

# **2018/19 Proposed Annual Operating Budget and 2018/19 & 2019/20 Biennial Capital Improvement Program Budget**



**City of  
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The Center of What's Possible

## **Agenda**

- Public Funds
- Council Strategic Pillars
- Key Initiatives and Summary of Key Changes
- Key Changes based on Study Sessions & Council Meetings
- Proposed Annual Operating Budget-Citywide
- General Fund
- Enterprise Funds
- Internal Service Funds
- Special Revenue Funds
- Agency/Authority Funds
- Biennial Capital Improvement Program
- Ten-Year Outlook



# Public Funds Managed by City's Public Entities

(\$ millions)

Budget Type	2018/19	2019/20	Status
Capital Improvement Program (CIP)	\$84.0	\$132.4	Proposed Adoption – June 12 <sup>th</sup>
CIP Carryforward	\$137.7	-	Proposed Adoption – June 12 <sup>th</sup>
Annual Operating Budget*	\$860.9	-	Proposed Adoption – June 12 <sup>th</sup>
Santa Clara Stadium Authority (SCSA)	\$196.3	-	Adopted – March 27, 2018
<b>Total Funds Administered</b>	<b>\$1,278.9</b>	<b>\$132.4</b>	CIP is a 2-year budget

\*Includes interfund transfers and Internal Service Fund charges

3



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## 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

4



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## 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

5



## 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

6





## **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

7



## **Key Changes based on Study Sessions & Council Meetings**

- Suspended Payment of Convention Center Management Fee – Funds will be put in reserve
- Council requested audit of the Convention Center was included in the FY 2017/18 budget
- Added funding for a Development Impact/Art Fee Study
- Included funding for improvements to the Lawn Bowling Facility
- Staff is currently assessing the rehabilitation of the International Swim Center and will be bringing this to the City Council at a future date

8



# City of Santa Clara

## 2018/19 Proposed Annual Operating Budget – Citywide

9



### 2018/19 Proposed Annual Operating Budget Citywide \$860.9M

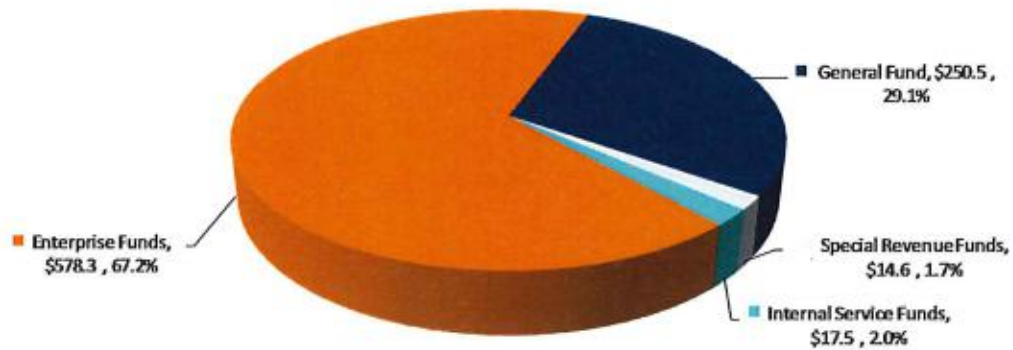
Fund Type (\$ millions)	2017/18 Adopted	2018/19 Proposed	Increase or (Decrease)	% Change	Transfers
General Fund	\$221.6	\$250.5	\$28.9	13%	\$12.8
Special Revenue Funds	\$7.2	\$14.6	\$7.4	103%	\$6.5
Internal Service Funds	\$15.8	\$17.5	\$1.7	11%	-
Enterprise Funds	\$484.5	\$578.3	\$93.8	19%	\$55.7
Total	\$729.1	\$860.9	\$131.8	18%	\$75.0

10



## 2018/19 Proposed Annual Operating Budget Citywide - \$860.9M

(\$ millions)



11



## 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>

12





## 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

13

<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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# City of Santa Clara

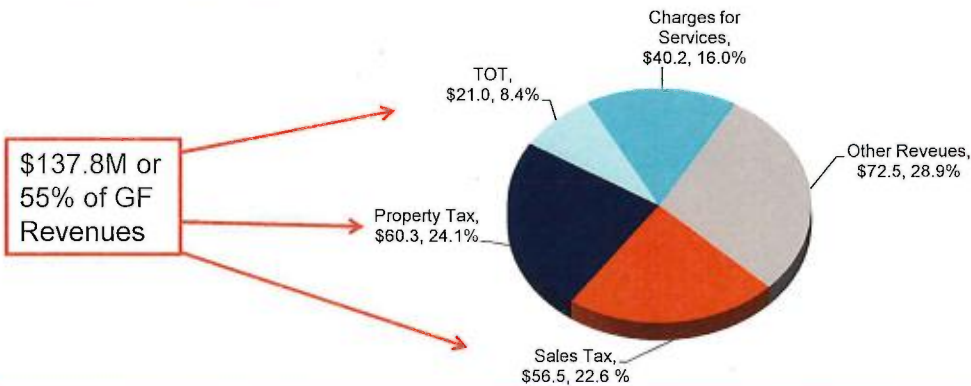
## General Fund

14



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## 2018/19 Proposed Budget: General Fund Resources \$250.5M



15

## 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%

16



## 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	\$184.9	\$14.7	9%	74%
Services and Supplies	38.0	38.1	0.1	(0.3%)	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%
<b>Total General Fund</b>	<b>\$221.6</b>	<b>\$250.5</b>	<b>\$28.9</b>	<b>13%</b>	<b>100%</b>

17



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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

18



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## Enterprise Funds

19



## 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>

20



# City of Santa Clara

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

21



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

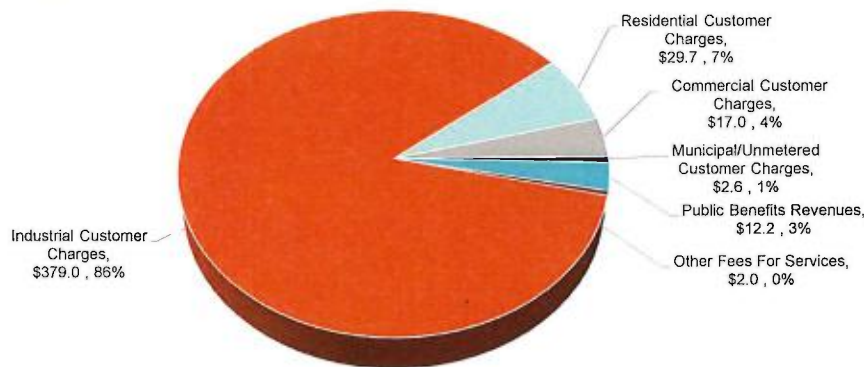


22





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



23



## 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>

24



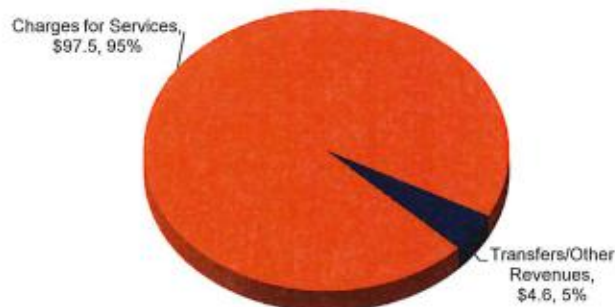
# City of Santa Clara

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

25



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



26



# 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	0.9	-	-	1%
Transfers-Out	-	26.8	27.7	100%	27%
<b>Total Water &amp; Sewer Utilities</b>	<b>\$68.6</b>	<b>\$102.1</b>	<b>\$34.5</b>	<b>50%</b>	<b>100%</b>

27



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## City of Santa Clara

## Internal Service Funds

28



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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>

## City of Santa Clara Special Revenue Funds

## 2018/19 Proposed Budget: Special Revenue Funds \$14.6M

(\$ 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	\$3.5	\$1.0	40%
Gas Tax <sup>1</sup>	-	\$3.4	\$3.4	100%
SB1 – Road Repair and Accountability Act of 2017 <sup>1</sup>	-	\$2.1	\$2.1	100%
Traffic Mitigation <sup>1</sup>	-	\$1.0	\$1.0	100%
<b>Total</b>	<b>\$7.2</b>	<b>\$14.6</b>	<b>\$7.4</b>	<b>103%</b>

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

31



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

32



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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

33



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## City of Santa Clara

## Proposed Biennial Capital Improvement Program Budget for Fiscal Years 2018/19 & 2019/20

34



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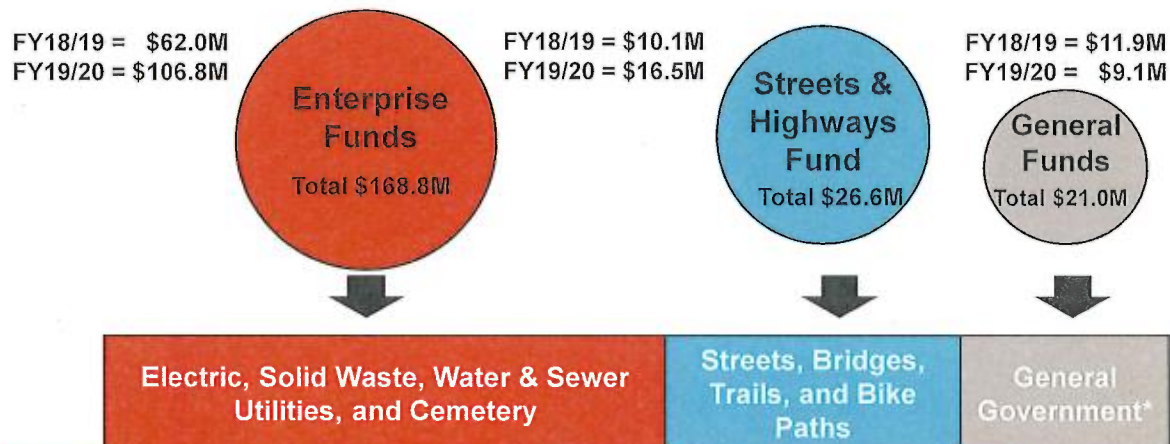
## Budget Summary

- **Implements a Two-Year CIP Budget - \$216.4M**
  - FY 2018/19 = \$ 84.0M
  - FY 2019/20 = \$132.4M
- **Five-Year Capital Program - \$510.3M (\$648M with prior year carryforward)**
  - Changes can occur during the five-year period which may require reallocation of resources
- **2017/18 Estimated Carryforward - \$137.7M (projects in process)**
- **Projects are Summarized by Fund Group**
  - Streets & Highways Fund
  - General Government Funds
  - Enterprise Funds
- **Budget does not anticipate additional funding in the Capital Projects Reserve Fund, unless Year End Fund Balance allows for contribution**

35



## 2018/19 & 2019/20 CIP Total - \$216.4M



36

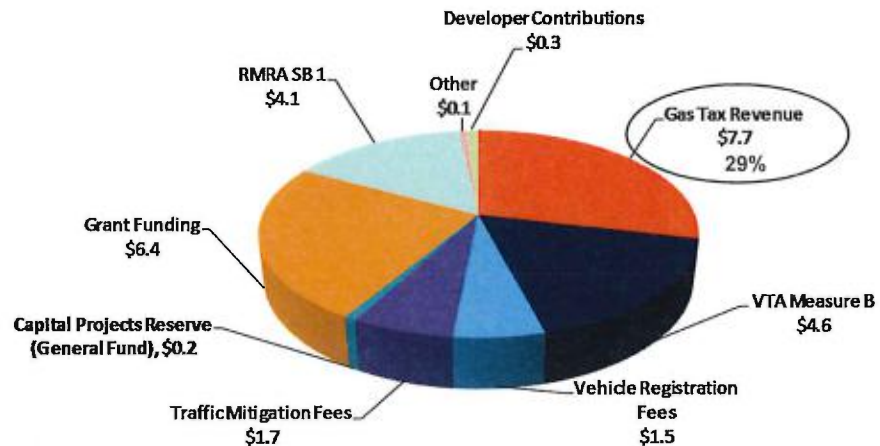
\* General Government: Convention Center, Fire, Information Technology, Libraries, Parks & Recreation, Police, Public Buildings, Storm Drains



## Streets & Highways Fund - \$26.6M

### Infrastructure:

Street resurfacing, major roadway improvements, traffic signal improvements, crosswalks, and related trail and bike plan expenditures managed by Public Works



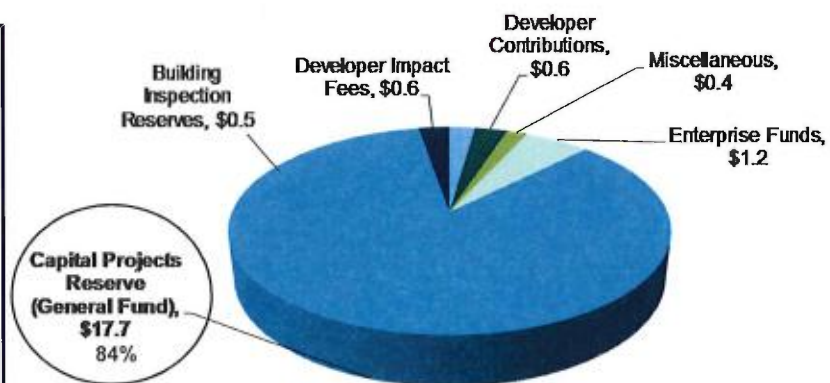
37



## General Government Funds - \$21.0M

### Infrastructure:

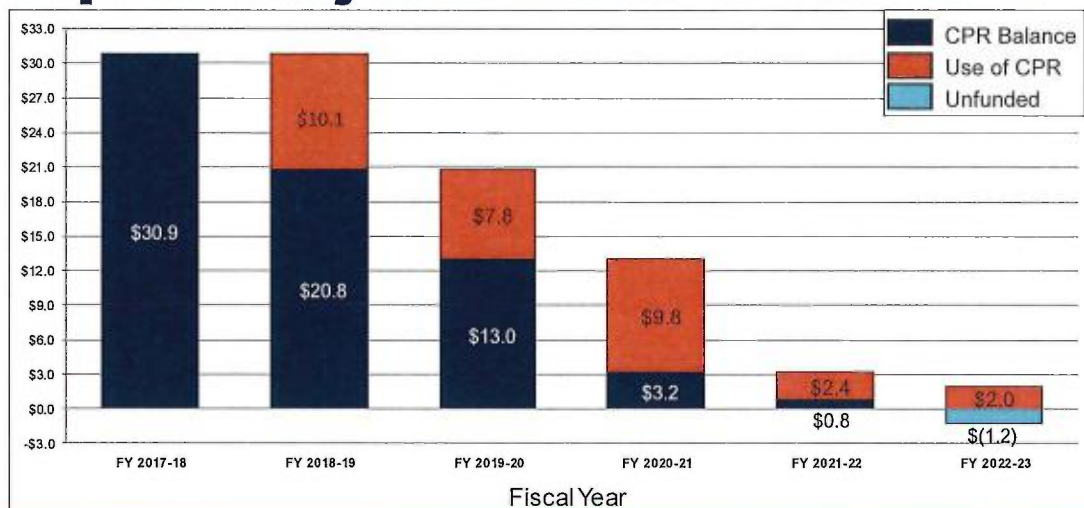
Repairs or modifications to public buildings, recreation facilities, sports fields, major equipment replacement, and technology updates for Convention Center, Civic Center, Fire, IT, Library, Parks, Police, and Storm Drains



38



## Capital Projects Reserve Forecast\*



\* Current scenario if no additional funds are allocated to this Reserve

39



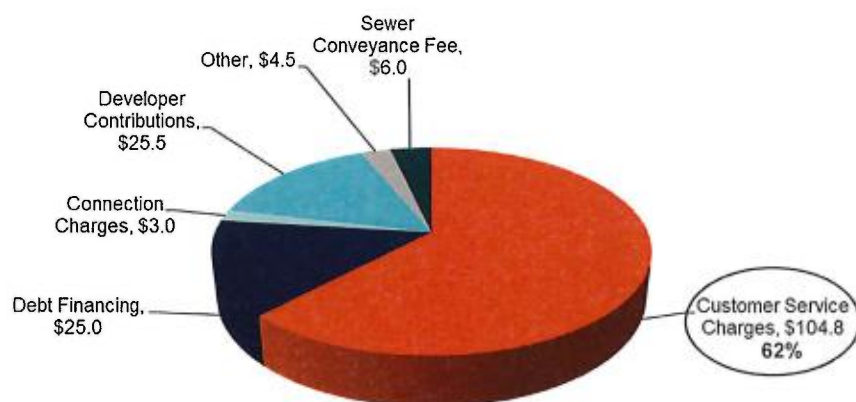
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## Enterprise Funds – \$168.8M

Electric, Water & Sewer Utilities, Solid Waste, and Cemetery

### Infrastructure:

Provides for the rehabilitation, upgrade, and major maintenance of enterprise facilities and assets required for their safe and efficient operation



40



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## Proposed CIP Budget by Fund Group

(\$ millions)

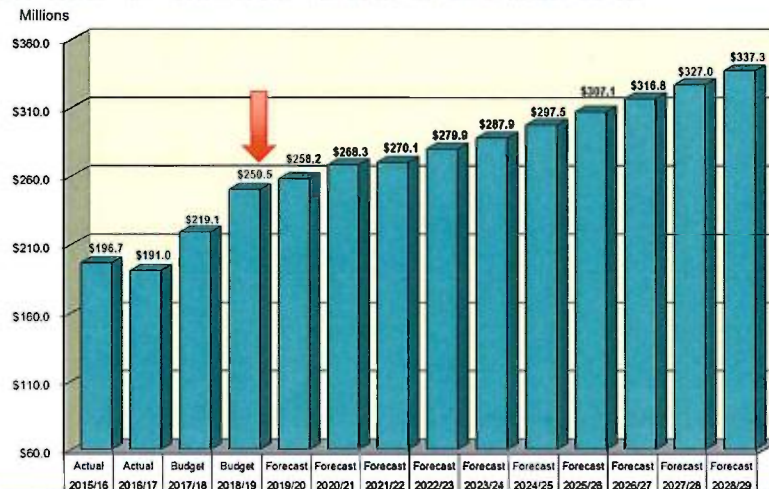
Fund Group	2017/18 Estimated Carryforward	2018/19	2019/20	Total
Street & Highway Funds	\$17.8	\$10.1	\$16.5	\$44.4
General Government Funds	\$28.6	\$11.9	\$9.1	\$49.6
Enterprise Funds	\$91.3	\$62.0	\$106.8	\$260.1
<b>Total City Funds</b>	<b>\$137.7</b>	<b>\$84.0</b>	<b>\$132.4</b>	<b>\$354.1</b>

- 204 Active Projects (including 34 new)

## City of Santa Clara

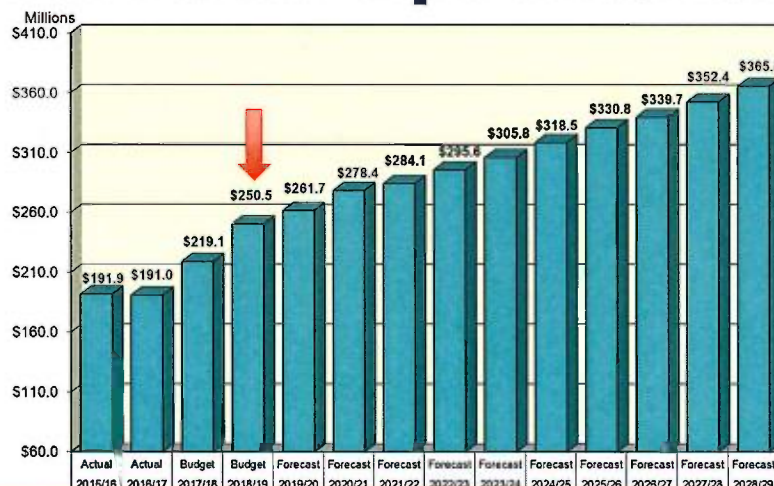
## 2018/19 Proposed Annual Operating Budget - Ten-Year Outlook

## Ten-Year Financial Plan: General Fund Revenues



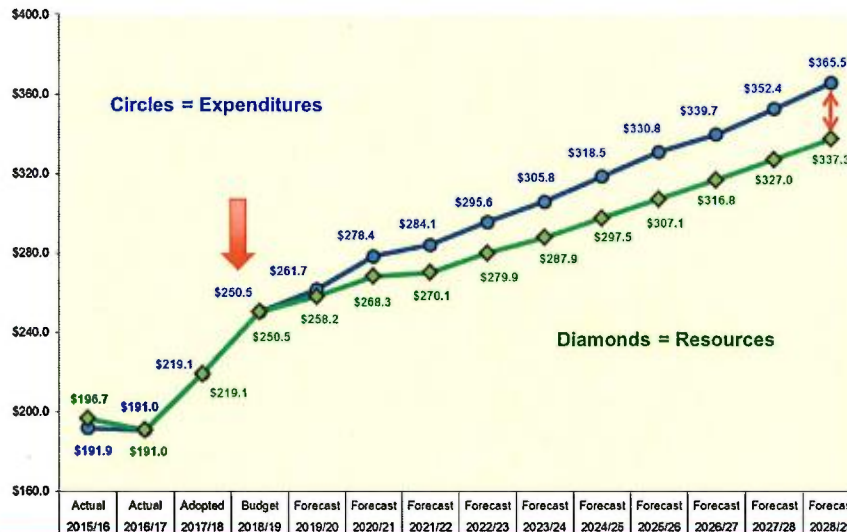
43

## Ten-Year Financial Plan: General Fund Expenditures



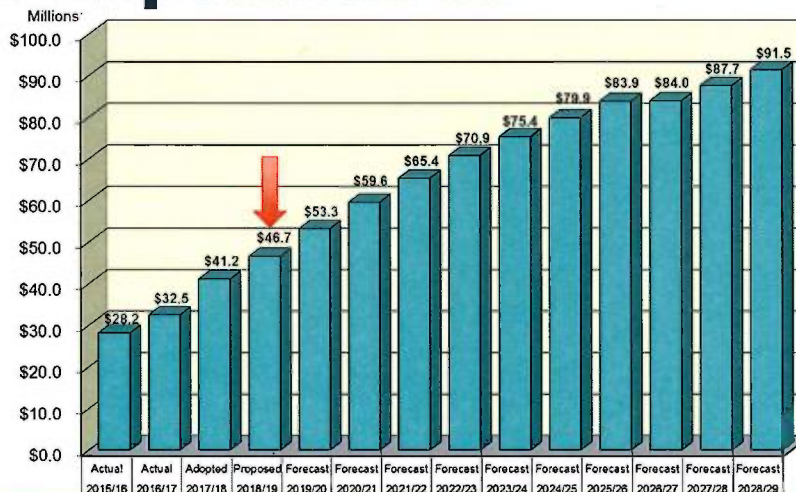
44

# Ten-Year Financial Plan



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

# Ten-Year Financial Plan: PERS Expenditures



Increase of \$44.8M by FY 2028/29



## Ten-Year Financial Plan: CalPERS Employer Rates

Fiscal Year	Percent of Salary:	
	Miscellaneous Plan	Safety Plan
2017/18	33.430%	47.317%
<b>2018/19</b>	<b>35.900%</b>	<b>51.300%</b>
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:

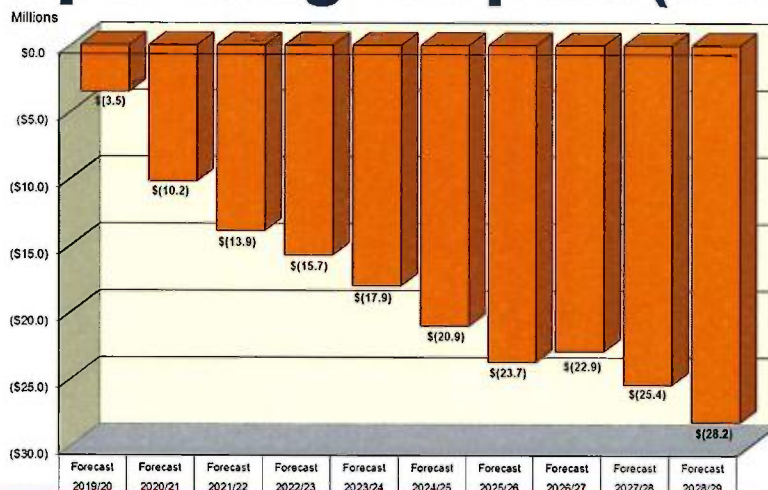
- 62% of the UAL for the Miscellaneous Plan is attributed to Retirees
- 73% of the UAL for the Safety Plan is attributed to Retirees

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

47



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



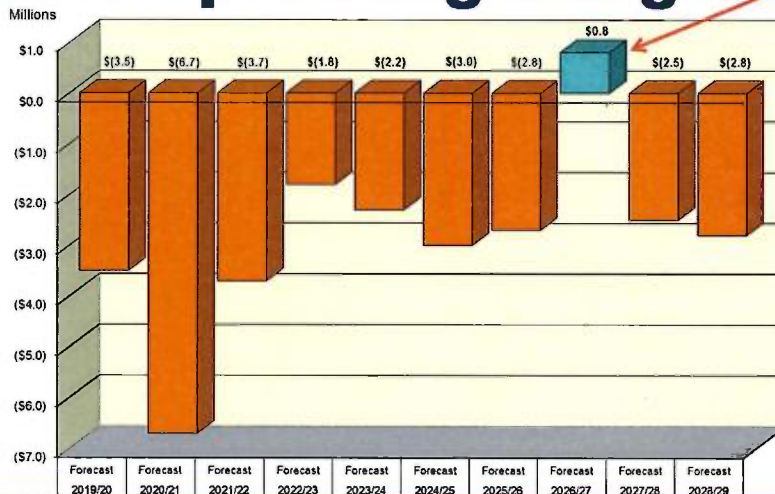
Assumptions include:

- Includes revised revenue estimates & salary projections that stay within growth rates
- Funding of Budget Stabilization Reserve with one-time sources versus ongoing funds

48



## Ten-Year Financial Plan: Net Operating Margin



Decrease in  
Amortization  
base

Assumptions include:

- Includes revised revenue estimates & salary projections that stay within growth rates
- Funding of Budget Stabilization Reserve with one-time sources versus ongoing funds

49



## 2018/19 Appropriation Limit

- The City is required to calculate the Appropriation limit annually
  - Proposition 4 (Gann Initiative)
  - Proposition 111 (Spending Limitation Act of 1990)
- Proposition 4 limits the amount of revenue that can be spent by governmental agencies
  - Not all revenue is restricted, only proceeds from taxes
- The Appropriations limit is adjusted annually on the basis of population and per capita income changes
  - Provided by the California Department of Finance
- FY 2018/19 Appropriations limit is \$459.7 million
  - City can not receive more than the limit in tax-based revenues
  - The City's total tax-based revenue equals \$175.2 million which is \$284.4 million below the limit
- City is in compliance with Propositions 4 and 111

50

