City Council Meeting

8.A Public Hearing: Adoption of the Proposed FY 2026/27 & FY 2027/28 Biennial Capital Improvement Program Budget and FY 2026/27 Operating Budget Changes

8.B Establish the City's Fiscal Year 2026/27 Appropriations Limit

June 9, 2026

1

Agenda

- FY 2026/27 and FY 2027/28 Proposed Budget
  - Budget Overview
  - Amendments to the Proposed Budget
  - Follow-up from Budget Study Sessions
- FY 2026/27 Appropriations Limit (Gann Limit)
- Recommendations

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2

2

Proposed Budget Overview

3

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3

Budget Calendar

- **Oct – Nov 2025** – Departments submit CIP Project requests; turn over Operating Budget and begin work on proposed Municipal Fee Schedule
- **November – March** – Review of CIP and Operating Budget requests; prepare Ten-Year General Fund Forecast, complete review of Proposed Municipal Fee Schedule
- **April 14** – City Council Study Session on the Proposed Municipal Fee Schedule
- **April 21** – Public Hearing and Adoption of the Proposed Municipal Fee Schedule
- **April 28** – Proposed Capital Budget Released
- **May 5** – City Council Study Session on Capital Budget and Operating Budget Changes
- **May 19** – Second Study Session on Capital Budget and Operating Budget Changes
- **June 9 – City Council Adoption of Capital Budget, Gann Limit, Operating Budget Changes and CIP Carryovers**
- **June 23** – Potential Discussion on FY 2025/26 General Fund Additional Funds

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4

4

Overview (Biennial Budget Cycle)

June 2026 | Dec 2026 | June 2027 | Dec 2027 | June 2028

Capital Budget

June 2026	June 2027	June 2028
• **Adopt Biennial Budget**	• Amend Budget (2nd Year)	• Adopt Biennial Budget

Operating Budget

June 2026	June 2027	June 2028
• **Amend Budget (2nd Year)**	• Adopt Biennial Budget	• Amend Budget (2nd Year)

Budget Monitoring/Year-End Report

Dec 2026	Dec 2027
• Close and reconcile FY 2025/26	• Close and reconcile FY 2026/27

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5

Proposed Budget Overview

- *Measure I: $400 M GO Bonds; Tranche 1 projects total $96.6M of which $63.2M is reflected in CIP*
- *Dedicated staff focused on project delivery*
- *Tranche 2 and 3 to be reflected in future CIPs*

Measure I GO Bond Implementation

Capital Project Delivery

- *Significant funding for utility infrastructure*
- *Dedicated funds for transportation projects*
- *Capital Projects Reserve to support high priority projects*

City Services and Organizational Effectiveness

- *Council Priorities*
- *Position changes to address organizational reviews/other needs*
- *More effective service delivery*
- *Additional adjustments expected in next Operating Budget*

Fiscal Sustainability and Planning for the Future

- *Improved General Fund Forecast addresses structural deficit*
- *New Infrastructure Replacement Capital Fund*
- *Reserve to restore previously frozen positions*

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6

Total City Budget

- Funds appropriated annually
- Year 1 of the Biennial Capital Budget
- Revisions to Year 2 of the FY 2025/26 and FY 2026/27 Operating Budget adopted in June 2025
- Revisions to the FY 2026/27 Proposed Budget

City of Santa Clara Budget*

Fund Type	FY 2025/26 Adopted Budget	FY 2026/27 Proposed Budget
General Fund	$335,374,572	$368,700,880
Special Revenue Funds	52,037,355	51,809,828
Enterprise Funds	1,012,631,859	1,229,597,726
Internal Service Funds	51,672,525	51,505,652
Debt/Other*	273,236,049	64,479,696
Less (Transfers, Contributions, and Reserves)**	(529,425,156)	(439,939,427)
Subtotal Operating Budget	**$1,195,527,204**	**$1,326,154,355**
Capital Funds***	777,527,724	840,899,634
Less (Transfers, Contributions, and Reserves)**	(1,454,000)	(2,154,000)
Subtotal Capital Budget	**$776,073,724**	**$838,745,634**
Total Budget	**$1,971,600,928**	**$2,164,899,989**

* Does not include the Stadium Authority Budget
** Adjusts for transfers, contributions and reserves to avoid double counting of the same funds
*** FY 2026/27 Proposed Budget includes carry forward of capital projects from FY 2025/26

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7

7

Capital Budget for FY 2026/27 and 2027/28 and Five-Year CIP

8

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8

Measure I General Obligation Bond

Fire Stations and Emergency Response **($142,235,450)**	Parks, Libraries, Senior Center, and Aquatics Facilities **($115,258,750)**	Storm Drain System Improvements **($46,000,000)**
Police Facilities **($43,987,500)**	Streets and Transportation **($41,170,000)**	Historic Buildings and Beautification **($9,200,000)**

- Tranche 1 capital projects totaled $96.6 M; Proposed CIP includes Tranche 1 projects carried over from FY 2025/26 totaling $63.2 M
- Planning to issue bonds in three phases

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9

9

Measure I General Obligation Bond

Transparency and Accountability

- Bond proceeds can only be spent on projects and programs that serve Santa Clara and must align to the adopted Expenditure Plan
- With the exception of the project management and delivery costs, Bond proceeds cannot be used for employee salaries. Administrative costs capped at 5%
- Annual independent performance audits and financial audits submitted to the California State Auditor for review and posted on the City's website
- Bond Compliance Oversight Committee to ensure that Bond proceeds are expended only for the purposes described in the measure
- Separate fund to account for the Bond proceeds and expenditures
- Finance Director to report to the City Council at least annually on the actual bond proceeds and expenditures and the status of improvements
- No improvements to Levi's Stadium or improvements that benefit any professional sports team

Amending the Expenditure Plan

1. City staff review, analyze and make a recommendation on any proposed substantive amendment to the Expenditure Plan ("Amendment").
2. Prior to City Council consideration, any such proposed Amendment will first be submitted to the Bond Compliance Oversight Committee for their review and recommendation.
3. Any proposed Amendment requires the unanimous approval of the City Council.

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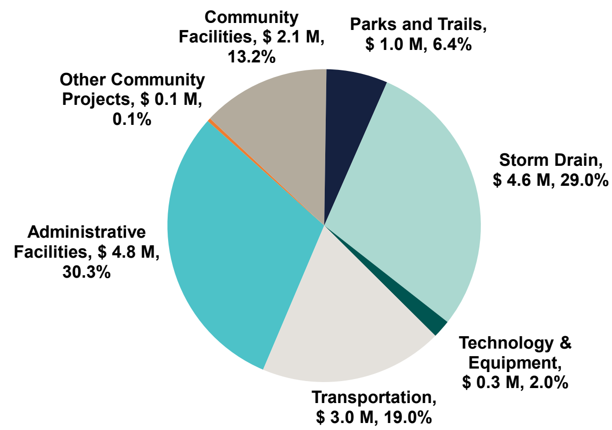
10

10

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
- Use of $15.9 M, including new projects identified in this CIP ($12.9 M) and projects with funding set aside in prior CIP ($3.0 M); remaining balance of $12.5 M
- Address high priority needs across program areas

CPR Funding in Five-Year CIP = $15.9 M



CIP Projects by Theme

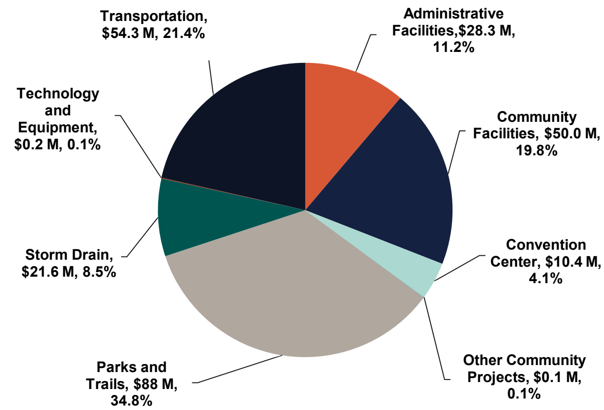
Theme	2026/27 Budget	2027/28 Budget	Biennial Budget	Five-Year CIP
Administrative Facilities	$38,000,084	$3,482,500	$41,482,584	$42,932,584
Community Facilities	$17,434,107	$0	$17,434,107	$17,434,107
Convention Center*	$275,332	$0	$275,332	$275,332
Electric Utility	$492,965,528	$171,415,000	$664,380,528	$870,062,528
Other Community Projects	$18,079,475	$3,779,339	$21,858,814	$33,984,432
Parks and Trails	$33,575,893	$742,145	$34,318,038	$34,318,038
Sewer Utility	$82,254,602	$29,553,430	$111,808,032	$208,569,990
Solid Waste	$1,234,160	$3,060,000	$4,294,160	$7,026,516
Storm Drain	$27,065,659	$416,000	$27,481,659	$27,931,659
Technology and Equipment	$6,873,927	$386,000	$7,259,927	$8,336,927
Transportation	$107,986,061	$14,306,541	$122,292,602	$156,016,615
Water and Recycled Water Utilities	$13,000,806	$5,575,000	$18,575,806	$29,450,806
TOTAL	**$838,745,634**	**$232,715,955**	**$1,071,461,589**	**$1,436,339,534**

* Convention Center funding to be brought forward separately.

Unfunded Capital Needs

- Identified unfunded projects represent only a portion of the needs. **Other needs total $1B+**
  - Parks and Recreation Master Plan Phase 1 (Years 1-5 in 2025 dollars) - $185 M to $260 M
  - Library Facilities Master Plan – over $55 M for existing and new facilities (2025 dollars)
  - Vision Zero Action Plan - $350 M (2025 dollars) reduces high-injury traffic accidents
  - Storm Drain Master Plan - $290 M (2018 dollars)
  - Santa Clara Bicycle Plan Update 2018 - $39.3 M (in 2018 dollars)
  - Santa Clara Pedestrian Master Plan - $194.0 M (in 2019 dollars)
  - ADA Self-Evaluation and Transition Plan (Draft) - $758.5 M (in 2024 dollars)
  - Public buildings (e.g., City Hall, historic buildings)

Five Year CIP Unfunded Need = $252.9 M



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13

13

FY 2026/27 Operating Budget Amendments

14

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14

FY 2026/27 Operating Budget Amendments

- FY 2025/26 and FY 2026/27 Adopted Operating Budget approved June 2025
- FY 2026/27 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
  - Incorporate service enhancements in the General Fund (e.g., Council priorities, restore frozen positions, infrastructure replacement)
  - Update/Add positions (24.25 proposed positions)
- Described in the Appendices section of the Proposed Budget

General Fund Reserves

Reserve Type	FY 2025/26 Current Balance	FY 2026/27 Proposed Balance
General Fund Budget Stabilization (BSR)	$81.5 M	$84.0 M
General Fund Capital Projects	$21.4 M	$12.5 M
Land Sale Reserve	$18.6 M	$18.6 M
Pension Stabilization Reserve (General Fund)	$42.1 M	$49.2 M
Capital Infrastructure Replacement (GF Transfer to new fund)	N/A	$10.4 M

Amendments to the Proposed Budget

17

17

Amendments to the Proposed Budget

- Attachment 4 to the RTC
- Capital project carryovers from FY 2025/26 total **$476.5 M**
- Operating Budget carryovers to complete specific projects and programs and a limited number of other adjustments total **$17.1 M**
  - Investing in Downtown ($400K)
  - Berryessa Adobe porch repair ($100K)
  - Exterior painting of the Morse Mansion ($200K)
  - Add 1.0 Police Captain to the Police Department
  - Add 1.0 Human Resources Technician and 1.0 Senior Human Resources Technician to support SVP
  - In SVP, add 1.0 Electric Program Manager (cybersecurity) and 1.0 Electric Program Manager (IT/operational technology infrastructure projects)
  - Add $1.2 million for a new Pruneridge Complete Streets Plan in the Streets and Highways Capital Fund (Federal earmark grant of $1.0 million and matching funds ($0.2 million) from the General Fund CPR)

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18

18

Amendments to the Proposed Budget

- Adjustments (Cont'd):
  - Updates to the Housing and Urban Development Annual Action Plan
  - Add $23,250 for deferred compensation program fiduciary liability insurance
  - Add $17,000 to the Downtown Parking Maintenance District Fund for maintenance of the fountain at Franklin Mall
  - Recognize $39,750 from the Library Foundation to support the Read Santa Clara ESL Program
  - Carryover of General Fund savings from FY 2025/26 to FY 2026/27 to support projects and programs in the Fire Department, Human Resources Department, and Non-Departmental
  - Carryover of FY 2025/26 savings to FY 2026/27 in the City Affordable Housing Fund, the Expendable Trust Fund, the Information Technology Services Fund, the Other City Departments Operating Grant Trust Fund, and the Police Operating Grant Trust Fund to support the continuation of projects and programs

Responses to Questions from the Study Session

Responses to Study Session Questions

- Study Sessions held on **May 5th** and **May 19th**
- Responses to the May 5th Study Session were provided as part of the May 19th Study Session report to Council (RTC 26-254) and presentation; responses are also included as Attachment 6 to the budget adoption RTC
- Written questions submitted after May 19th Study Session; responses included in this presentation and as Attachment 7 to the budget adoption RTC

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21

21

May 19th Study Session Responses

1. Question: What is the planned use for the $3.8 million budgeted in the Related Santa Clara Developer Fund in the Five-Year Capital Improvement Program (CIP)?

Response: There are two active projects for Related Santa Clara: 1) General Administration Project and 2) Other Development Services Project. The General Administration Project totals $0.5 million over the five-year CIP and reflects funds to support this project. The Other Development Services Project totals $3.3 million over the five-year CIP and reflects third-party contract costs for development related items including entitlements and permit processing. Both allocations are reimbursed by Related.

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22

22

May 19th Study Session Responses

2. Question: How are the major SVP capital projects funded? In the responses to the May 5th Study Session, staff broke down the combination of funding for SVP capital projects, including 79% from customer revenue and 2% from load development fees. Why is only 2% coming from load development fees? Do we have Take or Pay provisions that will fund these in case a data center goes out of business?

Response: The table below breaks out the funding sources weighted by customer class and shows large industrial and commercial customers fund a majority of SVP's FY 2026/27 Proposed 5-Year CIP. Load Development Fees reflect the system-wide impact for increased load, and the fees intend to capture infrastructure investments to increase capacity, which is typically driven and paid for by the larger customers..

Funding Type	Industrial / Commercial	Residential	Other	Total
Customer Service Revenue	75%	4%	< 1%	79%
Debt Funding	13%	1%	< 1%	14%
Developer Contributions	4%	0%	0%	4%
Load Development Fee	2%	0%	0%	2%
Public Benefits Charge	1%	< 1%	< 1%	1%
Total	**94%**	**5%**	**< 1%**	**100%**

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May 19th Study Session Responses

2. Question (Cont'd): Do we have Take or Pay provisions that will fund these in case a data center goes out of business?

Response: SVP does not have Take or Pay provisions in its substation agreements, but SVP is working to develop a rate structure to capture stranded capacity. The data centers located in Santa Clara serve diverse purposes, from cloud services to research and development and some AI. This diversification helps reduce financial risk to SVP, and SVP has weathered fluctuations of technology cycles in the past and maintains reserves to adapt to changing financial conditions.

3. Question: The General Fund Pension Stabilization Reserve is going from $42.1 million to $49.2 million. What percentage of the entire pension liability is the $49.2 million?

Response: The net pension liability as reported in the City's FY 2024/25 Annual Comprehensive Financial Report (ACFR) was $669 million. Of this amount, $527 million was attributed to the General Fund. The $49.2 million in the General Fund Pension Stabilization Reserve is 7.4% of the total liability and 9.3% of the General Fund liability.

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May 19th Study Session Responses

4. Question: When are we going to get the fiscal impact regarding the Super Bowl, including additional hotel Transient Occupancy Tax (TOT) and sales tax from restaurants?

Response: The Transient Occupancy Tax revenue for the month of February 2026 of $3.27 million was up 47% from the $2.22 million collected for the month of January 2026. This February 2026 collection level was also up 43% from the average monthly collection level of $2.29 million from July 2025 through January 2026.

The sales tax collections for the first quarter of 2026 totaled $20.67 million, which is up 0.6% from the $20.54 million collected in the first quarter of 2025. The gross sales tax data for the first quarter of 2026 was posted on the California Department of Tax and Fee Administration website on May 20th. The City does not yet have details on the performance by sector for that quarter. Detailed information is not expected from the City's sales tax consultant until July-August 2026. Staff will report on the first quarter 2026 sales tax receipts once the information is received from the City's consultant. It is important to note that the majority of the City's sales tax revenue is generated from business-to-business activity. In the first quarter of 2025, business-to-business accounted for 59% of the sales tax revenue, with the food products sector, which includes restaurants, accounting for 11% and retail accounting for 7%.

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May 19th Study Session Responses

5. Question: In the Responses to the Questions from the May 5th Study Session (Question 30), staff indicated that Senior Center fee revenue is projected at $356,000 in FY 2025/26. What is the breakdown of the revenue?

Response: Of the $356,000 in Senior Center fee revenue, approx. $87,000 is projected from basic and premium membership fees (24%). Memberships provide access to a variety of amenities and activities, such as the billiard/game room, computer lab, and table tennis. The premium membership adds access to the fitness center, natatorium, recreation and lap swim, and Senior tennis. The Senior Center also offers a variety of free services/resources that do not require a membership, including health and wellness programs, the Health Insurance Counseling & Advocacy Program, Senior Adult Legal Assistance, nutrition services, and other support services. The remaining $269,000 is generated through recreation classes, programs, and activities (76%) The table below details the projected FY 2025/26 Senior Center revenues.

Recreation Category	FY 2025/26 Estimated Revenue
Membership Fees	
Basic and Premium Memberships	$87,000
Fitness	$200,500
Art/Other (e.g., Bingo, games)	$35,100
Adventure to Go	$33,400
Total:	**$356,000**

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May 19th Study Session Responses

5. Question (Cont'd): In the Responses to the Questions from the May 5th Study Session (Question 30), staff indicated that Senior Center fee revenue is projected at $356,000 in FY 2025/26. What is the breakdown of the revenue?

Response: The FY 2025/26 General Fund budget to operate the Senior Center and its programs totals $1.87 million. When compared to the revenue estimate of $356,000, there is a budgeted cost recovery rate of approximately 19%.

Staff also benchmarked the membership fees to surrounding cities.

SENIOR CENTER ANNUAL MEMBERSHIP FEES			
City	**Resident Rate**	**Non-Resident Rate**	**Premium Resident Rate**
Santa Clara	$12	$37	$37
Campbell	$25	$35	NA
Cupertino	$25	$35	NA
Sunnyvale	$40	$60	NA
Milpitas	$15	$35	NA
Los Gatos	$45	$45	NA
Saratoga	$45	$45	NA
SENIOR CENTERS IN SANTA CLARA COUNTY WITH FREE ANNUAL MEMBERSHIP			
Mountain View	Los Altos	Morgan Hill	San Jose
Palo Alto	Gilroy		

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May 19th Study Session Responses

6. Question: Since the Exclusive Negotiating Agreement for the Agnews property was not approved, what is the anticipated cost for a City Hall needs assessment? What capital investments can be made to the existing City Hall given that this facility will be in use for years regardless of any option to move? What amount of funding should be allocated for those improvements?

Response: The estimated cost of a needs assessment is $150,000 for the City Hall East Wing, West Wing, Old Court House and Berman building. The results of that assessment could then be used as the basis for identifying projects that should move forward. The determination of projects to move forward would also be dependent on the decisions and timeframes for a potential new City Hall.

Given the uncertainty regarding the long-term disposition of the City Hall facility, there have not been major investments in the facility for many years. The approach has been to fix critical items as necessary rather than proactively investing in the facility. In the CIP, the unfunded projects list includes the City Hall HVAC Rehabilitation Project ($5.3 million) as well as the Public Buildings Parking Lot Improvements ($5.6 million) that includes approx. $1.5 million for the City Hall parking lots.

There is $20.3 million in the Civic Center Campus Future Needs project in the Public Buildings Capital Fund that is recommended to be carried over from FY 2025/26 to FY 2026/27. These funds would be available for the needs assessment as well as City Hall improvements.

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May 19th Study Session Responses

7. Question: For the recommended use of the sale proceeds from the Loyalton Ranch property on the SVP turbine repairs, should other funds have been set aside for those repairs?

Response: The one-time funding from the sale of the Loyalton Ranch property is recommended to be used for one-time priority needs related to the maintenance and repair of the City's Gianera and Donald Von Raesfeld (DVR) power plants. Funding is budgeted annually in the Major Engine Overhaul and Repair Project (CIP 2127) to anticipate costs associated with this work; however, there was additional unanticipated work needed that caused the costs to exceed the project budget.

An action to recognize the revenue from the sale of the Loyalton Ranch property ($5.6 million) to partially offset the necessary increase to the Major Engine Overhaul and Repair Project appropriation ($9.8 million) for maintenance and repair costs is anticipated to be brought forward to the City Council in June as part of the April Monthly Financial Status Report. Funding to offset the increase in the project budget could also be recommended to come from the Electric Utility Fund Ending Fund Balance. Under this scenario, the revenue from the sale of the Loyalton Ranch property would be added to the Electric Utility Fund Ending Fund Balance to be used for other one-time needs in the future.

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29

29

FY 2026/27 Appropriations Limit (Item 8.B)

30

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30

FY 2026/27 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 2026/27 calculation used the City's population growth (2.93%) and the California per capita income growth (4.95%)
- The calculation limits the City from receiving more than **$753.3 million** in tax-based revenues in FY 2026/27
- The revenue subject to the appropriation limit totals **$281.0 million or 37.3% of the limit**

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31

31

Recommendations

32

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32

Recommendations – Agenda Items 8A and 8B

Agenda Item 8A – Budget Adoption

1. Approve the Proposed FY 2026/27 and FY 2027/28 Biennial Capital Budget, including the recommended revisions detailed in Attachment 4 **(Majority Affirmative Council Votes Required)**
2. Approve the FY 2026/27 Operating Budget changes included in the recommended revisions detailed in Attachment 4 **(Five Affirmative Council Votes Required)**
3. Approve the Appropriation Schedule for capital funds totaling $840,899,634 in FY 2026/27 and $234,169,955 in FY 2027/28 and the FY 2026/27 Appropriation Schedule for operating funds totaling $ 1,766,093,782 as detailed in Attachment 5 **(Majority Affirmative Council Votes Required)**
4. Approve the Housing Authority FY 2026/27 expenditure budget of $474,519 as presented in the Operating Budget **(Majority Affirmative Council Votes Required)**
5. Approve the Sports and Open Space Authority FY 2026/27 expenditure budget of $12,000 as presented in the Operating Budget **(Majority Affirmative Council Votes Required)**
6. Approve the FY 2026/27 Budget Principles and the revised Budget and Fiscal Policies **(Majority Affirmative Council Votes Required)**

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33

33

Recommendations – Agenda Items 8A and 8B

Agenda Item 8B – Appropriation Limit

1. Adopt a Resolution establishing the City's FY 2026/27 appropriations limit of $753,285,224 Pursuant to Article XIIIB of the California State Constitution

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34

34

Questions and Answers

35

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35

City Council Meeting

8.A Public Hearing: Adoption of the Proposed FY 2026/27 & FY 2027/28 Biennial Capital Improvement Program Budget and FY 2026/27 Operating Budget Changes

8.B Establish the City's Fiscal Year 2026/27 Appropriations Limit

June 9, 2026

36

Proposed Budget Position Changes

Department	Additional FTE	
Parks and Recreation	6.00	Organizational Review
Public Works	7.00	Organizational Review
Finance/Electric Utility	1.00	Restructure Business Services and shift from Electric Utility to Finance (22 FTE)
Electric Utility	4.00	Support for engineering, large customers, community benefits program
City Manager's Office	2.00	Support for small businesses and unfreeze position for analytical support
Human Resources	4.00	Support for employee health and safety and hiring efforts
Library	0.25	Library administrative support
Total	**24.25**	