

6/23/20

Item # 7A + 7B



Public Hearing

Item #7A – Adoption of the FY 2020/21 & FY 2021/22 Biennial Capital Improvement Program Budget and FY 2020/21 Operating Budget Changes

Item #7B – Establish the FY 2020/21 Appropriations Limit

June 23, 2020



City of Santa Clara
The Center of What's Possible

Agenda

- Budget Overview
- Economic Conditions/Ten-Year Financial Forecast Update and Budget Balancing Actions and Timeline
- Recommended Revisions to the Proposed Budget and Budget Adoption
- 2020/21 Appropriation Limit (Gann Limit)
- Recommendations

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POST MEETING MATERIAL

Budget Overview

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Annual Budget



Fund Type (\$ millions)	2019/20 Adopted	2020/21 Adopted	Increase/ (Decrease)	2020/21 Revised	Increase/ (Decrease)
General Fund	\$ 262.9	\$ 269.3	\$ 6.4	\$ 286.0	\$ 16.7
Special Revenue Funds	29.3	13.8	(15.5)	22.7	8.9
Internal Service Funds	35.8	35.3	(0.5)	37.5	2.2
Enterprise Funds	652.0	740.2	88.2	693.8	(46.4)
Debt Service/Other	74.5	26.8	(47.7)	17.3	(9.5)
Net Adjustments*	(209.8)	(239.0)	(29.2)	(228.3)	10.7
Subtotal Operating Budget	\$ 844.7	\$ 846.4	\$ 1.7	\$ 829.0	(\$ 17.4)
Capital Improvement Program Funds**	339.6	145.8	(193.8)	338.2	192.4
Total City Budget	\$ 1,184.3	\$ 992.2	(\$ 192.1)	\$ 1,167.2	\$ 175.0

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

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FY 2020/21 Budgeted Positions

Summary of Budget Position Changes (All Funds)	
FY 2019/20 Adopted Budget Positions	1,132.75
FY 2020/21 Adopted Budget Position	1.00
Base Budget Changes (non-General Fund, previously approved by Council)	17.00
FY 2020/21 Proposed Net Additional Positions (net-zero cost)	1.75
FY 2020/21 Proposed Budget Positions	1,151.50

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Summary of Select Reserves

Reserve Type	July 1, 2019 Beginning Balance	July 1, 2020 Beginning Balance	2020/21 Contribution to / (Use of) Reserves	2020/21 Reserve Balance
General Fund Budget Stabilization (BSR)	\$62.9	\$80.4	(\$22.7)	\$57.7
General Fund Capital Projects	\$22.1	\$28.1	(\$26.1)	\$2.0
General Fund Land Sale Reserve	\$21.5	\$23.2	\$0.7	\$23.9
Pension Trust (All Funds)	\$20.9	\$26.3	\$1.3	\$27.6
Utility Fund Rate Stabilization/O&M *	-	\$23.3	(\$1.4)	\$21.9
Electric Rate Stabilization/O&M	\$124.0	\$157.7	(\$2.5)	\$155.2
Total	\$251.4	\$339.0	(\$50.7)	\$288.3

* Includes the Water Utility, Recycled Water Utility, Sewer Utility, and Solid Waste Funds

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CIP Budget by Theme/Category

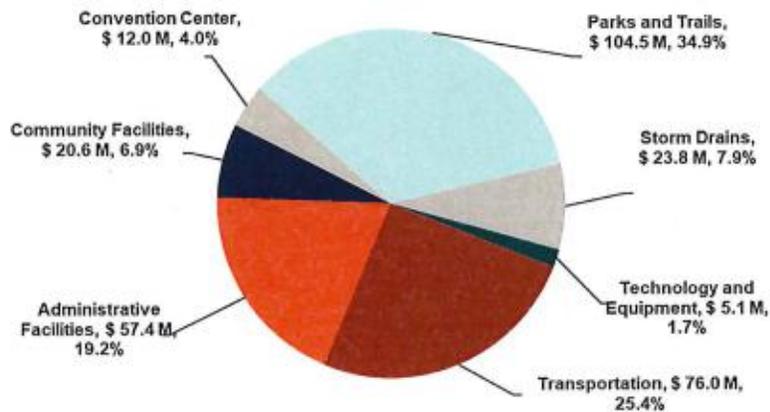
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Five-Year CIP Total (\$ in millions)
Theme						
Administrative Facilities	\$ 7.6	\$ 0.3	\$ -	\$ -	\$ -	\$ 7.9
Community Facilities	1.5	-	-	-	-	1.5
Convention Center	8.3	-	-	-	-	8.3
Electric Utility	157.5	59.2	30.5	23.9	20.0	291.1
Other Community Projects	5.8	5.5	6.5	6.9	7.1	31.8
Parks and Trails	16.5	11.9	3.2	0.2	4.7	36.5
Sewer Utility	64.1	34.0	39.5	12.0	21.7	171.3
Solid Waste	1.0	0.6	0.7	0.7	0.7	3.7
Storm Drain	9.8	0.3	-	0.3	-	10.4
Technology and Equipment	8.6	1.5	1.1	1.1	1.1	13.4
Transportation	47.8	17.7	11.3	11.1	11.1	99.0
Water and Recycled Water Utilities	9.7	6.3	6.4	4.0	4.0	30.4
Five-Year CIP Total	\$ 338.2	\$ 137.3	\$ 99.2	\$ 60.2	\$ 70.4	\$ 705.3

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CIP Unfunded Needs

Five-Year CIP Unfunded Needs = \$299.4 M



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FY 2020/21 Operating Budget Amendments

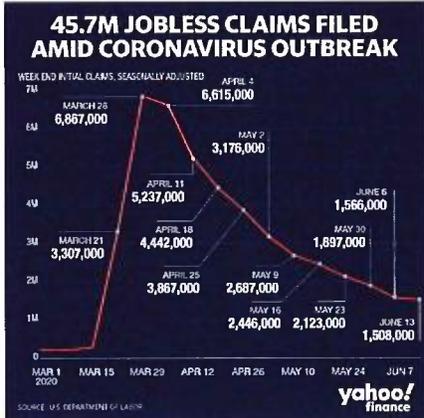
- FY 2020/21 Adopted Operating Budget approved June 25, 2019
- Operating Budget amendments necessary to:
 - update revenue estimates for the General Fund and other funds
 - make adjustments to account for updated labor and non-personnel costs in the General Fund and other funds
 - Update resources and production costs in Enterprise Funds
 - Bring all funds into balance in the Proposed Budget
- Described in the Appendices section of the Proposed Budget

Economic Conditions and Forecast Update & Budget Balancing Actions and Timeline





Latest Economic Impact



Palo Alto will eliminate 74 full-time positions at city hall, cut back popular services

The cutbacks are in response to a \$38.8 million forecasted revenue shortfall



LIVE TV @

California governor lays out deep budget cuts to close \$54 billion deficit

El Cerrito plans to furlough entire city staff to address fiscal woes

Proposal would go into effect this month and might be extended through next year; city offices would close Fridays.

Gilroy outlines staff layoffs

Monterey to hold virtual town hall for input on projected \$31M revenue shortfall



Ten-Year General Fund Forecast

April 2020 (Updated) General Fund Net Operating Margin – Base Scenario

	Potential 2019/20 Shortfall (One-Time)	January 2020 2020/21 Forecast	Updated 2020/21 Forecast (Ongoing)
General Fund Shortfall	(\$10 M)	(\$4.8 M)	(\$22.7 M)

- Forecasting during unprecedented times
- Shortfall figures may get worse depending on the length of the shelter in place orders and the response once those orders are lifted
- The FY 2020/21 shortfall will need to be addressed with ongoing expenditure reductions and/or revenue solutions.
- Deficits in the remaining years of the Forecast are expected to grow in a recession scenario



Budget Balancing Strategy

- Combination of strategies to balance FY 2020/21 General Fund budget
 - Potential ballot measures and other revenue-generating actions
 - One-time savings from cost control measures
 - Potential labor negotiations (subject to meet and confer)
 - Ongoing expenditure reductions
- Use of Budget Stabilization Reserve as interim strategy
- Potential layoffs as a last resort



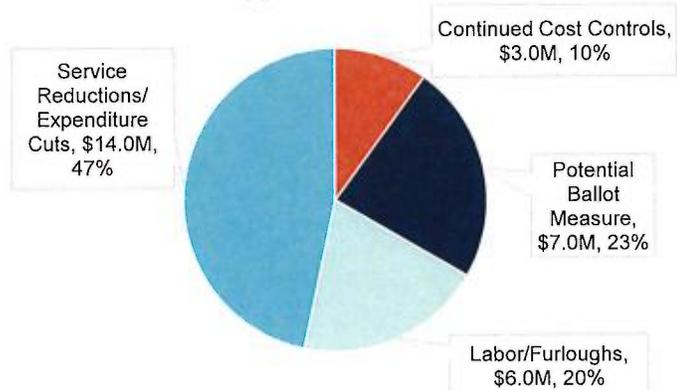
Budget Balancing Strategy

SAMPLE SCENARIO

Combination of strategies to generate \$30M in General Fund Savings

- Revenue Measures or Budget Stabilization Reserve
- Continued Cost Controls
- Labor/Furloughs
- Service Reductions/Expenditure Cuts

Balanced Approach to Address Shortfall





Budget Balancing Strategy - Timeline



Revisions to the Proposed Budget & Budget Adoption





Revisions to the Proposed Budget

Attachment 2

- **Capital Project Carryovers**
 - Carryover unspent capital funds to complete capital projects
 - Carryover \$189.8 million across capital funds
- **Other Adjustments**
 - Changes that have occurred since the release of Proposed Budget
 - Alignment of the Housing and Urban Development Fund budget to the FY 2020/21 Annual Action Plan
 - Developer Contribution for the Laurelwood Substation Project
 - Rebudgeting of operating funds (e.g. Clean-Up Campaign, parks equipment)
 - Updated revenue estimates (SB1 proceeds and gas tax)

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Adopted Budget Dollars

- **Attachment 3 – Appropriation Schedules**
 - capital funds totaling \$338,187,422 in FY 2020/21 and \$137,340,498 in FY 2021/22
 - operating funds totaling \$1,057,311,794
- **Attachment 4 – Transfer Schedules**
 - FY 2020/21 Transfer Schedule for capital and operating funds
 - FY 2021/22 Transfer Schedule for capital funds

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Budget and Fiscal Policies Revisions

Attachment 5

- Budget and Fiscal Policies added to Adopted Budget last year
- Policies are formally adopted by Council
- Proposed revisions
 - Update capital budgeting and planning language (appropriation control, consistency with General Plan)
 - Revise reserve language (add Pension Stabilization Reserve, minor modifications to Utility Reserve language)

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Other Budget Adoption Actions

- Housing Authority Budget approval (\$552,222)
- Sports and Open Space Authority Budget approval (\$9,540)
- Exception to Budget Stabilization Reserve (BSR) Policy
 - Per Council Policy, the BSR target is equal to three months of operations, which equates to 25% of the expenditure budget
 - With the use of \$22.7 million of the BSR to balance the budget on an interim basis, the BSR drops from \$80.4 million to \$57.7 million and ends at 20% of the budgeted General Fund expenditures

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2020/21 Appropriations Limit

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2020/21 Appropriation Limit

- The City is required to calculate the expenditure appropriation limit from tax proceeds to determine compliance with Propositions 4 (Gann Initiative) and 111 (Spending Limitation Act of 1990)
- The calculation limits the City from receiving more than \$503,467,316 in tax-based revenues in FY 2020/21
- The revenue subject to the appropriation limit totals \$177,031,551 or 35.2% of the limit

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Recommendations

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Recommendations – Agenda Item 7A

Agenda Item 7A – Budget Adoption

1. Approve the City of Santa Clara FY 2020/21 & FY 2021/22 Biennial Capital Improvement Program Budget and FY 2020/21 Operating Budget Changes, including the recommended revisions detailed in Attachment 2
2. Approve the Appropriation Schedule for capital funds totaling \$338,187,422 in FY 2020/21 and \$137,340,498 in FY 2021/22 and the FY 2020/21 Appropriation Schedule for operating funds totaling \$1,057,311,794 as detailed in Attachment 3
3. Approve the FY 2020/21 Transfer Schedule for capital and operating funds and the FY 2021/22 Transfer Schedule for capital funds as detailed in Attachment 4
4. Approve the Housing Authority FY 2020/21 expenditure budget of \$552,222 as presented in the Operating Budget

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Recommendations – Agenda Item 7A and 7B

Agenda Item 7A – Budget Adoption (Cont'd.)

5. Approve the Sports and Open Space Authority FY 2020/21 expenditure budget of \$9,540 as described in Attachment 2
6. Approve the revised Budget and Fiscal Policies as described in Attachment 5
7. Approve an exception to the Budget and Fiscal Policies and allow the FY 2020/21 Budget Stabilization Reserve to drop below 25% of the Operating Budget expenditures to 20%, drawing down the reserve by \$22,659,619 from \$80,369,307 to \$57,709,688

Agenda Item 7B – Appropriation Limit

1. Adopt a Resolution establishing the City's FY 2020/21 appropriations limit of \$503,467,316.

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Public Hearing

Item #7A – Adoption of the FY 2020/21 & FY 2021/22 Biennial Capital Improvement Program Budget and FY 2020/21 Operating Budget Changes

Item #7B – Establish the FY 2020/21 Appropriations Limit

June 23, 2020