

6/25/19

Item# 3.A + 3.B




City Council Meeting

Public Hearing

- Item #3.A - Action on the Adoption of the Proposed Biennial Operating Budget, Budget and Fiscal Policies, and Changes to the Capital Improvement Program
- Item #3.B - Action on a Resolution Establishing the FY2019/20 Appropriations Limit

June 25, 2019



City of Santa Clara
The Center of What's Possible

Budget Adoption – City Charter

- **Section 1302** – At least thirty-five (35) days prior to the beginning of each year, or at such a prior date thereto determined by the City Council, the City Manager shall submit to the City Council the proposed budget as prepared by him/her. After reviewing the same and making such revisions as it may deem advisable, the City Council shall determine the time for the holding of a public hearing thereon and shall cause to be published a notice thereof not less than ten days prior to said hearing, by at least one insertion in an official newspaper.
- Copies of the proposed budget shall be available for inspection by the public in the office of the City Clerk at least ten days prior to said hearing.

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POST MEETING MATERIAL



Budget Calendar

- **April 30** – Proposed Biennial Operating Budget Released
- **May 7** – City Council Study Session on Operating Budget, Capital Improvement Program Changes, and the City Council Priority Matrix
- **May 17** – Final reconciliation of the Council Priority Matrix was transmitted to the City Manager's Office
- **May 21** – City Council Study Session on Revenue Strategies began with User Fees

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Budget Calendar

- **June 4** – Second City Council Study Session on Operating Budget, Capital Improvement Program Changes, and the City Council Priority Matrix
 - Review of the Convention Center Budget from Spectra
 - Responses from May 7 Study Session in report / Attachment 4
- **June 25** – City Council Adoption of Biennial Operating Budget, Gann limit, CIP Changes and CIP Carryovers
 - Responses from June 4 Study Session in report

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Where have we come from?

Ten-Year Financial Forecast

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Ten-Year Financial Forecast – January 2019

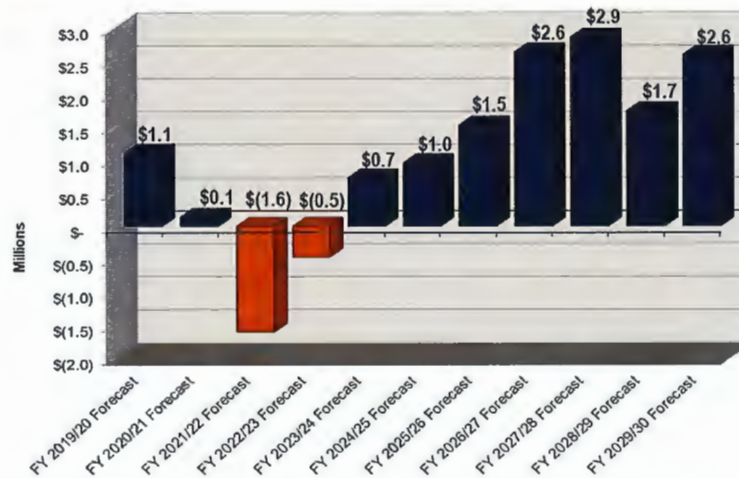
- **CalPERS** – Implemented current CalPERS' direction/methodology for payments and reflected accordingly in budgeting practices and financial forecast
- **Economic Slow Down Strategy** – Modest economic slow down assumed, we have already presented more severe scenarios
- **Revenue and Expenditure Update** – Thorough review of all revenues and expenditures, fund-by-fund and, for the most part, line-by-line
- **FY 2019/20 reflects Base Budget** – Council-Approved Service Levels

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Ten-Year Financial Forecast – January 2019



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General Fund Budget Balancing

Source/(Use) (\$ millions)	2019/20 Proposed	2020/21 Proposed
January 2019 Forecast	\$ 1.1	\$ 0.1
Additional Base Budget Funding (Minimum Wage, Fire Training/Assignment Pay, IT Unisys Contract, Council Labor Authorization)	(2.5)	(0.7)
Additional Base Budget Revenue Adjustments (Storm Drain Compliance Fee, Cannabis Revenue Delay, Property Tax Adjustment, Related Lease Revenue, Electric Contribution In-Lieu, Cost Allocation Plan)	0.8	(0.6)
Convention Center/CVB	1.5	-
Revised Forecast	\$ 0.9	\$ (1.2)
Net Service Level Changes/Budget Proposals (includes budget proposals, use of reserves, new internal service funds, additional revenues)	(0.9)	1.2
⁸ Net General Fund Balancing	\$ 0.0	\$ 0.0



Proposed Budget - FY 19/20 & 20/21

- Budget is balanced, fiscally responsible approach, and known risk factors noted for our fiscal outlook
- Ten-Year Financial Forecast provides a road-map for managing forward in a fiscally responsible manner
- Reserves are proposed for strategic use and are at unprecedented levels
- Invests in City Council Policy Priorities and in Administration's needs to advance improvements in service or gaps/risk areas
- Significantly more transparent with a complete change in how the Budget is presented

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Public Funds Managed by Santa Clara's Public Entities (\$ millions)

Budget Type	FY 2019/20	FY 2020/21	Status
Capital Improvement Program (CIP)	\$ 129.7	\$ 145.8	Adopted - June 2018; Amended
Proposed Operating Budget (including Convention Center)	844.7	846.4	Study Session – May 7/June 4, 2019
Santa Clara Stadium Authority (SCSA)	88.1	90.0*	Adopted – March 27, 2019
Total Funds Administered	\$1,062.5	\$1,082.2	

Note: Excludes interfund transfers and Internal Service Fund charges to avoid double counting; includes contributions to reserves, debt service
* SCSA FY 2020/21 Estimated

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Summary of City Reserves (\$ millions)

Reserve Type	July 1, 2018 Beginning Balance	July 1, 2019 Beginning Balance	Estimated One-Time Additional Increase in 2019	2019/20 Proposed Contribution/ Use of Reserves	2019/20 Reserve Balance	2020/21 Proposed Contribution/ Use of Reserves	2020/21 Reserve Balance
General Fund Budget Stabilization (BSR)	\$55.1	\$56.5	\$15.0	(\$1.0)	\$69.9	(\$1.6)	\$68.3
General Fund Capital Projects	\$31.0	\$24.3		(\$9.6)	\$14.7	(\$10.2)	\$4.5
Land Sale Reserve *	\$29.1	\$21.1		-	\$21.1	-	\$21.1
Pension Trust (all funds)	\$15.6	\$20.2		\$1.8	\$22.0	\$1.3	\$23.3
Utility Fund Rate ** Stabilization/O&M (NEW)	-	-		\$19.1	\$19.1	(\$0.4)	\$18.7
Electric Rate Stabilization/O&M	\$121.0	\$120.7		\$25.6	\$146.3	\$7.2	\$153.5
Total	\$251.8	\$242.8	\$15.0	\$35.9	\$293.1	(\$3.7)	\$289.4

Note: Does not include additional reserves anticipated at the close out of FY 2018/19 which will be brought forward to the City Council in November/December 2019.

* Balance does not include outstanding loan \$10.2 million for Reed and Grant

** Includes Sewer, Solid Waste, Water, Water Recycling

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City of Santa Clara

FY 2019/20 & FY 2020/21 Proposed Biennial Operating Budget – Citywide



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Proposed Biennial Operating Budget

Fund Type (\$ millions)	2018/19 Adopted	2019/20 Proposed	Increase/ (Decrease)	2020/21 Proposed	Increase/ (Decrease)
General Fund	\$ 250.1	\$ 262.9	\$ 12.8	\$ 269.3	\$ 6.6
Special Revenue Funds	13.6	29.3	15.7	13.8	(15.5)
Internal Service Funds	17.5	35.8	18.3	35.3	(0.5)
Enterprise Funds	578.3	652.0	73.7	740.2	88.2
Debt Service/Other	-	74.5	74.5	26.8	(47.7)
Subtotal	\$ 859.5	\$ 1,054.5	\$ 195.0	\$ 1,085.4	\$ 31.1
Net Adjustments*	-	(209.8)	(209.8)	(239.0)	(29.2)
Total Operating Budget	\$ 859.5	\$ 844.7	\$ (14.8)	\$ 846.4	\$ 1.7

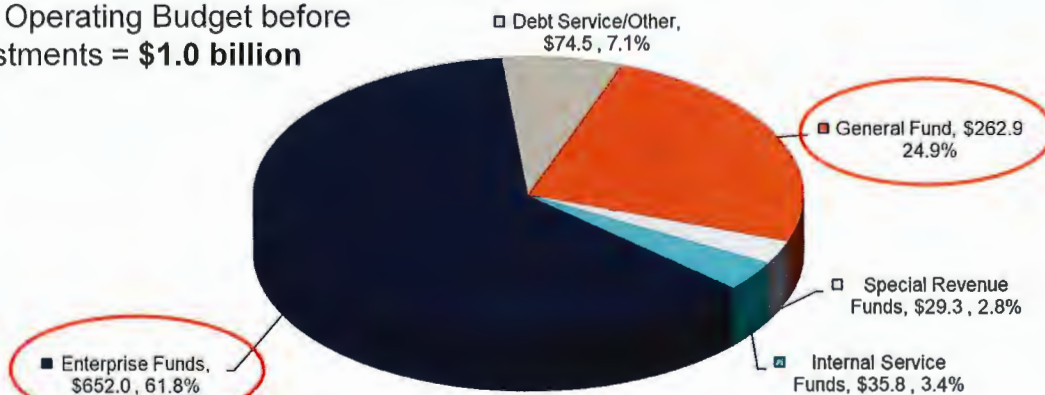
13 * Excludes interfund transfers and Internal Service Fund charges to avoid double counting



FY 2019/20 Proposed Operating Budget

(\$ millions)

Total Operating Budget before
Adjustments = \$1.0 billion



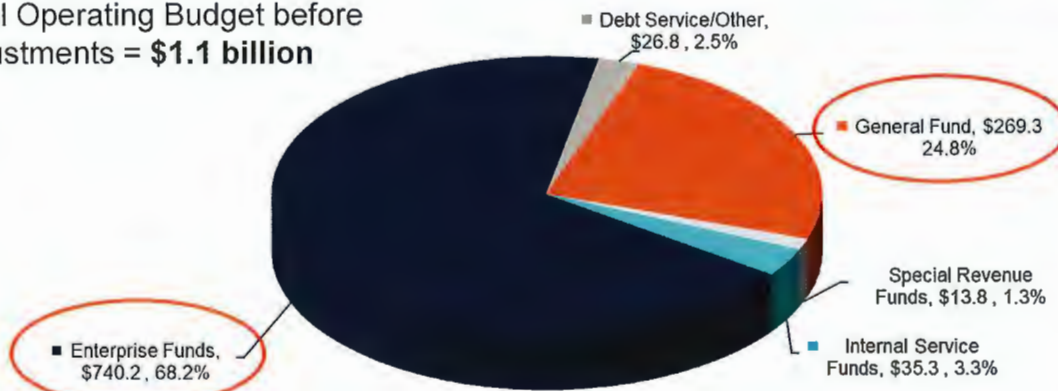
14 NOTE: Includes interfund transfers and Internal Service Fund charges



FY 2020/21 Proposed Operating Budget

(\$ millions)

Total Operating Budget before
Adjustments = \$1.1 billion



15 NOTE: Includes interfund transfers and Internal Service Fund charges



Summary of Full Time Equivalent (FTE) Positions

Fund Type	2018/19	2019/20	Change*	2020/21	Change
General Fund	822.35	805.84	(16.51)	806.84	1.00
Special Revenue Funds	0.60	6.82	6.22	6.82	0.00
Internal Service Funds	15.75	37.44	21.69	37.44	0.00
Enterprise Funds	272.55	281.65	9.10	281.65	0.00
Total	1,111.25	1,131.75	20.50	1,132.75	1.00

16 * Includes 6.00 Base Budget changes and 14.50 Proposed Service Level changes



List of Net New Base Budget Full Time Positions

- **Non-Dept – Citywide Strategic Functions:**
 - Assistant to the City Mgr. (Convention Center)
 - Office Specialist III (Convention Center/Stadium)
- **Electric:**
 - 2 Assistant Directors
 - Electric Program Manager (to reduce Greenhouse Gas Emissions)
 - Senior Electrical Estimator

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List of Proposed Full Time Position Changes – Net 15.5 FTE Addition

- CAO - Assistant City Attorney (Year 2)
- CMO – Communications and Outreach Manager
- Non-Dept – Citywide Strategic Functions
 - Assistant to the City Mgr. (Sustainability)
 - Assistant to the City Mgr. (Real Estate)
 - Deputy City Manager (Stadium Oversight)
 - Office Specialist III (Risk Management)
- Community Development
 - Staff Aide I
 - Management Analyst (offset by deletion of Housing Division Manager)
 - Senior Inspector (offset by deletion of Combination Inspector)

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List of Proposed Full Time Position Changes – Net 15.5 FTE Addition

- Electric Utility
 - 3 Electric Program Manager
 - Electric Utility Engineer
 - Meter Data Analyst (offset by deletion of Staff Aide II)
- Finance – Sr. Accounting Technician (offset by deletion of 0.25 Accounting Tech)
- Human Resources – Office Specialist IV (offset by deletion of 0.25 Sr. Human Resources Tech)
- Library – Librarian (offset by deletion of Business Analyst)
- Parks and Recreation
 - Recreation Coordinator
 - Grounds Maintenance Worker II

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List of Proposed Full Time Position Changes – Net 15.5 FTE Addition

- Police – Police Records Specialist (offset by deletion of Staff Aide I)
- Public Works
 - Staff Analyst
 - Management Analyst (offset by deletion of Assoc Engineer)
- Water and Sewer Utilities
 - Sr. Civil Engineer and Assistant Engineer (offset by deletion of Sr Water Utility Engineer and Water and Sewer System Operator)

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FY 2019/20 & FY 2020/21 Proposed Budget: General Fund Uses by Type

(\$ millions)

Use Category	2018/19 Adopted	2019/20 Proposed	2020/21 Proposed	% of Total GF Budget (FY 2019/20)
Salary and Benefits	\$184.8	\$189.7	\$199.2	72%
Services and Supplies	37.8	30.9	30.6	12%
Interfund Services	11.3	22.2	22.5	8%
Capital Outlay	0.9	0.6	0.2	-
Debt Service	2.5	4.0	-	2%
Transfers-Out	12.8	15.5	16.8	6%
Total General Fund	\$250.1	\$262.9	\$269.3	100%

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FY 2019/20 & FY 2020/21 Proposed Budget: Enterprise Funds

(\$ millions)

Enterprise Funds	2018/19 Adopted	2019/20 Proposed	2020/21 Proposed
Electric Utility	\$450.1	\$513.1	\$575.4
Water Utility	50.4	52.9	56.7
Recycled Water Utility	7.1	5.4	8.4
Sewer Utility	44.7	32.9	67.7
Solid Waste	24.8	28.1	29.9
Convention Center	-	18.2	0.6
Cemetery	1.2	1.4	1.5
Total	\$578.3	\$652.0	\$740.2

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FY 2019/20 & FY 2020/21 Proposed Budget: Internal Service Funds

(\$ millions)

Internal Service Funds	2018/19 Adopted	2019/20 Proposed	2020/21 Proposed
Communication Acquisitions	\$0.5	\$0.5	\$0.5
Fleet Operations	5.0	5.1	5.2
Information Technology Services	-	13.3	13.3
Public Works Capital Projects Mgmt	-	3.7	3.8
Special Liability Insurance	3.5	4.4	4.5
Unemployment Insurance	0.1	0.1	0.1
Vehicle Replacement	4.4	3.9	3.0
Workers' Compensation	4.0	4.8	4.9
²³ Total	\$17.5	\$35.8	\$35.3



Additional Changes to the Proposed Budget

- "Love Santa Clara" Program - To provide more strategic communications bandwidth, increase community engagement and outreach, and expand pro-active media relations, it is recommended for the proposed budget to include a manager-level communications position (Communications and Outreach Manager) that would replace the previously proposed Web and Digital Media Manager. In addition, the budget includes an additional \$50,000 of one-time funds for supplies and outreach.
- Reallocate Sister Cities funding from Parks and Recreation to Non-Departmental to increase transparency for these costs (\$5,659). Additional \$15,000 for Sister Cities Mayor and Council Travel each of the two budget years, funded by the Budget Stabilization Reserve.



Additional Changes to the Proposed Budget

- Increase the Police Department budget to reflect the recent agreement approved for the Police Officer's Association (POA). Elements of the approved contract were within City Council authority and proposed to be funded by one-time sources. As a result, increases to the Police Department budget (\$370,000) in FY 2019/20 and FY 2020/21 is recommended, to be funded from the General Fund Budget Stabilization Reserve to fund costs associated with deferred compensation and Voluntary Employee Beneficiary Association (VEBA) costs.
- Increase Convention Center budget by \$100,000 for City related contingency items.

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Additional Changes to the Proposed Budget

- At the June 4, 2019, the City Council directed staff to include \$70,000 of funding in FY 2019/20 to support the Santa Clara Parade of Champions. This budget has been included in the General Fund Non-Departmental section, funded by the Budget Stabilization Reserve.
- One-time funding of \$100,000 to provide intern opportunities for high school students each of the two budget years, funded by the Budget Stabilization Reserve.

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Gann Limit (Item 3B)

- In compliance with Propositions 4 (Gann Initiative) and 111 (Spending Limitation Act of 1990), State constitution limits the amount of revenue that can be spent by governmental agencies.
- Beginning with FY 1990/91 appropriations limit, Cities can use the following as an adjustment factor:
 - Annual growth in population Annual growth in California Per Capital Income or non-residential assessed valuation
- FY 2019/20 appropriations subject to the limit of \$478,945,316
- Revenue subject to Appropriations \$184,097,298 or 38.44% of limit

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Recommendation

- Approve the FY 2019/20 and FY 2020/21 Biennial Operating Budget including the Appropriation and Transfer Schedules in Attachment 2
- Approve the FY 2019/20 Capital Improvement Program Budget Adjustments including Carryover CIP Projects in Attachment 3
- Approve Budget and Fiscal Policies (Attachment 4)
- Approve Housing Authority Budget
- Approve Convention Center Budget
- Approve Sports and Open Space Authority Budget
- Adopt a Resolution establishing the City's FY 2019/20 appropriations limit (Item 3B)

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City Council Meeting

Public Hearing

- **Item #3.A - Action of the Adoption of the Proposed Biennial Operating Budget, Budget and Fiscal Policies, and Changes to the Capital Improvement Program**
- **Item #3.B - Action on a Resolution Establishing the FY2019/20 Appropriation Limit**

June 25, 2019