

Council and Authorities Concurrent Meeting

Item 5. Action on FY 2023/24 Budget Year-End Report and Approve the Related Budget Amendments

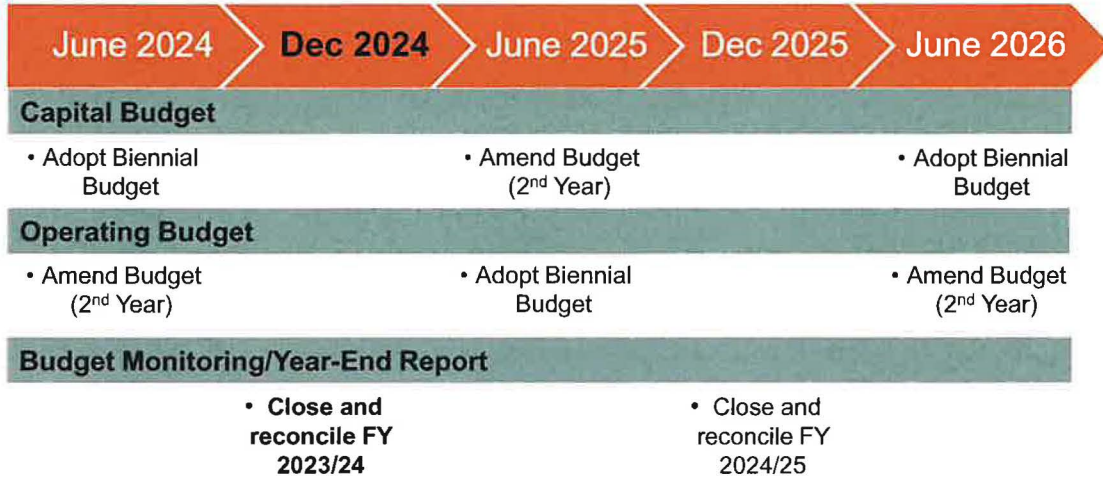
December 3, 2024

The seal of the City of Santa Clara, California, is circular with a white border containing the text "CITY OF SANTA CLARA CALIFORNIA" at the top and "THE MISSION CITY" at the bottom. The center features a depiction of a mission building with a bell tower, a palm tree, and the year "1852".

Agenda

- Overview
- General Fund Performance
- Distribution of General Fund Balance/Other Sources
- Other Funds
- Recommended Adjustments
- RTC Recommendations

Overview



Overview

FY 2023/24 Year-End Budget Review

- Analyze year-end performance of every fund
- Adjust the FY 2024/25 budget in all funds to account for actual FY 2023/24 results
- General Fund budget actions
 - Distribute additional fund balance (informed by Council policies regarding reserves)
 - Distribute Stadium settlement funds (performance rent) and FEMA reimbursements for Covid expenses

Overview

Budget and Fiscal Policies

- Balanced Budget – one-time sources are used to cover one-time uses
- Reserves
 - **Budget Stabilization Reserve** – reserve target is three months of budgeted expenditures (25%); in FY 2024/25, the Council approved a lower minimum of 15% of expenditures
 - **Pension Stabilization Reserve** – set aside funds to address the City's unfunded pension liability; target annual contribution is 1% of the unfunded liability
 - **Capital Projects Reserve** – minimum target of \$5.0 million; goal of having sufficient funds for capital projects included in CIP

Overview

- Ended FY 2023/24 in a solid fiscal position
- General Fund ended the year with available fund balance to distribute of \$17.6 million due to higher revenues (\$10.3 million) and expenditure savings (\$7.3 million)
- Other funds generally ended FY 2023/24 within estimated levels or with improvements to their overall position (summarized in Attachment 3)
- Enterprise Funds increased reserve levels (fund balances/reserves summarized in Attachment 4)

Year-End Results – General Fund

- Revenues of \$296.9 M ended 4.7% (\$13.3 million) above budget; \$3.0 M allocated to Advanced Planning Fee, Technology Fee and Pension Stabilization Reserves, resulting in net additional revenue of **\$10.3 M**
- Expenditures of \$292.0 M were 3.4% (\$10.2 M) below budget; \$2.9 M carried over in the FY 2024/25 in Adopted Budget, resulting in net savings of **\$7.3 M**
- Additional fund balance of **\$17.6 M** over the estimate used to develop FY 2024/25 Adopted Budget; largest actions include:
 - Reserves: Budget Stabilization (\$7.5 M), Pension Trust (\$5.4 M), Ending Fund Balance (\$2.4 M)
 - Capital Projects: FHRMS Update (\$1.0 M); Library Concrete (\$0.2 M)
 - G.O. Bond Implementation (\$1.0 M)



General Fund Revenue Variance

Category	Variance
Property Tax	\$3.57 M
Sales Tax	\$1.25 M
Transient Occupancy Tax	\$1.07 M
Fees for Services (CUPA, Tech Fee, Planning, Parks)	\$2.53 M
Interest	\$1.63 M
Interest (Pension Trust Earnings)	\$1.75 M
Other Revenue	\$0.60 M
Remaining Revenue Variance	\$0.94 M
Total Revenue Variance	\$13.34 M



General Fund Revenue History

	FY 2018/19 Actual	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual	FY 2022/23 Actual	FY 2023/24 Actual	Growth from FY 2018/19
Property Tax	\$58.4 M	\$65.5 M	\$68.8 M	\$74.6 M	\$84.6 M	\$90.7 M	55%
Sales Tax	\$58.5 M	\$55.3 M	\$56.2 M	\$56.9 M	\$64.5 M	\$61.8 M	6%
Transient Occupancy Tax	\$22.5 M	\$16.0 M	\$2.9 M	\$10.8 M	\$19.0 M	\$22.3 M	(1%)
Silicon Valley Power Transfer	\$21.3 M	\$22.7 M	\$24.5 M	\$27.3 M	\$29.6 M	\$33.1 M	55%

General Fund Expenditures

- Expenditures below budget by \$10.2 million (3.4%)
- All departments, except Fire and Information Technology, remained within budget
- Salaries and Benefits generated savings of **\$4.8 million** (2.3%)
- Non-personnel generated savings of **\$5.4 million** (12.7%)
 - Savings in the materials/services/supplies category
 - Adopted budget assumed expenditure savings and the carryover of unspent funds (\$2.9 million)

General Fund Expenditures

Hiring Efforts Continue

- As of July 1, 2024, 148 vacancies (**vacancy rate of 12.8%**); down from July 2023 rate of 15.5%; hiring efforts have decreased vacancy rates
- Active recruitments for **89 positions** (47 classifications) and **16 As Needed** classifications (multiple hires) in progress
- Classification/compensation projects for 10 classifications (26 positions)
- July – Mid-November Hiring: **32 new hires/rehires** and **20 promotions** versus 28 separations

I Want to Work in Santa Clara

WHAT MISSION WILL YOU MAKE POSSIBLE?

Hundreds of thousands of people meet in Santa Clara every day to dream, create and build what's possible. If you are looking to work for the City of Santa Clara or work in Santa Clara at the many companies located here, you can find your mission here in Santa Clara.

- City of Santa Clara Jobs
- Silicon Valley Central Chamber of Commerce
- Santa Clara Police Department Jobs
- Santa Clara Fire Department Jobs
- Silicon Valley Airline Control Authority Jobs
- NORA Works Job Center
- Santa Clara Convention Center

Proposed General Fund Allocations

General Fund Recommended Use of Fund Balance	Impact on Fund Balance
<i>Required Adjustments</i>	
Commerce/Peddler's Plaza Carryover Reduction	(\$1.00 M)
Commerce/Peddler's Plaza Maintenance (new capital project) from excess revenues	\$0.43 M
Transfer to new Fire CUPA Fund (excess FY 2023/24 revenue)	\$0.39 M
Transfer from the PW Capital Projects Management Fund (return FY 2023/24 savings)	(\$0.16 M)

Proposed General Fund Allocations

General Fund Recommended Use of Fund Balance	Impact on Fund Balance
<i>Recommended Adjustments</i>	
Human Resources Department (for safety evaluations, as-needed recruitment support, and labor negotiations)	\$0.34 M
Add 1.0 Division Manager (Safety Officer) and 1.0 Management Analyst in the Human Resources Department (safety program implementation)	\$0.00 M
City Clerk's Office (FY 2024/25 Election Costs)	\$0.08 M

Proposed General Fund Allocations

General Fund Recommended Use of Fund Balance	Impact on Fund Balance
<i>Recommended Adjustments (Cont'd.)</i>	
Building Parking Lot Improvements Project (Library concrete sidewalk replacement)	\$0.22 M
Finance FHRMS Project (accounting software upgrade, purchasing/contracts module, inventory management)	\$1.00 M
General Obligation Bond Implementation	\$1.00 M

Proposed General Fund Allocations

General Fund Recommended Use of Fund Balance	Impact on Fund Balance
<i>Recommended Adjustments (Cont'd.)</i>	
Transfer from Capital Funds (project savings of \$0.10 M) and Increase Capital Project Reserve (\$0.10 M)	\$0.00 M
Budget Stabilization Reserve	\$7.52 M
Pension Trust Reserve (1% of General Fund unfunded liability)	\$5.38 M
Ending Fund Balance (set aside funds to address needs that arise in FY 2024/25)	\$2.40 M
Total Use of Additional Fund Balance	\$17.60 M



Additional General Fund Allocations

General Fund Recommended Use of Additional Revenue	Impact on Fund Balance
<i>Recommended Adjustments (Cont'd.)</i>	
FEMA Reimbursement Revenue / Budget Stabilization Reserve	\$1.36 M
Stadium Settlement Funds (Performance Rent) / Budget Stabilization Reserve	\$7.32 M
Total Additional Adjustments	\$8.68 M



Summary of Select General Fund Reserves

General Fund Reserve	FY 2024/25 Amended Balance
Budget Stabilization Reserve (increase of \$16.2 M from use of fund balance, FEMA reimbursement, Stadium settlement; increase from 18.4% to 23.9% of expenditures)	\$70.0 M
Capital Projects Reserve (up \$0.10 M from capital project savings); meets the \$5.0 M minimum balance goal	\$7.9 M
Pension Stabilization Reserve (6.4% of unfunded liability)	\$34.6 M

Enterprise Funds – Reserves

- Select reserve balances with recommended actions (in millions)

Utility	Reserve	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual	FY 2022/23 Actual	FY 2023/24 Actual	FY 2024/25 Recommended	Goal Levels	Revised Level
Water	Operations & Maintenance	1.60	4.10	3.10	2.40	5.40	7.40	90 days	47 days
Water	Infrastructure	0.70	2.10	2.10	1.20	1.00	1.00	20%	18%
Water	Rate Stabilization	1.50	2.50	1.10	0.75	3.80	6.80	10%	11%
	Water Total	3.80	8.70	6.30	4.35	10.20	15.20		
Sewer	Operations & Maintenance	8.70	1.80	1.80	1.80	8.30	16.30	90 days	168 days
Sewer	Infrastructure	11.00	1.60	1.60	1.60	4.80	5.30	20%	20%
Sewer	Rate Stabilization	5.10	2.40	2.40	2.40	4.30	4.60	10%	10%
	Sewer Total	24.80	5.80	5.80	5.80	17.40	26.20		
Recycled Water	Operations & Maintenance	1.30	1.50	2.10	2.30	2.30	2.80	90 days	108 days
Recycled Water	Infrastructure	1.60	0.90	0.01	0.01	0.01	0.01	20%	43%
Recycled Water	Rate Stabilization	2.30	2.30	1.00	2.30	2.30	0.80	10%	32%
	Recycled Water Total	5.20	4.70	3.11	4.61	4.61	3.61		

Enterprise Funds – Reserves (Cont'd.)

- Select reserve balances with recommended actions (in millions)

Utility	Reserve	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual	FY 2022/23 Actual	FY 2023/24 Actual	FY 2024/25 Recommended	Goal Levels	Revised Level
Electric	Operations & Maintenance	112.80	107.90	118.80	150.80	195.00	257.00	90 - 180 days*	154 days
Electric	Infrastructure	54.00	55.30	-	-	50.00	50.00	20%*	5%
Electric	Rate Stabilization	44.90	44.40	48.80	56.80	66.00	70.00	10%*	10%
	Electric Total	211.70	207.60	167.60	207.60	311.00	377.00		
Solid Waste	Operations & Maintenance	0.70	2.70	2.70	2.70	2.70	10.40	90 days	90 days
Solid Waste	Rate Stabilization	2.80	1.80	3.10	1.80	1.80	1.80	10%	10%
	Solid Waste Total	3.50	4.50	5.80	4.50	4.50	12.20		
Convention Center	Operations & Maintenance	-	-	-	-	-	4.60	90 days	90 days
	Convention Center Total	-	-	-	-	-	4.60		



Recommended Adjustments

FY 2023/24 Budget Ratifications (Attachment 1)

- 14 appropriations totaling \$1.6 million in 10 funds
 - \$1.0 million in Convention Center Enterprise Fund for Event and Indirect Expenses (higher activity level offset by revenue)
 - \$0.2 million overage in the General Fund – Fire Department budget due to higher personnel and capital outlay costs
 - \$0.2 million in sewer debt service fund due to higher than anticipated cost of issuance
 - \$0.2 million for 11 appropriations in various funds (e.g., higher costs offset by additional revenues/developer contributions for SVACA, CDBG/HOME, prefunded plan review)



Recommended Adjustments

FY 2024/25 Budget Adjustments (Attachment 2)

- Adjustment of Beginning and Ending Fund Balances for all funds
- General Fund Adjustments to close out FY 2023/24 and allocate \$17.6 million in available fund balance; distribute Stadium settlement and FEMA reimbursement funds
- CIP carryover true-up – increase of \$20.9 million (bringing total CIP carryovers to \$300.8 million); other CIP amendments of \$6.8 million
- Grants carryover – \$8.5 million
- Donations and reimbursements carryover funds – \$2.5 million

Recommendations

1. Note and file the FY 2023/24 Budget Year-End Report.
2. Establish a Certified Unified Program Agency (CUPA) Fund to account for CUPA-related activities to be managed by the Fire Department.
3. Approve the FY 2023/24 Budget Amendments to address necessary budget ratifications totaling \$1,590,060 in 10 funds as set forth in Attachment 1 of this report (five affirmative Council votes required to appropriate additional revenue and for the use of unused balances).

Recommendations

4. Approve the FY 2024/25 Budget Amendments, as set forth in Attachment 2. This includes actions in the General Fund to distribute excess funding from the close-out of FY 2023/24 and actions to recognize FEMA reimbursements and Stadium settlement revenue, as detailed below (five affirmative Council votes required to appropriate additional revenue and for the use of unused balances):
 - a) Increase the **Budget Stabilization Reserve** in the amount of \$7,525,130, offset by an increase to the Beginning Fund Balance, a decrease in expenditures, and transfers from other funds;
 - b) Increase the **Pension Stabilization Reserve** in the amount of \$5,379,912, offset by an increase to the Beginning Fund Balance;
 - c) Increase the Non-Departmental budget by \$1,000,000 for **General Obligation Bond Implementation**, offset by an increase to the Beginning Fund Balance;



Recommendations

4. (Cont'd.)
 - d) Increase the **Human Resources Department** budget by \$343,000, offset by an increase to the Beginning Fund Balance;
 - e) Increase the **City Clerk's Office** budget by \$82,000, offset by an increase to the Beginning Fund Balance;
 - f) Increase the Transfer to the General Government Capital Fund for the **FHRMS Update Project** in the amount of \$1,000,000, offset by an increase to the Beginning Fund Balance;
 - g) Increase the Transfer to the Public Buildings Capital Fund for the **Building Parking Lot Improvements Project** in the amount of \$216,000 to fund the library concrete sidewalk replacement project, offset by an increase to the Beginning Fund Balance;



Recommendations

4. (Cont'd.)

- h) Increase the Transfer to the Public Buildings Capital Fund and establish the **Commerce/Peddler's Plaza Maintenance Project** in the amount of \$429,894 to fund the maintenance of the two properties, offset by an increase to the Beginning Fund Balance;
- i) Increase the **Transfer from the Other City Operating Grant Trust Fund** in the amount of \$8,135 to return unused funding related to Covid-19 and to close out the Tobacco Free Cities Grant Program, offset by an increase to the Budget Stabilization Reserve;
- j) Increase the **Transfer from the Public Works Capital Projects Management Fund** in the amount of \$162,667 to return savings, offset by an increase to the Budget Stabilization Reserve;



Recommendations

4. (Cont'd.)

- k) Increase the **Transfer from the General Government Capital Fund** in the amount of \$84,237 to return capital project savings and increase the Capital Projects Reserve by \$84,237;
- l) Increase the **Transfer from the Parks and Recreation Capital Fund** in the amount of \$2,642 to return capital project savings and increase the Capital Projects Reserve by \$2,642;
- m) Increase the **Transfer from the Streets and Highways Capital Fund** in the amount of \$11,576 to return capital project savings and increase the Capital Projects Reserve by \$11,576;
- n) Establish a transfer to the newly established **Fire CUPA Fund** in the amount of \$392,826 to track all CUPA-related activities separately, offset by an increase to the Beginning Fund Balance;



Recommendations

4. (Cont'd.)

- o) Decrease the Commerce/Peddler's Plaza carryover in the **City Manager's Office** in the amount of \$1.0 million, offset by an increase to the Budget Stabilization Reserve;
- p) Increase the **Transfer to the Patrick Henry Infrastructure Improvement Fund** in the amount of \$4,266, offset by an increase to the Beginning Fund Balance;
- q) Recognize **Beginning Fund Balance - Restricted for Prepayments** in the amount of \$93,892 and increase the **Public Works Department** appropriation for remaining developer deposits for third party plan review and inspections;
- r) Recognize **Stadium settlement revenue** in the amount of \$7,324,722 and increase the Budget Stabilization Reserve by \$7,324,722;



Recommendations

4. (Cont'd.)

- s) Recognize a **Transfer from the Other City Departments Operating Grant Trust Fund** in the amount of \$1,356,446 to recognize FEMA reimbursements for Covid-related expenses and increase the Budget Stabilization Reserve by \$1,356,446; and
- t) Increase the **Unrestricted Ending Fund Balance** by \$2,400,000 to set aside funding to address needs in FY 2024/25.

- 5. Add 1.0 Division Manager and 1.0 Management Analyst in the Human Resources Department to support the City's safety program, employee wellness and workers' compensation program. *(No additional financial appropriation needed for current FY 2023-24 Budget)*





Council and Authorities Concurrent Meeting

**Item 5. Action on FY 2023/24
Budget Year-End Report and
Approve the Related Budget
Amendments**

December 3, 2024

RESPONSE TO COUNCIL QUESTIONS RE: December 3, 2024 AGENDA

Agenda Item 2.H RTC 24-1596: Action on an Agreement with Kimley-Horn and Associates, Inc. for Design Professional Services for the Uncontrolled Crosswalks Improvements - Phase II Project

Council Question:

I noticed that there were several vendors that bid on this RFP but I don't see the monetary value of their bids in the packet.

This has been common in Santa Clara packets and uncommon in VTA packets. I've been pushing VTA to be more transparent and understand that this information can be released for RFPs but not for RFQs.

Staff Response:

The Agreement with Kimley-Horn and Associates, Inc. (Kimley-Horn) being brought forward to Council tonight for approval is for design professional services, and it is not a low bid contract. Pursuant to State laws governing procurement of architectural and engineering services, the City follows a Qualifications Based Selection Process (QBSP). Under this process, proposers are evaluated based on their demonstrated experience and qualifications, and the most qualified proposer is selected, subject to the negotiation of fair and reasonable compensation.

The selection of Kimley-Horn was done following the RFP process because a clear project scope was identifiable. Kimley-Horn did provide a cost estimate as part of the RFP process and that was reviewed and negotiated with the City, however, since the City follows a QBSP, cost is not a main driver for awarding the Agreement. The City occasionally utilizes a Statement of Qualifications (SOQ) process when procuring services without a defined scope. Through the SOQ process costs estimates are not provided from proposing firms. Both the RFP and SOQ process are different from the process utilized for bidding and awarding Public Works Construction Projects in which the award is done by low bid.

Agenda Item 2.R RTC 24-1193: Authorize the Mayor to Sign the Final Version of the Responsible AI Pledge at the upcoming GovAI Coalition Summit

Council Question:

I have a question regarding the City's policy regarding employees using ChatGPT or any AI tool. Does the City have a prohibition on employees using ChatGPT to review internal documents because I got this answer to a Google Query:



can i give confidential information to chatgpt



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◆ AI Overview

No, you should not enter confidential information into ChatGPT:

Data is saved

ChatGPT saves all user inputs, which can be used to generate responses for other users.

Developers may review entries

Developers may review entries to improve the model.

Data leakage

Users may accidentally enter sensitive information, which can be accessed by third parties.

Confidentiality restrictions

Professionals may have confidentiality restrictions that prohibit them from entering confidential information into ChatGPT.

Data can be used for scams

Information like Social Security numbers and contact information can be used by scammers.

OpenAI may have difficulty identifying and removing personal information

OpenAI may have difficulty identifying and removing personal information due to ChatGPT's rapid growth.

Staff Response:

Per our draft CMD/Policy, "Input of sensitive or proprietary data into generative AI tools is prohibited."

With that said, to clarify, and related to your query, not all "internal" documents would fall under this prohibited use using ChatGPT or any AI tool to review. Some "internal" documents might not be sensitive or proprietary (e.g., asking ChatGPT to review and edit a draft administrative policy or an email among staff).

Agenda Item 5 RTC 24-831: Action on FY 2023/24 Budget Year-End Report and Approve the Related Budget Amendments

Council Question:

I see that we are increasing the BSR to \$70M which is 24% of our expenditures of \$291M in which case the BSR will be essentially replenished. Is that correct?

Also I can't make any sense of this:

Are we spending \$62.8K and if so, for what?

I've always found these reports to be extremely confusing: Source of Funds? Use of Funds?

**FY 2024/25 Budget Amendments
Special Revenue Funds and Other Funds**

Downtown Parking Maintenance District Fund (025)

Item	Source of Funds	Explanation
Beginning Fund Balance / Ending Fund Balance Reconciliation - Unrestricted	62,804	62,804 This action changes the Unrestricted Beginning Fund Balance and Ending Fund Balance as a result of the FY 2023/24 year-end actuals reconciliation (majority affirmative Council votes required).
Beginning Fund Balance / Ending Fund Balance Reconciliation - Reserve for Maintenance	1,226	1,226 This action changes the Beginning Fund Balance and Ending Fund Balance Reserve for Maintenance as a result of the FY 2023/24 year-end actuals reconciliation (majority affirmative Council votes required).
	64,030	64,030

Staff Response:

Budget Stabilization Reserve: yes, the recommended actions in the year-end report would increase the BSR to \$70 million, or 24% of our current year budgeted expenditures. This is close to the Council policy of 25% but less than the pre-Covid peak of \$80 million.

Downtown Parking Maintenance Fund: the budget amendments report reflects changes to the budgeted Source and Use of Funds (the Use of Funds header is missing). At the start of each fiscal year, the budgeted source of funds match the budgeted use of funds for all City funds. When we bring forward any budget amendment, we show the changes to Sources and changes to Uses to ensure the funds always remain in balance - the total change in Sources must match the total changes in Uses.

For the Downtown Parking Maintenance Fund as well as many of the other funds in this report, the recommended budget actions are truing up the FY 2024/25 fund balances based on actual FY 2023/24 year-end performance. When the FY 2024/25 budget was adopted, we estimated how much fund balance would be available at the end of FY 2023/24 in each fund to be carried over as the starting point for FY 2024/25. Now that the actual FY 2023/24 ending fund balances are known, we adjust the FY 2024/25 fund balances to align with these actuals.

In the Downtown Parking Maintenance Fund, FY 2023/24 ended the year with additional unrestricted fund balance of \$62,804 and additional reserve for maintenance of \$1,226 above the amounts assumed in the FY 2024/25 Adopted Budget. As part of this report, these amounts are carried over to FY 2024/25 as additional Beginning Fund Balance and Reserve for Maintenance (Source of Funds) and allocated to the Unrestricted Ending Fund Balance and Reserve for Maintenance (Use of Funds).