

5/7/19

Item# 1

City of Santa Clara

Joint Study Session

Item 1 (19-1608): Joint Study Session to Review Proposed FY 2019/20 and FY 2020/21 Biennial Operating Budget and Capital Improvement Program Budget Adjustments

May 7, 2019



Public Funds Managed by Santa Clara's Public Entities

(\$ millions)

Budget Type	FY 2019/20	FY 2020/21	Status
Capital Improvement Program (CIP)	\$ 128.6	\$ 145.8	Adopted - June 2018; Amended
Proposed Operating Budget	826.2	845.9	Study Session – May 7, 2019
Santa Clara Stadium Authority (SCSA)	88.1	90.0*	Adopted – March 27, 2019
Total Funds Administered	\$1,042.9	\$1,081.7	

Note: Excludes interfund transfers and Internal Service Fund charges to avoid double counting;
 2 includes contributions to reserves, debt service
 * SCSA FY 2020/21 Estimated



POST MEETING MATERIAL

Summary of City Reserves

(\$ millions)

Reserve Type	July 1, 2018 Beginning Balance	July 1, 2019 Beginning Balance	Estimated One-Time Additional Increase in 2019	2019/20 Proposed Contribution/ Use of Reserves	2019/20 Reserve Balance	2020/21 Proposed Contribution/ Use of Reserves	2020/21 Reserve Balance
General Fund Budget Stabilization (BSR)	\$55.1	\$56.5	\$15.0	(\$1.0)	\$70.5	(\$1.2)	\$69.3
General Fund Capital Projects	\$31.0	\$24.3		(\$9.6)	\$14.7	(\$10.2)	\$4.5
Land Sale Reserve *	\$29.1	\$21.1		-	\$21.1	-	\$21.1
Pension Trust (all funds)	\$15.6	\$20.2		\$1.8	\$22.0	\$1.3	\$23.3
Utility Fund Rate ** Stabilization/O&M (NEW)	-	-		\$19.1	\$19.1	(\$0.4)	\$18.7
Electric Rate Stabilization/O&M	\$121.0	\$120.7		\$25.6	\$146.3	\$7.2	\$153.5
Total	\$251.8	\$242.8	\$15.0	\$35.9	\$293.7	(\$3.3)	\$290.4

Note: Does not include additional reserves anticipated at the close out of FY 2018/19 which will be brought forward to the City Council in November/December 2019.

³ * Balance does not include outstanding loan \$10.2 million for Reed and Grant

** Includes Sewer, Solid Waste, Water, Water Recycling



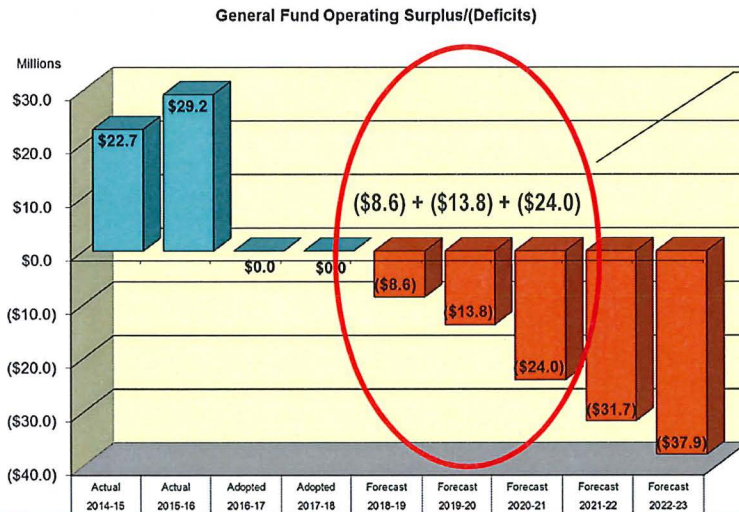
Where have we come from?

Ten-Year Financial Forecast



Forecast Improvement – June 2017

(in \$Millions)



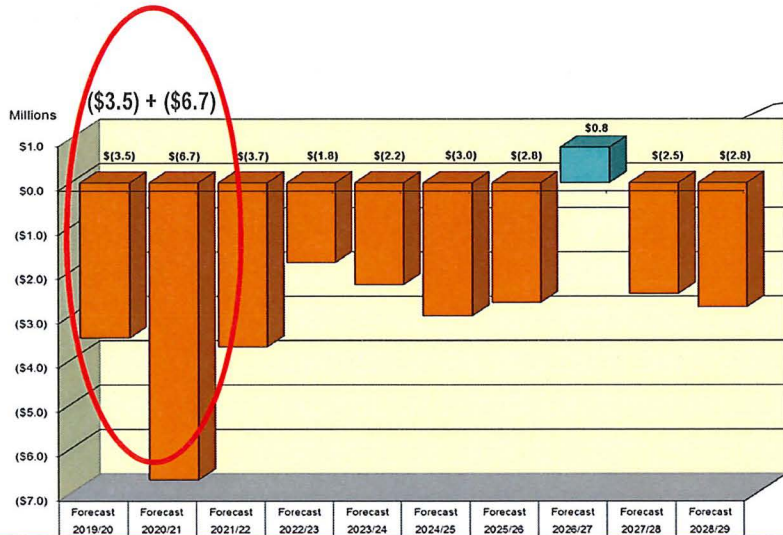
*In 18 months, the new Administration has resolved a **\$46.4 million deficit**: preventing significant service reductions and the loss of hundreds of jobs!*

How did we do this?

As part of the FY 18/19 budget, we began meticulous diligence of all funds:

- **Revenue and Expenditure Update** – Thorough review of all revenues and expenditures, fund-by-fund and, for the most part, line-by-line, resulted in the June 2018 Ten-Year Financial Forecast

Ten-Year Financial Forecast – June 2018



We solved the \$8.6 million deficit for FY 18/19, revised it down to \$10.2 million for this period, and stepped up our fiscal review.

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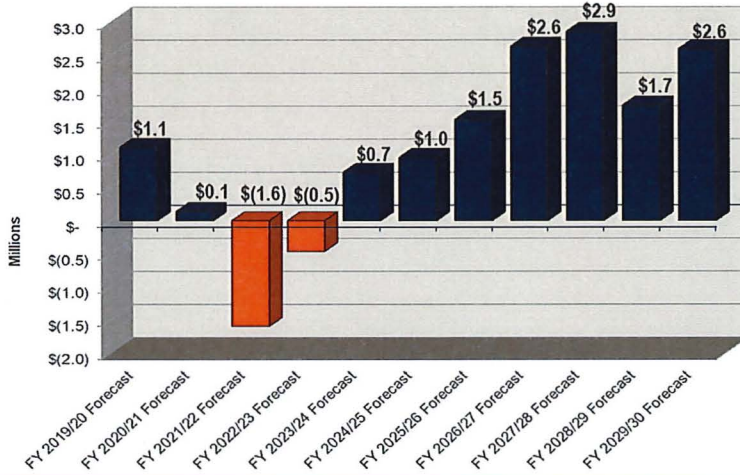
Ten-Year Financial Forecast – January 2019

- **CalPERS** – Implemented current CalPERS' direction/methodology for payments and reflected accordingly in budgeting practices and financial forecast
- **Economic Slow Down Strategy** – Modest economic slow down assumed, we have already presented more severe scenarios
- **Revenue and Expenditure Update** – Thorough review of all revenues and expenditures, fund-by-fund and, for the most part, line-by-line
- **FY 2019/20 reflects Base Budget** – Council-Approved Service Levels

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Ten-Year Financial Forecast – January 2019



The result of our meticulous diligence has dramatically changed our fiscal outlook. We now know our risk factors and can plan to further stabilize our future. Deficit/surplus makes up between 0.0% to 0.9% of General Fund expenditures.

General Fund Budget Balancing

Source/(Use) (\$ millions)	2019/20 Proposed	2020/21 Proposed
January 2019 Forecast	\$ 1.1	\$ 0.1
Additional Base Budget Funding (Minimum Wage, Fire Training/Assignment Pay, IT Unisys Contract, Council Labor Authorization)	(2.5)	(0.7)
Additional Base Budget Revenue Adjustments (Storm Drain Compliance Fee, Cannabis Revenue Delay, Property Tax Adjustment, Related Lease Revenue, Electric Contribution In-Lieu, Cost Allocation Plan)	0.8	(0.6)
Convention Center/CVB	1.5	-
Revised Forecast	\$ 0.9	\$ (1.2)
Net Service Level Changes/Budget Proposals (includes budget proposals, use of reserves, new internal service funds, additional revenues)	(0.9)	1.2
Net General Fund Balancing	\$ 0.0	\$ 0.0

Potential Impacts to Financial Status

- Labor costs beyond budget assumptions
- CalPERS actuarial changes or any CalPERS reform actions
- Downturn in economy/decline in revenues
- Decrease in Stadium Authority revenue
- Infrastructure Operating Budget impacts
- State/Federal legislative changes
- Further refinement of major tax revenue projections
- Settlement agreements pending

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Potential Impacts to Financial Status

- Revenue and staffing impacts of development projects
 - CityPlace Lease revenue starts in February 2020
- Timing of Cannabis Tax implementation timing
- Internet Sales Tax implementation
 - South Dakota v. Wayfair Supreme Court decision; budget assumes \$1.2 million
- New Department funding requests to address service / admin gaps
- Consultant studies for Fees (policy decisions pending)
 - **Revenue Strategy:** Budget Principle approved to establish fees at full cost-recovery
- Contribution In Lieu Fee from SVP

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Key Initiatives

- Continue to work to eliminate deficits in the General Fund - revenue opportunities and expenditure control
- Address City Council priorities within limited resources
- Shared resource/service approach
- Real Estate Program
- Citywide Sustainability Program
- Improve Stadium Oversight
- Increase Strategic Communications
- Strategic use of one-time funds for turnaround initiatives to update outdated policies and procedures (\$2.0 million)

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New Look

- Transition from a transactional budget organized by fund to one that highlights department performance and service delivery
 - Example would be the Public Works which was previously shown across Funds (General Fund, Streets and Highways, Solid Waste, etc..) has now been combined into the Public Works Department budget
- Revenues are now reflected as “Sources” and Expenditures/Expenses are “Uses”
- Service level changes (budget proposals) align with the City Council strategic pillars
- Includes Budget and Fiscal Policies
- New Internal Service Funds – Information Technology and Public Works
- Comprehensive budgetary financial statements that include beginning and ending fund balances

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Council Strategic Pillars



Promote and Enhance Economic and Housing Development



Deliver and Enhance High Quality Efficient Services and Infrastructure



Enhance Community Sports and Recreational Assets



Enhance Community Engagement and Transparency



Ensure Compliance with Measure J and Manage Levi's Stadium



Manage Strategically Our Workforce Capacity and Resources



Sustainability (new)

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Promote and Enhance Economic and Housing Development

- **Real Estate Program** – use of shared resources (funded 70% from Housing and 30% General Fund)
 - Adds one Assistant to the City Manager
 - Adds one Management Analyst
 - Deletes one Housing Division Manager
- **Pilot Accessory Dwelling Unit Incentive Program** – for income qualified teachers and public service employees
- **Housing Administrative Support** – addition of one Staff Aide I
- **Real Estate and Housing Loans Asset Management Software**

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Deliver and Enhance High Quality Efficient Services and Infrastructure

- **Capital Improvement Program (CIP) Project Adjustments** – amends FY 2019/20 budget to include resources for storm drain infrastructure, corporation yard renovations, water tank rehabilitation, advance metering infrastructure, and civic center campus renovations
- **Fire Engine Replacement**
- **City Auditor Resources** – conversion of one Records Specialist to a Senior Performance Auditor
- **Policy Updates** – consultant services to update existing policies
- **Census 2020 Outreach** – for an accurate population count
- **Northside Library Branch Additional Hours** – adds one Librarian I

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Enhance Community Sports and Recreational Assets

- **Reed and Grant Sports Park** – funds two positions and other start up costs for the new park
- **Community Garden Program Outreach and Expansion**
- **Capital Improvements: Installing a restroom at Fairway Glen Park, Dog Park improvements**

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Enhance Community Engagement and Transparency

- Document and Content Management Software Resources
- Records Retention Policy Update
- **City Clerk Initiatives and Voter Outreach** – funds to be used by the City Clerk to encourage voter participation
- **Lobbyist Ordinance Implementation**
- **Measure N Outreach and Engagement**
- **Police Video Records Staffing** – adds one Police Records Specialist and deletes a vacant Staff Aide position to address recent State legislation

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Ensure Compliance with Measure J and Manage Levi's Stadium

- Stadium Public Safety Deployment (funded 75% by the Stadium Authority and 25% General Fund)
 - Adds one Stadium Oversight Manager (Deputy City Manager) to coordinate stadium functions including neighborhood impacts, multi-department deployment model, and other Stadium event support issues
- Public Safety Stadium Training (100% reimbursed by the Stadium) – funding for specialized training related to events at Levi's Stadium
- ***The Proposed Budget does not include any recent Board directives relative to the pending revocation of procurement authority that was delegated to the Stadium Manager and City's resources needs***

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Manage Strategically Our Workforce Capacity and Resources

- **Real Estate Attorney** – funds one Assistant City Attorney to support real estate legal matters
- Information Technology Services Cost-Benefit Analysis Consultant – review of the City’s current contract for Information Technology services
- **Web and Digital Media Manager** – to support redesign of the City’s website and other media outreach
- **Risk Management Resources**
- **Public Records Act (PRA) Resources** – to assist with PRA requests
- Tuition Reimbursement and Professional Development – funds Working Scholars Program and other educational benefits

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Sustainability

- **Sustainability Program Manager** (funded by various funds) – adds one Assistant to the City Manager to oversee strategies outlined in the Climate Action Plan with a focus on creating a more sustainable, healthy, and livable community
- Silicon Valley Power (SVP) – adds one Electric Program Manager to support the utilities electric vehicle program
- **Multi-Family Energy Rehab Program** – pilot program for multifamily housing projects achieving 15% whole building energy savings with gas, electric and water measures
- Existing **SVP Public Benefits Program** (\$12.5 million) including Program Manager for greenhouse gas reducing activities

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Proposed Budget - FY 19/20 & 20/21

- Budget is balanced, fiscally responsible approach, and known risk factors noted for our fiscal outlook
- Ten - Year Financial Forecast provides a road-map for managing forward in a fiscally responsible manner
- Reserves are proposed for strategic use and are at unprecedented levels
- Invests in City Council Policy Priorities and in Administration's needs to advance improvements in service or gaps/risk areas
- Significantly more transparent with a complete change in how the Budget is presented

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City of Santa Clara

FY 2019/20 & FY 2020/21 Proposed Biennial Operating Budget – Citywide

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Proposed Biennial Operating Budget

Fund Type (\$ millions)	2018/19 Adopted	2019/20 Proposed	Increase/ (Decrease)	2020/21 Proposed	Increase/ (Decrease)
General Fund	\$ 250.1	\$ 262.3	\$ 12.2	\$ 268.9	\$ 6.6
Special Revenue Funds	13.6	29.3	15.7	13.8	(15.5)
Internal Service Funds	17.5	35.8	18.3	35.3	(0.5)
Enterprise Funds	578.3	634.2	55.9	740.1	105.9
Debt Service/Other	-	24.5	24.5	26.8	2.3
Subtotal	\$ 859.5	\$ 986.1	\$ 126.6	\$ 1,084.9	\$ 98.8
Net Adjustments*	-	(159.9)	(159.9)	(239.0)	(79.1)
Total Operating Budget	\$ 859.5	\$ 826.2	\$ (33.3)	\$ 845.9	\$ 19.7

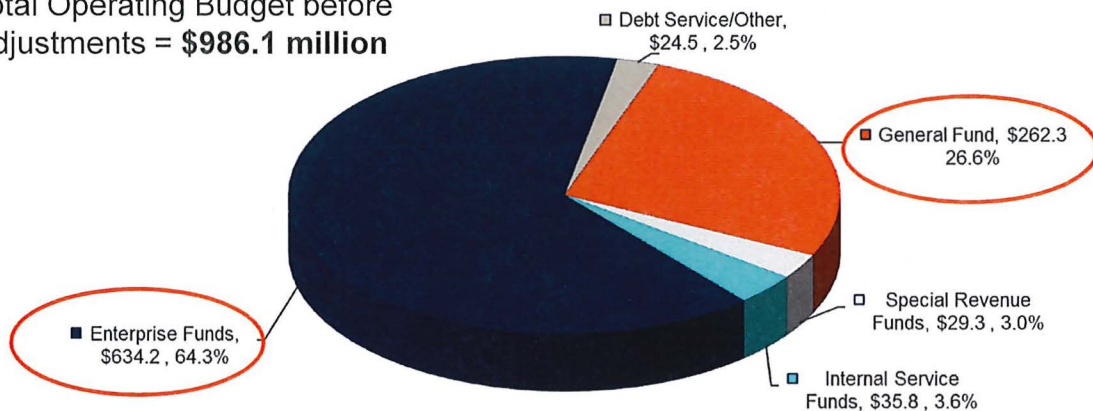
25 * Excludes interfund transfers and Internal Service Fund charges to avoid double counting



FY 2019/20 Proposed Operating Budget

(\$ millions)

Total Operating Budget before Adjustments = **\$986.1 million**



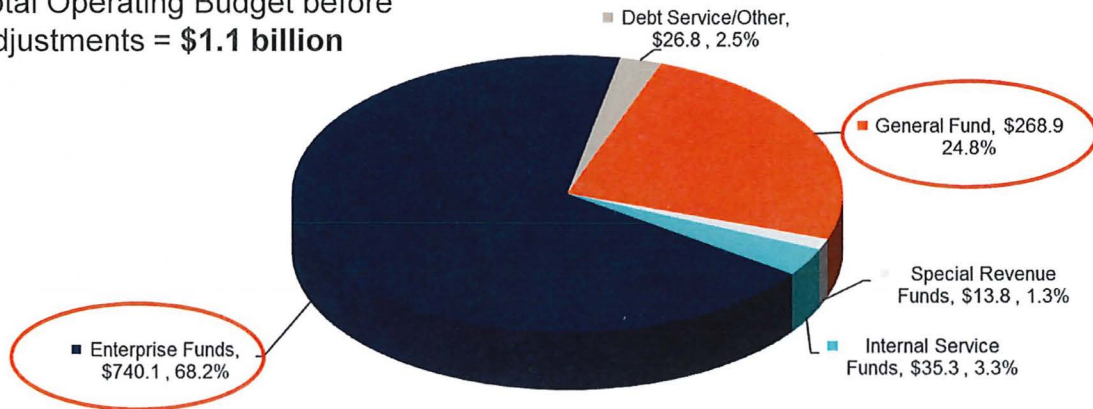
26 NOTE: Includes interfund transfers and Internal Service Fund charges



FY 2020/21 Proposed Operating Budget

(\$ millions)

Total Operating Budget before Adjustments = \$1.1 billion



NOTE: Includes interfund transfers and Internal Service Fund charges

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Summary of Full Time Equivalent (FTE) Positions

Fund Type	2018/19	2019/20	Change*	2020/21	Change
General Fund	822.35	805.84	(16.51)	806.84	1.00
Special Revenue Funds	0.60	6.82	6.22	6.82	0.00
Internal Service Funds	15.75	37.44	21.69	37.44	0.00
Enterprise Funds	272.55	281.65	9.10	281.65	0.00
Total	1,111.25	1,131.75	20.50	1,132.75	1.00

* Includes 6.00 Base Budget changes and 14.50 Proposed Service Level changes

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Change in Full Time Positions

Departments	2018/19	2019/20	Change*	2020/21	Change
City Council	10.00	10.00	0.00	10.00	0.00
City Attorney	7.00	7.00	0.00	8.00	1.00
City Clerk	6.00	5.00	(1.00)	5.00	0.00
City Auditor	0.00	3.33	3.33	3.33	0.00
City Manager	13.00	13.00	0.00	13.00	0.00
Community Development	65.00	66.00	1.00	66.00	0.00
Electric Utilities	189.00	197.00	8.00	197.00	0.00
Finance	61.00	61.42	0.42	61.42	0.00
Fire	167.25	167.25	0.00	167.25	0.00
Human Resources	15.00	15.75	0.75	15.75	0.00
Information Technology	7.00	7.00	0.00	7.00	0.00
Library	46.75	46.75	0.00	46.75	0.00
Parks and Recreation	80.75	82.75	2.00	82.75	0.00
Police	239.00	239.00	0.00	239.00	0.00
Public Works	127.50	128.50	1.00	128.50	0.00
Water and Sewer Utilities	73.00	73.00	0.00	73.00	0.00
Non-Departmental	4.00	9.00	5.00	9.00	0.00
Total	1,111.25	1,131.75	20.50	1,132.75	1.00

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* Includes 6.00 Base Budget changes and 14.50 Proposed Service Level changes



City of
Santa Clara
The Center of What's Possible

List of Net New Base Budget Full Time Positions

- **Non-Dept – Citywide Strategic Functions:**
 - Assistant to the City Mgr. (Convention Center)
 - Office Specialist III (Convention Center/Stadium)
- **Electric:**
 - 2 Assistant Directors
 - Electric Program Manager (to reduce Greenhouse Gas Emissions)
 - Senior Electrical Estimator

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City of
Santa Clara
The Center of What's Possible

List of Proposed Full Time Position Changes – Net 15.5 FTE Addition

- CAO - Assistant City Attorney (Year 2)
- CMO - Web and Digital Content Manager
- Non-Dept – Citywide Strategic Functions
 - Assistant to the City Mgr. (Sustainability)
 - Assistant to the City Mgr. (Real Estate)
 - Deputy City Manager (Stadium Oversight)
 - Office Specialist III (Risk Management)
- Community Development
 - Staff Aide I
 - Management Analyst (offset by deletion of Housing Division Manager)
 - Senior Inspector (offset by deletion of Combination Inspector)

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List of Proposed Full Time Position Changes – Net 15.5 FTE Addition

- Electric Utility
 - 3 Electric Program Manager
 - Electric Utility Engineer
 - Meter Data Analyst (offset by deletion of Staff Aide II)
- Finance – Sr. Accounting Technician (offset by deletion of 0.25 Accounting Tech)
- Human Resources – Office Specialist IV (offset by deletion of 0.25 Sr. Human Resources Tech)
- Library – Librarian (offset by deletion of Business Analyst)
- Parks and Recreation
 - Recreation Coordinator
 - Grounds Maintenance Worker II

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List of Proposed Full Time Position Changes – Net 15.5 FTE Addition

- Police – Police Records Specialist (offset by deletion of Staff Aide I)
- Public Works
 - Staff Analyst
 - Management Analyst (offset by deletion of Assoc Engineer)
- Water and Sewer Utilities
 - Sr. Civil Engineer and Assistant Engineer (offset by deletion of Sr Water Utility Engineer and Water and Sewer System Operator)

City of Santa Clara

General Fund

FY 2019/20 & FY 2020/21 Proposed Budget

Source	Stable	Trend	FY 2019/20 % of General Fund	FY 2020/21 % of General Fund
Sales Tax			23%	22%
Property Tax			26%	27%
Transient Occupancy Tax (TOT)			9%	9%
Total			58%	58%

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FY 2019/20 & FY 2020/21 Proposed Budget: General Fund Uses by Type

(\$ millions)

Use Category	2018/19 Adopted	2019/20 Proposed	2020/21 Proposed	% of Total GF Budget (FY 2019/20)
Salary and Benefits	\$184.8	\$189.2	\$198.8	72%
Services and Supplies	37.8	30.7	30.6	12%
Interfund Services	11.3	22.2	22.5	8%
Capital Outlay	0.9	0.6	0.2	-
Debt Service	2.5	4.0	-	2%
Transfers-Out	12.8	15.5	16.8	6%
Total General Fund	\$250.1	\$262.3	\$268.9	100%

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General Fund Reserves

- Budget Stabilization Reserve (BSR)
 - Used for weathering economic downturn, emergency financial crisis or disaster situations
 - Target 25% of budgeted appropriations
 - Projected 2019/20 ending balance of \$70.5M
- Capital Projects Reserve
 - Estimated beginning balance of \$24.3M
 - CIP Budget includes use of \$9.6M in FY 2019/20
- Land Sale Reserve
 - Proceeds from City-owned land
 - Projected 2019/20 ending balance of \$21.1M

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City of Santa Clara Enterprise Funds

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FY 2019/20 & FY 2020/21 Proposed Budget: Enterprise Funds

(\$ millions)

Enterprise Funds	2018/19 Adopted	2019/20 Proposed	2020/21 Proposed
Electric Utility	\$450.1	\$513.1	\$575.4
Water Utility	50.4	52.9	56.7
Recycled Water Utility	7.1	5.4	8.4
Sewer Utility	44.7	32.9	67.7
Solid Waste	24.8	28.1	29.9
Convention Center	-	0.4	0.5
Cemetery	1.2	1.4	1.5
Total	\$578.3	\$634.2	\$740.1

City of Santa Clara Internal Service Funds

FY 2019/20 & FY 2020/21 Proposed Budget: Internal Service Funds

(\$ millions)

Internal Service Funds	2018/19 Adopted	2019/20 Proposed	2020/21 Proposed
Communication Acquisitions	\$0.5	\$0.5	\$0.5
Fleet Operations	5.0	5.1	5.2
Information Technology Services	-	13.3	13.3
Public Works Capital Projects Mgmt	-	3.7	3.8
Special Liability Insurance	3.5	4.4	4.5
Unemployment Insurance	0.1	0.1	0.1
Vehicle Replacement	4.4	3.9	3.0
Workers' Compensation	4.0	4.8	4.9
Total	\$17.5	\$35.8	\$35.3

City of Santa Clara

FY 2019/20 Capital Improvement Program Changes

Summary of FY 2019/20 CIP Changes

- Electric Utility
 - Silicon Valley Power Utility Center - (\$10,500,000)
 - Homestead Substation Rebuild - (\$2,800,000)
 - Fiber Development, Design, and Exp. - (\$45,000)
 - New Business Estimate Work - \$300,000
 - Yard Pavement Project - \$235,000
- Fire Department
 - Protective Equipment Replacement - \$120,000
- General Government
 - Inst. Telecom. Networks and Broadcast - (\$200,000)
- Parks and Recreation
 - Fairway Glen Park Restroom - \$900,000
 - Bowers Roof Replacement - \$127,820

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Summary of FY 2019/20 CIP Changes

- Public Buildings
 - Civic Center Campus Renovation (multi-department) - \$1,000,000
 - Street Corporation Yard Reno - \$137,000
- Public Works Capital Projects Mgmt
 - Various Capital Programs - \$3,723,666
- Sewer Utility
 - San Jose – Santa Clara Regional Wastewater Facility - \$2,021,227
- Storm Drain
 - Westside Retention Basin Pump - \$620,000
 - Storm Water Retention Basic Remed. - (\$300,000)
- Water Utility
 - Tank Rehabilitation - \$1,420,000
 - Asset Management Program - \$750,000

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City of Santa Clara

Next Steps

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Next Steps

- **May 7** – City Council Study Session on Operating Budget, Capital Improvement Program Changes, City Council Priority Matrix
- **May 17** - Any final reconciliation of the Council Priority Matrix should be transmitted to the City Manager's Office
 - Trade-offs between funding proposals sent in writing
 - City Manager's Office can help with decision making
- **May 21** – City Council Study Session on Revenue Strategies begins with User Fees

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Next Steps

- **June 4** – City Council Adoption of Biennial Operating Budget, CIP Changes and Carryover
 - Review and approval of Convention Center Budget from Spectra
- **June 25** – Adoption of Municipal Fee Schedule/ Workplan on review of User Fees. Additional Study Sessions on User Fees will be provided to evaluate Fee increases and decreases, while adopting the current User Fee Schedule (with slight increases) until final action by the Council

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City of Santa Clara Joint Study Session

Item 1 (19-1608): Joint Study Session to Review Proposed FY 2019/20 and FY 2020/21 Biennial Operating Budget and Capital Improvement Program Budget Adjustments

May 7, 2019

