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Attachments: 1. Proposed FY 2021-22 Budget Principles, 2. Proposed FY 2021-22 Budget Principles Red-lined, 3. Summary of September 5, 2019 Council Session on Governance, 4. Santa Clara Code of Ethics and Values, 5. Mayor/Council and Executive Expectations, 6. 2020 Council Priority Matrix Update, 7. Parking Lot Items from 2020 Council Priority Setting Session, 8. POST MEETING MATERIAL

Date	Ver.	Action By	Action	Result
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REPORT TO COUNCIL

SUBJECT

Overview of 2021 City Council Priority Setting Session

EXECUTIVE SUMMARY

Once a year, the City Council convenes to discuss City priorities. It goes without saying that this year's session will be very different than past years, as we continue to combat the global pandemic and focus resources on essential services and COVID-19 response efforts. **Simply stated, we are holding a policy priority setting session during multiple converging crises (e.g., pandemic, economic slowdown, and growing budget deficit/less resources) and after a year of already addressing unprecedented natural and health disasters.** Our frame of mind must match the context of our organization's challenges.

Accordingly, the focus of this year's 2021 City Council Priority Setting Session is on the City's fiscal outlook, impact and efforts regarding COVID-19 response and recovery. Given the magnitude of work ahead to restore our economy and address COVID-19 induced impacts, our efforts to recover locally will not happen without intentional and connected decision-making.

Decisions on COVID-19 recovery programs must be examined within the context of what "urgent" or "important" initiatives also need to be addressed. Additionally, while the Council is in transition with its governance structure, having now achieved six district elected Councilmembers, the City's organization has also been under transformation. Unfortunately, Council directives must be evaluated in the context of losing approximately 500 part-time employees and an organization with a 16% vacancy rate (representing approximately hundreds of thousands of lost productivity hours for the organization). The organization that we were pre-pandemic is no longer the organization that we are now and, certainly, not the organization that we will be post-pandemic. We will have a changed governance structure that sets policy with citywide and district goals and an organization built for

citywide service delivery with far less resources to provide services.

There is good news! The discipline of the City Council to dedicate this time for strategic policy making and deliberations about the City, community, and organization is always promising. Not all organizations dedicate two days to strategic planning, and the past years have shown that these sessions are highly valuable for making sure that the organization is on track to meet the needs of the community and plan long-term. Equally as important, the newly seated City Council will have the opportunity to discuss the governance structure in which the City Council operates, as well as develop norms and expectations for not only communication but governing and working together. It is through these thoughtful conversations that we will reach agreement, establish solutions, and determine next steps. In partnership, on behalf of City staff, we value this time and look forward to working with the Council on these important matters.

SESSION FACILITATOR

Dr. Shawn Spano will facilitate this strategic priority setting session. Dr. Spano has over 25 years of experience working with city government and public organizations. He is a specialist in designing and facilitating public forums, meetings, training workshops and off-site retreats with elected officials, executive staff, middle managers, commissions and boards, and local residents.

As background, Dr. Spano served as a professor at San Jose State University where he taught courses and conducted applied research in interpersonal, small group and organizational communication. He specialized in bridging social construction and dialogue theory with practical skills and tools that enable students to design and facilitate processes to improve communication in community, organizational and interpersonal contexts. Dr. Spano also serves as President of the Public Dialogue Consortium, a non-profit organization committed to fostering high quality communication in the public sphere, collaborative problem solving, appreciation for different perspectives, and common ground for action.

SESSION OUTCOMES

During this session, City Council will discuss the following items:

- 2020 Strategic Goals/Pillars
- Fiscal Update and 10-Year Forecast
- Governance Structure and Emergency Proclamation
- Council Communication and Expectations
- COVID-19 Emergency Response
- Future Priorities (in light of COVID-19)

The Strategic Pillars approved by City Council in 2020 are:

1. Promote and Enhance Economic, Housing and Transportation Development
2. Deliver and Enhance High Quality Efficient Services and Infrastructure
3. Enhance Community Sports, Recreational and Arts Assets
4. Enhance Community Engagement and Transparency
5. Ensure Compliance with Measure J and Manage Levi's Stadium
6. Manage Strategically Our Workforce Capacity and Resources
7. Promote Sustainability and Environmental Protection

In preparation for these sessions, the facilitator conducted individual interviews with City Councilmembers in January 2021. The framework for these sessions was developed using themes and comments from these interviews, in addition to necessary fiscal, organizational and emergency updates. The facilitator will share themes from the Council interviews throughout the sessions as they relate to Council discussion.

DAY ONE FRAMEWORK

On the first day of the 2021 City Council Priority Setting Session, the Council will begin with a discussion of the previous year's accomplishments and challenges, as well as items of concern moving forward. This is an opportunity to celebrate the work that has already been accomplished and discuss future concerns. Then, staff will provide an update on the City's current budget and organizational resources.

BUDGET AND FISCAL OUTLOOK

As one of the City's major fiscal management and strategic planning tools, staff revised the 10-Year General Fund Forecast (Forecast) that will serve as a foundation for evaluating the long-term financial condition of the City. The Forecast also provides a starting point for evaluating priorities, identifying risk factors and vulnerabilities, understanding trade-offs moving forward, and developing potential mitigation actions.

After review of the state of the organization, staff will present the updated Forecast and discuss the implications to the City's strategic planning and action. The proposed FY 2021/22 Budget Principles will also be presented for approval (Attachment 1) and include amendments to manage going forward. The Budget Principles provide a general framework and approach for developing the City's budget in a fiscally prudent manner. For reference, a red-lined version of the proposed Budget Principles has also been included with this report (Attachment 2).

The Forecast reflects the latest information on the City's costs as well as projected revenues. It will show a substantial General Fund shortfall in FY 2021/22 as a result of COVID-19 impacts on City revenues, with improvement in the remaining years of the Forecast. Budget actions will be necessary to address the shortfall and bring the expenditures and revenues into alignment. The budget balancing strategy for the FY 2021/22 and FY 2022/23 Biennial Operating Budget is expected to incorporate a combination of ongoing expenditure reductions and increased revenues as well as one-time solutions, such as the use of reserves. The use of ongoing and one-time solutions would balance the competing goals of aligning ongoing revenues and expenditures and minimizing the service delivery impacts to the community. This will also allow for time to evaluate the post COVID-19 recovery.

At the session, staff will present our professional strategy of how to manage the COVID-19 induced budget impacts. Particularly, the "urgent" action required before April 2021 so that staff can present the Council with a balanced budget in early May for FY 2021/22 budget deliberations. This means that the presentation will include a schedule and proposed solutions for managing the next three years; however, we will not be discussing budget proposals, rather a framework for how to make connected decisions that are mindful of our service-oriented services that require resources.

As part of this update, the Council will also approve any necessary budget items, as listed in the recommendations.

CITY GOVERNANCE IN TRANSITION

In the afternoon, City staff and Dr. Spano will provide context for the City's governance transition from at-large elections to a mix of at-large and district elections to Councilmembers elected by district with the Mayor elected at-large. The Santa Clara City Council held two sessions to discuss governance - the first on December 13, 2018 and the second on September 5, 2019. The purpose of the sessions was to discuss ongoing questions or concerns regarding governance.

At these sessions, the City Council reviewed their experience with districts and discussed Council principles, norms and protocols that were developed as a result of the December 2018 governance session, as well as from Council feedback. A summary from the September 2019 session is attached to this report for reference (Attachment 3). The Council confirmed the following Governance Principles at both sessions:

1. We all care about and will govern for the entire Santa Clara community.
2. We will follow our Santa Clara ethical values.
3. We will follow our Council-Manager form of government.

For reference, the Santa Clara Code of Ethics and Values has also been included as an attachment to this report (Attachment 4).

During the sessions, it was noted by the City Manager and acknowledged by the Council that while the City's transition to districts would create an elected body by district, the City's organizational infrastructure was not designed in the same way. The City and its resources are structured to provide services and data on a citywide basis; there are not systems in place to provide them by district or track data accordingly. This is unfortunate because the City Manager has long expressed support of using data for decisions, but this is the reality of the transformation. On the positive side, the Council has been clear of its recognition to think citywide and the City is certainly poised for that approach to operations and decision-making.

Dr. Spano will also lead a discussion with Council about governance structure and operations during the Emergency Proclamation and how that impacts the Council's work.

GOVERNING BODY: COMMUNICATIONS, EXPECTATIONS AND GOVERNANCE

Following that discussion, the Council will explore the way they communicate and work as a governing body through a discussion of Council relations and norms. Council will have an opportunity to develop their own expectations that are unique to the Santa Clara City Council. To assist with that process, a document summarizing common expectations titled *Mayor/Council and Executive Expectations* has been attached (Attachment 5).

DAY TWO FRAMEWORK

On the second day of the City Council Priority Setting Session, Dr. Spano will open the session by finalizing any discussions from the previous day.

COVID-19 EMERGENCY RESPONSE/REVIEW OF COUNCIL PILLARS

The City Manager will present the City's COVID-19 emergency response and how it aligns with the existing Pillars.

During the 2020 Priority Setting Session, the facilitator, Dr. Spano, led the Council through a prioritization exercise where Council categorized their objectives in one of the three areas:

1. Items to be brought back to City Council for review and action
2. Items placed in a parking lot to be revisited the following year
3. Items to pay attention to or keep in mind moving forward

Through this process, the Council included 23 items on their matrix to be brought back to Council for review and action, which was approved on February 25, 2020. However, immediately following in March 2020, the COVID-19 pandemic forced the City to pivot quickly, and these priorities were officially put on hold in June 2020, as the City refocused on essential service needs. Historically, the City Council would discuss the priorities as part of their annual budget sessions and officially allocate staffing and/or financial resources towards approved priorities. An update detailing this change was provided to Council as part of the FY2020/21 and FY2021/22 Adopted Biennial Capital Improvement Program Budget. Though the 2020 priorities were placed on hold, an update has been provided regarding their current status, as some items were completed prior to the rise of the pandemic (Attachment 6).

Staff has also included the list of items Council requested to place in a parking lot/revisit the following year, as an attachment to this report (Attachment 7).

COUNCIL DISCUSSION ON FUTURE ITEMS

Following the Council's review of the priorities and the City's COVID-19 emergency response, Dr. Spano will lead the Council in a discussion of the pillars and the items in support of the pillars for the upcoming year, making distinctions between those that are "urgent" and "important" in light of COVID-19 and the Emergency Proclamation.

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>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Adopt FY 2021-2022 Budget Principles;
2. Accept the 10-Year General Fund Forecast; and
3. Validate Pillars and approve any amendments.

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Proposed FY 2021-22 Budget Principles
2. Proposed FY 2021-22 Budget Principles Red-lined
3. Summary of September 5, 2019 Council Session on Governance
4. Santa Clara Code of Ethics and Values

- 5. Mayor/Council and Executive Expectations
- 6. 2020 Council Priority Matrix Update
- 7. Parking Lot Items from 2020 Council Priority Setting Session