

## FY 2024/25 and FY 2025/26 Proposed Capital Budget Responses to Questions from the Budget Study Sessions

### May 7, 2024 Study Session

1. **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 included on the unfunded projects list is a subset of the \$290 million identified in the Storm Drain Master Plan and reflects the most urgent needs over the five-year CIP cycle, as identified by the Department of Public Works. Given the size of the needs, they are phased in with only a portion reflected in the five-year CIP.

2. **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 sizing of a potential bond measure has not yet been finalized; however, the City has been evaluating a \$598 million bond. While that would not address the complete list of unfunded projects, it would make a sizable dent in addressing those needs. This would be a substantial investment in the City and provide dedicated one-time funding that currently does not exist 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. It is anticipated that that the projects would be delivered over three to eight years depending on the timing of all project stages (e.g., design, engineering, construction). Typically, the bond issuances have a term of 30 years, allowing the projects to be paid off over time.

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### June 4, 2024 Study Session

1. **With the recent Settlement with the 49ers, the General Fund will receive \$20 million over the next two years. Does the budget reflect any of this revenue? Do we still have a structural deficit with this new revenue?**

**Response:** The \$2 million in base rent and the majority of the senior/youth fees have already been assumed in the budget. The remaining estimated funding of \$17.4 million over the next two years has not been factored into the budget. This includes performance-based rent (\$9.6 million), excess revenue (\$7.7 million), and senior and youth program fees (\$0.1 million). Of this amount, \$7.1 million is one-time performance based rent from FY 2022/23 and FY 2023/24 that is expected to be received in FY 2024/25 once an executed agreement is in place. These funds will be brought forward to Council for discussion and allocation within the context of the City's financial condition and the Council priorities. Staff will provide updates on the Council priorities as part of City Council strategic initiatives discussion.

Additional funding that is estimated at \$10.3 million is expected to be received after the close of the Stadium Authority budget in FY 2024/25 and FY 2025/26 from a combination of performance-based rent, excess revenue, and senior and youth program fees. The actual amounts received will be incorporated into future budgets. To the extent these revenues can generate an ongoing revenue stream, they can partially offset the General Fund structural deficit. At this point, this revenue stream is not expected to be sufficient to fully offset the deficit.

2. **On Slide 7 of the presentation, the General Fund FY 2024/25 Adopted vs FY 2024/25 Amended budget increased by 6%, which seems high. What were the drivers for that increase?**

**Response:** Year-over-year, the budget is expected to increase based on higher cost of delivering services – e.g., salaries, retirement, health, interfund services. Approximately one-half of the growth was attributed to increases in these expenditures that were evaluated as part of the development of the FY 2024/25 Amended Budget. The other half of the increase was the result of higher transfers from the General Fund Capital Projects Reserve to various capital funds to support capital projects programmed in the Proposed Biennial Capital Budget.

In FY 2024/25, revenue growth was available to offset almost all of the increase in costs, with the remaining General Fund shortfall of \$0.9 million addressed with the use of the Budget Balancing Reserve and the Budget Stabilization Reserve. In recent years, the City has benefitted from strong property tax growth while sales tax growth has been lower and more volatile. There has been discussion of sales tax reform to help address this issue. Cities have often had to create new sources of revenue to keep up with costs.

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3. **On Slide 8 of the Study Session presentation, the table is labeled “Cumulative Shortfall/Surplus.” Is it cumulative?**

**Response:** The label “Cumulative Shortfall/Surplus” label should have read “Shortfall/Surplus” as the amount is not cumulative. It is the projected revenues less the projected expenditures. The City continues to have a projected deficit in each year of the Ten-Year Forecast.

4. **The Convention Center capital needs are meant to be funded by the Convention Center operating profits. Slide 25 shows Convention Center unfunded CIP need of \$15.8 million. Does funding for those projects come from the Convention Center operations or the General Fund?**

**Response:** Convention Center operating profits are used to program some improvements at the Convention Center. The unfunded needs of \$15.8 million would ideally be funded by additional operating profits. If operating profits are not sufficient to fund those needs, other sources would need to be identified, especially for urgent needs. The General Fund is assumed as the other potential funding source.

5. **Lawn bowl facility has \$175,000 allocated, what additional funds are needed to bring this back?**

**Response:** The estimated cost of a lawn bowl facility is preliminarily estimated at approximately \$1.0 million, leaving a funding gap of \$825,000. This cost is based on an initial assessment from 2018 that has been escalated along with contingency to address the project scope. This figure would need to be refined based on the final project scope.

6. **Can we see a breakdown of the costs and specific projects that would be funded by a bond on the ballot measure?**

**Response:** Departments know which structures, parks, facilities, storm drains, and streets are most in need of repair. Those needs along with community input on priorities will inform the bond project listing. A preliminary breakdown of project funding by category (e.g., public safety, streets and transportation, parks and community facilities, storm drain and flood protection) is under development and will be brought forward for City Council consideration as part of the potential General Obligation Bond Fund discussion. If a bond is approved, a detailed project listing will be developed and those details would be brought forward on a regular basis to Council and an advisory board. Those specific projects would be budgeted in a separate fund specifically created for the bond projects and incorporated into future budgets.

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- 7. How much of the International Swim Center cost is included in the roughly \$600 million of unfunded projects? \$1 million is set aside for ISC, but what else is included?**

**Response:** The unfunded projects list includes \$44 million for the International Swim Center project. This is a placeholder figure that is expected to be updated upon the approval of a project scenario. The Parks and Recreation Department is developing a number of project scenarios for City Council consideration that will be brought forward separately. Limited project funding is budgeted, including new funding of \$1.0 million in the Proposed Budget as well as existing funding of \$0.9 million, for total project funding of \$1.9 million.

- 8. When will the Economic Development and Marketing Subcommittee resume its meetings?**

**Response:** While a date has not been set, the City Manager's Office expects to schedule the Economic Development and Marketing Subcommittee meetings later in FY 2024/25.

- 9. How much would a rainbow crosswalk in Santa Clara cost?**

**Response:** The preliminary estimate for the cost of a rainbow crosswalk is \$100,000. If funded, this figure would be refined based on the location and scope of the project.