



# City of Santa Clara

## Meeting Agenda

### Salary Setting Commission

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**Wednesday, February 10, 2021**

**5:30 PM**

**Virtual Meeting**

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Pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020, to prevent the spread of COVID-19, Committee members will be attending the meeting remotely. The City of Santa Clara has implemented methods for the public to participate remotely via Zoom link or phone call in.

To join Zoom Meeting please use this URL to join.

<https://santaclaraca.zoom.us/j/92125746966>

Meeting ID: 921 2574 6966

#### **CALL TO ORDER AND ROLL CALL**

#### **CONSENT CALENDAR**

**21-220** [Action to Approve the Salary Setting Commission Meeting Minutes of January 27, 2021](#)

**Recommendation:** Approve the Meeting Minutes of January 27, 2021.

#### **PUBLIC PRESENTATIONS**

#### **GENERAL BUSINESS**

**21-232** [Action to Consider Comparative Information and to Set Salaries of Mayor and City Council](#)

**Recommendation:** Staff has no recommendation other than to encourage the Commission to consider the available information, and when ready, act to set the salaries of the Mayor, and Council.

#### **STAFF REPORT**

**21-221**    [Informational Report Regarding City Budget and Forecast](#)

**Recommendation:** This item is for information only; no action is required at this time.

**ATTACHMENTS**

1. Budget Forecast Update

**21-231**    [Informational Report Regarding City Employment and Labor Agreements](#)

**Recommendation:** This item is for information only; no action is required at this time.

**ATTACHMENTS**

1. Employment and Labor Agreements

**COMMISSIONERS REPORT**

**ADJOURNMENT**

The time limit within which to commence any lawsuit or legal challenge to any quasi-adjudicative decision made by the City is governed by Section 1094.6 of the Code of Civil Procedure, unless a shorter limitation period is specified by any other provision. Under Section 1094.6, any lawsuit or legal challenge to any quasi-adjudicative decision made by the City must be filed no later than the 90th day following the date on which such decision becomes final. Any lawsuit or legal challenge, which is not filed within that 90-day period, will be barred. If a person wishes to challenge the nature of the above section in court, they may be limited to raising only those issues they or someone else raised at the meeting described in this notice, or in written correspondence delivered to the City of Santa Clara, at or prior to the meeting. In addition, judicial challenge may be limited or barred where the interested party has not sought and exhausted all available administrative remedies.

If a member of the public submits a speaker card for any agenda items, their name will appear in the Minutes. If no speaker card is submitted, the Minutes will reflect "Public Speaker."

In accordance with the requirements of Title II of the Americans with Disabilities Act of 1990 ("ADA"), the City of Santa Clara will not discriminate against qualified individuals with disabilities on the basis of disability in its services, programs, or activities, and will ensure that all existing facilities will be made accessible to the maximum extent feasible. The City of Santa Clara will generally, upon request, provide appropriate aids and services leading to effective communication for qualified persons with disabilities including those with speech, hearing, or vision impairments so they can participate equally in the City's programs, services, and activities. The City of Santa Clara will make all reasonable modifications to policies and programs to ensure that people with disabilities have an equal opportunity to enjoy all of its programs, services, and activities.

Agendas and other written materials distributed during a public meeting that are public record will be made available by the City in an appropriate alternative format. Contact the City Clerk's Office at 1 408-615-2220 with your request for an alternative format copy of the agenda or other written materials.

Individuals who require an auxiliary aid or service for effective communication, or any other disability-related modification of policies or procedures, or other accommodation, in order to participate in a program, service, or activity of the City of Santa Clara, should contact the City's ADA Coordinator at 408-615-3000 as soon as possible but no later than 48 hours before the scheduled event.



# City of Santa Clara

1500 Warburton Avenue  
Santa Clara, CA 95050  
[santaclaraca.gov](http://santaclaraca.gov)  
[@SantaClaraCity](https://twitter.com/SantaClaraCity)

## Agenda Report

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21-220

Agenda Date: 2/10/2021

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### REPORT TO SALARY SETTING COMMISSION

#### SUBJECT

Action to Approve the Salary Setting Commission Meeting Minutes of January 27, 2021

#### RECOMMENDATION

Approve the Meeting Minutes of January 27, 2021.



# City of Santa Clara

## Meeting Minutes

### Salary Setting Commission

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01/27/2021

5:30 PM

Virtual Meeting

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<https://santaclaraca.zoom.us/j/92080920076?pwd=NWtXSWFoY0NiVGYwdkNBWU16L3c1dz09>

Meeting ID: 920 8092 0076

Passcode: 145362

#### **CALL TO ORDER AND ROLL CALL**

Chairperson Sontag called the meeting to order at 5:35 PM.

**Present** 4 - Commissioner Marjorie Banko , Vice Chair MV Kumar , Chair John Sontag, and Commissioner Eric Chu

**Absent** 1 - Commissioner David Stealey

#### **CONSENT CALENDAR**

#### **PUBLIC PRESENTATIONS**

None

#### **GENERAL BUSINESS**

1      [21-128](#)      Election of Salary Setting Commission Chair and Vice-Chair

**A motion was made by Commissioner Banko , seconded by Commissioner Chu to elect Commissioner Sontag as Chair of the Salary Setting Commission.**

**Aye:** 3 - Commissioner Banko , Vice Chair Kumar, and Commissioner Chu

**Absent:** 1 - Commissioner Stealey

**Abstained:** 1 - Chair Sontag

**A motion was made by Commissioner Banko, seconded by Commissioner Chu to elect Commissioner Kumar as Vice Chair of the Salary Setting Commission.**

**Aye:** 3 - Commissioner Banko , Chair Sontag, and Commissioner Chu

**Absent:** 1 - Commissioner Stealey

**Abstained:** 1 - Vice Chair Kumar

**2**      [21-132](#)      Action To Set Future Commission Meeting Dates

**A motion was made by Vice Chair Kumar, seconded by Commissioner Banko, to meet on Wednesdays at 5:30 PM on the following dates: February 10, 17, and 24; March 3, 10, 24, 31; April 7, 14, 21, 28; May 5, 12, 19, 26; June 2, 9, 16, 23, and 30, 2021.**

**Aye:** 4 - Commissioner Banko , Vice Chair Kumar, Chair Sontag, and Commissioner Chu

**Absent:** 1 - Commissioner Stealey

**STAFF REPORT**

- 1**      [21-134](#)      Informational Presentation and Overview of Relevant Provisions of Brown Act and Public Records Act
- Assistant City Attorney, Sujata Reuter, presented a training on an Overview of the Brown Act and Public Records Act.
- 2**      [21-135](#)      Overview of Legislative Actions, Review of Comparator Agency Information and Recommendations for Process to Review and Set Elected Legislative Officials Compensation
- Staff provided an overview of the Legislative Authority to set compensation for the Mayor and Council, City Clerk and Police Chief; reviewed Comparator Agency Information for the Mayor and Council; and made recommendations on the process to review and set the compensation for the elected officials. The Commission requested a Fiscal Outlook and recent salary changes for City of Santa Clara employees.

**COMMISSIONERS REPORT**

None

**ADJOURNMENT**

**A motion was made by Vice Chair Kumar, seconded by Commissioner Banko, to adjourn the Salary Setting Commission meeting at 6:31 PM.**

**Aye:** 4 - Commissioner Banko , Vice Chair Kumar, Chair Sontag, and Commissioner Chu

**Absent:** 1 - Commissioner Stealey

The time limit within which to commence any lawsuit or legal challenge to any quasi-adjudicative decision made by the City is governed by Section 1094.6 of the Code of Civil Procedure, unless a shorter limitation period is specified by any other provision. Under Section 1094.6, any lawsuit or legal challenge to any quasi-adjudicative decision made by the City must be filed no later than the 90th day following the date on which such decision becomes final. Any lawsuit or legal challenge, which is not filed within that 90-day period, will be barred. If a person wishes to challenge the nature of the above section in court, they may be limited to raising only those issues they or someone else raised at the meeting described in this notice, or in written correspondence delivered to the City of Santa Clara, at or prior to the meeting. In addition, judicial challenge may be limited or barred where the interested party has not sought and exhausted all available administrative remedies.

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## Agenda Report

21-232

Agenda Date: 2/10/2021

### REPORT TO SALARY SETTING COMMISSION

#### **SUBJECT**

Action to Consider Comparative Information and to Set Salaries of Mayor and City Council

#### **BACKGROUND**

Charter Section 702 requires the Salary Setting Commission (Commission) to set the compensation of the Mayor and Council prior to March 15, 2019 and thereafter, every two years. The Charter provision also provides that salaries so established by the Commission shall not exceed one hundred ten percent (110%) of the previous figure.

#### **DISCUSSION**

At its previous meeting on January 27, 2020, staff presented a survey of comparative agencies for the Mayor and Council. A total compensation survey for Mayor and Council has also been completed and included for review and consideration.

#### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

#### **FISCAL IMPACT**

Any costs associated with approved salary increases will be incorporated in the development of future budgets.

#### **COORDINATION**

This report has been coordinated with the City Attorney's Office.

#### **PUBLIC CONTACT**

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#### **RECOMMENDATION**

Staff has no recommendation other than to encourage the Commission to consider the available information, and when ready, act to set the salaries of the Mayor, and Council.

Reviewed by: Aracely Azevedo Director of Human Resources

Approved by: Nadine Nader, Chief Operating Officer/Assistant City Manager

**ATTACHMENTS**

1. Comparator Agency Information
2. Salary Survey, Mayor
3. Salary Survey, Council

**CITY OF SANTA CLARA  
TOTAL MONTHLY SALARY  
(Mayor and City Council)**

AGENCY	GENERAL LAW OR CHARTER	TOP STEP SALARY (Mayor)	TOP STEP SALARY (City Council)
City of Cupertino	General Law	<u>\$ 743.07</u>	<u>\$ 743.07</u>
City of Fremont	General Law	<u>\$ 3,993.78</u>	<u>\$ 2,247.93</u>
City of Mountain View	Charter	<u>\$ 1,446.23</u>	<u>\$ 1,156.94</u>
City of Palo Alto	Charter	<u>\$ 1,150.00</u>	<u>\$ 1,000.00</u>
City of Sunnyvale	Charter	<u>\$ 3,591.10</u>	<u>\$ 2,693.32</u>
Survey Median: Survey Average:		\$ 1,446.23	\$ 1,156.94
		\$ 2,184.84	\$ 1,568.25
City of Santa Clara	Charter	<u>\$ 2,500.00</u>	<u>\$ 2,000.00</u>

Santa Clara above/below Median Salary:	72.86% Above	72.87% Above
Santa Clara above/below Average Salary:	14.43% Above	27.53% Above

2/2/2021

**CONFIDENTIAL**  
**CITY OF SANTA CLARA**  
**TOTAL MONTHLY COMPENSATION ARRAY**  
**CLASS: MAYOR**

Note: Unless otherwise noted, the salary information included in this report was in effect on February 2, 2021

Agency	General Law or Charter	Full-time/Part-time	Top Step Salary (Monthly)	Insurance					Soc. Sec. Medicare	Employer Retire. Rate	Employer-Pd Employee Retirement	Deferred Comp	Auto Allow.	Prof. Devel.	Retiree Medical	Total Compensation
				Life	Medical (Family)	Dental	LTD	Vision								
City of Mountain View	Charter	Part-time	<a href="#">\$1,446.23</a>	\$3.36	\$3,322.56	\$224.76	\$6.97	\$10.00	\$20.97	\$497.53	\$0.00	\$0.00	\$0.00	\$83.33	\$501.04	\$6,116.75
City of Palo Alto	Charter	Full-time	<a href="#">\$1,150.00</a>	\$1.73	\$2,260.00	\$210.62	\$0.00	\$15.59	\$16.68	<a href="#">\$429.72</a>	\$0.00	\$0.00	\$0.00	\$0.00	\$1,937.00	\$6,021.33
City of Cupertino	General Law	Part-time	<a href="#">\$743.07</a>	\$3.84	<a href="#">\$1,969.81</a>	<a href="#">\$114.30</a>	\$0.00	\$14.94	\$10.77	\$221.53	\$0.00	\$0.00	\$0.00	\$0.00	\$1,937.00	\$5,015.27
City of Fremont	General Law	Part-time	<a href="#">\$3,993.78</a>	\$5.66	\$450.00	\$139.10	\$0.00	\$20.48	\$0.00	\$249.61	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,858.63
City of Sunnyvale	Charter	Part-time	<a href="#">\$3,591.10</a>	\$0.00	<a href="#">\$3,400.44</a>	<a href="#">\$41.41</a>	\$0.00	<a href="#">\$7.61</a>	\$52.07	\$1,227.76	\$0.00	\$0.00	\$0.00	\$0.00	<a href="#">\$143.00</a>	\$8,463.38

Survey Median:	\$1,446.23	\$6,021.33
Survey Average	\$2,184.84	\$6,095.07

City of Santa Clara	Charter		<a href="#">\$2,500.00</a>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$36.25	\$954.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,490.33
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Santa Clara above/below median salary: 72.86% Above 0.28

Santa Clara above/below average salary: 14.43% Above

Santa Clara above/below median total compensation: -73% Below

Santa Clara above/below average total compensation: -75% Below

**Notes:**

**City of Mountain View:** Paid on stipend and not based on hours or FTE schedule; same benefits as FT employees except leaves. For retirement, if PEPRA/New Classic hires as of 1/1/19 = 0%; or if Classic prior to 1/1/19 = Employer pays full Employee share. For Retiree Medical: Can choose defined benefit or defined contribution plan. If defined benefit, City pays max of 85% of HMO Plan (Single Coverage). Must work for 15 YOS continuous and retire with the City. If defined contribution, employer pays monthly contributions based on YOS (1-5 YOS = \$315.81. 6-10 YOS = \$408.43. 10+ YOS = \$501.04). Vests after 5 YOS.

**City of Palo Alto:** City Council votes and selects a Mayor each year; salary is the same as City Council. Mayor receives an extra \$150/mo and Vice Mayor receives extra \$100/mo.

2/2/2021

**CONFIDENTIAL**  
**CITY OF SANTA CLARA**  
**TOTAL MONTHLY COMPENSATION ARRAY**  
**CLASS: CITY COUNCIL**

Note: Unless otherwise noted, the salary information included in this report was in effect as of February 2, 2021

Agency	General Law or Charter	Full-time/ Part-time	Top Step Salary	Insurance					Soc. Sec. Medicare	Employer Retire. Rate	Employer-Pd Employee Retirement	Deferred Comp	Auto Allow.	Prof. Devel.	Retiree Medical	Total Compensation
				Life	Medical (Family)	Dental	LTD	Vision								
City of Mountain View	Charter	Part-time	<a href="#">\$1,156.94</a>	\$2.69	\$3,322.56	\$224.76	\$5.58	\$0.00	\$16.78	\$398.01	\$0.00	\$0.00	\$0.00	\$83.33	\$501.04	\$5,711.68
City of Palo Alto	Charter	Full-time	<a href="#">\$1,000.00</a>	\$1.50	\$2,260.00	\$210.62	\$0.00	\$15.59	\$14.50	<a href="#">\$376.37</a>	\$0.00	\$0.00	\$0.00	\$0.00	\$1,937.00	\$5,815.58
City of Cupertino	General Law	Part-time	<a href="#">\$743.07</a>	\$3.84	<a href="#">\$1,969.81</a>	\$ 114.30	\$0.00	\$14.94	\$10.77	\$221.53	\$0.00	\$0.00	\$0.00	\$0.00	\$1,937.00	\$5,015.27
City of Fremont	General Law	Part-time	<a href="#">\$2,247.93</a>	\$5.66	\$450.00	\$139.10	\$0.00	\$20.48	\$0.00	\$728.67	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,591.84
City of Sunnyvale	Charter	Part-time	<a href="#">\$2,693.32</a>	\$0.00	<a href="#">\$3,400.44</a>	<a href="#">\$41.41</a>	\$0.00	<a href="#">\$7.61</a>	<a href="#">\$39.05</a>	\$920.82	\$0.00	\$0.00	\$0.00	\$0.00	<a href="#">\$143.00</a>	\$7,245.64

Survey Median: **\$1,156.94**  
Survey Average: **\$1,568.25**

**\$5,711.68**  
**\$5,476.00**

City of Santa Clara	Charter		<a href="#">\$2,000.00</a>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$29.00	\$763.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,792.26
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Santa Clara above/below median salary: **72.87% Above**

Santa Clara above/below average salary: **27.53% Above**

Santa Clara above/below median total compensation:

**-105% Below**

Santa Clara above/below average total compensation:

**-96% Below**

**Notes:**

**City of Mountain View:**

Paid on stipend and not based on hours or FTE schedule; same benefits as FT employees except leaves. For retirement, if PEPRA/New Classic hires as of 1/1/19 = 0%; or if Classic prior to 1/1/19 = Employer pays full Employee share. For Retiree Medical: Can choose defined benefit or defined contribution plan. If defined benefit, City pays max of 85% of HMO Plan (Single Coverage). Must work for 15 YOS continuous and retire with the City. If defined contribution, employer pays monthly contributions based on YOS (1-5 YOS = \$315.81. 6-10 YOS = \$408.43. 10+ YOS = \$501.04). Vests after 5 YOS.

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## Agenda Report

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21-221

Agenda Date: 2/10/2021

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### REPORT TO SALARY SETTING COMMISSION

#### **SUBJECT**

Informational Report Regarding City Budget and Forecast

#### **BACKGROUND AND DISCUSSION**

Pursuant to Commission request, staff will present information related to the City's current FY 2020/21 Adopted Budget and Ten-Year Finance Forecast. As this is an informational report, no action is required.

#### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

#### **RECOMMENDATION**

This item is for information only; no action is required at this time.

#### **ATTACHMENTS**

1. Budget Forecast Update



# Fiscal Outlook

## 10-Year General Fund Forecast

**Kenn Lee, Finance Director**  
**February 2021**

# Agenda

- Overview
- Economic Outlook
- 10-Year General Fund Forecast
- Budget Balancing
- Budget Principles
- Next Steps



# Overview



# Overview

## Financial Update as a Strategic Planning Tool

- Evaluate current condition
- Foundation for looking at priorities
- Know risk factors and vulnerabilities
- Understand trade-offs moving forward
- Develop mitigation efforts
- Strategic positioning and use of reserves



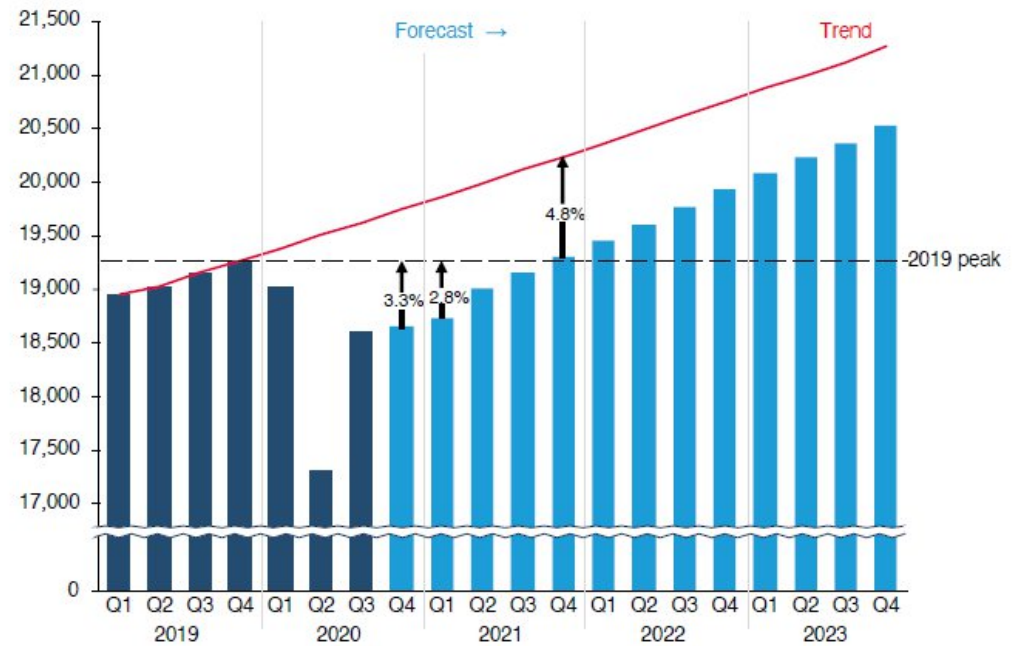
# Economic Outlook



# Economic Outlook

- COVID-19 spurred abrupt end to longest expansion in U.S. history
- With mass vaccinations, strong growth expected in 2021; UCLA Forecast assumes economy reaching previous peak by the end of 2021, but still below expected pre-COVID trend
- Uneven impacts to businesses and residents with some facing significant hardships

Real GDP Levels and Trends, \$ Billions



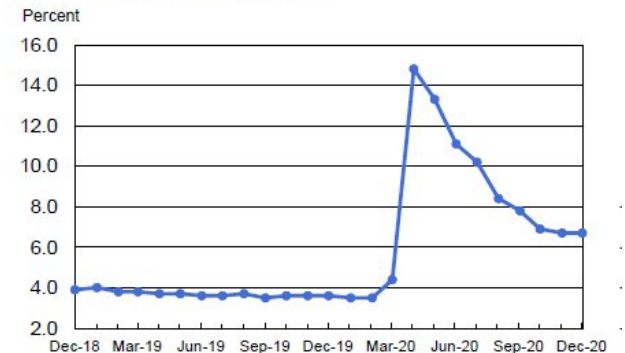
Source: U.S. Department of Commerce, Bureau of Economic Analysis and UCLA Anderson Forecast

Notes: Real GDP growth rate, seasonally adjusted annual rate

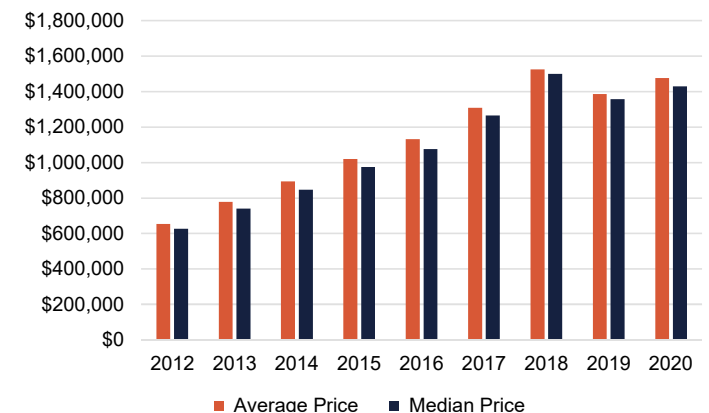
# Economic Outlook

- Unemployment improving after unprecedented increase in March 2020; Silicon Valley lower than State and U.S.
- Santa Clara residential real estate market experienced growth despite COVID-19
- UCLA expects housing market to remain hot through at least 2023
- Development activity also remains strong; can change quickly based on economic conditions

**U.S. Unemployment Rate  
December 2018 – December 2020**



**Single Family Residential Home Sales**



Data Source: Santa Clara County Association of Realtors

# 10-Year General Fund Forecast



# 10-Year General Fund Forecast

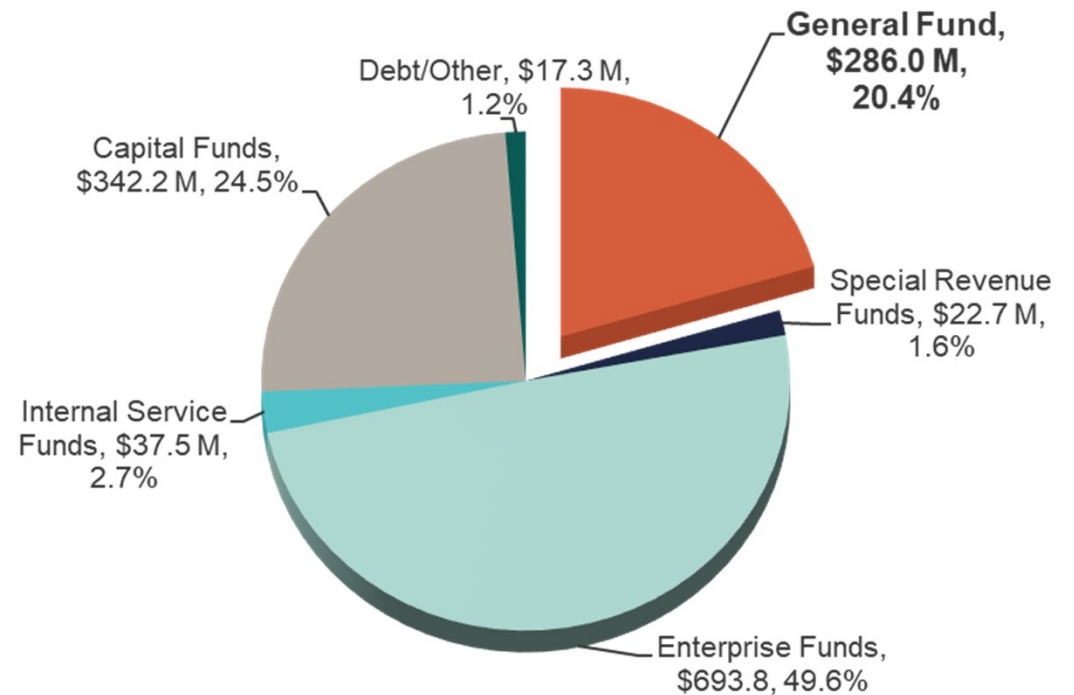
- Planning tool
- Compare ongoing General Fund revenues and expenditures
- Projected deficits/surpluses if solved with ongoing dollars (Net Operating Margin)



# 10-Year General Fund Forecast

- 10-Year General Fund Forecast for long-term planning
- Focused on the General Fund portion of the budget that provides many of the direct services to community (police, fire, libraries, parks and recreation)
- Base General Fund shortfall in FY 2021/22 due to COVID-19 impacts

## FY 2020/21 Adopted Budget



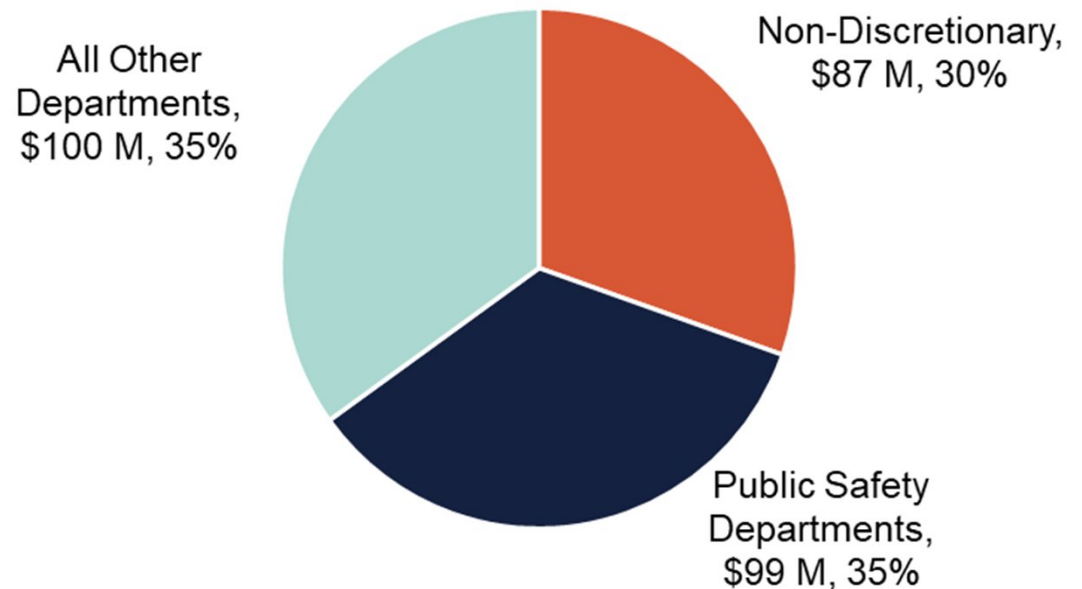
# 10-Year General Fund Forecast

## Expenditure Budget

### Limited control in certain areas

- Non-Discretionary costs represent approx. 30% of the General Fund budget
- CalPERS costs – unfunded liability
- Debt service costs
- Fixed facility operating costs
- Fee-supported activities

### FY 2020/21 General Fund Budget (\$286 million)



# 10-Year General Fund Forecast Development and Assumptions

## Major assumptions:

- Post COVID-19 continued economic recovery with longer-term impacts to Transient Occupancy Tax
- Current CalPERS direction/ methodology for payments
- Revenue and expenditure review
- Adjustments for latest salaries and benefits costs

## Forecast does not include:

- Additional contributions to reserves (Council Policy for BSR, Pension)
- One-time funding sources
- One-time expenditures
- The cost to address unmet/ deferred infrastructure needs

# 10-Year General Fund Forecast

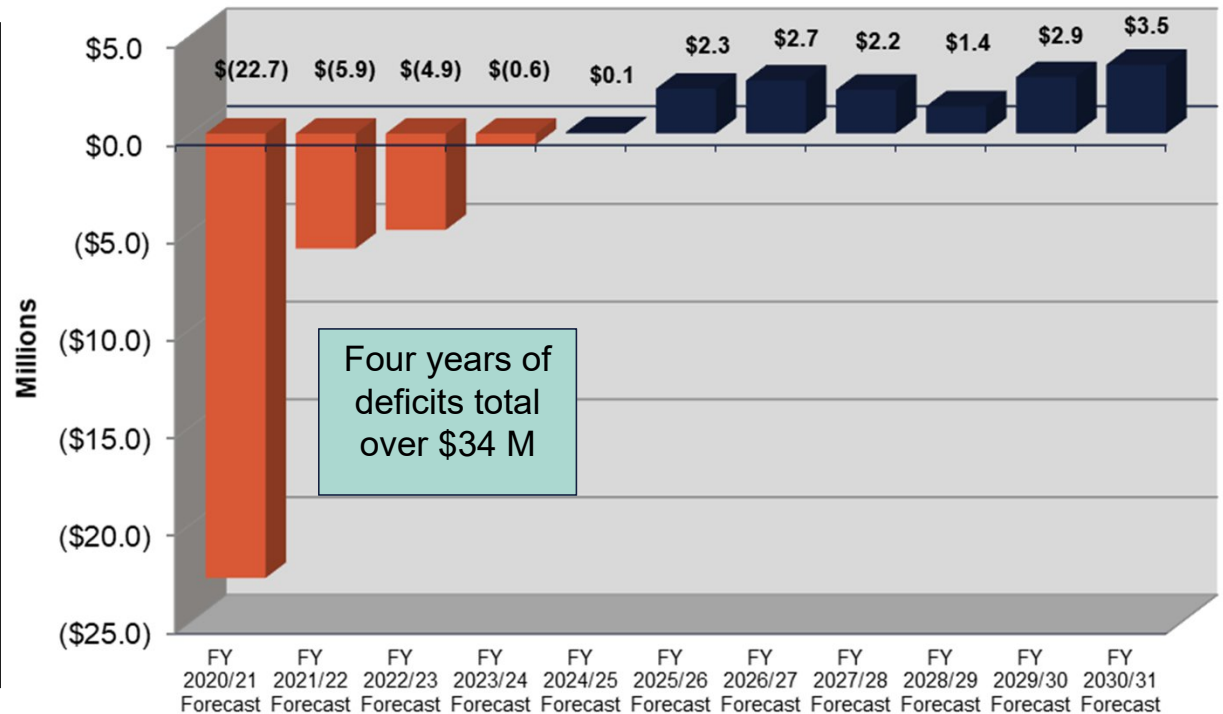
## Known Risks

- More significant impact from COVID-19 / vaccine roll out timing
- Prolonged economic slowdown/recession
- Property Tax – re-assessment of non-residential properties
- State/federal legislative changes and legal challenges
- Labor costs outside the budget assumptions
- Impacts of updated Cost Allocation Plan and Fee Study
- CalPERS actuarial changes or reform actions
- Capital/infrastructure - unanticipated critical maintenance needs
- Maintenance impacts and timing of development projects

# General Fund Forecast - April 2020

## Net Operating Margin

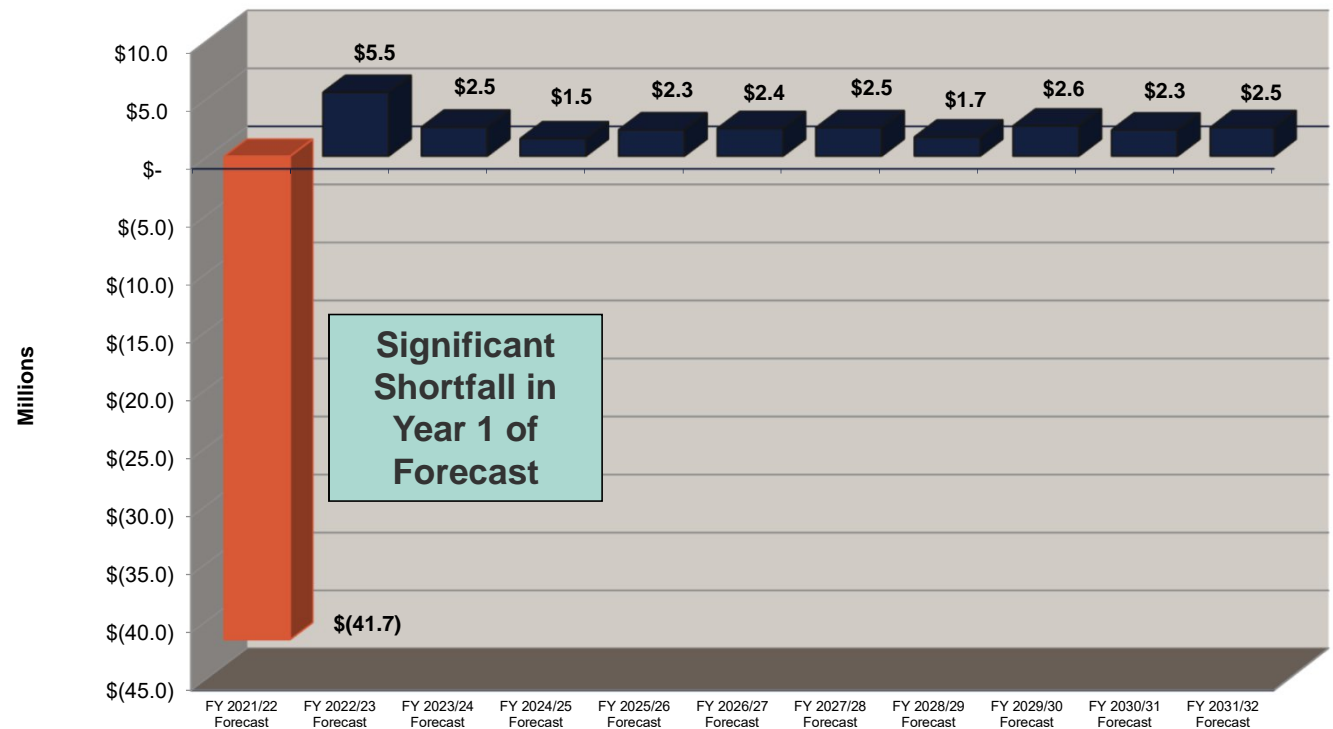
- April Forecast was based on very early understanding of COVID-19 assuming we would open up in summer 2020
- Revision in September increased the projected deficit to \$40 M over three years
- With Phase I solutions, we would have a \$28 M ongoing deficit to solve



# General Fund Forecast – January 2021

## Net Operating Margin

- We experienced a deep recession and **assumes we recover** upon roll out of the vaccine
- Does not assume budget reductions expected to be brought forward in FY 2020/21
- With potential FY 2020/21 reductions, \$30 M ongoing deficit to solve



# General Fund Forecast Comparison

FY 2022-2032 General Fund Ten-Year Forecast Net Operating Margin - Ongoing Surplus/(Deficit) (\$ in millions)										
2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>JANUARY 2021 FORECAST</b>										
(\$41.7 m)	\$5.5 m	\$3.3 m	\$1.6 m	\$2.3 m	\$2.5 m	\$2.0 m	\$1.7 m	\$2.7 m	\$2.2 m	\$2.4 m
<b>APRIL 2020 FORECAST</b>										
(\$28.6 m)*	(\$4.9 m)	(\$0.6 m)	\$0.1 m	\$2.3 m	\$2.7 m	\$2.2 m	\$1.4 m	\$2.9 m	\$3.5 m	N/A
<b>CHANGE FROM PRIOR FORECAST</b>										
(\$13.1 m)	\$10.4 m	\$3.9 m	\$1.5 m	\$0.0 m	(\$0.2 m)	(\$0.2 m)	\$0.3 m	(\$0.2 m)	(\$1.3 m)	N/A

\* Includes the \$22.7 M shortfall from FY 2020/21 and the \$5.9 M shortfall from FY 2021/22

# Major Changes from Prior Forecast

## **Revenues - Down \$10.0 M in 2021/22 (Approx. 4% of revenue budget)**

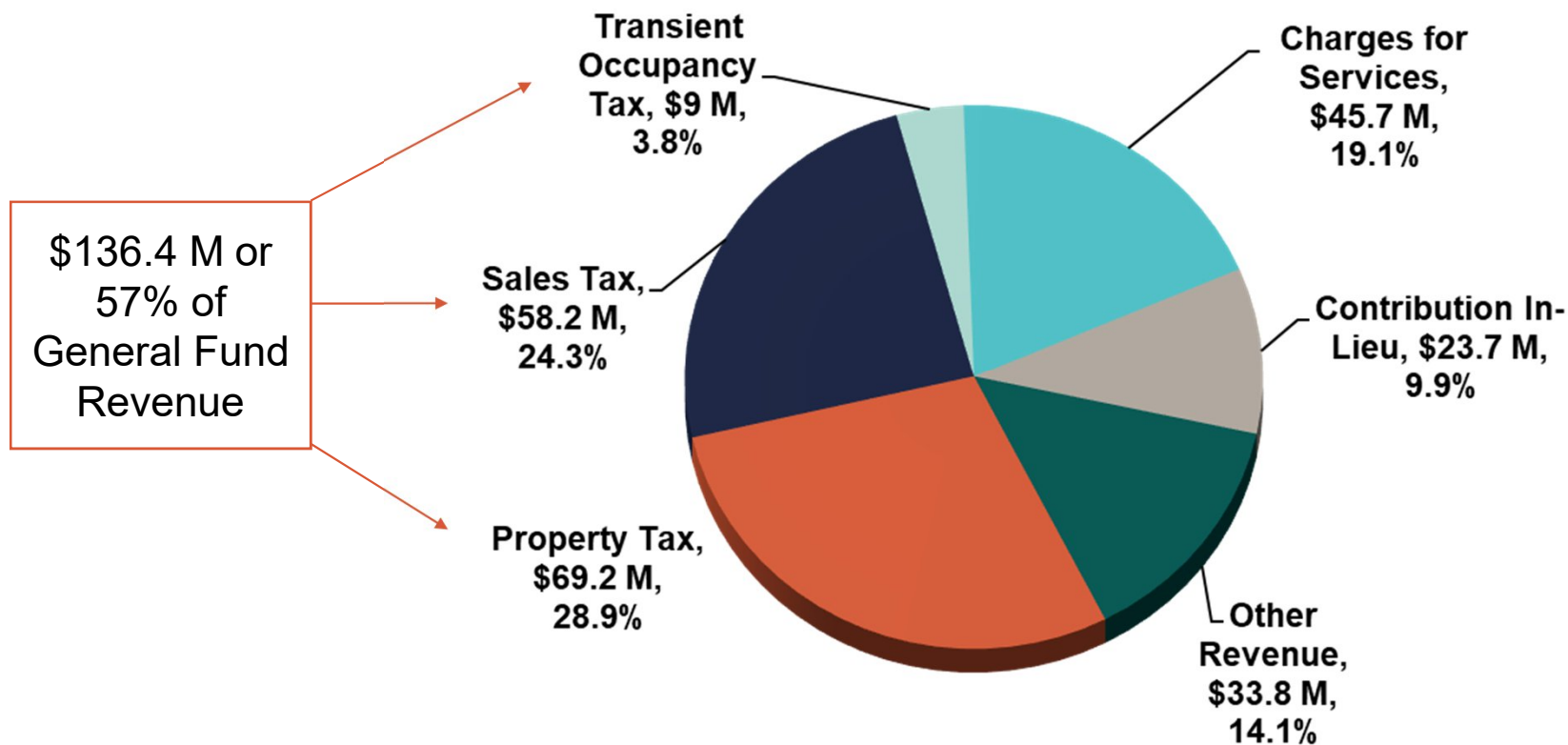
- Drops in Transient Occupancy Tax (\$6.8 M), Interest Income (\$2.7 M) in 2021/22; Charges for Services - Stadium reimbursements, fees for services (\$2.6 M); Rents - Related lease payments extended timeline (\$2.4 M)
- Sales Tax up \$4.5 M in 2021/22 (previously assumed slowdown)

## **Expenditures - Up \$3.1 M in 2021/22 (Approx. 1% of expenditure budget)**

- Salaries and Benefits down \$0.5 M
  - Salaries down \$3.4 M in 2021/22 (savings generated in Units 5-7-8, 6 and 9)
  - Retirement costs up \$0.9 M in 2021/22
  - Fire overtime up \$2.1 M with cost escalation
- Non-Personnel Costs up \$1.1 M
- Other Operating Costs up \$2.5 M in 2021/22
  - Interfund Services up \$0.7 M (Unemployment, Special Liability)
  - Development Reserves up \$1.8 M in FY 2021/22 (offset by revenues)

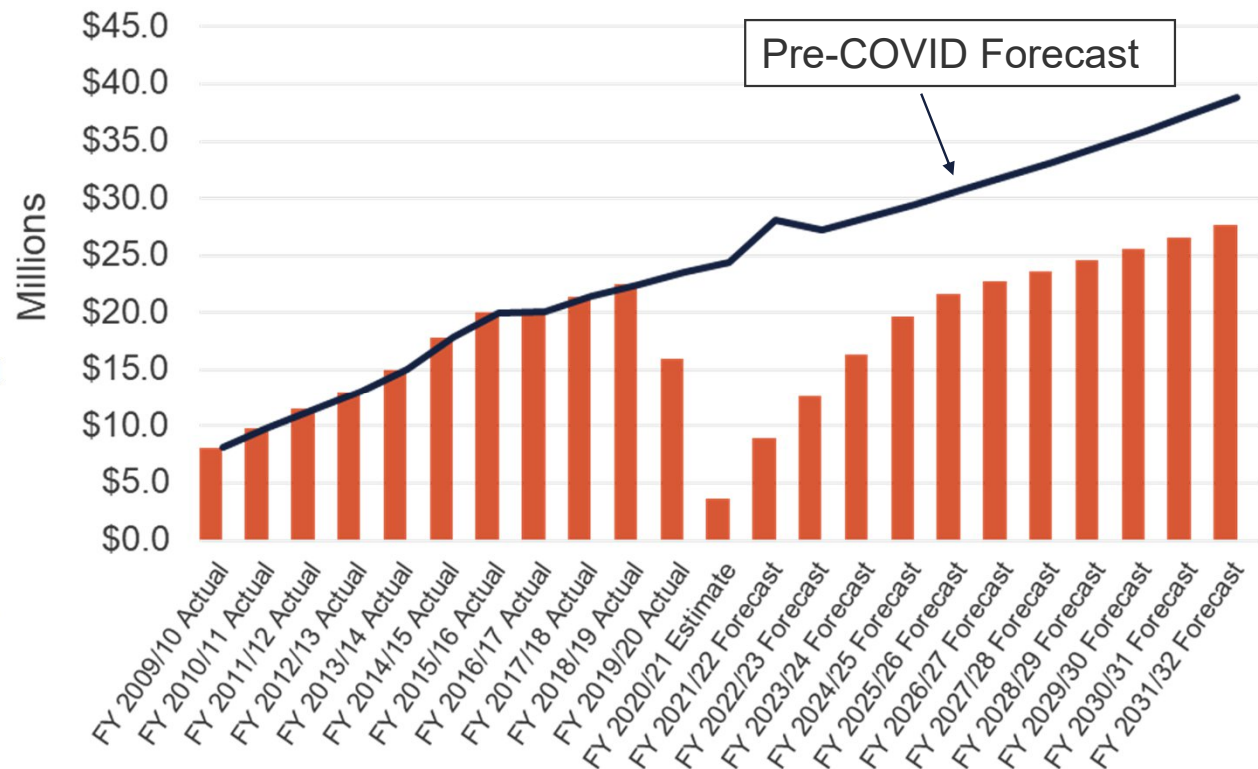
# 10-Year General Fund Forecast

## 2021/22 General Fund Revenues = \$239.6 M



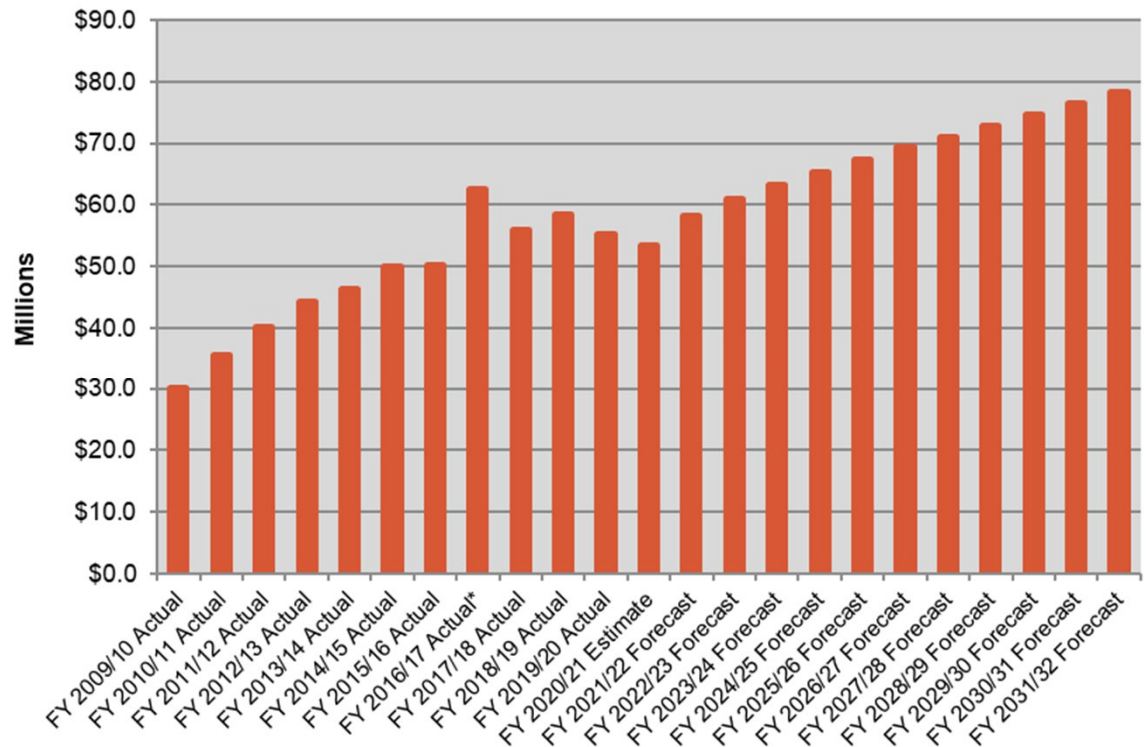
# 10-Year General Fund Forecast Transient Occupancy Tax (TOT)

- 3rd largest General Fund revenue source
- COVID-19 Significantly Impacted TOT receipts
- Occupancy and room rates plummeted in 2020; slow return assumed
- Rate increase approved in November 2020 up to 4 percentage points (assume 2% increase from 9.5% to 11.5%)
- No additional hotels assumed



# 10-Year General Fund Forecast Sales Tax

- 2nd largest General Fund revenue source
- COVID-19 Impacted Collections in FY 2019/20 and 2020/21
- Business to Business sales make up over 40% of the City's Sales Tax
- Economically sensitive



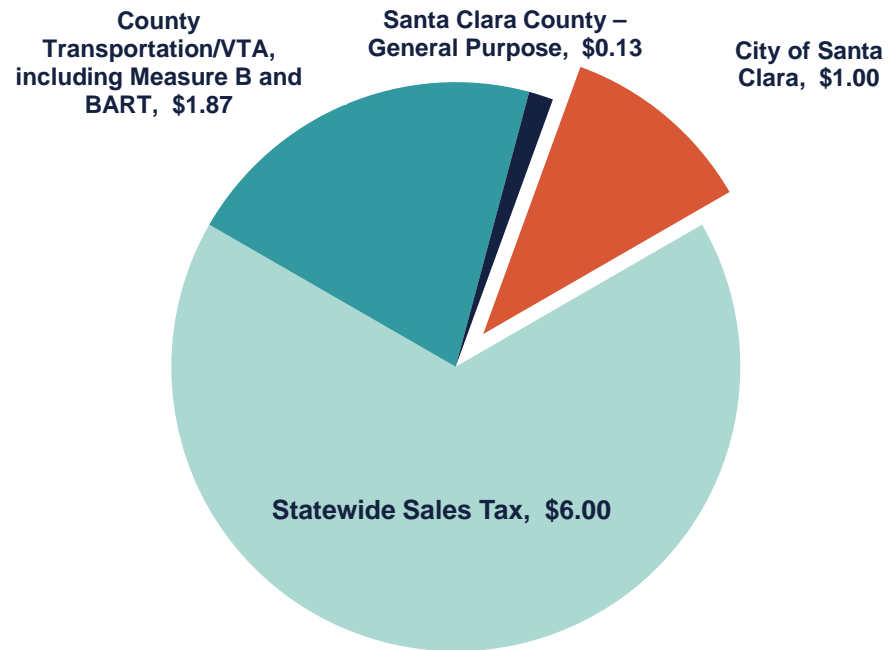
\*FY 2016/17 includes one-time \$7.0 million true-up payment due to the unwinding of the State's Triple Flip.

# 10-Year General Fund Forecast

## Sales Tax

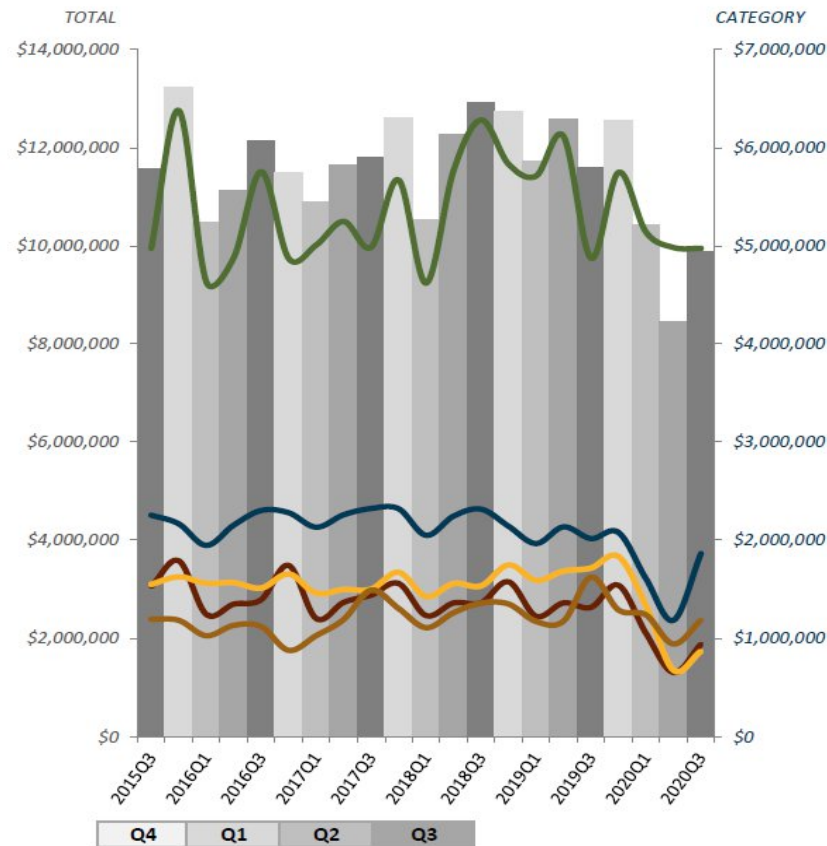
Sales Tax Based on \$100 Purchase

- The City of Santa Clara receives \$1 of every \$9 of sales tax collected
- Most of sales tax revenues support the State and County Transportation



# 10-Year General Fund Forecast Sales Tax

- Sales Tax by Sector shows the steepest declines in General Retail and Food Products (including restaurants) due to COVID-19
- Stronger Business to Business performance helps offset the large declines in other areas



TOTAL				
2020Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$9,883,338	-14.8%	-\$1,711,782	-15.0%	-\$7,313,106

GENERAL RETAIL				
2020Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$938,593	-28.7%	-\$376,888	-23.7%	-\$1,294,935
% of 2020Q3 Total:		9.5%		

FOOD PRODUCTS				
2020Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$866,620	-49.5%	-\$849,261	-30.2%	-\$2,031,763
% of Total:		8.8%		

TRANSPORTATION				
2020Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$1,862,056	-7.7%	-\$154,295	-18.5%	-\$1,527,872
% of Total:		18.8%		

CONSTRUCTION				
2020Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$1,184,614	-27.0%	-\$438,492	-12.5%	-\$665,300
% of Total:		12.0%		

BUSINESS TO BUSINESS				
2020Q3	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$4,973,539	2.0%	\$98,846	-7.5%	-\$1,689,944
% of Total:		50.3%		

QoQ = 20Q3 / 19Q3

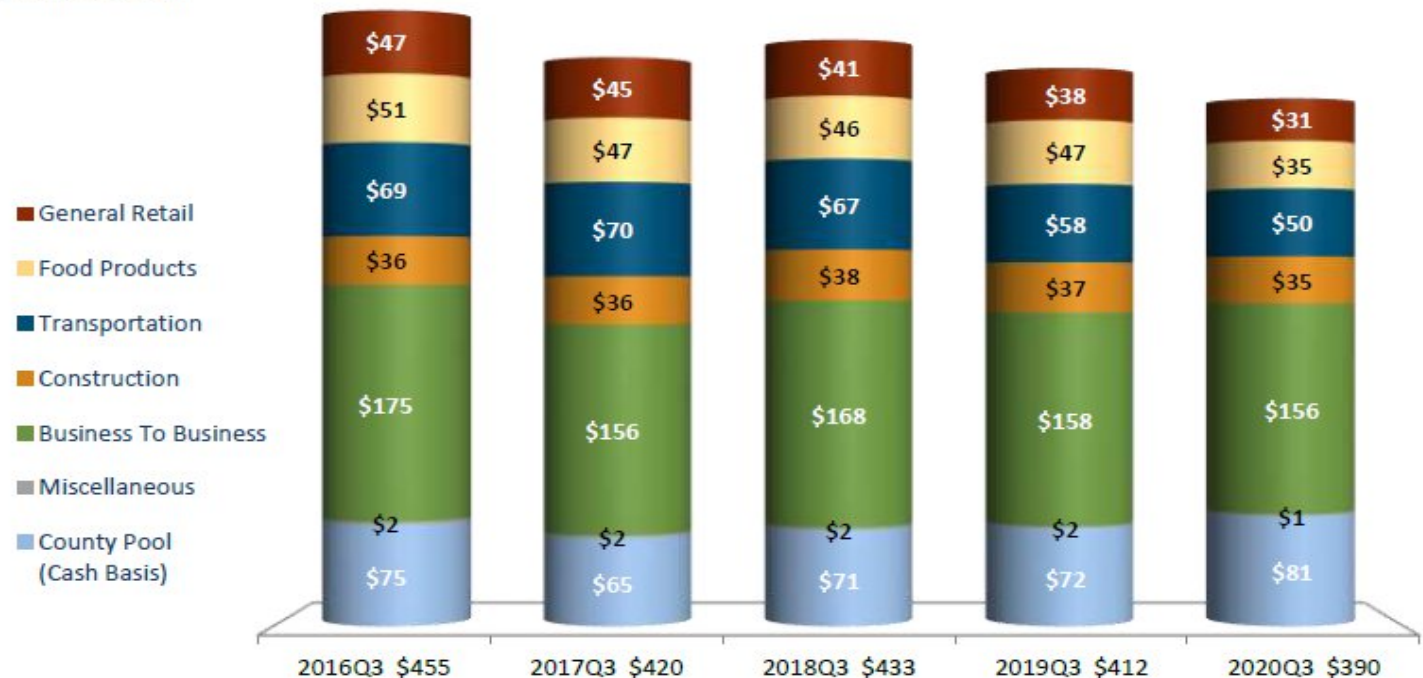
YoY = YE 20Q3 / YE 19Q3

# 10-Year General Fund Forecast

## Sales Tax

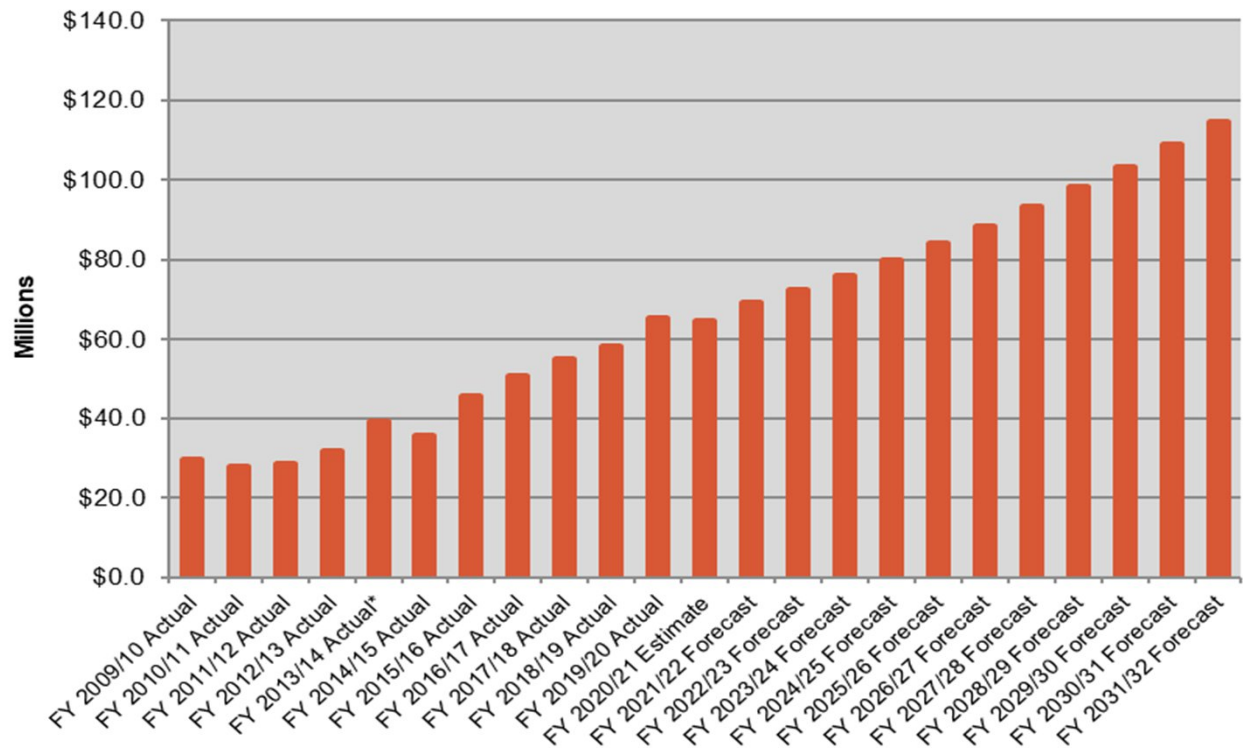
- Annual Per Capita Sales Tax down in the most recent quarter
- Business to Business is the backbone of the City's sales tax

**Santa Clara**  
Annual Per Capita Sales Tax  
Adjusted for Inflation  
(Constant 2016 \$)



# 10-Year General Fund Forecast Property Tax

- Largest General Fund revenue source
- Secured valuation growth ranging from 5.0% - 5.5% over the forecast period
- Assumes approximately \$750 M - \$1.0 billion annual development growth valuation in out years



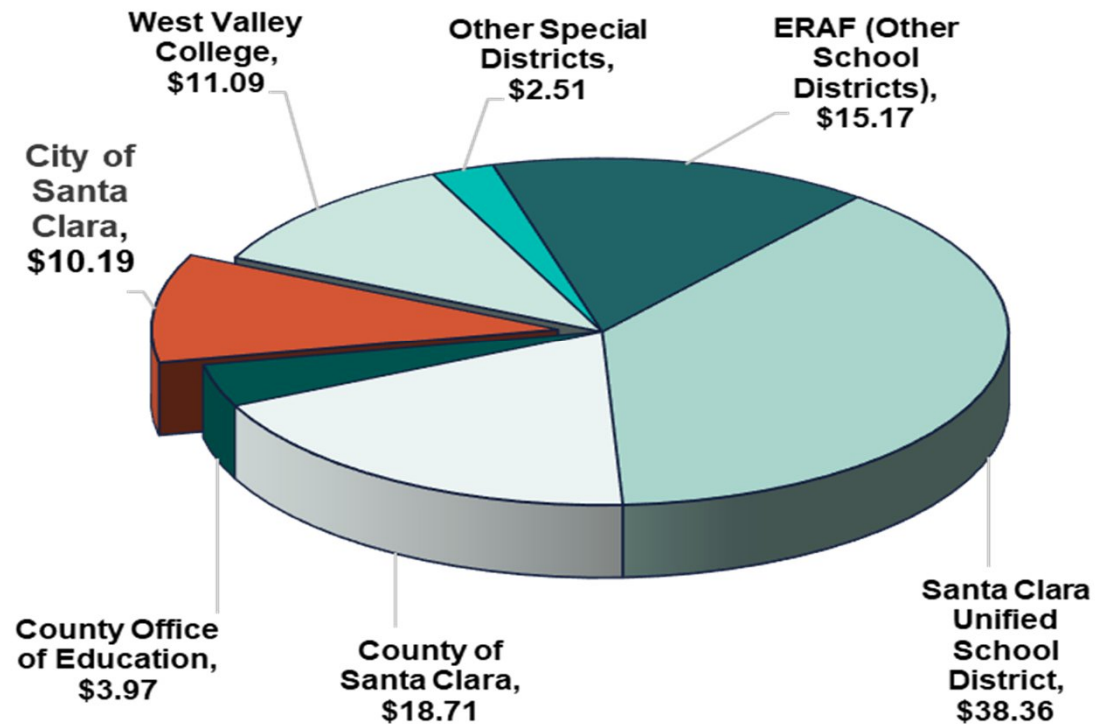
\*FY 2013/14 includes one-time \$6.1 million due to Redevelopment Agency dissolution

# 10-Year General Fund Forecast

## Property Tax

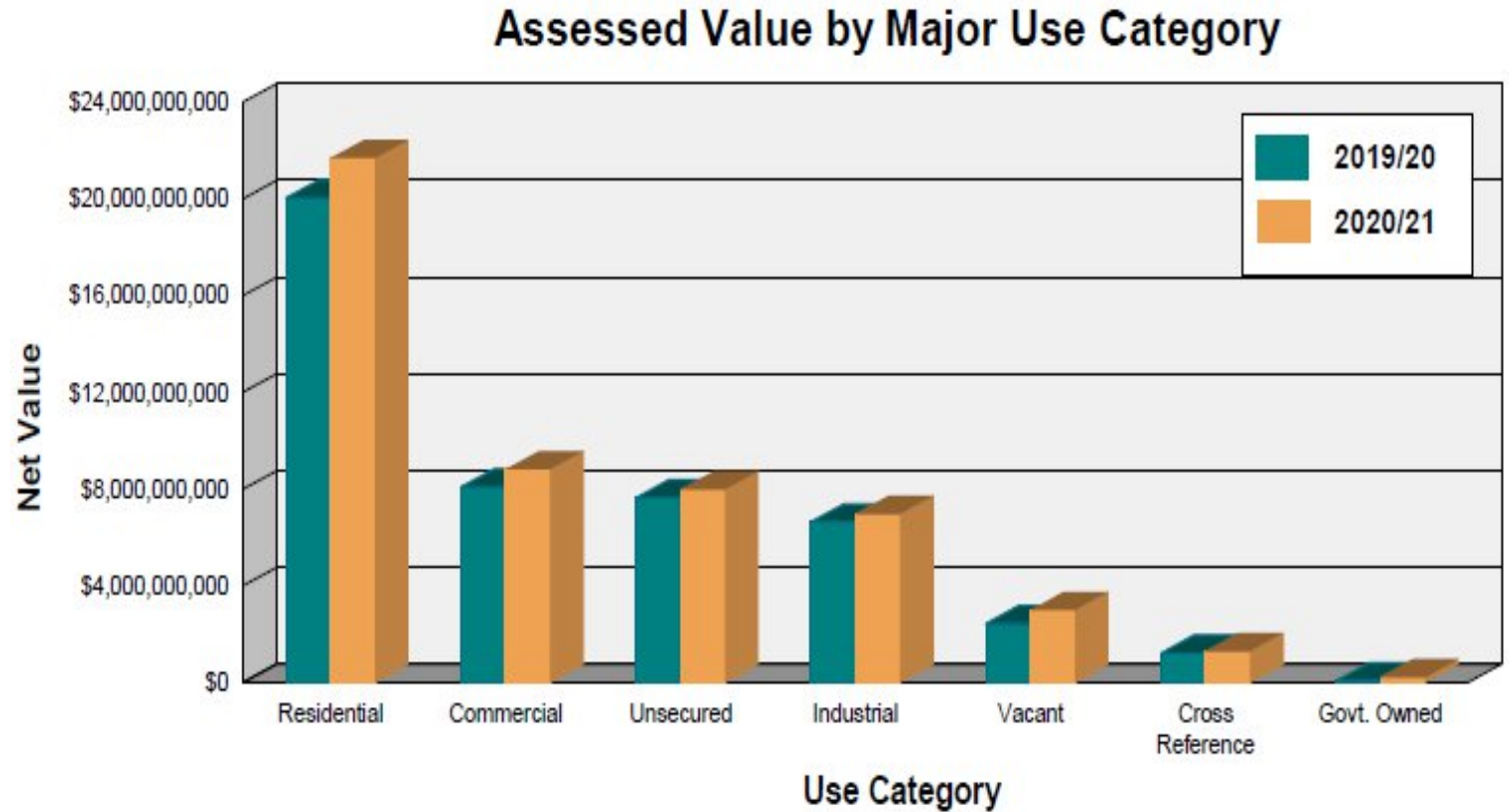
- The City of Santa Clara receives \$10.19 of every \$100 collected in property tax
- Most of property tax revenues support schools and the County

Property Tax Distribution Per \$100 Collected



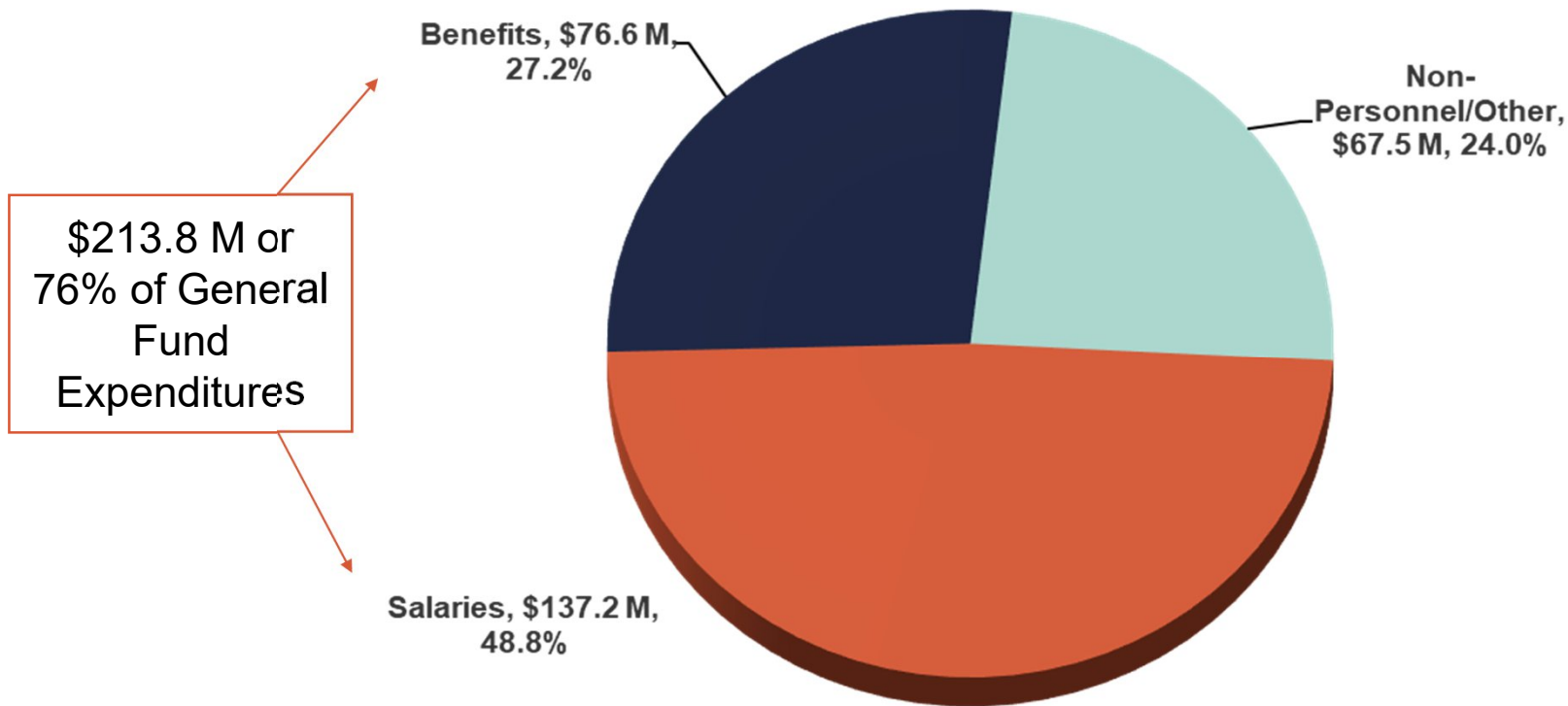
# 10-Year General Fund Forecast Property Tax

- City of Santa Clara's mix of residential and non-residential property assessed values



# 10-Year General Fund Forecast

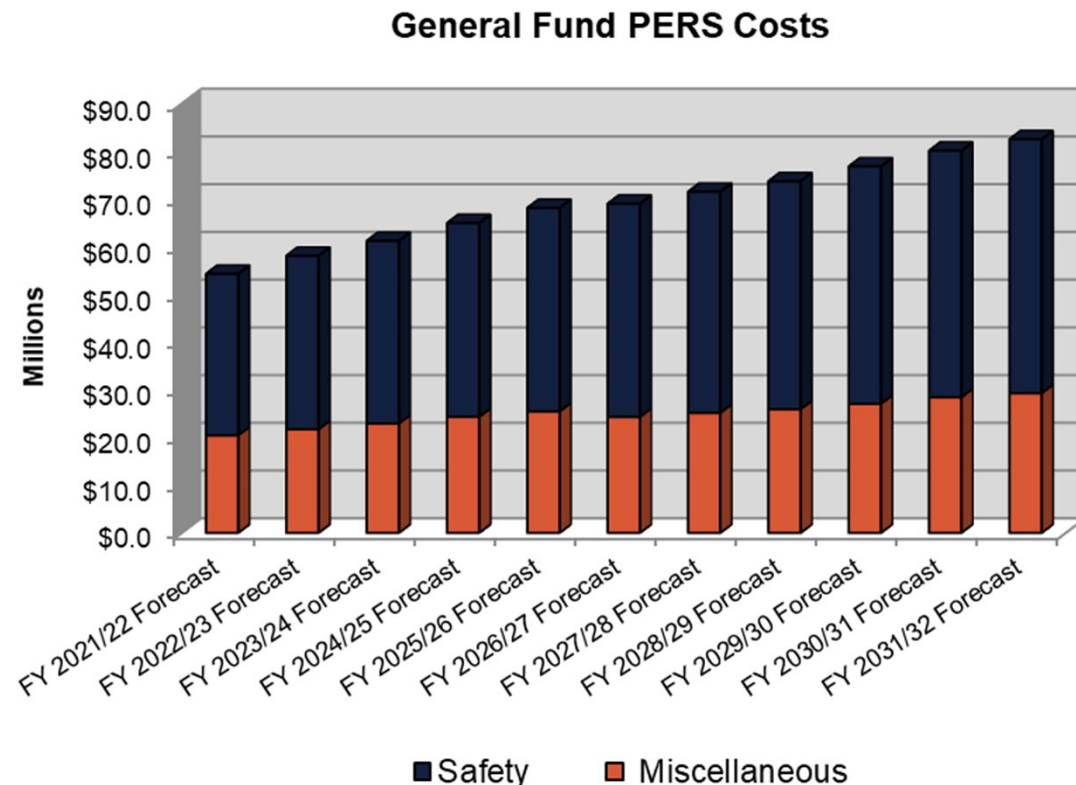
## 2021/22 General Fund Expenditures by Type



# 10-Year General Fund Forecast

## Rising Pension Costs

- Managing three impacted categories: retirees, classic members, and new employees (under PEPRA)
- From FY 2021/22 to 2031/32 General Fund projected to increase \$28.2 M (from \$54.3 M to \$82.5 M)
- Current Unfunded Actuarial Liability (UAL) (all funds) of \$602 M<sup>1</sup>
  - 66% of Miscellaneous and 72% of Safety Accrued Liability is due to retirees
- Payments part of CalPERS reform efforts; Actuary projects rates to peak at end of forecast period, followed by declines
- Labor agreements can impact UAL



<sup>1</sup> Combined Safety and Miscellaneous Unfunded Accrued Liability, as of June 30, 2019 CalPERS valuation report

# Unfunded Infrastructure Needs

## **Close to \$1 billion of identified capital needs not in Forecast:**

- Parks Assessment (December 2017-Kitchell Report) identified \$100 M of parks grounds and building needs (\$156 M w/ escalation)
- 2015 Storm Drain Master Plan identified \$343 M in projects (2018 dollars), including almost \$68 M in high priority projects
- Transportation infrastructure (e.g., traffic signal infrastructure replacement (\$50 M), uncontrolled crosswalks (\$50 M), Bicycle Plan (\$40 M), Creek Trail Master Plan (\$50 M), pavement (\$9 M annually beyond CIP)
- Public Buildings (New City Hall (\$236 M – \$300 M), existing City Hall (\$39 M); fire stations, historic buildings, corporation yard, ADA plan)
- Expand capacity (e.g., library)

# Budget Balancing



# Budget Balancing

## Cost Control Measures Already Implemented

- Hiring freeze, with limited exceptions
- Stricter expenditure controls
- Decreased temporary staffing (by over 500 staff or 55%)
- Limited travel
- Limited training
- Reduced expenditures for IT
- Reduced expenditures for vehicle and fleet purchases
- Evaluating current contracts and other non-personnel expenditures

# Potential Budget Balancing Strategy

- Combination of strategies to balance FY 2021/22 and FY 2022/23 General Fund budget (\$41.7 M shortfall) (see scenario slide)
  - Ongoing expenditure reductions of approximately \$24 M
  - Revenue-generating actions (TBD)
  - Potential labor negotiations (TBD)
- Use of Budget Stabilization Reserve and Other Reserves (\$30 M)
- Future ballot measures (Business Tax, Utility Tax, Transfer Tax)

# Potential Budget Balancing Strategy Reductions Implemented in Local Jurisdictions

## Palo Alto sees biggest budget reduction in decades

Palo Alto concluded one of its most brutal budget seasons in recent memory on Monday night, when the City Council approved over \$40 million in cuts and agreed to eliminate more than 70 City Hall positions.

...The budget represents a \$41.8 million reduction from the current year, which includes \$4.9 million in cuts from community services and libraries, \$7.3 million from public safety and \$3.26 million from planning and transportation, including the elimination of the city's shuttle program. The general fund includes \$197 million in expenditures and reduces staffing levels by 74 full-time positions.

by Gennady Shevner / Palo Alto Weekly

## Gilroy Moves To Cut City Jobs Amid Budget Crunch: Report

**The city is facing an \$8 million budget shortfall amid the coronavirus crisis as revenues from sales and hotel taxes have plummeted, the rep**

GILROY, CA — Cash-strapped by the coronavirus crisis, the city of Gilroy has moved to lay off 10 employees after negotiations with a group representing employees collapsed, The Gilroy Dispatch reports.

## City of Morgan Hill

### Council to vote on two-year budget June 17

At least \$6.5M worth of cuts identified over next three years

By: MICHAEL MOORE

June 10, 2020

The city's estimated long-term budget deficit continues to grow due to cascading impacts of Covid-19 and related shelter-in-place orders. An advisory group of Morgan Hill citizens recently estimated the budget shortfall will top \$17 million over the next three years.

"There will be cuts to every possible department, which means fewer services," reads a statement from the Morgan Hill Community Advisory Group. The projected \$17 million shortfall is "expected to rise" as the pandemic continues to dampen the economy.

### City of San Jose Releases 2020-2021 Proposed Operating Budget

*Impacts of COVID-19 global pandemic results in significant revenue declines; estimated General Fund budget shortfall of \$71.6 million projected*

The City's \$4.1 billion 2020-2021 Proposed Operating Budget successfully closes a \$71.6 million General Fund shortfall through a combination of a limited number of new revenue sources, expenditure reductions, and the strategic use of reserves and other one-time dollars. The recommendations include decreases to position levels throughout the organization. No employee layoffs are anticipated at this stage because of the City's high position vacancy rate, although some limit dated positions will expire on June 30, 2020, as previously planned.



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

# Potential Budget Balancing Scenario

	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
<b>Forecast (Shortfall)/Surplus</b>	<b>(\$41.7 M)</b>	<b>\$5.5 M</b>	<b>\$3.3 M</b>	<b>\$1.6 M</b>	<b>\$2.3 M</b>
Carried Over Deficit – 1x Solutions		(\$17.6 M)	(12.1 M)		
February 2021 Reductions (Phase 1)	\$12.3 M				
May 1 Proposed Budget (Phase 2)	\$11.8 M				
Revenue Solutions	TBD				
Potential Labor (Sworn 2 Yr @ 0% = \$5 M)	TBD				
<b>Remaining Shortfall</b>	<b>(\$17.6 M)</b>	<b>(\$12.1 M)</b>	<b>(\$8.8 M)</b>		
Use of Budget Stabilization Reserve	\$14.0 M				
Land Sale Reserve	\$3.6 M	\$12.1 M			
<b>Remaining Budget (Shortfall)/Surplus</b>	<b>\$0 M</b>	<b>\$0 M</b>	<b>(\$8.8 M)</b>	<b>\$1.6 M</b>	<b>\$2.3 M</b>

# Potential Budget Balancing Strategy

## February 2021 Potential Reduction Proposals

- Eliminate vacancies (some services have already been absorbed) (\$7.7 million)
  - 43.5 net position reduction
- Reduce budget for Boards & Commissions
- Continue strong fiscal management controls/non-personnel reductions (\$5.7 million)
  - Hiring freeze (reflects some further service impacts)
  - Limited overtime (OT MUST BE PRE-APPROVED AND DEEMED FOR ESSENTIAL SERVICES)
  - Restricted conference, travel and training (NO DISCRETIONARY TRAVEL/TRAINING)
  - Lower supplies, materials and maintenance
  - Reduced contractual services and requesting discounts when contracts are up for renewal

# Potential Budget Balancing Strategy

## February 2021 Potential Position Reductions

Department	Net Position Change
City Attorney's Office	(1.0)
City Clerk's Office	(1.0)
City Manager's Office/Non-Departmental	(4.0)
Community Development	(1.75)
Finance	(1.0)
Fire	(12.75)
Parks and Recreation	(4.0)
Police	(15.0)
Public Works	(3.0)
<b>Total Adjustments</b>	<b>(43.5)</b>

**Net reduction of  
43.5 positions  
saving \$7.7 million  
ongoing**

**No Layoffs**

**4 employees  
reallocated to  
different functions  
or departments**



# Budget Balancing

## Select General Fund Reserves

Reserve Type	2020/21 Current Balance
General Fund Budget Stabilization (BSR)	\$57.7 M
General Fund Capital Projects	\$5.4 M
Land Sale Reserve	\$23.7 M
Pension Trust (General Fund)	\$21.6 M



# Budget Balancing Revenue Opportunities

- **City generates General Fund revenues through a variety of sources:**
  - Taxes (e.g., property tax, sales tax, transient occupancy tax – needs implementation)
  - Permits and fees for services (e.g., development fees, recreation fees)
  - Rents (e.g., Related property, right-of-way)
  - Other sources (fines, interest earning, other agencies, miscellaneous)
- **Governed by State law and Council policies on cost recovery**
- **Tax measures require voter approval** (majority approval for general tax and two-thirds supermajority for special tax/parcel tax/G.O. bonds)
- **City has lower taxes and fees than many neighboring jurisdictions; the larger subsidies and foregone tax revenue impact ability to support services**

# Budget Balancing Revenue Opportunities

- One component of the budget balancing strategy
- Revenue opportunities are needed to:
  - Continue to deliver key city services
  - Preserve quality of day-to-day life and ensure safety for our community in times of emergency
  - Reduce expenditure reductions necessary
  - Address critical infrastructure backlog



# Budget Balancing

## Potential New Revenue Sources

### **Potential New Revenue Sources**

- Federal stimulus funding
- Improve municipal fee cost recovery
- Utility User Tax
- Business License
- Documentary Transfer Tax
- New or modernization of impact fees
- Parcel Tax and/or General Obligation Bond (Capital Infrastructure)

# Budget Balancing

## Potential New Revenue Sources

### Stimulus Funding update

- Approximately \$350 billion allocated to State and Local Government
- Lobbyist estimate of \$2 - \$10 million to Santa Clara
- Still under development
  - Timing and restrictions are still unknown



# Budget Principles



# Budget Principles

- Provide framework and approach for developing the City's budget
- Budget Principles approved by Council each year

## **BUDGET PRINCIPLES FOR FY 2021/22 AND FY 2022/23**

1. Make decisions within the context of the City's Code of Ethics and Values, especially being Fiscally Responsible, Communicative, and Service-Oriented.
2. Consider budget decisions with long-term implications taking into account data from the Ten-Year Financial Forecast.
3. To the extent possible, align ongoing expenditures with ongoing revenues to avoid negative impacts on future budgets and maintain the City's high financial management standards.
4. To address the projected General Fund shortfall, use a combination of ongoing and one-time solutions to balance the competing goals of aligning ongoing revenues and expenditures and minimizing the service delivery impacts to the community.
5. Continue cost control measures until the ongoing General Fund revenues and expenditures are in alignment.
6. If an exception to the Council Policy to set the General Fund Budget Stabilization Reserve at or above 25% of adopted budget expenditures is considered, maintain the Reserve level at a minimum of 15% of expenditures.
7. Focus on projects and services that benefit the community as a whole.
8. Pursue economic development objectives and strategies to foster new public and private investment within Santa Clara, and to create employment opportunities.
9. Balance between compensation adjustments to retain and attract employees and funding for positions.
10. Use one-time unrestricted revenues (e.g., annual General Fund surplus) for one-time uses such as increasing reserves, funding capital or Information Technology projects, paying off debt, and/or paying off unfunded pension or other post-employment benefits liabilities.
11. Inform and communicate clearly and broadly to residents, businesses and employees regarding the City's fiscal position and budget; schedule hearings to promote active participation in the City Council's budget deliberations.
12. With limited exceptions, establish fees based on full cost recovery where individuals/businesses rather than the community at-large are benefitting from City services. This preserves limited unrestricted resources for providing services that benefit the community as a whole.
13. Focus on business process redesign in order to improve employee productivity and the quality, flexibility, and cost-effectiveness of service delivery (e.g., streamlining, simplifying, reorganizing functions, and reallocating resources).
14. Explore expanding existing revenue sources and/or adding new revenue sources.
15. Engage employees to contribute new and innovative ideas during the department budget development process.
16. Use the General Plan as a primary long-term fiscal planning tool and link ability to provide City services to development policy decisions.



# Budget Principles

## Updates for the FY 2021/22 and FY 2022/23 Operating Budget

- #3 Modify principle to recognize that the budget will be balanced with ongoing solutions to the extent possible
- #4 Added principle to address the budget shortfall with a combination of ongoing and one-time solutions to balance the competing goals of aligning ongoing revenues and expenditures and minimizing the service delivery impacts to the community
- #5 Added principle to continue cost control measures until General Fund revenues and expenditures are in balance
- #6 Modified principle that would maintain the BSR at a minimum of 15% of expenditures if an exception to the Council Policy for the BSR is considered

# Next Steps / Policy Discussion



# Next Steps

## FY 2020/21 and 2021/22 Budget Calendar

Date	City/Stadium Authority Budget Schedule
February 1-2, 2021	Council Priority Setting Retreat / Adoption of Budget Principles
March 2, 2021	Study Session on Stadium Authority Budget
March 16, 2021	Approval of Stadium Authority Budget
TBD	Study Session on Municipal Fee Schedule
April 27, 2021	Public Hearing and Adoption of Proposed Municipal Fee Schedule
April 30, 2021	Release Proposed Biennial Operating Budget and Summary of Capital Improvement Program Changes
May 25, 2021	Study Session to review Biennial Operating Budget and CIP changes
June 8, 2021	Study Session to review Biennial Operating Budget and CIP changes
June 22, 2021	Public Hearing/Adoption of Biennial Operating Budget and CIP changes



# Fiscal Outlook

## 10-Year General Fund Forecast

**Kenn Lee, Finance Director**  
**February 2021**



## Agenda Report

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21-231

Agenda Date: 2/10/2021

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### REPORT TO SALARY SETTING COMMISSION

#### **SUBJECT**

Informational Report Regarding City Employment and Labor Agreements

#### **BACKGROUND AND DISCUSSION**

Pursuant to Commission request, staff will present information on the City's Employment and Labor Agreements. The City Administration recently negotiated several agreements, that were ratified by the units' membership and approved by City Council. Additionally, the City Council recently approved compensation actions for the City Manager and City Attorney. This information is relevant and should be reviewed and considered when setting the compensation for the Mayor and Council, City Clerk and Police Chief. As this is an informational report, no action is required.

#### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

#### **RECOMMENDATION**

This item is for information only; no action is required at this time.

#### **ATTACHMENTS**

1. Employment and Labor Agreements



# Employment and Labor Contracts

## Human Resources Department

**February 10, 2021**



# Budgeted Positions

Bargaining Group	Unit	FTE
Mayor and Council	Elected	7
City Manager	Appointee	1
City Attorney	Appointee	1
Police Chief	Elected	1
City Clerk	Elected	1
Firefighters Association (IAFF)	1	140
Police Officers Association (POA)	2	153
Electrical Workers (IBEW)	3	81
Engineers Association	4	44
Employees' Association	5,7,8	338
American Federation of State County and Municipal Employees (AFSCME)	6	142
Unclassified Management	9	161
Police Management	9A	5
Fire Management	9B	10
Public Safety Non-Sworn	10	72
TOTAL Budgeted Positions		1,157



# Recent Council Actions

- November 17, 2020
  - City Manager and City Attorney
  - Miscellaneous Unclassified Management (Unit 9)
- December 16, 2020
  - Employees Association (Unit 5,7,8)
  - AFSCME (Unit 6)
  - Unclassified Police Management (Unit 9A)
  - Unclassified Fire Management (Unit 9B)



# Council Appointees

Appointee	Calendar Year 2020	Calendar Year 2021		Calendar Year 2022
	Cost of Living Adjustment	Cost of Living Adjustment	Merit Increase	Merit Increase
City Manager	0%	0%	0%	0%
City Attorney	0%	0%	0%	0%



# Recently Negotiated Labor Contracts

Calendar Year	AFSCME	Employees Association	Unclassified Management	Unclassified Police Mgmt	Unclassified Fire Mgmt
2020		0%	0%		
2021	0% Freeze Steps	0% Freeze Steps	0% Freeze Merit	0% Freeze Merit	0% Freeze Merit
2022		3.5% Freeze Steps	4.5% Freeze Merit	0% Freeze Merit	0% Freeze Merit
2023		3.0%	3.25%	4.7%	
2024			3.25%		

# Current/Upcoming Negotiations





## Bargaining Units

Bargaining Group	Unit	Term
Firefighters Association (IAFF)	1	12/2017 – 12/2020
Police Officers Association (POA)	2	12/2018 – 12/2021
Electrical Workers (IBEW)	3	12/2018 – 12/2021
Engineers Association	4	12/2018 – 12/2021
American Federation of State County and Municipal Employees (AFSCME)	6	12/2020 – 12/2021

# Discussion/Questions

