


5/12/20


Item #2



**Study Session**

**Item #2 - Review of the Proposed FY 2020/21 & FY 2021/22 Biennial Capital Improvement Program Budget and FY 2020/21 Operating Budget Changes**

**May 12, 2020**



**Agenda**

- Budget Overview
- FY 2020/21 and 2021/22 Proposed Biennial Capital Budget and Five-Year CIP
- Economic Conditions/Ten-Year Financial Forecast Update
- FY 2020/21 Operating Budget Amendments
- Budget Balancing Actions and Timeline
- Budget Calendar
- Questions and Answers

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**POST MEETING MATERIAL**

# Budget Overview

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## Four Lines of Business



City of Santa Clara



Silicon Valley Power



Stadium Authority



Convention Center

*\*Approximately \$3.5 billion of assets*

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## Public Funds Managed by Santa Clara's Public Entities (\$ millions)

Budget Type	FY 2020/21	Status
Capital Improvement Program (CIP)	\$ 147.4	Proposed May 1
Operating Budget	824.7	Adopted – June 2019; Amended
Santa Clara Stadium Authority (SCSA)	81.9	Adopted – March 24, 2020
<b>Total Funds Administered</b>	<b>\$1,054.0</b>	

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## Annual Budget

Fund Type (\$ millions)	2019/20 Adopted	2020/21 Adopted	Increase/ (Decrease)	2020/21 Proposed	Increase/ (Decrease)
General Fund	\$ 262.9	\$ 269.3	\$ 6.4	\$ 285.8	\$ 16.5
Special Revenue Funds	29.3	13.8	(15.5)	20.5	6.7
Internal Service Funds	35.8	35.3	(0.5)	37.5	2.2
Enterprise Funds	652.0	740.2	88.2	692.0	(48.2)
Debt Service/Other	74.5	26.8	(47.7)	17.2	(9.6)
Net Adjustments*	(209.8)	(239.0)	(29.2)	(228.3)	10.7
Subtotal Operating Budget	\$ 844.7	\$ 846.4	\$ 1.7	\$ 824.7	(\$ 21.7)
Capital Improvement Program Funds**	339.6	145.8	(193.8)	147.4	1.6
<b>Total City Budget</b>	<b>\$ 1,184.3</b>	<b>\$ 992.2</b>	<b>(\$ 192.1)</b>	<b>\$ 972.1</b>	<b>(\$ 20.1)</b>

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

\*\* FY 2019/20 Adopted Capital Improvement Funds include carryover of approximately \$209.8 million

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## FY 2020/21 Budgeted Positions

Summary of Budget Position Changes (All Funds)	
<b>FY 2019/20 Adopted Budget Positions</b>	<b>1,132.75</b>
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
<b>FY 2020/21 Proposed Budget Positions</b>	<b>1,151.50</b>

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## FY 2020/21 & FY 2021/22 Proposed Capital Program Budget and Five-Year CIP



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# New Look

- Continued transition from a transactional budget organized by fund to one that focuses on project themes, priorities and service delivery
- Aligns projects to City Council strategic priorities
- Clearly identifies projects that are funded vs. unfunded
- Includes narratives that summarize project highlights and accomplishments, priorities, funding sources
- Continued display of comprehensive budgetary financial statements that include beginning and ending fund balances
- Pictures included

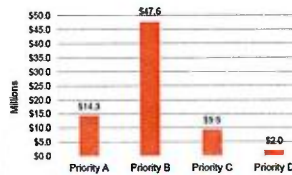


# New Look – Theme Narrative



The proposed Transportation CIP totals \$73.4 million. CIP projects were prioritized by the following criteria:

Priority	Description
A	critical need mandated, emergency, or under construction
B	maintenance system reliability and/or ongoing operations
C	future system needs or future regulatory requirements
D	not critical, but achieve efficiencies and/or sustainability



### Project Highlights

Major projects in the Transportation program are detailed below.

#### Annual Street Maintenance and Rehabilitation Program

The City has an ongoing allocation for the maintenance and repair of City streets. The City uses the Pavement Management System (PMS) to determine which streets are in critical need of repair or maintenance. The repairs include placing surface seals, replacement of curbs and gutters, as well as installation of roadway striping. This project is partially funded throughout the five-year CIP. The City's current PCI is 75, while without full funding, the PCI is expected to drop to 71.





# New Look – Project Summary



## FUNDED ANNUAL STREET MAINTENANCE AND REHABILITATION PROGRAM

**Project Number:** 1235 **Theme / Category:** Transportation  
**Year Initiated:** 2019 **Project Manager:** Vincent Lucchese  
**Planned Completion Year:** Ongoing **Department:** Public Works  
**Project Type:** Ongoing **Fund:** 533 - Streets and Highways  
**Strategic Pillar:** 02 - Deliver and Enhance High Quality Efficient Services and Infrastructure  
**Location:** Citywide



**Project Description:** This project provides ongoing roadway infrastructure preservation and rehabilitation to maintain the City's street network of approximately 250 center line miles. Specific yearly projects for streets selected for treatment under the program are based upon condition surveys and analysis through the Pavement Management System (PMS). The PMS provides pavement maintenance projects in order to provide the most cost-effective maintenance program based upon street condition, remaining service life, and available funds. The yearly projects include placing surface seal, resurfacing, and/or reconstruction. Ancillary work includes removing and replacing failed pavement, replacement of concrete curbs, gutters, sidewalks, and curb ramps, and installation of roadway, striping and pavement markings.

Funding Sources	All Prior Actuals	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
<b>Total Sources</b>	\$4,515,316	\$9,785,818	\$4,050,085	\$8,459,711	\$8,459,711	\$8,459,711	\$8,459,711	\$48,231,063

Expenditures	All Prior Actuals	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
<b>Construction</b>	\$4,492,196	\$8,712,897	\$2,093,065	\$6,449,711	\$6,449,711	\$6,449,711	\$6,449,711	\$47,081,932
<b>Contingencies/Misc</b>	\$4,674	\$15,325	\$19,000	\$10,000	\$10,000	\$10,000	\$10,000	\$70,000
<b>Engineering</b>	\$20,536	\$1,057,595	-	-	-	-	-	\$1,078,131
<b>Total Expenditures</b>	\$4,515,316	\$9,785,818	\$2,050,065	\$6,459,711	\$6,459,711	\$6,459,711	\$6,459,711	\$48,231,063

**Operating Impacts:** - - - - -



# New Look – Unfunded Projects



## UNFUNDED PROJECTS TRANSPORTATION

1235 - Annual Street Maintenance and Rehabilitation Program					
FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Five-Year CIP Total
\$6,835,695	\$9,540,289	\$9,540,289	\$9,540,289	\$9,540,289	\$44,996,852

This program provides ongoing roadway infrastructure preservation and rehabilitation to maintain the City's street network of approximately 250 centerline miles. This unfunded amount represents the additional funding needed to maintain the current Pavement Condition Index (PCI) at 75 for City street network. With the amount of funding currently budgeted for this project, the PCI is expected to decrease annually.

1237 - MCB/GAP Intersection Improvement Project					
FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Five-Year CIP Total
\$6,230,000	-	-	-	-	\$6,230,000

The project scope includes work to widen Mission College Blvd. (MCB) and Great America Parkway (GAP) intersection by adding an additional left-turn lane from westbound MCB to southbound GAP and from northbound GAP to westbound MCB. Other associated work includes utility relocation, traffic signal modifications, ADA and bus stop improvements at the intersection. The project also includes pavement rehabilitation on GAP from the intersection to Hwy 101 bridge abutment adjacent to the street widening area. This project is 35% partially funded by Traffic Mitigation Fees and other existing funding sources and the amounts shown above represent the overall unfunded amounts for the project. Staff is working to identify opportunities for additional developer fees/contributions to provide additional funding.

1250 - Annual Curb Ramp Installation					
FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Five-Year CIP Total
\$195,000	\$220,800	-	-	-	\$416,800

This project replaces existing concrete curb ramps that do not comply with the current Americans with Disabilities Act (ADA) guidelines and installs new curb ramps where they do not exist in order to remove barriers for accessibility in the public right of way. This project is partially funded in FY 2020/21 and FY 2021/22, while the outyears remain unfunded. With the partial funding in the first two years of the CIP, a reduced number of curb ramps will be installed, and no curb ramps would be installed in the unfunded outyears.





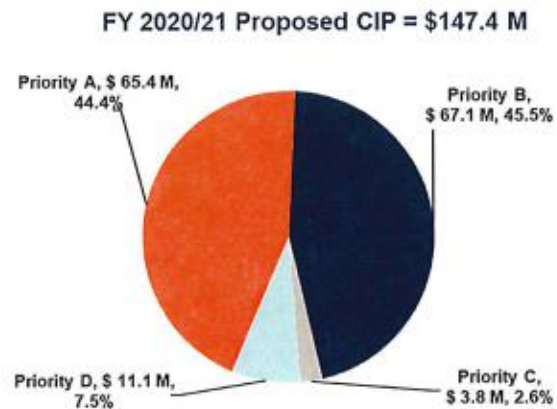
## CIP Budget by Strategic Pillar

	Strategic Pillar	Proposed Five-Year CIP (\$ in millions)
	Promote and Enhance Economic, Housing, and Transportation Development	\$11.4 M
	Deliver and Enhance High Quality Efficient Services and Infrastructure	\$471.4 M
	Enhance Community Sports, Recreational and Arts Assets	\$19.1 M
	Enhance Community Engagement and Transparency	\$0
	Ensure Compliance with Measure J and Manage Levi's Stadium	\$0
	Manage Strategically Our Workforce Capacity and Resources	\$1.3 M
	Promote Sustainability and Environmental Protection	\$11.2 M
<b>Total Proposed Five-Year CIP</b>		<b>\$514.5 M</b>



## CIP Budget Project Priority

- A – Critical Need Mandated, Emergency, or Under Construction
- B – Maintenance System Reliability and/or Ongoing Operations
- C – Future System Needs or Future Regulatory Requirements
- D – Not Critical but Achieve Efficiencies and/or Sustainability





## CIP Budget by Theme/Category

- Community Information and Technology
  - Economic Development / Business Retention
  - Land Use and Housing Programs
  - Public Systems and Facilities
  - Santa Clara Utilities
- 
- Administrative Facilities
  - Community Facilities
  - Convention Center
  - Electric Utility
  - Other Community Projects
  - Parks and Trails
  - Sewer Utility
  - Solid Waste
  - Storm Drain
  - Technology and Equipment
  - Transportation
  - Water and Recycled Water Utilities



## CIP Budget by Theme/Category

	FY 2020/21 Proposed	FY 2021/22 Proposed	FY 2022/23 Proposed	FY 2023/24 Proposed	FY 2024/25 Proposed	Proposed Five-Year CIP Total (\$ in millions)
<b>Theme</b>						
Administrative Facilities	\$ 1.7	\$ 0.3	\$ -	\$ -	\$ -	\$ 2.0
Community Facilities	1.0	-	-	-	-	1.0
Electric Utility	58.0	59.2	30.5	23.9	20.0	191.6
Other Community Projects	5.7	5.5	6.5	6.9	7.1	31.7
Parks and Trails	4.8	11.9	3.2	0.2	4.7	24.8
Sewer Utility	41.4	34.0	39.5	12.0	21.7	148.6
Solid Waste	0.9	0.6	0.7	0.7	0.7	3.6
Storm Drain	4.2	0.3	-	0.3	-	4.8
Technology and Equipment	2.3	1.5	1.1	1.1	1.1	7.1
Transportation	22.2	17.7	11.3	11.1	11.1	73.4
Water and Recycled Water Utilities	5.2	6.3	6.4	4.0	4.0	25.9
<b>Five-Year CIP Total</b>	<b>\$ 147.4</b>	<b>\$ 137.3</b>	<b>\$ 99.2</b>	<b>\$ 60.2</b>	<b>\$ 70.4</b>	<b>\$ 514.5</b>





## Administrative Facilities Theme

### Five-Year CIP: \$2 million

- Stationary Standby Generators (\$1.0 million)
- Repairs-Modifications to City Buildings (\$300,000)
- Public Building Parking Lot Improvements (\$250,000)



Morse Mansion Good Neighbor Fence After

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## Community Facilities Theme

### Five-Year CIP: \$1 million

- Electronic Access for Meeting Rooms (\$576,000)
- Sarah E. Fox Memorial Mausoleum Repairs (\$300,000)
- Bowers Roof Replacement (\$131,000)



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## Electric Utility Theme

### Five-Year CIP: \$192 million

- Major Engine Overhaul and Repair (\$21.3 million)
- Esperanca Substation (\$18.9 million)
- Homestead Substation Rebuild (\$18.6 million)
- Laurelwood Substation (\$15.3 million)
- Advanced Metering Infrastructure (\$7.1 million)
- Renewable Energy Microgrid (\$4.3 million)
- Electric Vehicle Charging (\$4.0 million)



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## Other Community Projects Theme

### Five-Year CIP: \$32 million

- Downtown Master Plan Implementation (\$1.8 million)
- Downtown Master Plan (\$100,000)
- PW Capital Projects Management (\$20.3 million)
- Related Project - General Admin and Permit Work (\$9.5 million)



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## Parks and Trails Theme

### Five-Year CIP: \$25 million

- Park Playground Rehabilitation (various parks - \$9.8 million)
- Community Park North – Phase I (\$5.0 million)
- Saratoga Creek Trail (Homeridge Park to Central Park) (\$2.0 million)
- Annual Creek Trail Rehabilitation (\$940,000)
- Mission Library Gazebo (\$200,000)

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Creek Trail Expansion Master Plan



Mission Library Gazebo



## Sewer Utility Theme

### Five-Year CIP: \$148 million

- San Jose-Santa Clara Regional Wastewater Facility (\$110.4 million)
- Sanitary Sewer Capacity Improvements (\$16.1 million)
- Sanitary Sewer System Improvements (\$13.3 million)

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San José-Santa Clara Regional Wastewater Facility







## Solid Waste Theme

**Five-Year CIP: \$4 million**

- Sanitary Landfill Development – Post Closure (\$3.6 million)



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## Storm Drain Theme

**Five-Year CIP: \$5 million**

- Laurelwood Pump Station Rehabilitation (\$3.2 million)
- Urban Runoff Pollution Prevention Program (\$750,000)
- Storm Drain Slide Gate Rehabilitation (\$390,000)
- Lafayette Street Underpass at Subway Pump Station (\$200,000)



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## Technology and Equipment Theme

### Five-Year CIP: \$7 million

- Utility Management Information System Enhancements (\$2.5 million)
- GIS Enterprise System (\$1.5 million)
- Protective Equipment Replacement (\$1.2 million)
- FHRMS Update Project (\$550,000)
- Agenda and Document Management Systems (\$500,000)
- Permit Information System (\$204,400)



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## Transportation Theme

### Five-Year CIP: \$73 million

- Annual Street Maintenance and Pavement Rehabilitation (\$33.9 million)
- Public Right-of-Way ADA Improvements (\$10.8 million)
- Pedestrian and Bicycle Enhancement Facilities (\$5.0 million)
- Uncontrolled Crosswalks and Improvements (\$2.7 million)



*Annual Street Maintenance and Pavement Rehabilitation Program*

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# Water and Recycled Water Utilities Theme

**Five-Year CIP: \$26 million**

- Distribution System Replacement/Restoration (\$10.6 million)
- New and Replacement Wells (\$8.0 million)
- SCADA Improvements (\$4.0 million)
- Recycled Water System Mains and Wells (\$750,000)

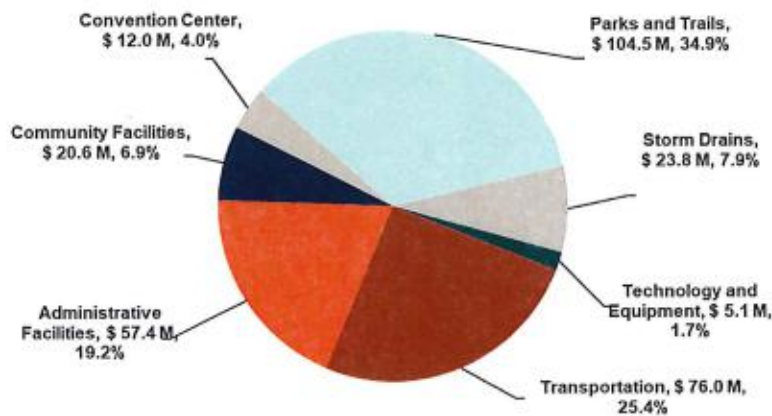


Distribution System Replacement/Restoration



# CIP Unfunded Needs

Five-Year CIP Unfunded Needs = \$299.4 M







## Major CIP Unfunded Needs

By Theme, by Project	Five-Year Unfunded Total (\$ in millions)
<b>Administrative Facilities</b>	
Fire Station 5 Replacement	\$ 13.0 M
Fire Stations 1, 7, 9 and Admin Building Renovation Study	\$ 15.3 M
Stationary Standby Generators	\$ 10.3 M
<b>Community Facilities</b>	
Library Expansion	\$ 20.0 M
<b>Convention Center</b>	
Convention Center Condition Assessment Repairs	\$ 6.6 M
Convention Center Garage Condition Assessment Repairs	\$ 5.4 M
<b>Parks and Trails</b>	
Central Park Master Plan – Aquatic Center, Community Recreation Center and Gymnasium	\$ 90.0 M

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## Major CIP Unfunded Needs

By Theme, by Project	Five-Year Unfunded Total (\$ in millions)
<b>Storm Drain</b>	
Storm Drain System Improvements	\$ 18.4 M
Storm Water Retention Basin Remediation	\$ 3.9 M
<b>Technology and Equipment</b>	
Computer Replacement Program	\$ 2.0 M
Cybersecurity Risk Mitigation	\$ 1.5 M
<b>Transportation</b>	
Annual Street Maintenance and Pavement Rehabilitation Program	\$ 45.0 M
MCB/GAP Intersection Improvement	\$ 6.2 M
Uncontrolled Sidewalks Improvements	\$ 7.6 M
Annexed Neighborhood Street Improvements	\$ 5.0 M
El Camino Real Bike Lane	\$ 5.6 M

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# Economic Conditions and Ten-Year Financial Forecast Update

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## Economic Conditions

- COVID-19 pandemic was unexpected and has negatively impacted all communities in a very short period of time
- While a moderate economic slowdown/recession was identified as a risk factor in the January Forecast, the significant change in the economic environment as a result of COVID-19 was not foreseen
- With the pandemic, economic conditions have worsened and many economists are now projecting one of the worst recessions/depressions in generations
- The City is not immune to COVID-19 and is now facing significant financial impacts in FY 2019/20 and FY 2020/21
- The City appreciates the sacrifices that employees are making while the City tries to safely navigate the COVID-19 pandemic
- Focus on closing financial gaps and preserving services to the community

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# Unprecedented Economic Impact

## 30 MILLION FILE JOBLESS CLAIMS AMID CORONAVIRUS OUTBREAK



SOURCE: U.S. DEPARTMENT OF LABOR



Another 4.4 million Americans filed for unemployment benefits last week

By [Anneken Tapscott](#), CNN Business  
Updated 11:29 AM ET, Thu April 23, 2020

**Coronavirus job losses could total 47 million, unemployment rate may hit 32%, Fed estimates**

By [Reshma Kapadia](#) Updated March 31, 2020 4:20 pm ET / Original March 31, 2020 7:15 am ET

Harvard economist Kenneth Rogoff knows what a financial crisis looks like. He studied 600 years of crises with fellow economist Carmen Reinhart. In this

Business > Economy • News  
**Coronavirus unemployment: \$3.9 billion paid to jobless in California**  
One of every six California workers lose jobs during business lockdowns

By [GEORGE AVALOS](#) | [gavalos@bayareanewsgroup.com](mailto:gavalos@bayareanewsgroup.com) | Bay Area News Group  
PUBLISHED: April 23, 2020 at 6:37 a.m. | UPDATED: April 23, 2020 at 1:20 p.m.

**The Coronavirus Crisis Could Be as Bad as Anything We've Seen in the Last 150 Years: Harvard Economist**

By [Reshma Kapadia](#) Updated March 31, 2020 4:20 pm ET / Original March 31, 2020 7:15 am ET

Harvard economist Kenneth Rogoff knows what a financial crisis looks like. He studied 600 years of crises with fellow economist Carmen Reinhart. In this

### Coronavirus Is Making the Public Pension Crisis Even Worse

The pandemic has handed the funds big losses after they ramped up their appetite for risk over the past decade.

THE STATE WORKER

The State Worker

CalPERS loses \$69 billion in biggest market losses since Great Recession

March 22<sup>nd</sup> Sacramento Bee reports CalPERS recent losses

# Public Agencies Impacted Throughout California



L.A. BRACES FOR MASSIVE PUBLIC SERVICE CUTS

## California Cities Project 2-Year Losses of \$6.7 Billion Due to Virus

By [Adam Breen](#) • Published April 24, 2020 • Updated on April 24, 2020 at 1:27 pm



Small Photo: Adam Breen/News Group; Large Photo: Tomasz Kuczyński/istockphoto.com

**Coronavirus: El Cerrito forecasts \$3.7 million deficit, braces for deep cuts in programs, services**

City is in talks for another short-term loan to avoid bankruptcy; City Council is expected make decisions Tuesday.

City of Salinas could fire a third of their employees

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KSBW 3

Uploaded: Tue, Apr 21, 2020, 12:21 am

**Palo Alto braces for \$30M revenue loss as shutdown drags on**  
City prepares for service cuts as economy sputters

**San Jose projects a budget shortfall of \$110 million due to coronavirus**

The city has instituted a hiring freeze and halted non-essential capital projects

City of Monterey to vote on laying off 87 employees

The city of Monterey is scheduled to vote on cutting 107 positions at Tuesday's city council meeting. A yes vote would result in 87 people losing their jobs.

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KSBW 3 Updated: 8:45 PM PDT 4/21/2020





## City of Santa Clara – Business Impacts

- **March 20** – Reports that Hilton, Avatar, Biltmore, Plaza Suites hotels are closed
- **March 23** – iNap (SVP Datacenter Customer) files Chapter 11
- **March 25** – Hyatt (Hyatt House/Hyatt Regency) closes until April 30 (updated extension to May 15)
- **Restaurants** – Closures, reduced hours and/or takeout only
- **Retail** – Only essential services (e.g., grocery/pharmacies)
- **Car Dealerships** – Car repair or online sales with touchless delivery
- **Real Estate** – No open houses/by appointment only
- **Convention Center/Stadium Events** – Postponed or canceled

Six hotels listed bring approx. \$900k TOT revenue per month

Business to Business largest category of Sales Tax represents 43% of revenue

Letter from Larry Stone (County Assessor) regarding potential property tax roll delays

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## Ten-Year Financial Forecast (January 2020)

- **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 2020/21 reflects Base Budget** – Council-Approved Service Levels

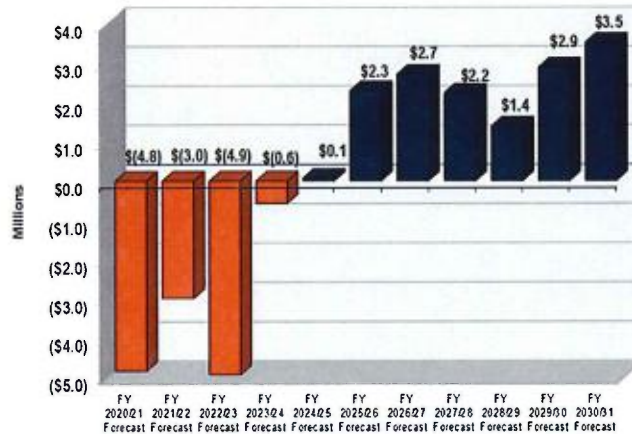
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# Ten-Year General Fund Forecast

## January 2020 General Fund Net Operating Margin – Base Scenario

- Annual impact of \$11.4M over four years added to prior ongoing deficits; these must be resolved with ongoing solutions
- FY 2020/21 part of Adopted two-year budget – bring forward budget amendment to balance with reserves
- Deficits totaled \$13.3 M ongoing over four years



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# 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

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## Estimated Fiscal Impact – Fiscal Year 2019/20

Revenue Category	Changed Assumptions	FY 2019/20 \$ Impact
Transient Occupancy Tax ("TOT")	Based on 50% decline in receipts from March through April; 25% reduction in May and June	\$5.0 M
Sales Tax	Based on drops of 5% in 3 <sup>rd</sup> quarter and 20% in the 4 <sup>th</sup> quarter	\$4.5 M
Charges for Services (park programs)	Based on canceled winter session; spring/summer not yet received.	\$0.5 M
<b>Total Projected Impact</b>		<b>\$10 M</b>

- Based on mid-late March review of closed hotels/businesses and evaluation of UCLA Interim March Forecast
- Shortfall could grow depending on length of shelter in place order and response after the order is lifted
- Transient Occupancy Tax estimate expected to be most vulnerable

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## Estimated Fiscal Impact – FY 2020/21

Revenue Category	Changed Assumptions	FY 2020/21 \$ Impact*
<b>January 2020 Forecast</b>		<b>(\$4.8 M)</b>
Transient Occupancy Tax	Based on 25% decline in FY 2019/20 is carried ongoing	(\$6.8 M)
Sales Tax	Based on 10% drop ongoing consistent with prior recessions	(\$5.6 M)
Property Tax	Lower supplemental (related to property resales) and excess ERAF	(\$1.9 M)
Interest	Based on lower interest rates	(\$1.8 M)
Charges for Services	Lower recreation classes	(\$0.9 M)
Documentary Transfer Tax	Based on lower real estate sales and prices	(\$0.4 M)
Other Net Changes	Various upward and downward adjustments	(\$0.5 M)
<b>Subtotal Projected Impact</b>		<b>(\$17.9 M)</b>
<b>Revised Forecast</b>		<b>(\$22.7 M)</b>

\* Solving this shortfall will require ongoing revenue and/or expenditure solutions

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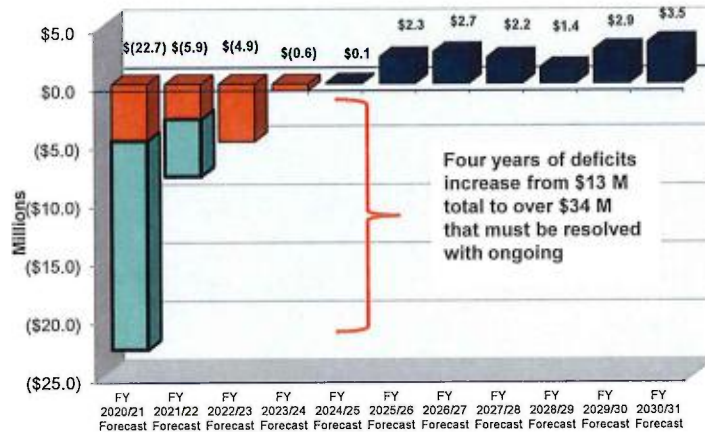




# Ten-Year General Fund Forecast

## April 2020 General Fund Net Operating Margin – COVID 19 Impact

- After solving for \$10m in FY 2019/20 we face a \$22.7m deficit in FY 2020/21; these must be resolved with ongoing solutions
- Total shortfall over the first four years is over \$34m ongoing
- May get worse



# Potential Impacts to Financial Status

- Duration of Shelter in Place order
- CalPERS actual investment performance (CalPERS assumes a 7% investment return); Impact would begin FY 2022/23
- CalPERS actuarial changes or any CalPERS reform actions
- Labor costs beyond budget assumptions
- Worsening economic recession or depression
- November 2020 ballot measures – Hotel Tax and Projects Bond
- Stadium Authority/City Place Development revenue
- State/Federal legislative changes

# FY 2020/21 Operating Budget Amendments

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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

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## FY 2020/21 Operating Budget Amendments

- **General Fund Revenues**

- Decrease to tax revenues (sales tax, TOT, property tax, documentary transfer tax)
- Decrease to rent revenues (stadium performance rent, Related project lease)
- Increase transfers from other funds to reflect partial loan repayment for Reed Street-Grant Street Sports Park project; apply to Land Sale Reserve

- **General Fund Expenditures**

- Updated salary and benefit costs and Fire Department overtime
- Increase transfer to other funds to reflect proposed capital projects funding and minor changes to contributions to other funds (Cemetery, Downtown Parking)
- Update reimbursement-related costs (development services third-party plan check and inspection, Finance staff to support Electric Utility billing and Stadium Authority)
- Update Interfund Services costs (e.g., special liability, Information Technology)

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## FY 2020/21 Operating Budget Amendments

- **General Fund Reserves**

- Decrease Budget Stabilization Reserve to balance the General Fund budget as an interim strategy (budget balancing actions to be brought forward in September 2020)
- Decrease Capital Projects Reserve to fund proposed capital projects in CIP
- Net increase to the Land Sale Reserve: increase for partial loan repayment for the Reed Street-Grant Street Sports Park project and decrease for the Downtown Master Plan Implementation
- Net decrease to the Building Inspection Reserve reflects net uses of reserve to fund development-related activities
- Decrease Advanced Planning Reserve to fund Downtown Master Plan project
- Increase Technology Fee Reserve to account for projected revenues above budgeted costs

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# Budget Balancing Actions and Timeline

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## Budget Balancing Strategy Revenue Opportunities

- Polling underway for potential revenues
  - Transient Occupancy Tax, deferred implementation up to 4% (9.5% to 13.5%)
  - Projects General Obligation Bond
  - Public Art fee
- Continuation of Development Projects (eg. Related Santa Clara, Kylli)
- Fees for Services
- Longer-term – Evaluate other fees and taxes compared to neighboring jurisdictions

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## Budget Balancing Strategy

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

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## Cost Control Measures Already Implemented

- Hiring freeze, with limited exceptions
- Stricter expenditure controls
- Decreased temporary staffing (by 49%)
- Limited travel
- Limited training
- Reduced expenditures for IT
- Reduced expenditures for vehicle and fleet purchases
- Evaluating current contracts and other non-personnel expenditures

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## Budget Balancing Strategy

General Fund Savings Category	FY 2020/21 Budget Balancing
<b>Ongoing Expenditure Reductions</b>	
<b>Personnel Savings (e.g., vacancies, overtime)</b> Evaluate all positions funded by the General Fund, with particular attention on those that are vacant, for elimination. This will require an evaluation of service levels and service delivery methods to identify potential reductions.	\$6 M - \$8 M
<b>Materials, Services, Supplies</b> Evaluate all non-personnel expenses, including all contractual services, and identify budget reductions.	\$1 M - \$2 M
<b>Transfers to/from Other Funds/Interfund Services</b> Evaluate all transfers to and from special funds as well as the General Fund support for interfund services.	\$1 M - \$2 M
<b>Total</b>	<b>\$8 M - \$12 M</b>

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## Budget Balancing Strategy

General Fund Savings Category	FY 2020/21 Budget Balancing
<b>FY 2020/21 One-Time Savings</b>	
<b>Cost Control Measures</b> Several cost control measures were implemented in April 2020 to generate savings to address the drop in General Fund revenues. These measures, including a hiring freeze and controls around overtime, as-needed staff, marketing, travel, IT and vehicle purchases, will remain in place in FY 2020/21 in an effort to create additional one-time savings.	\$7 M - \$10 M
<b>Total Ongoing and One-Time Expenditure Reductions</b>	<b>\$15 M - 22 M</b>

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## Budget Balancing Strategy

General Fund Savings Category	FY 2020/21 Budget Balancing
<b>Other Potential Ongoing Balancing Actions</b>	
<b>Potential Transient Occupancy Tax</b> If the City Council places a November 2020 measure on the ballot and voters approve it, an increase in the Transient Occupancy Tax from 9.5% to 13.5% will generate \$7 million ongoing, with a delayed effective date of Spring 2021.	\$7 M ongoing
<b>New or Increased Revenues</b> Actions to increase existing revenues or identify new revenues will be analyzed. This may include a review of fees for service where we are significantly below cost recovery.	TBD
<b>Labor Negotiations</b> Any labor negotiation actions would be subject to meet and confer with the City's labor unions. Savings will be required in order to prevent additional service reductions and/or layoffs.	TBD

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## Budget Balancing Strategy

General Fund Savings Category	FY 2020/21 Budget Balancing
<b>Service Reductions/Service Delivery Evaluation</b> Evaluate programs and services that may need to be reduced that prioritize our essential services. These impacts may include (in no particular order): <ul style="list-style-type: none"> <li>- Reduced parks and recreation programming</li> <li>- Fewer library hours and/or programming</li> <li>- Fire Department paramedic response delivery/apparatus "brown-outs"</li> <li>- Police Department minimum staffing resource requirements</li> <li>- Longer planning and code enforcement response times</li> <li>- Reduced internal services (finance, human resources, IT, fleet)</li> <li>- Fewer community events</li> <li>- Reduced outside funding group contributions</li> <li>- Reduced or deferred capital infrastructure maintenance</li> <li>- Reduced level of service from the City Clerk, Attorney, Auditor, and Manager</li> </ul>	TBD
<b>Total Other Potential Ongoing Balancing Actions</b>	TBD
<b>Use of Budget Stabilization Reserve</b> This reserve will be used to address any remaining budget shortfall.	TBD

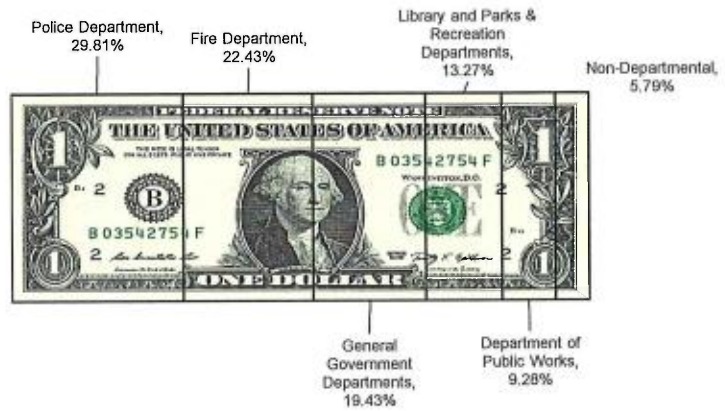
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# Budget Balancing Strategy

## General Fund Shortfall Rough Equivalents

- Entire Parks and Recreation Department **or**
- One-Half of the Fire Department **or**
- One-Third of the Police Department



# Budget Balancing Strategy - Timeline



# Budget Calendar

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## Budget Calendar

- **May 1** – Proposed Capital Program Budget Released
- **May 12** – City Council Study Session on Capital Program Budget and Operating Budget Changes
- **June 9** – Second City Council Study Session on Capital Program Budget and Operating Budget Changes
- **June 23** – City Council Adoption of Capital Program Budget, Gann limit, Operating Budget Changes and CIP Carryovers

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# Questions and Answers

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## Study Session

Item #2 - Review of the Proposed FY 2020/21 & FY 2021/22 Biennial Capital Improvement Program Budget and FY 2020/21 Operating Budget Changes

May 12, 2020

