



FY 2023/24 and FY 2024/25

Proposed Operating Budget

Budget-in-Brief



**City of
Santa Clara**
The Center of What's Possible

City of Santa Clara Budget-in-Brief

FY 2023/24 and FY 2024/25

Proposed Biennial Operating Budget



To Our Santa Clara Residents:

The Proposed Biennial Operating Budget for fiscal years (FY) 2023/24 and 2024/25 continues the biennial budget process that alternates between an operating and capital budget. This year's budget focuses on our day-to-day operations that support vital City services. Amendments to the FY 2023/24 capital budget are also included.

As part of the budget deliberation process, two City Council study sessions are scheduled for **May 9, 2023** and **June 6, 2023** before the public hearing and planned budget adoption on **June 27, 2023**.

Over the past few years, there have been significant financial challenges stemming from COVID-19. This necessitated General Fund budget balancing actions starting in FY 2020/21 and continued over the past three years. A combination of strategies has been used to address the budget deficits, including the use of one-time reserves and federal stimulus funds, new revenues, and expenditure reductions. This multi-pronged approach has balanced the competing goals of aligning ongoing revenues and expenditures and minimizing the service delivery impacts to the community. It has also allowed time for General Fund revenues to recover. This strategy has positioned the City well for the FY 2023/24 and FY 2024/25 Proposed Budget that solves a smaller projected General Fund deficit.

The City's financial position has significantly improved since the adoption of the FY 2022/23 budget. The latest Ten-Year General Fund Forecast shows smaller deficits of \$8.0 million and \$8.9 million in FY 2023/24 and FY 2024/25. This is well below the \$27 million deficit projected in June 2022 and reflects stronger revenue growth. While the financial picture is much better, it is important to note that significant economic uncertainty and the risk of a recession persist.

Based on the improved financial position, this budget preserves services with fewer reductions necessary. The expenditure reductions limit direct service impacts, with the goal of stabilizing the services residents access on a regular basis as the organization continues to recover from the COVID-19 service disruptions. As part of this recovery, the City continues to fill vacant positions, which will result in an overall improvement to the services the City provides with the funding included in this budget.



City of Santa Clara Budget-in-Brief

FY 2023/24 and FY 2024/25

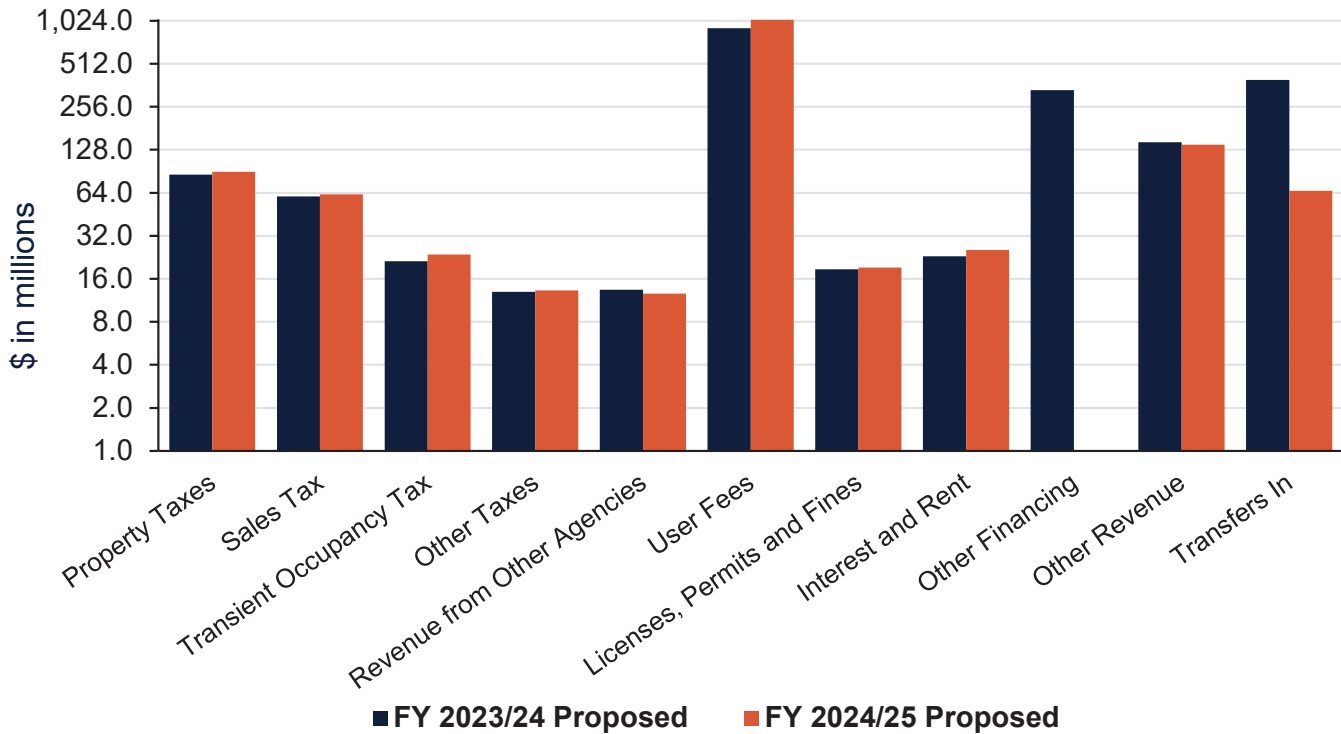
Proposed Biennial Operating Budget



Where the City Gets Its Money

FY 2023/24 and FY 2024/25 Funding Sources

User Fee Detail	FY 2023/24	FY 2024/25
• Electric Utility Fees	\$ 692.6 M	\$ 775.7 M
• Water Utility Fees	65.4 M	71.9 M
• Sewer Utility Fees	42.5 M	46.4 M
• Solid Waste Fees	39.0 M	40.5 M



FY 2023/24 and FY 2024/25 City Expenditure Budget

Fund Type	FY 2022/23 Adopted Budget	FY 2023/24 Proposed Budget	% Change	FY 2024/25 Proposed Budget	% Change
General Fund	\$272,355,355	\$280,773,558	3.1%	\$287,458,968	2.4%
Special Revenue	28,469,289	38,411,889	34.9%	37,111,226	(3.4%)
Enterprise	815,864,620	872,344,414	6.9%	968,035,945	11.0%
Internal Service	42,429,153	38,850,861	(8.4%)	41,629,602	7.2%
Debt/Other	19,846,647	374,983,049	1,789.4%	40,658,134	(89.2%)
Capital Improvement Program*	357,380,666	396,879,114	11.1%	108,385,754	(72.7%)
Less (Contributions, Transfers and Reserves)**	(204,596,482)	(511,297,774)	149.9%	(249,234,561)	(51.3%)
Total Budget	\$1,331,749,248	\$1,490,945,111	12.0%	\$1,234,045,068	(17.2%)

*FY 2022/23 Capital Improvement Program budget includes CIP carryover.

**Excludes contributions, reserves, and transfers to avoid double counting.

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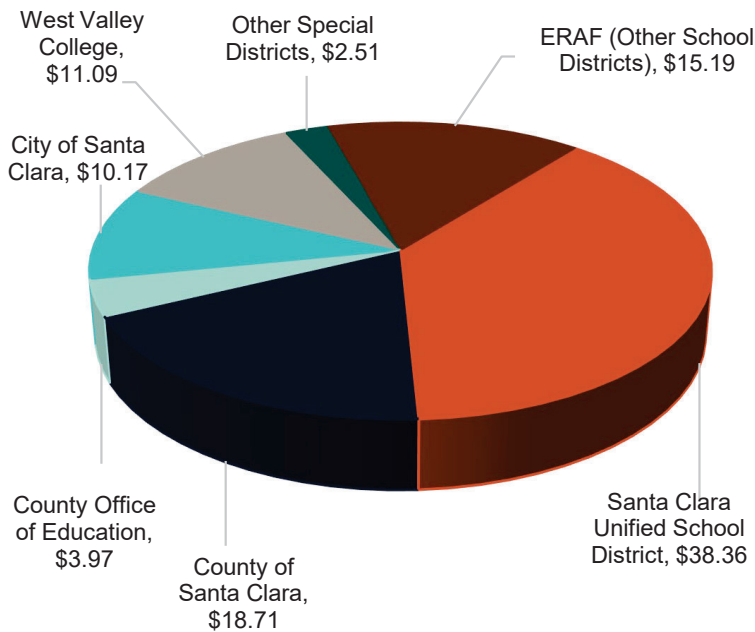
Proposed Biennial Operating Budget



Property Tax

When you pay your property tax bill to the County, the City of Santa Clara General Fund receives \$10.17 for every \$100 collected. The City anticipates receiving \$85.9 million in FY 2023/24 and \$89.6 million in FY 2024/25.

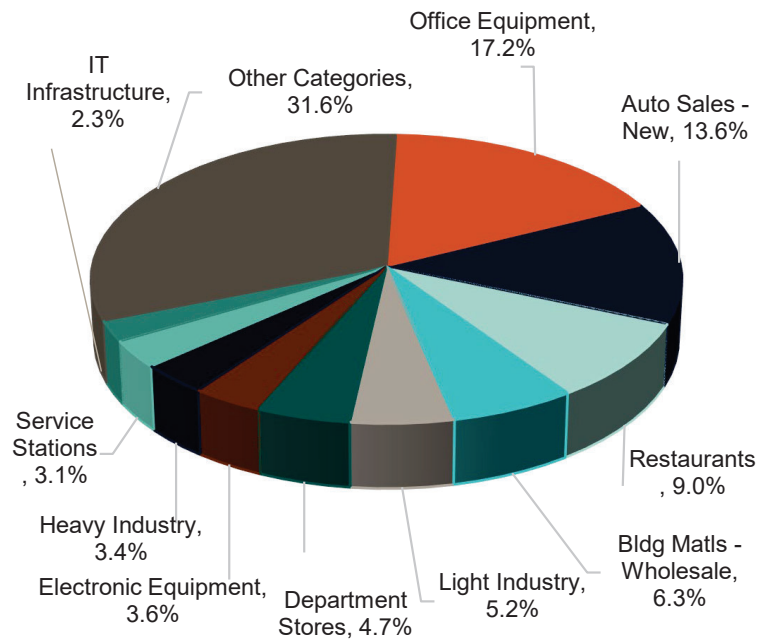
Per \$100 Collected



Sales Tax

Sales tax revenue in the City of Santa Clara comes from multiple sources. Office equipment, new vehicles, restaurants, wholesale building materials, lights, and department stores were the City's leading economic sales categories in the fourth quarter of 2022, making up almost 56% of sales tax collections.

Sales Tax Generators



Where Your Sales Tax Goes

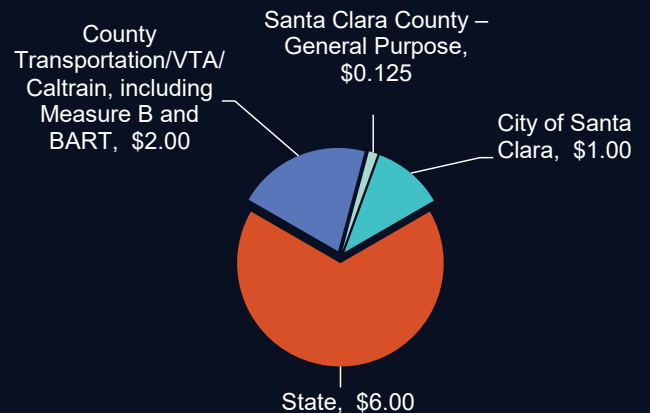
For every dollar you spend in Santa Clara on taxable purchases, you pay **9.125%** in sales tax or **\$9.125** for each **\$100** purchased.

Cities throughout the State receive a portion of the sales tax collected based on sales made within their respective city. For every \$100 purchase you make within the City of Santa Clara, which is subject to sales tax, the City receives \$1.00. The City anticipates receiving \$60.5 million in FY 2023/24 and \$62.4 million in FY 2024/25.

California statewide sales tax rate is 7.25%, of which the City of Santa Clara receives 1.00%. The total countywide sales tax rate 9.125%. Santa Clara County has the following six voter-approved add-on tax measures:

- 0.125% for County Retail Sales Transactions and Use
- 0.125% for VTA BART
- 0.125% for Peninsula Corridor Joint Powers Board (Caltrain)
- 0.500% for Silicon Valley Transportation Solutions Tax
- 0.500% for Santa Clara County Transit District (SCCT)
- 0.500% for Santa Clara County Valley Transportation Authority (SCVT)

Based on Purchase of \$100 Sales Tax Paid is \$9.125



City of Santa Clara Budget-in-Brief

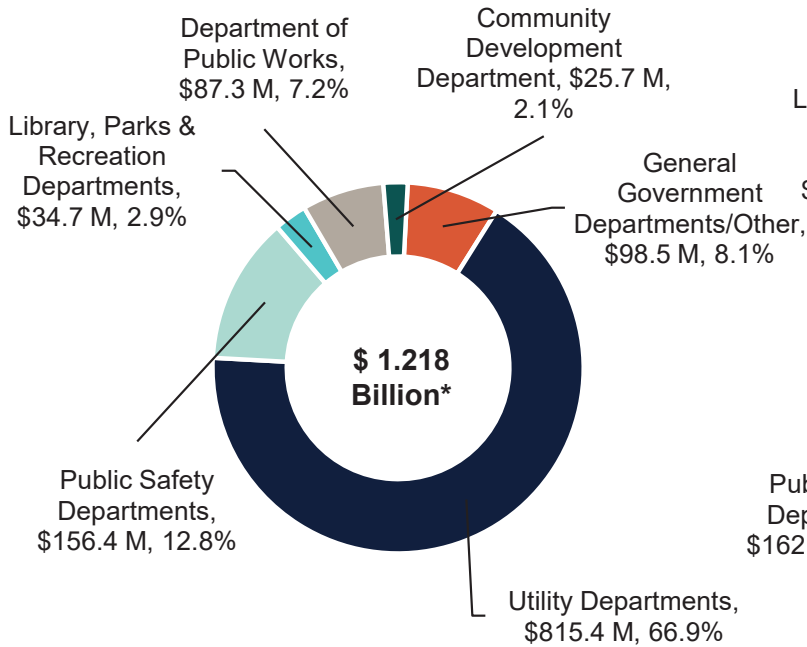
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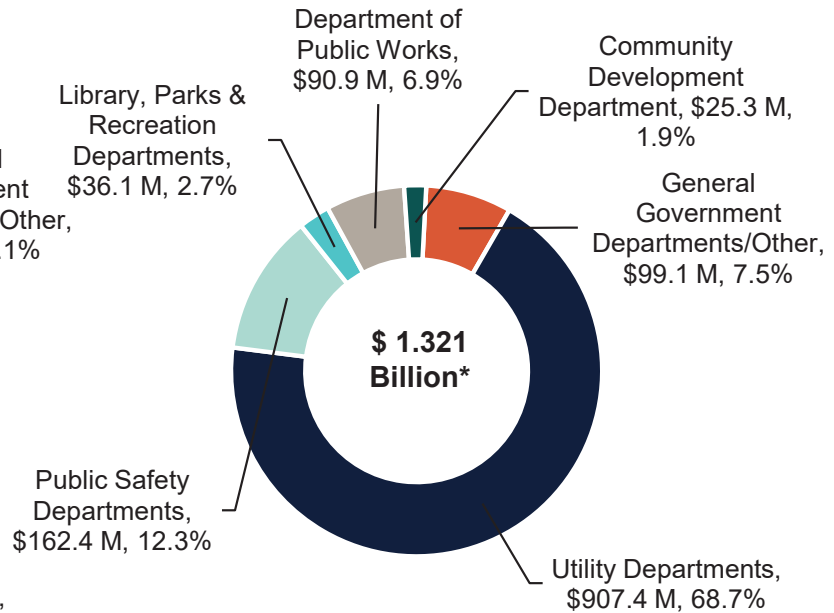


Operating Budget Expenditures by Department *

FY 2023/24 Proposed Budget

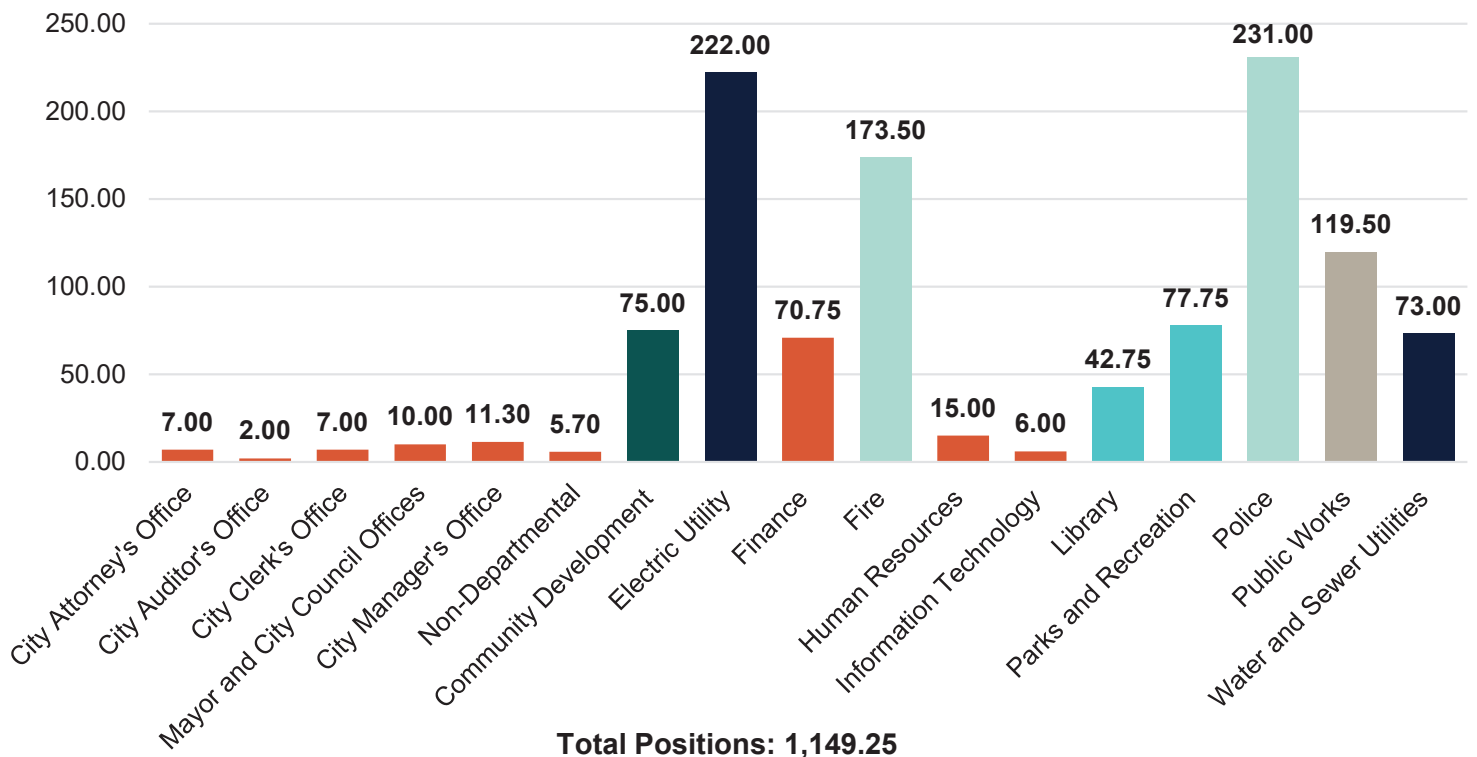


FY 2024/25 Proposed Budget



* Excludes internal service funds not tied to a particular department and debt service.

FY 2023/24 Positions by Department **



** In FY 2024/25, 4.0 positions added to the Community Development Department, for a total position count of 1,153.25.

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Budget Highlights by Strategic Pillar

Promote and Enhance Economic, Housing and Transportation Development

- The FY 2023/24 budget includes over \$2.0 million of CDBG funds for various public service activities (e.g. family therapy advocacy, educational services, senior adult legal assistance, meals to seniors and adults with disabilities) along with funding for capital projects for affordable housing and public facility improvements. One-time funding from the HOME American Rescue Plan is programmed to provide additional funding for Tenant-Based Rental Assistance and homelessness outreach.
- In FY 2023/24, the Convention Center is projected to have 220 events, with approximately 246,196 in attendance, which reflects over 100% growth in attendance when compared to FY 2022/23 projected attendance.
- Launch and operate a grant-funded on-demand shuttle program with the City of Cupertino.
- Complete several transportation projects, begin work on Vision Zero Study, and continue responding to traffic calming and traffic safety-related public inquiries.

Promote Sustainability and Environmental Protection



- Add Electric Utility funding to support the Large Customer Renewable Energy Program and various initiatives to expedite Greenhouse Gas emission reduction (e.g., new solar installations, and solar combined with electric vehicle (EV) infrastructure for City facilities and neighborhood school locations).
- Optimize the recycled water system and increase supply while focusing on expansion opportunities with regional partners.
- Continue outreach regarding water conservation and overall environmental sustainability.

Manage Strategically Our Workforce Capacity and Resources

- Generate one-time savings from aligning the Police Department's vacancy factor to historical vacancy rates, which will allow for the pace of department hiring to continue as experienced before the pandemic, with no service delivery impacts expected.
- Temporarily reduce the Fire Department's overtime budget as a result of the Department's receipt of the three-year Staffing for Adequate Fire and Emergency Response grant.
- Freeze 3.0 vacant positions in the City Manager's Office, City Attorney's Office, and City Auditor's Office and eliminate 1.0 vacant position in the Human Resources Department.
- Reduce funding for library books and materials; partner with Foundation and Friends to fundraise for materials.



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Budget Highlights by Strategic Pillar



Deliver and Enhance High-Quality Efficient Services and Infrastructure

- Add positions and other resources in the Community Development Department to support the high volume of development activity funded via development fees.
- Add funding for increased substation maintenance and outage response and repair to ensure reliability of substations in the Electric Utility Department.
- Align resources with expected activity in the City utilities, including adjustments to account for resource and production costs, operating and maintenance costs, and planned debt issuances in FY 2023/24.

Enhance Community Engagement and Transparency

- Library will initiate strategic planning efforts to identify community-based goals for service and align with City Council priorities.
- Community Development Department will continue to engage with the community to inform and involve community members in both long-range and current land use planning activities.
- The FY 2023/24 Stadium Authority Adopted Budget includes funding for the Neighborhood Stadium Relations Committee.

Ensure Compliance with Measure J and Manage Levi's Stadium

- The Stadium Authority's stand-alone Fiscal Year 2023/24 Operating, Debt and Capital Budget was adopted by the Stadium Authority Board on March 7, 2023.
- The \$81.3 million budget provides the necessary funding to administer the duties of the Stadium Authority, including support for operating the Stadium for Non-NFL events through a management company, advancement of the FY 2023/24 work plan, payment of debt service obligations, and maintenance of a five-year capital plan.



Enhance Community Sports and Recreational and Arts Assets

- Rehabilitate and expand park facilities, amenities and playgrounds for all ages and abilities at Warburton Park, Henry Schmidt Park, Westwood Oaks Park playground, Montague Park and Central Park Magical Bridge Playground.
- Acquire, develop and open new buildings at Lawrence Station Area (Nuevo Community Buildings) and a community arts center at Patrick Henry Drive Specific Plan Area.

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General Fund Budget Balancing Strategy

The budget balancing strategy for FY 2023/24 and FY 2024/25 incorporates a combination of increased revenues, one-time and ongoing expenditure reductions, and use of reserves to address the General Fund shortfall of \$8.0 million in FY 2023/24 and \$8.9 million in FY 2024/25 as shown below. This table also includes an ongoing shortfall figure that reflects the average of the projected shortfalls in years three through five of the Ten-Year General Fund Forecast along with the ongoing balancing actions.

- **Revenue Solutions** - phase in the remaining voter-approved Transient Occupancy Tax increase in FY 2023/24 (1 percent in January 2024) and in FY 2024/25 (1 percent in January 2025), which would increase the rate from 11.5% to 13.5%; incorporate fee adjustments approved by the City Council on April 18, 2023 as part of the adoption of the FY 2023/24 Municipal Fee Schedule.
- **Expenditure Reductions** – one-time expenditure savings in the Fire and Police Departments with no service delivery impacts; other departmental reductions limit direct service impacts, and the 4.0 position reductions are in strategic support areas (City Attorney’s Office, City Manager’s Office, City Auditor’s Office, and the Human Resources Department)
- **Use of Reserves** - uses \$1.1 million of the Budget Balancing Reserve in FY 2023/24 and replenishes the amount in FY 2024/25.

The proposed balancing strategy addresses approximately half of the budget deficit with ongoing solutions. After the biennial budget period, the use of additional budget balancing solutions are expected to be brought forward depending on the fiscal situation at that time.

FY 2023/24 and FY 2024/25 Proposed Biennial Operating Budget General Fund Balancing (\$ in millions)			
	FY 2023/24	FY 2024/25	Ongoing
Forecast Shortfall	(\$8.0 M)	(\$8.9 M)	(\$11.4 M)
Increased Revenues			
– Increase TOT Rate: phased 2%	0.9	1.7	3.4
– Fee Adjustments	0.5	0.8	0.8
– One-Time Revenues	0.2	0.0	0.0
Total Revenue Solutions	1.6	2.5	4.2
Expenditure Reductions			
– Fire SAFER Grant	1.0	3.1	0.0
– Police Vacancy Savings	1.6	1.7	0.0
– Other Departmental Proposals	2.7	2.7	2.0
Total Expenditure Solutions	5.3	7.5	2.0
Use of Reserves			
– Budget Balancing Reserve	1.1	(1.1)	0.0
Use of Reserves	1.1	(1.1)	0.0
Future Unidentified Solutions			5.2
General Fund Balancing Total	\$8.0 M	\$8.9 M	\$11.4 M

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City Councilmembers

Mayor	Lisa M. Gillmor
Councilmember District 1	Kathy Watanabe
Councilmember District 2	Raj Chahal
Councilmember District 3	Karen Hardy
Councilmember District 4	Kevin Park
Councilmember District 5	Sudhanshu Jain
Councilmember District 6	Anthony J. Becker

City Department Contact Information

City Attorney's Office	(408) 615-2230
City Clerk's Office	(408) 615-2220
City Manager's Office	(408) 615-2210
Community Development Department	
Building Division	(408) 615-2440
Permit Center	(408) 615-2420
Planning Division	(408) 615-2450
Housing & Community Services	(408) 615-2490
Electric Utility Department	(408) 615-2300
Finance Department	(408) 615-2340
Fire Department	(408) 615-4900
Human Resources Department	(408) 615-2080
Information Technology Department	(408) 615-2022
Library Department	(408) 615-2900
Parks & Recreation Department	(408) 615-2260
Police Department	(408) 615-4700
Department of Public Works	
Engineering Office	(408) 615-3000
Corporation Yard	(408) 615-3080
Water & Sewer Utilities Department	(408) 615-2000



The Budget-in-Brief is intended to provide an overview of the City of Santa Clara's FY 2023/24 and FY 2024/25 Proposed Biennial Operating Budget. The complete budget document can be accessed on the Finance Department's website at: SantaClaraCA.gov/Finance

Questions about this report should be directed to:

City of Santa Clara - Finance Department
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Santa Clara, CA 95050
(408) 615-2340