



## Agenda Report

19-1608

Agenda Date: 5/7/2019

### REPORT TO COUNCIL

#### **SUBJECT**

Joint Study Session to Review Proposed FY 2019/20 and FY 2020/21 Biennial Operating Budget and Capital Improvement Program Budget Adjustments

#### **BACKGROUND**

City Charter *Section 1302 Budget - Submission to City Council* requires that at least thirty-five days prior to the beginning of each fiscal year, or at such prior date thereto determined by the City Council, the City Manager shall submit to the City Council the proposed budget.

On January 31 and February 1, the City Council held a City Council Operational and Strategic Priority Setting Session (Council Priority Setting), in which the City Council Strategic Pillars were adopted. The pillars are as follows and all have a direct impact on the City's Operating Budget.

1. Promote and Enhance Economic and Housing Development
2. Deliver and Enhance High Quality Efficient Services and Infrastructure
3. Enhance Community Sports and Recreational 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 (previously Maintain Adequate Staffing Levels)
7. Sustainability (new)

In addition, the City Council approved the Budget Principles at the Council Priority Setting which have been included in the proposed budget document

<http://santaclaraca.gov/home/showdocument?id=63911> (Page 28). The proposed budget as submitted was developed in accordance with these guiding principles. As was proposed by staff and approved by the City Council at the prior year Council Priority Setting, this budget moves from an annual budget to a two-year (biennial) budget.

#### **DISCUSSION**

The annual budget serves as a financial plan and operational guide that reflects the policies, goals, and priorities of the City Council and community while at the same time maintaining fiscal stability. The budget incorporates a balanced and responsible approach to meeting the City's short and long-term needs.

This budget document is a transition from a transactional budget organized by fund to one that highlights department performance and service delivery. Service level changes included in the department sections discuss in detail the specific impact of each department request, how these requests align to departmental goals and objectives and ultimately show how our limited resources

are spent to maximize and meet the City Council's strategic priorities. In this document, we present enhanced budget and fiscal policies; comprehensive budgetary financial statements that establish new reserves and incorporate fund balances; and summarize this information through new key graphs and charts.

### Biennial Operating Budget

The total operating budget for FY 2019/20 of \$826.2 million represents a decrease of \$33.2 million, or 4% compared to the FY 2018/19 Adopted Annual Operating Budget. This downward shift is due to further refinements in calculating CalPERS costs and revenue sources and netting out fund transfers along with our change in budgeting practices. The FY 2020/21 operating budget of \$845.9 million is an increase of \$19.7 million or 2% above the proposed FY 2019/20 budget.

Table 1 - Proposed Operating Budget by Fund Group

FY 2019/20 and FY 2020/21 Proposed Budget			
Fund Type	FY 2018/19 Adopted Budget	FY 2019/20 Proposed Budget	FY 2020/21 Proposed Budget
General Fund	250,102,186	262,299,910	268,914,009
Special Revenue Funds	13,578,142	29,248,422	13,773,302
Enterprise Funds	578,291,115	634,228,064	740,071,587
Internal Service Funds	17,492,612	35,767,831	35,264,608
Debt/Other*	-	24,536,674	26,857,773
Less (Transfers, Contributions, and Reserves)*	-	(159,862,575)	(238,995,086)
<b>Subtotal Operating Budget</b>	<b>859,464,055</b>	<b>826,218,326</b>	<b>845,886,193</b>
Capital Funds	83,992,645	128,559,518	145,841,775
<b>Total Budget</b>	<b>943,456,700</b>	<b>954,777,844</b>	<b>991,727,968</b>

\* To provide more transparency, the budget for debt/other, transfers, contributions, and reserves is detailed starting in FY 2019/20. For the FY 2018/19 Adopted Budget figures, these were combined in the fund totals.

The proposed budget includes key investments and the strategic net addition of 15.5 positions (8.9 positions in the General Fund) across every City Council Priority and several funds, examples include:

- Expanding the existing Housing Division Manager's duties (and converting it to an Assistant to the City Manager, until properly classified, with a working title of Housing and Real Estate Development Officer) will result in formal oversight and coordination of the City's real estate portfolio, along with adding a Management Analyst and resources to establish a baseline real estate asset management system to address the City's needs.
- Adding a Sustainability Officer (Assistant to the City Manager, until properly classified), with the use of various enterprise funds, to advance the City Council's most recent added policy priority of Sustainability.
- Expanding our parks programming through the expected opening of the Reed and Grant Sports Complex through the addition of resources and two positions (Recreation Coordinator and Grounds Maintenance Worker II).
- Providing additional stadium oversight and public safety coordination, as described in various Stadium Authority reports and approved budget (Deputy City Manager).
- Mitigating future risk through the addition of a real estate focused Assistant City Attorney in FY 2020/21.

- Serving our electric utility customers through additional industrial development customer support, technical resources to manage capital projects, and engineering permit review staff (three Electric Program Managers and one Electric Utility Engineer).
- Increasing our strategic communications bandwidth and oversight of a website redesign through a Web and Digital Content Manager.
- Supporting our solid waste organic waste diversion programs to enhance sustainability through a Staff Analyst in Public Works.
- Reorganizing and focusing our housing programs through a Staff Aide in Community Development.
- Gaining Risk Management efficiencies by adding an Office Specialist III so our existing Risk Manager can focus on developing more robust risk management policies and procedures, managing insurance and claims, and ensuring legal compliance.
- Shoring up central services departments by adding a Senior Accounting Technician in Finance and an Office Specialist IV in Human Resources.

A significant investment in one-time resources is included in this budget, dedicated to filling administrative gaps, gain efficiencies through technology or seek expertise through consultant support services. These small investments are intended to guide managers through specific operational issues faced from processes that are overdue for update, reevaluation and/or revision. They touch operations in almost every City department. This initiative includes:

- Funding to organize our affordable housing approach through an accessory dwelling unit pilot program, software to track affordable housing assets and consultant services to input the existing data into a new system and issuing a request for proposal for an administrator for the City's Affordable Rental Program;
- Records management platform and policy update in the City Clerk's Office;
- Update to citywide administrative policies (e.g., City Manager Directives, etc.) and legislative advocacy support in the City Manager's Office, enhancement of purchasing policies and records in the Finance Department;
- Evaluation of the City's pre-employment physical requirements of class specifications and Civil Service rules in the Human Resources Department;
- Workforce development transformation through Office 365 in the Information Technology Department;
- Fleet management consultant in the Public Works Department to assess fleet and bring about efficiencies while reducing costs;
- As-needed hours to support response to public records requests while concurrently implementing the technology to modernize our processes;
- Funding for Census 2020 to ensure an accurate population count and aggressively compete for federal funding from which we receive population-based revenues; and,
- Resources to explore new revenue strategies and conduct community research.

### **Capital Improvement Program (CIP)**

The City Council approved the FY 2018/19 and 2019/20 Biennial CIP Budget on June 12, 2018. This action approved a two-year capital budget and presented a five-year capital improvement plan. The total CIP budget for FY 2019/20 is \$128.6 million, which reflects an increase of \$44.6 million, or 53% compared to the FY 2018/19 adopted CIP budget. The increase is due to a modest number of new

projects and the timing of several large projects.

As the focus of this year's budget is operations, several budget amendments to the FY 2019/20 Adopted CIP Budget are being recommended. Some of the key budget amendments are summarized below:

- Water and Sewer projects (\$4.2 million) - additional contributions for the San Jose/Santa Clara Regional Wastewater Facility, water tank rehabilitation and to develop a water infrastructure asset management program.
- Civic Center Campus Renovations - Multi-Department (\$1.0 million, General Fund) - funds renovations for finance, human resources and other departments to bring offices to modern standards and transition of a portion of the cafeteria for employee collaboration.
- Parks and Recreation projects (\$900,000) - funding to repair the roof at the recreation center at Bowers Park and construction of a restroom at Fairway Glen Park.
- Storm Sewer and Corporation Yard infrastructure (\$787,000) - funding for fiber optics to storm pumps, storm water retention basin remediation, and to repave the parking lot at the corporation yard.
- Silicon Valley Power Electric Utility projects (-\$12.8 million) - funding adjustments to several projects to reflect current project timelines and necessary project augmentations.
- Public Works Capital Projects Management - a new internal service fund to centralize Public Works staff costs in support of our capital programs.

In addition, the carryover of unexpended capital project funds from FY 2018/19 to FY 2019/20 is necessary in order to continue or complete projects beyond the current fiscal year. As appropriations lapse annually on June 30th, recommendations to carryover funding will be brought forward under separate cover for City Council consideration as part of the budget adoption in June 2019.

### **FISCAL IMPACT**

The FY 2019/20 and FY 2020/21 Proposed Biennial Operating Budget totals \$826.2 million and \$845.9 million, respectively. The total Capital Improvement Program (CIP) budget for FY 2019/20 is \$128.6 million.

The Budget is scheduled for the City Council's consideration for adoption on June 4, 2019.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environment Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

### **COORDINATION**

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

### **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**

Review and provide input on the Proposed FY 2019/20 and FY 2020/21 Biennial Operating Budget and Capital Improvement Program Budget Adjustments.

Reviewed by: Angela Kraetsch, Director of Finance

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. FY 2019/20 and 2020/21 Proposed Biennial Operating Budget
2. FY 2019/20 Capital Improvement Program Budget Adjustments