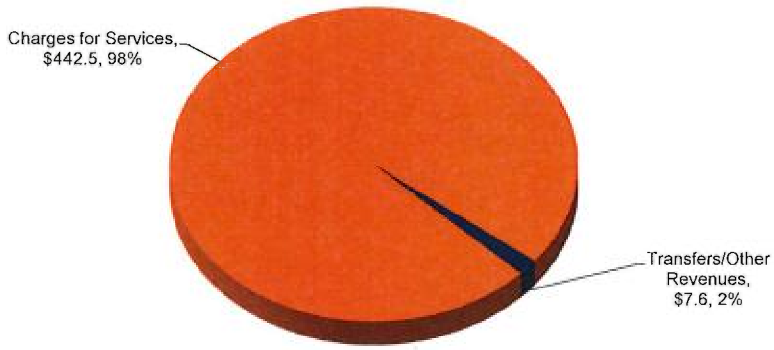
2018/19 Proposed Budget: Electric Utility Resources $450.1M



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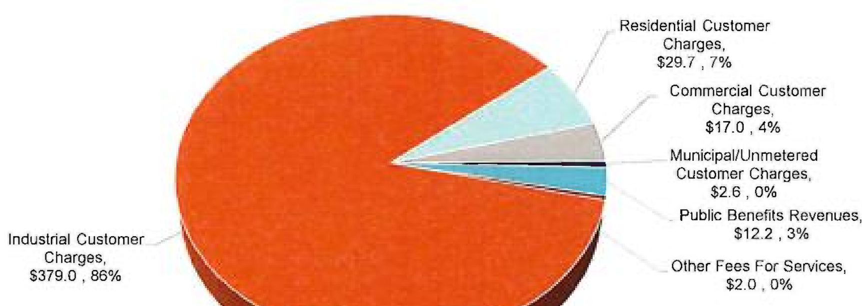
2018-19 Proposed Budget: Electric Charges for Services $442.5M



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2018/19 Proposed Budget: Electric Utility Appropriations

($ millions)

Expenditure Category	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change	% of Total Budget
Salary and Benefits	$41.0	$43.8	$2.8	7%	10%
Services and Supplies	29.6	35.7	6.1	21%	8%
Resource/Product	267.7	285.1	17.4	6%	63%
Interfund Services	11.1	12.4	1.3	12%	3%
In Lieu/Franchise	21.7	23.1	1.4	6%	5%
Capital Outlay	0.3	0.5	0.2	67%	-
Debt Service	20.7	21.0	0.3	1%	5%
Transfers-Out	-	28.5	28.5	100%	6%
Total Electric Utility	**$392.1**	**$450.1**	**$58.0**	**15%**	**100%**

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City of Santa Clara

2018/19 Proposed Annual Operating Budget - Water and Sewer Utilities

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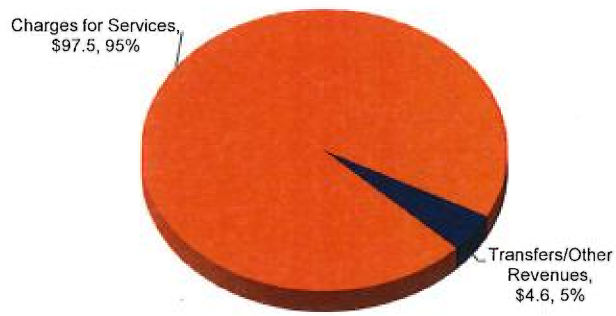
2018/19 Proposed Budget: Water and Sewer Resources $102.1M



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2018/19 Proposed Budget: Water & Sewer Appropriations

($ millions)

Expenditure Category	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change	% of Total Budget
Salary and Benefits	$11.7	$13.3	$1.6	14%	13%
Services and Supplies	6.3	7.0	0.7	11%	7%
Resource/Product	43.4	47.7	4.3	10%	46%
Interfund Services	5.7	6.4	0.7	12%	6%
Capital Outlay	0.5	-	(0.5)	(100%)	-
Debt Service	1.0	1.0	-	-	1%
Transfers-Out	-	27.7	27.7	100%	27%
Total Water & Sewer Utilities	**$68.6**	**$103.1**	**$34.5**	**50%**	**100%**

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Internal Service Funds

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2018/19 Proposed Budget: Internal Service Funds $17.5M

($ millions)

Internal Service Funds	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
Communication Acquisitions	$0.5	$0.5	-	-
Equipment Pool Revolving	3.7	4.4	0.7	19%
Automotive Services	4.7	5.0	0.3	6%
Workers' Compensation	4.0	4.0	-	-
Special Liability Insurance	2.8	3.5	0.7	25%
Unemployment Insurance	0.1	0.1	-	-
Total	**$15.8**	**$17.5**	**$1.7**	**11%**

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Special Revenue Funds

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2018/19 Proposed Budget: Special Revenue Funds $13.6M

($ millions)

Special Revenue Funds	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
Downtown Parking Maintenance	$0.2	$0.3	$0.1	50%
Convention Center Maintenance	$1.5	$1.5	-	-
Parks & Rec. Operating Grant Trust	$0.2	$0.2	-	-
Housing Authority	$0.2	$0.3	$0.1	50%
City Affordable Housing	$1.3	$1.6	$0.3	23%
Housing Successor Agency	$1.3	$0.7	($0.6)	(46%)
Housing and Urban Development	$2.5	$2.5	-	-
Gas Tax[1]	-	$3.4	$3.4	100%
SB1 – Road Repair and Accountability Act of 2017	-	$2.1	$2.1	100%
Traffic Mitigation[1]	-	$1.0	$1.0	100%
Total	$7.2	$13.6	$6.4	89%

[1] Previously included in the CIP budget; moved to the Annual Operating Budget starting 2018/19

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2018/19 Proposed Annual Operating Budget - Agency/Authority Funds

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2018/19 Proposed Budget: Agency/Authority Funds

($ millions)

Agency/Authority Funds	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
Convention Center	$7.3	$7.5	$0.2	3%
Convention Visitors Bureau[1]	$1.5	$1.5	-	0%
Sports and Open Space Authority	$2.4	$2.6	$0.2	8%
Total	**$11.2**	**$11.6**	**$0.4**	**4%**

[1] Represents City Contract amount

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2018/19 Proposed Annual Operating Budget - Ten-Year Outlook

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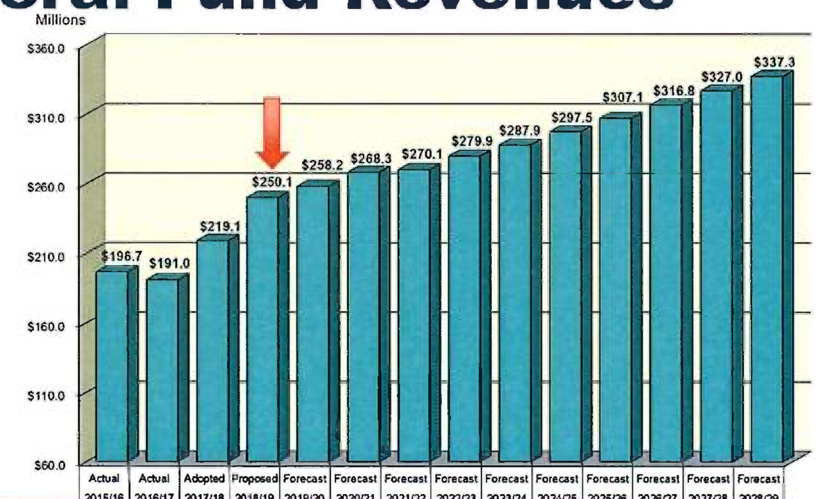
Ten-Year Financial Plan: General Fund Revenues



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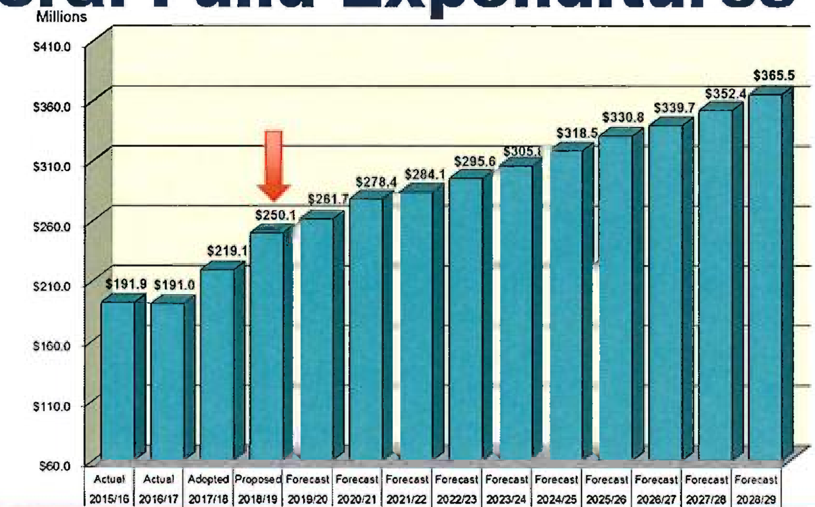
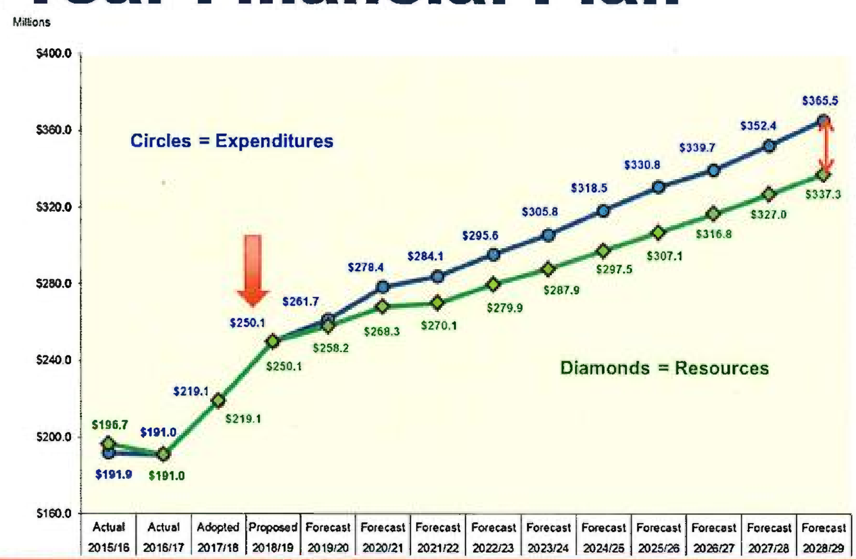
Ten-Year Financial Plan: General Fund Expenditures



City of Santa Clara

Ten-Year Financial Plan



Expenses exceed Revenues by $28.2M in 2028/29

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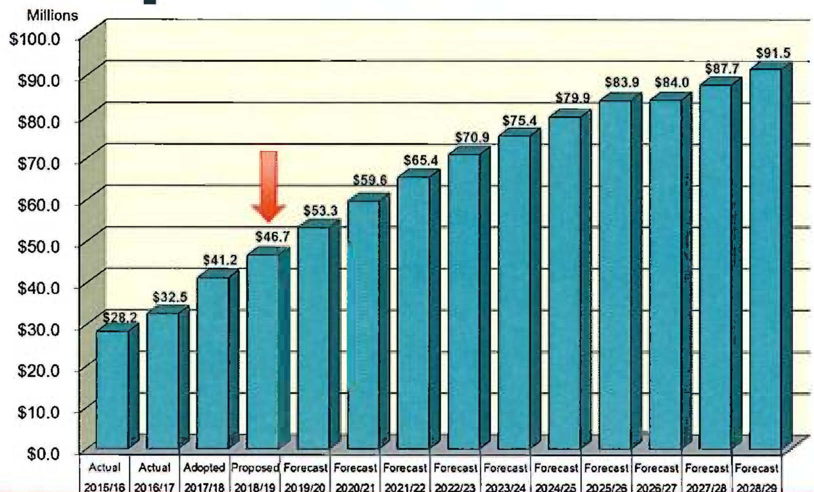
Ten-Year Financial Plan: PERS Expenditures



Increase of $44.8M by FY 2028/29

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Ten-Year Financial Plan: CalPERS Employer Rates

	Percent of Salary:	
Fiscal Year	Miscellaneous Plan	Safety Plan
2017/18	33.430%	47.317%
2018/19	**35.900%**	**51.300%**
2019/20	40.100%	56.200%
2020/21	42.800%	60.300%
2021/22	45.000%	64.300%
2022/23	46.900%	67.600%
2023/24	48.000%	69.600%
2024/25	49.000%	71.500%
2025/26	49.600%	72.600%
2026/27	45.100%	73.400%
2027/28	45.400%	74.100%
2028/29	45.800%	74.700%

Based on the CalPERS Actuarial Study* prepared by Bartel Associates, LLC for the City of Santa Clara:

- 62% of the UAL for the Miscellaneous Plan is attributed to Retirees
- 73% of the UAL for the Safety Plan is attributed to Retirees

*June 30, 2015 Valuation date (study prepared May 2017)

City of Santa Clara

Ten-Year Financial Plan: Operating Surplus/(Deficits)

Assumptions include:

- Actual PERS rates for 2018-19
- Includes revised revenue estimates & salary projections that stay within growth rates
- Funding of Working Capital Reserve Fund with one-time sources versus ongoing funds

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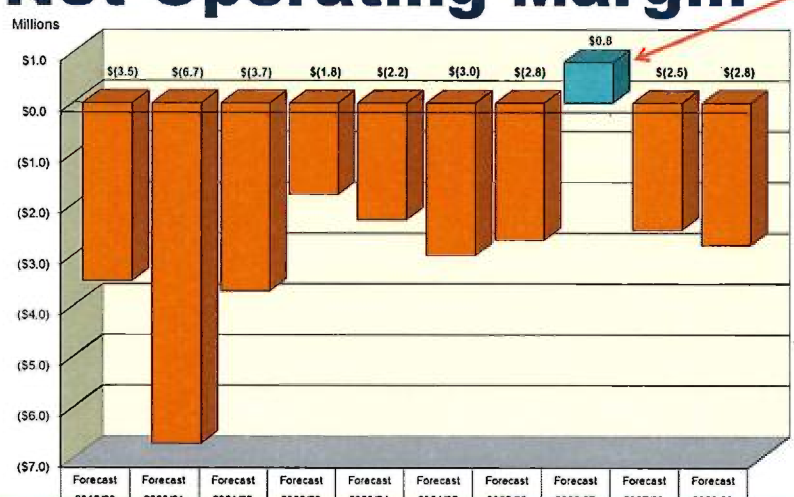
Ten-Year Financial Plan: Net Operating Margin

Decrease in Amortization base



Assumptions include:

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