

5/22/18

5:00 PM  
Study Session

# **City of Santa Clara Council Meeting**

## **2018/19 Annual Operating Budget Study Session**

May 22, 2018



## **Agenda**

- Previous Annual Financial Forecasts
- Public Funds
- Summary of Reserve Funds
- Council Strategic Pillars
- Key Initiatives and Summary of Key Changes
- Proposed Annual Operating Budget-Citywide
- General Fund
- Enterprise Funds
- Internal Service Funds
- Special Revenue Funds
- Agency/Authority Funds
- Ten-Year Outlook

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**POST MEETING MATERIAL**

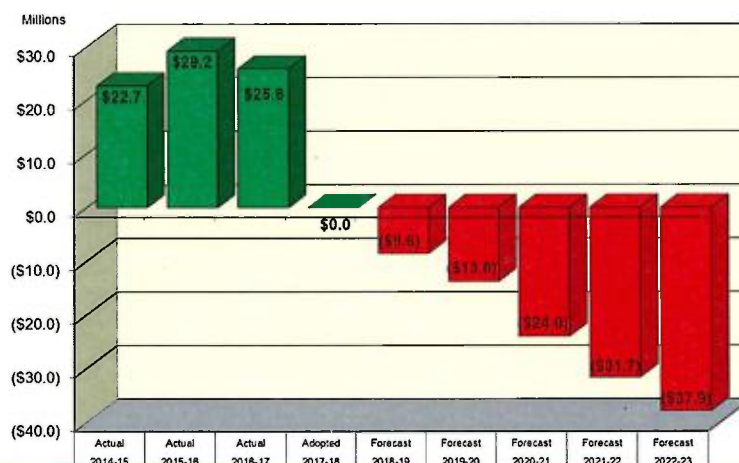
# City of Santa Clara

## Previous Annual Financial Forecasts

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## 2017/18 Five-Year Financial Plan: Operating Surplus/(Deficits)



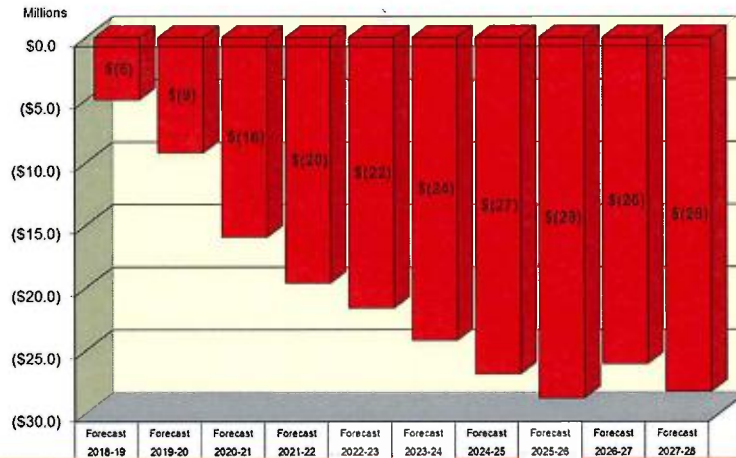
Updated to include 2016/17 Budget Surplus

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# Preliminary Ten-Year Financial Plan: Presented at Council Priority Setting

General Fund Operating Deficits



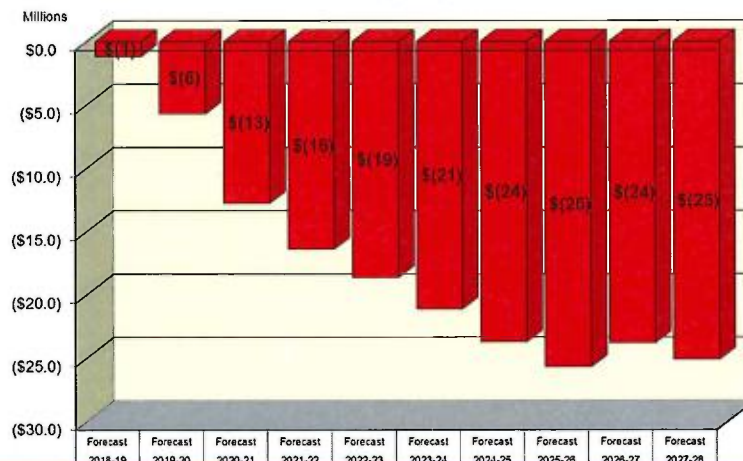
Assumptions include:

- Actual PERS rates for 2018/19

- Includes revised revenue projections & salary projections that stay within growth rates

# Preliminary Ten-Year Financial Plan: Presented at Council Priority Setting

General Fund Operating Deficits



Assumptions include:

- Actual PERS rates for 2018/19

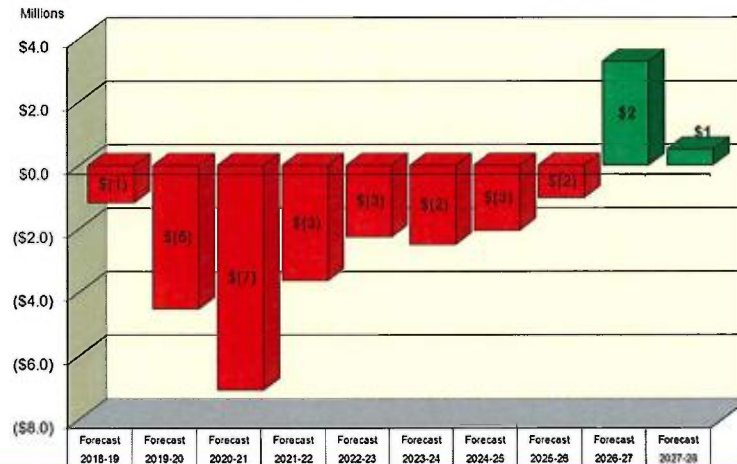
- Includes revised revenue estimates & salary projections that stay within growth rates

- Funding of Working Capital Reserve Fund with one-time sources versus ongoing funds



# Preliminary Ten-Year Financial Plan: Presented at Council Priority Setting

General Fund Operating Deficits



Assumptions include:

- Actual PERS rates for 2018/19
- Includes revised revenue projections & salary projections
- Funding of Working Capital Reserve Fund with ongoing funds/one-time sources
- Ongoing deficits Solved with Ongoing Solutions

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## Public Funds Managed by City's Public Entities

(\$ millions)

Budget Type	FY 2018/19	Status
Capital Improvement Program (CIP)	\$83.5	Study Session – May 8 <sup>th</sup>
Annual Operating Budget	\$859.5	Study Session – May 22 <sup>nd</sup>
Santa Clara Stadium Authority (SCSA)	\$196.3	Adopted – March 27, 2018
<b>Total Funds Administered</b>	<b>\$1,139.3</b>	

Note: Includes interfund transfers and Internal Service Fund charges

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# Summary of Reserve Funds

(\$ millions)

Reserve Type	June 2017 Balance	October 2017 Contribution	Increase/ (Decrease)	Proposed Budget Contribution	Total Reserve Balance
General Fund Budget Stabilization	\$50.0	\$6.0	(\$0.9)	\$4.2	\$59.3
General Fund Capital Projects	\$32.8	\$7.0	(\$8.9)	-	\$30.9
Land Sale Reserve	\$39.3	-	(\$10.2)	-	\$29.1
Building Inspection	\$8.4	\$0.4	\$0.9	-	\$9.7
Special Liability	\$0.5	\$5.4	(\$3.5)	\$3.5	\$5.9
Pension Trust	\$5.0	\$10.5	-	-	\$15.5
Electric Rate Stabilization	\$87.0	\$34.0	-	\$6.2	\$127.2
<b>Total</b>	<b>\$223.0</b>	<b>\$63.3</b>	<b>(\$22.6)</b>	<b>\$13.9</b>	<b>\$277.6</b>

\*loan receivable of \$10.2M from Park Fees

## Council Strategic Pillars

- Promote and Enhance Economic and Housing Development
- Enhance Community Sports and Recreational Assets
- Deliver and Enhance High Quality Efficient Services and Infrastructure
- Maintain Adequate Staffing Levels
- Enhance Community Engagement and Transparency
- Ensure Compliance with Measure J and Manage Levi's Stadium

## Key Initiatives

- Work to eliminate year-over-year deficits in the General Fund-Revenue Opportunities & Expenditure Control
- Increase Transparency for Stadium Operations
- Strengthen and Streamline Administrative Processes
- Address Citywide Risk Management
- Transition Audit function to the Finance Department
- Improve Contract and Records Management
- Citywide Sustainability

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## Summary of Key Changes

- Transfers are shown as Transfers-In (Revenue) and Transfers-Out (Expenditure/Expense)
- Stadium Operations is shown as a separate program in the Non-Departmental Section of the Budget
- Moved from a Five-Year Financial Plan to a Ten-Year Plan
- Renamed the Working Capital Reserve to the Budget Stabilization Reserve

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## Summary of Key Changes

- One-time allocation of \$100k for the waiver of fees or sponsorship as approved by the Council
- Council Contingency of \$100k to expend on Council initiatives
- Added Risk Manager, Management Analyst (audit function), and Contracts Analyst
- Reduced three vacant positions
- Reclass of vacant Office Specialist to a Records Manager
- Incorporates the recently approved MOU agreements and the minimum wage increase of \$15 in Jan 2019

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## City of Santa Clara

### 2018/19 Proposed Annual Operating Budget – Citywide

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## 2018/19 Proposed Annual Operating Budget Citywide \$859.5M

Fund Type (\$ millions)	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change	Transfers
General Fund	\$221.6	\$250.1	\$28.5	13%	\$12.8
Special Revenue Funds	\$7.2	\$13.6	\$6.4	90%	\$6.5
Internal Service Funds	\$15.8	\$17.5	\$1.7	11%	-
Enterprise Funds	\$484.5	\$578.3	\$93.8	19%	\$55.7
Total	\$729.1	\$859.5	\$130.4	18%	\$75.0

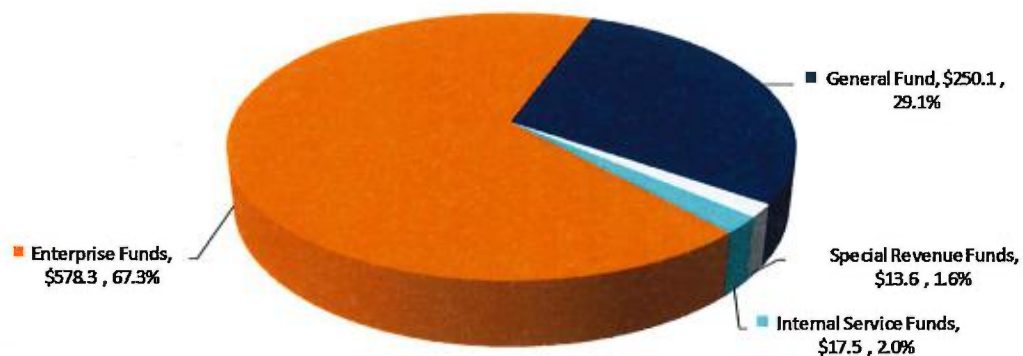
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## 2018/19 Proposed Annual Operating Budget Citywide - \$859.5M

(\$ millions)



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## Summary of Full Time Equivalent (FTE) Positions

Fund Type	2017/18	2018/19	Change
General Fund	819.40	822.35	2.95
Special Revenue Funds	0.60	0.60	-
Internal Service Funds	15.75	15.75	-
Enterprise Funds	269.50	272.55	3.05
<b>Total</b>	<b>1,105.25</b>	<b>1,111.25</b>	<b>6.00</b>

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## Change in Full Time Positions

Departments	2017/18	2018/19	Change
City Council <sup>1</sup>	11.00	10.00	(1.00)
City Clerk	7.00	6.00	(1.00)
City Attorney	6.00	7.00	1.00
City Manager	14.00	13.00	(1.00)
Community Development	64.00	65.00	1.00
Fire	167.50	167.25	(0.25)
Library	45.50	46.75	1.25
Non-Departmental <sup>2</sup>	0.00	4.00	4.00
Public Works	106.65	105.60	(1.05)
Solid Waste	5.50	5.55	0.05
Electric	186.00	189.00	3.00
All other departments	492.1	492.1	-
<b>Total</b>	<b>1,105.25</b>	<b>1,111.25</b>	<b>6.00</b>

Net Increase  
of 2.95 FTE  
Positions to  
the General  
Fund

Net Increase  
of 3.05 FTE  
Positions to  
the Enterprise  
Funds

<sup>1</sup> Includes 7.0 Council members

<sup>2</sup> Risk Manager, Contracts Analyst, Management Analyst (audit), and Records Manager

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## Change in Full Time Positions

Deleted	Department	Total
Office Specialist III	City Clerk	(1.00)
Communication Coordinator	City Manager	(1.00)
Quality Improvement Nurse	Fire	(0.25)
Materials Testing Technician	Public Works	(1.00)
<b>Subtotal</b>		<b>(3.25)</b>

Reclassified		
Office Specialist to City Council	City Council	(1.00)
Records Manager	Non-Departmental	1.00
<b>Subtotal</b>		<b>-</b>

## Change in Full Time Positions

New	Department	Total
Deputy City Attorney	City Attorney	1.00
Code Enforcement Officer	Community Development	1.00
Library Program Coordinator	Library	1.00
Library Assistant I/II/III	Library	0.25
Risk Manager	Non-Departmental	1.00
Contracts Analyst	Non-Departmental	1.00
Management Analyst (Audit)	Non-Departmental	1.00
<b>Subtotal</b>		<b>6.25</b>
<b>Net Total - General Fund</b>		<b>3.00</b>
Communication Coordinator	Electric	1.00
Electric Utility Engineer (Fiber)	Electric	1.00
Staff Aide II	Electric	1.00
<b>Total Electric Fund</b>		<b>3.00</b>

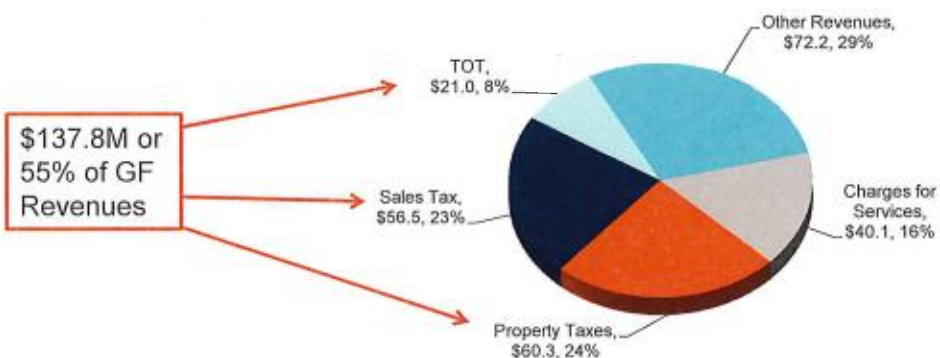
# City of Santa Clara

## General Fund

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## 2018/19 Proposed Budget: General Fund Resources \$250.1M







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## 2018/19 Proposed Budget: General Fund Resources

Revenue Source	Stable	Trend	% of General Fund
Sales Tax			23%
Property Tax			24%
Transient Occupancy Tax (TOT)			8%
Total			55%

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## 2018/19 Proposed Budget: General Fund Appropriations by Type (\$ millions)

Expenditure Category	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change	% of Total GF Budget
Salary and Benefits	\$170.2	\$184.8	\$14.6	9%	74%
Services and Supplies	38.0	37.8	(0.2)	(0.5%)	15%
Interfund Services	10.2	11.3	1.1	11%	5%
Capital Outlay	0.7	0.9	0.2	29%	-
Debt Service	2.5	2.5	-	-	1%
Transfers-Out	-	12.8	12.8	100%	5%
Total General Fund	\$221.6	\$250.1	\$28.5	13%	100%

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## 2018/19 Proposed Budget: General Fund Appropriations by Department (\$ millions)

Departments	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
General Government <sup>1</sup>	\$35.8	\$64.3	\$28.5	80%
Public Works Department	24.4	25.7	1.3	5%
Police	72.4	68.6	(3.8)	(5%)
Fire	45.3	46.7	1.4	3%
Parks & Recreation	18.4	19.5	1.1	6%
Library Department	10.2	10.7	0.5	5%
Community Development	15.1	14.6	(0.5)	(3%)
<b>General Fund Departments</b>	<b>\$221.6</b>	<b>\$250.1</b>	<b>\$28.5</b>	<b>13%</b>

<sup>1</sup>Primarily due to moving \$11.5M of Transfers-out from Revenue to Expense, \$5.6M for  
25 Stadium Operations, \$1.5M for new initiatives, and allocation of attrition savings to depts.



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## 2018/19 Proposed Budget: Stadium Operations (\$ millions)

Function	2018/19 Proposed
General Admin	\$0.5
Police	4.2
Fire	0.4
Public Works	0.5
<b>Total</b>	<b>\$5.6</b>

- Public Safety costs are based on 10 NFL events and 10 Non-NFL events



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# General Fund Reserves

- Budget Stabilization Reserve (BSR)
  - Formerly Working Capital Reserve
  - 25% of budgeted appropriations
  - Projected 2017/18 ending balance of \$55.1M
  - 2018/19 BSR amount should be \$59.3M (not budgeted)
  - Staff will recommend allocating \$4.2M of the 2017/18 General Fund year-end surplus to this reserve (October/November timeframe)
- Capital Projects Reserve
  - Estimated beginning balance of \$30.9M
  - CIP Budget includes use of \$9.9M in FY 2018/19

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## City of Santa Clara

## Enterprise Funds

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## 2018/19 Proposed Budget: Enterprise Funds \$578.3M

(\$ millions)

Enterprise Funds	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
Electric Utility	\$392.1	\$450.1	\$58.0	15%
Water Utility	39.1	50.4	11.2	29%
Recycled Water Utility	4.5	7.1	2.6	58%
Sewer Utility	25.0	44.7	19.7	79%
Solid Waste	22.8	24.8	2.0	9%
Cemetery	1.0	1.2	0.2	20%
<b>Total</b>	<b>\$484.5</b>	<b>\$578.3</b>	<b>\$93.8</b>	<b>19%</b>



## City of Santa Clara

## 2018/19 Proposed Annual Operating Budget - Electric Utility



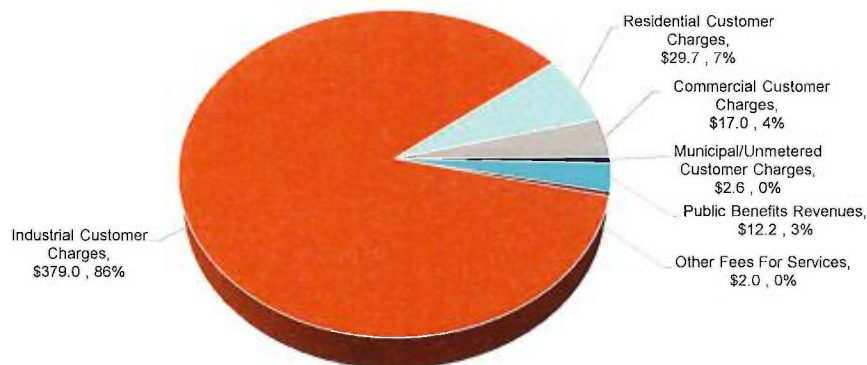
## 2018/19 Proposed Budget: Electric Utility Resources \$450.1M



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## 2018-19 Proposed Budget: Electric Charges for Services \$442.5M



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## 2018/19 Proposed Budget: Electric Utility Appropriations

(\$ millions)

Expenditure Category	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change	% of Total Budget
Salary and Benefits	\$41.0	\$43.8	\$2.8	7%	10%
Services and Supplies	29.6	35.7	6.1	21%	8%
Resource/Product	267.7	285.1	17.4	6%	63%
Interfund Services	11.1	12.4	1.3	12%	3%
In Lieu/Franchise	21.7	23.1	1.4	6%	5%
Capital Outlay	0.3	0.5	0.2	67%	-
Debt Service	20.7	21.0	0.3	1%	5%
Transfers-Out	-	28.5	28.5	100%	6%
<b>Total Electric Utility</b>	<b>\$392.1</b>	<b>\$450.1</b>	<b>\$58.0</b>	<b>15%</b>	<b>100%</b>

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## City of Santa Clara

## 2018/19 Proposed Annual Operating Budget - Water and Sewer Utilities

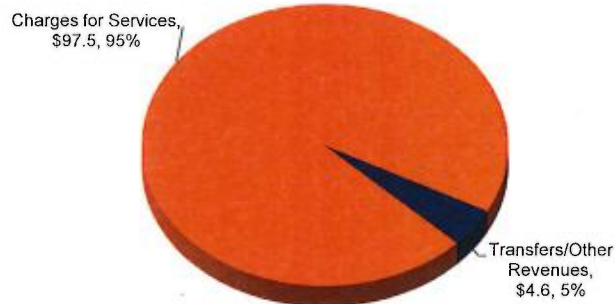
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## 2018/19 Proposed Budget: Water and Sewer Resources \$102.1M



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## 2018/19 Proposed Budget: Water & Sewer Appropriations

(\$ millions)

Expenditure Category	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change	% of Total Budget
Salary and Benefits	\$11.7	\$13.3	\$1.6	14%	13%
Services and Supplies	6.3	7.0	0.7	11%	7%
Resource/Product	43.4	47.7	4.3	10%	46%
Interfund Services	5.7	6.4	0.7	12%	6%
Capital Outlay	0.5	-	(0.5)	(100%)	-
Debt Service	1.0	1.0	-	-	1%
Transfers-Out	-	27.7	27.7	100%	27%
<b>Total Water &amp; Sewer Utilities</b>	<b>\$68.6</b>	<b>\$103.1</b>	<b>\$34.5</b>	<b>50%</b>	<b>100%</b>

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# City of Santa Clara

## Internal Service Funds

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## 2018/19 Proposed Budget: Internal Service Funds \$17.5M

(\$ millions)

Internal Service Funds	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
Communication Acquisitions	\$0.5	\$0.5	-	-
Equipment Pool Revolving	3.7	4.4	0.7	19%
Automotive Services	4.7	5.0	0.3	6%
Workers' Compensation	4.0	4.0	-	-
Special Liability Insurance	2.8	3.5	0.7	25%
Unemployment Insurance	0.1	0.1	-	-
<b>Total</b>	<b>\$15.8</b>	<b>\$17.5</b>	<b>\$1.7</b>	<b>11%</b>

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# City of Santa Clara

## Special Revenue Funds

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## 2018/19 Proposed Budget: Special Revenue Funds \$13.6M

(\$ millions)

Special Revenue Funds	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
Downtown Parking Maintenance	\$0.2	\$0.3	\$0.1	50%
Convention Center Maintenance	\$1.5	\$1.5	-	-
Parks & Rec. Operating Grant Trust	\$0.2	\$0.2	-	-
Housing Authority	\$0.2	\$0.3	\$0.1	50%
City Affordable Housing	\$1.3	\$1.6	\$0.3	23%
Housing Successor Agency	\$1.3	\$0.7	(\$0.6)	(46%)
Housing and Urban Development	\$2.5	\$2.5	-	-
Gas Tax <sup>1</sup>	-	\$3.4	\$3.4	100%
SB1 – Road Repair and Accountability Act of 2017	-	\$2.1	\$2.1	100%
Traffic Mitigation <sup>1</sup>	-	\$1.0	\$1.0	100%
<b>Total</b>	<b>\$7.2</b>	<b>\$13.6</b>	<b>\$6.4</b>	<b>89%</b>

<sup>1</sup> Previously included in the CIP budget; moved to the Annual Operating Budget starting 2018/19

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# City of Santa Clara

## 2018/19 Proposed Annual Operating Budget - Agency/Authority Funds

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## 2018/19 Proposed Budget: Agency/Authority Funds

(\$ millions)

Agency/Authority Funds	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change
Convention Center	\$7.3	\$7.5	\$0.2	3%
Convention Visitors Bureau <sup>1</sup>	\$1.5	\$1.5	-	0%
Sports and Open Space Authority	\$2.4	\$2.6	\$0.2	8%
<b>Total</b>	<b>\$11.2</b>	<b>\$11.6</b>	<b>\$0.4</b>	<b>4%</b>

<sup>1</sup> Represents City Contract amount

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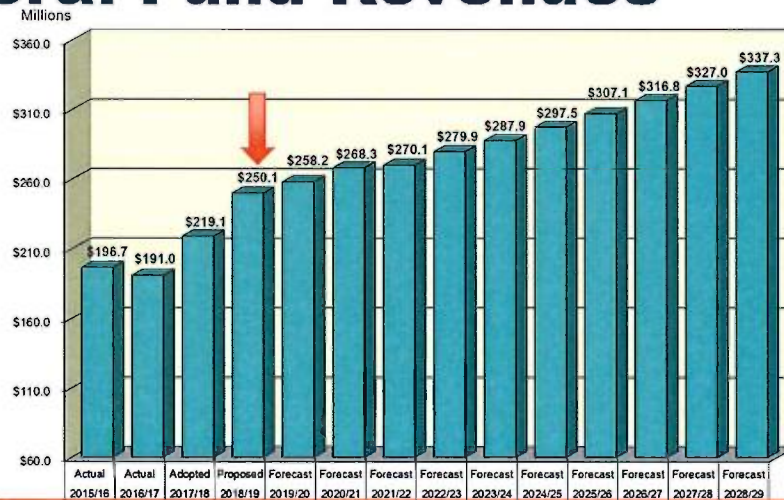
# City of Santa Clara

## 2018/19 Proposed Annual Operating Budget - Ten-Year Outlook

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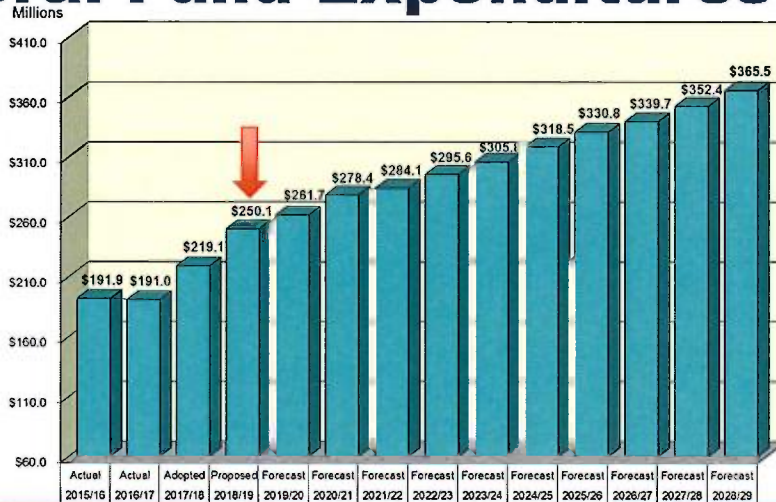
## Ten-Year Financial Plan: General Fund Revenues



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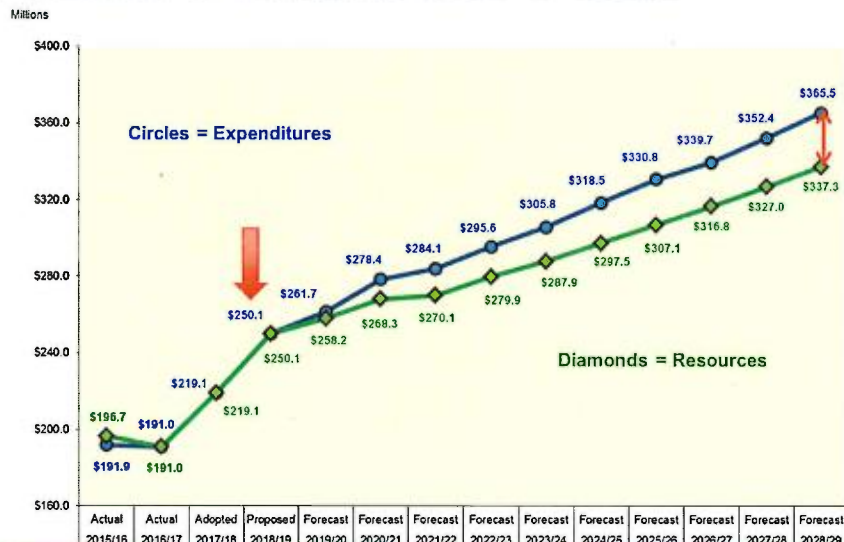


# Ten-Year Financial Plan: General Fund Expenditures



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# Ten-Year Financial Plan

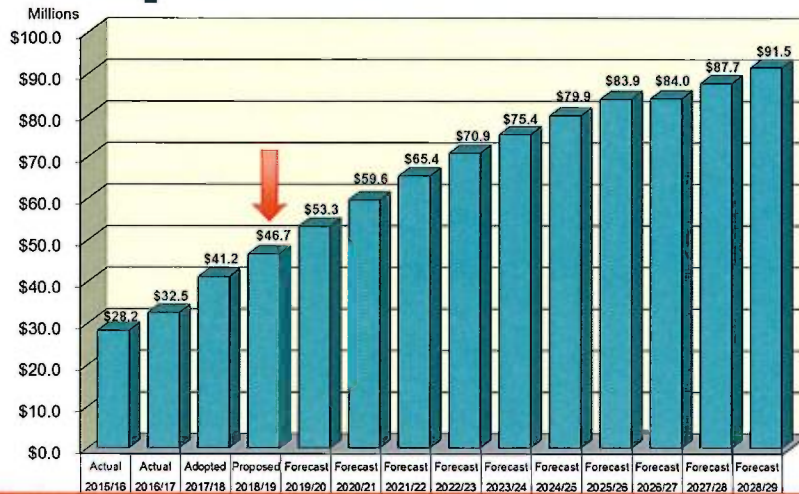


Expenses exceed Revenues by \$28.2M in 2028/29

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## Ten-Year Financial Plan: PERS Expenditures



Increase of  
\$44.8M by  
FY 2028/29

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## Ten-Year Financial Plan: CalPERS Employer Rates

Fiscal Year	Percent of Salary:	
	Miscellaneous Plan	Safety Plan
2017/18	33.430%	47.317%
2018/19	35.900%	51.300%
2019/20	40.100%	56.200%
2020/21	42.800%	60.300%
2021/22	45.000%	64.300%
2022/23	46.900%	67.600%
2023/24	48.000%	69.600%
2024/25	49.000%	71.500%
2025/26	49.600%	72.600%
2026/27	45.100%	73.400%
2027/28	45.400%	74.100%
2028/29	45.800%	74.700%

Based on the CalPERS Actuarial Study\* prepared by Bartel Associates, LLC for the City of Santa Clara:

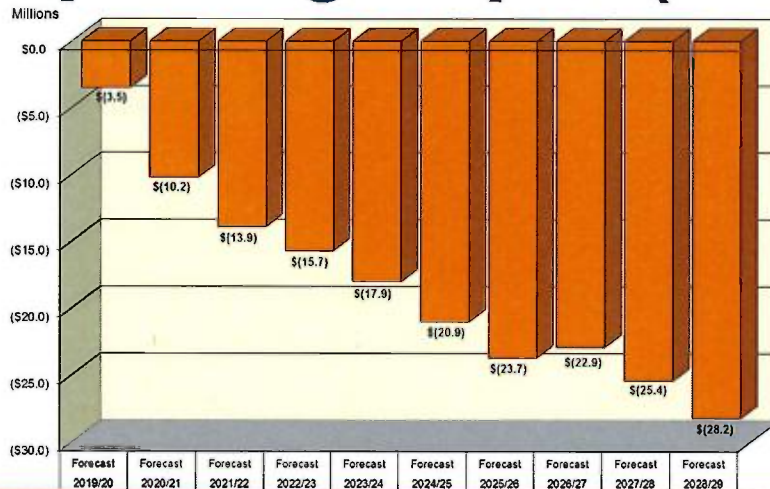
- 62% of the UAL for the Miscellaneous Plan is attributed to Retirees
- 73% of the UAL for the Safety Plan is attributed to Retirees

\* June 30, 2015 Valuation date (study prepared May 2017)

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# Ten-Year Financial Plan: Operating Surplus/(Deficits)



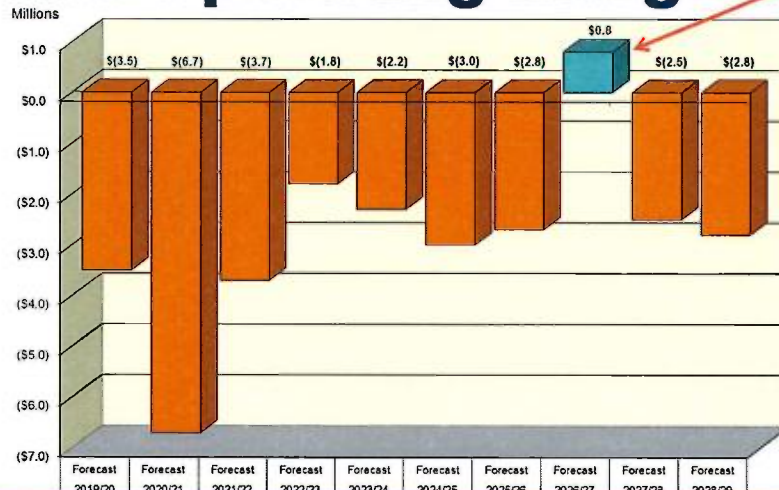
Assumptions include:

- Actual PERS rates for 2018-19
- Includes revised revenue estimates & salary projections that stay within growth rates
- Funding of Working Capital Reserve Fund with one-time sources versus ongoing funds

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# Ten-Year Financial Plan: Net Operating Margin



Decrease in  
Amortization  
base

Assumptions include:

- Actual PERS rates for 2018-19
- Includes revised revenue estimates & salary projections that stay within growth rates
- Funding of Working Capital Reserve Fund with one-time sources versus ongoing funds

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