


6/25/24

Item # 6.A +
6.B



City Council Meeting

Item # 6.A
Public Hearing: Adoption of the Proposed FY 2024/25 & FY 2025/26 Biennial Capital Improvement Program Budget and FY 2024/25 Operating Budget Changes

Item # 6.B
Establish the City's Fiscal Year 2024/25 Appropriations Limit

June 25, 2024

Agenda

- FY 2024/25 and FY 2025/26 Proposed Budget
 - Budget Overview
 - Amendments to the Proposed Budget
 - Follow-up from Budget Study Sessions
- FY 2024/25 Appropriations Limit (Gann Limit)
- Recommendations

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, Appropriations Limit (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 (\$926.8 M) and Five-Year Capital Improvement Program (CIP) (\$1.33 B)
- Capital program is a mixed bag: well-funded for the utilities (83% 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) total \$279.9 M and are included in Attachment 2



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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



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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	\$309,573,189
Special Revenue Funds	48,639,709	37,111,226	41,458,963
Enterprise Funds	872,344,414	968,035,945	945,192,918
Internal Service Funds	39,606,414	41,304,602	45,724,215
Debt/Other*	374,983,049	40,658,134	152,273,904
Less (Transfers, Contributions, and Reserves)**	(515,319,491)	(247,455,561)	(416,866,269)
Subtotal Operating Budget	\$1,102,049,653	\$1,127,113,314	\$1,077,356,920
Capital Funds	\$657,486,151	\$108,385,754	\$567,807,159
Less (Transfers, Contributions, and Reserves)**	(3,188,205)	(1,454,000)	(1,818,315)
Subtotal Capital Budget	\$654,297,946	\$106,931,754	\$565,988,844
Total Budget	\$1,756,347,599	\$1,234,045,068	\$1,643,345,764

* 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)

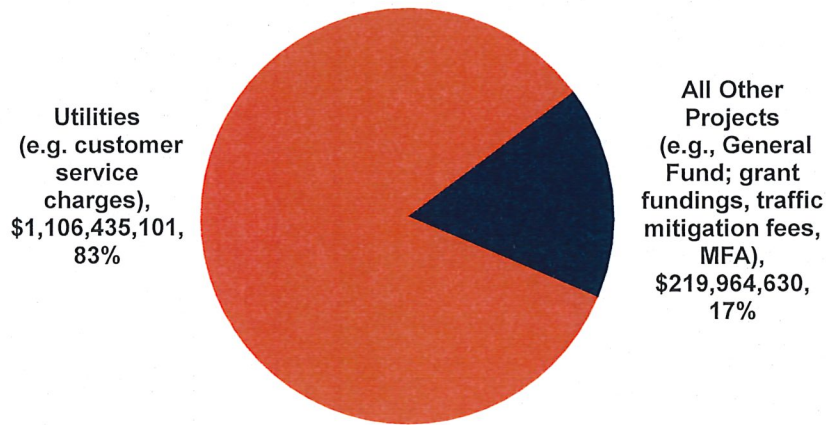


CIP Projects by Theme

Theme	2024/25 Budget	2025/26 Budget	Biennial Budget	Five-Year CIP
Administrative Facilities	\$4,095,210	\$310,000	\$ 4,405,210	\$4,405,210
Community Facilities	5,048,553	500,000	5,548,553	5,548,553
Convention Center	4,426,973	0	4,426,973	4,426,973
Electric Utility	381,349,796	304,154,500	685,504,296	915,168,496
Other Community Projects	10,155,928	5,411,998	15,567,926	28,356,945
Parks and Trails	22,359,260	2,158,838	24,518,098	29,018,098
Sewer Utility	44,498,871	22,216,632	66,715,503	157,575,724
Solid Waste	788,000	812,000	1,600,000	4,180,000
Storm Drain	9,387,028	1,934,750	11,321,778	13,121,778
Technology and Equipment	7,949,131	751,000	8,700,131	11,168,931
Transportation	68,362,528	14,470,938	82,833,466	123,918,142
Water and Recycled Water Utilities	9,385,881	6,225,000	15,610,881	29,510,881
TOTAL	\$567,807,159	\$358,945,656	\$926,752,815	\$1,326,399,731



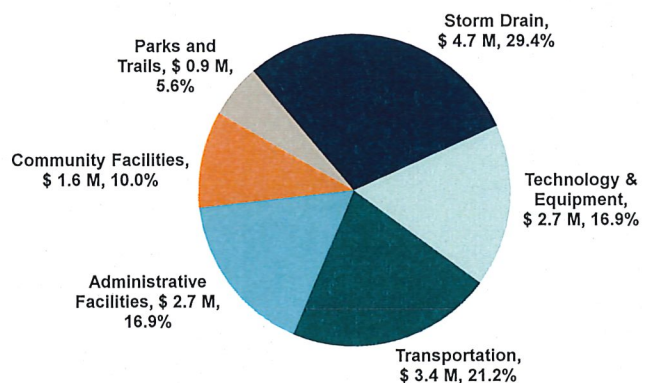
CIP Projects by Funding Source



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

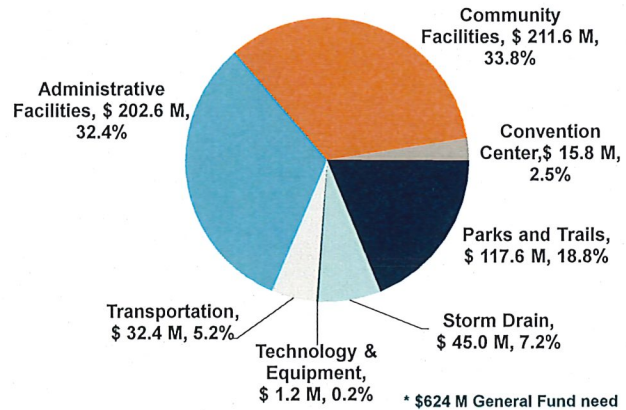
CPR Funding in Five-Year CIP = \$16.0 M



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*



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 Park 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

Amendments to the Proposed Budget

Amendments to the Proposed Budget

- Attachment 2 to the RTC
- Capital project carryovers from FY 2023/24
- Limited operating carryovers (e.g., Commerce Plaza maintenance/repairs, City Council initiatives) and other adjustments to reflect revised revenues/expenditures
- Actions occurring after development of the Proposed Budget:
 - Grant funding agreement with the 49ers (\$200 K annual allocations)
 - Convention Center Developer Contribution/Santa Clara Convention Center Assessment project (\$550 K allocation as outlined in the contract extension with OVG)
 - Updates to the San José – Santa Clara Regional Wastewater Facility costs
 - Addition of 1.0 Assistant Director of Electric Utility
 - Elimination of the Downtown Parking Maintenance District assessments
 - Housing and Urban Development Annual Action Plan Updates

Responses to May 7th and June 4th 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.

June 4th Study Session Responses

Question: Does the budget reflect the \$20 M in settlement funds from the 49ers and do we still have a deficit?

Response: The budget assumes the base rent and the majority of the senior/youth fees. The budget does not assume \$17.4 million expected over the next two years. One-time funds of \$7.1 million from prior year performance rent is expected in FY 2024/25 and will be brought forward for appropriation. The remaining \$10.3 million represents estimated amounts to be received after the close of the Stadium Authority budget in FY 2024/25 and FY 2025/26. The actual amounts received will be incorporated into future budgets. This revenue stream is not expected to fully offset the deficit.

Question: The General Fund grew 6% from the FY 2024/25 Adopted to the FY 2024/25 Amended. What were the drivers of that increase?

Response: Approximately one-half of the increase was the result of increases in the cost of delivering services (e.g., salaries, retirement, health, interfund services) while the remaining half was the result of higher transfers from the General Fund Capital Projects Reserve to various capital funds to support capital projects in the CIP. Revenue growth was sufficient to offset almost all the increases in cost with the use of \$0.9 million in reserves to balance the budget.

June 4th Study Session Responses

Question: The June 4th Study Session presentation (slide 8) included a General Fund Forecast slide that showed "Cumulative Shortfall/Surplus." Is it cumulative?

Response: The "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.

Question: The Convention Center capital needs are meant to be funded by the Convention Center operating profits. The June 4th Study Session presentation (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.

June 4th Study Session Responses

Question: The lawn bowl facility has \$175,000 allocated, what additional funds are needed to bring this back?

Response: The 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.

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

Response: A preliminary breakdown of project funding by category (e.g., public safety, street repair and transportation, parks and community facilities) 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 would be developed and 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.

June 4th Study Session Responses

Question: How much of the International Swim Center (ISC) 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 a placeholder of \$44 million for the ISC project 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. Limited project funding is budgeted, including new funding of \$1.0 million in the Proposed Budget and existing funding of \$0.9 million, for total project funding of \$1.9 million.

Question: 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.

Question: 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.

FY 2024/25 Appropriations Limit (Item# 6.B)

FY 2024/25 Appropriations Limit

- In compliance with Propositions 4 (Gann Initiative) and 111 (Spending Limitation Act of 1990), State constitution limits the amount of revenue that can be spent by governmental agencies
- Beginning with FY 1990/91 appropriations limit, cities can use the following as an adjustment factor:
 - Annual growth in City's population or County's population
 - Annual growth in California per capita income or non-residential assessed valuation
- FY 2024/25 calculation used the County's population growth and the California per capita income
- The calculation limits the City from receiving more than \$651.4 million in tax-based revenues in FY 2024/25
- The revenue subject to the appropriation limit totals \$235.4 million or 36.14% of the limit

Recommendations

Recommendations – Agenda Items 6A and 6B

Agenda Item# 6.A – Budget Adoption

1. Approve the Proposed FY 2024/25 and FY 2025/26 Biennial Capital Budget, including the recommended revisions detailed in Attachment 2 (**Majority Affirmative Council Votes Required**)
2. Approve the FY 2024/25 Operating Budget changes included in the recommended revisions detailed in Attachment 2 (**Five Affirmative Council Votes Required**)
3. Approve the Appropriation Schedule for capital funds totaling \$567,807,159 in FY 2024/25 and \$358,945,656 in FY 2025/26 and the FY 2024/25 Appropriation Schedule for operating funds totaling \$1,494,223,189 as detailed in Attachment 3 (**Majority Affirmative Council Votes Required**)
4. Approve the Housing Authority FY 2024/25 expenditure budget of \$468,931 as presented in the Operating Budget (**Majority Affirmative Council Votes Required**)
5. Approve the Sports and Open Space Authority FY 2024/25 expenditure budget of \$10,200 as presented in the Operating Budget (**Majority Affirmative Council Votes Required**)

Recommendations – Agenda Items 6A and 6B

Agenda Item# 6.B – Appropriation Limit

1. Adopt a Resolution establishing the City's FY 2024/25 appropriations limit of \$651,370,972

Questions and Answers

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City Council Meeting

Item # 6.A

Public Hearing: Adoption of the Proposed FY 2024/25 & FY 2025/26 Biennial Capital Improvement Program Budget and FY 2024/25 Operating Budget Changes

Item # 6.B

Establish the City's Fiscal Year 2024/25 Appropriations Limit

June 25, 2024

