

Your City Budget 2016-17



**City of
Santa Clara**
The Center of What's Possible



A Balanced Budget

To ensure an open, efficient, and fiscally sound budget, the City Council held several public meetings on the 2016-17 Budget: 7 study sessions were held between February 16 and June 7, 2016 and a Public Hearing was held on June 21, 2016. Following the Public Hearing, the City Council adopted a balanced City budget for fiscal year 2016-17 of \$753.6 million. This budget includes:

- \$ 666.9 million City Operating Budget (including the \$ 201.4 million General Fund Budget)
- \$ 86.6 million Capital Improvement Project Budget



Budget Highlights

The City's adopted budget for 2016-17 is \$753.6 million. This represents an increase of 4.6% from the fiscal year 2015-16 adopted budget of \$720.2 million. The increase is primarily the result of added positions in response to Council's budget priority to restore and enhance core services. The increase also includes additional funding to address delayed capital improvements, major maintenance, and technology projects. The City has taken steps in the past few years to rebuild reserve levels. The 2016-17 budget continues this trend with a \$2.9 million transfer to the Working Capital Reserve, maintaining the reserve at its target of 25% of General Fund budgeted appropriations and a \$12.6 million contribution to the Capital Projects Reserves. Further review and explanation of these changes can be found later in this brochure and in the City Manager's Transmittal Letter of the 2016-17 Annual Budget document.



Budget Brochure

What you'll find inside –

- Details on City Services
- Total City revenues and expenditures
- Distribution of your tax and fee dollars
- Community enhancement projects



City Council deliberated budget issues during a study session held in May 2016.

The budget is now available online!

Please visit www.santaclaraca.gov/finance. Printed copies of the adopted budget are also available for review at City libraries and at the City Clerk's Office.



2016-17 Rate and Fee Impacts - Enterprise Funds

Santa Clara's Rates Are Still the Lowest in the Region!

There is no change in Municipal Solar Utility Rate and Household Hazardous Waste Charge for 2016-17. Rates that were changed include:

Average Residential Impact	
Electric Utility	3.0% rate increase proposed for 1-1-2017
Water Utility	\$9.48/month
Sewer Utility	\$3.71/month
Recycled Water Rate	20.0% (dollar amount depending on size of account)
Garbage Collection and Disposal Rate	\$0.37/month
Clean Green Charge	\$0.12/month
Residential Curbside Recycling Rate	\$0.08/month
Clean-Up Campaign Charge	\$0.85/month
Storm Drain Rate	\$0.37/month

- The City of Santa Clara's combined water, sewer and electric rates remain the lowest in the nine (9) Bay Area counties.
- Our combined refuse rates are also still among the lowest in Santa Clara County.

1500 Warburton Ave., Santa Clara, CA 95050
www.SantaClaraCA.gov

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Where the City Gets Its Money

Revenue and Other Financing Resources (in millions)

Taxes

Property Tax	\$ 46.7
Sales Tax	64.3
Transient Occupancy Tax	20.0
Other Taxes	5.3

Intergovernmental

Revenue from Other Agencies	6.5
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User Fees

Charges for Current Services – Enterprise	487.6
Charges for Current Services – Other	58.7

Other

Interest Income	3.6
Licenses & Permits / Fines & Penalties	11.5
Contribution In-Lieu	19.6
Rents and Leases	15.6
Misc. Revenue	1.5
Sale of Land	3.0
Capital Project Revenue	5.6
Beginning Balance/Reserves/Transfers	4.1

Total Revenue and Other Financing Resources \$753.6

What Your \$753.6 Million Buys



\$335.9
Electric



\$106.8
Police, Fire, 9-1-1
(Communications)



\$86.6
Capital Projects



\$64.6
Water & Sewer



\$23.7
Public Works



\$21.8
Solid Waste



\$21.7
Debt Service



\$19.1
City
Administration*



\$17.7
Parks &
Recreation



\$16.4
Internal Services



\$14.5
Finance &
Human Resources



\$13.4
Community
Development



\$9.9
Library



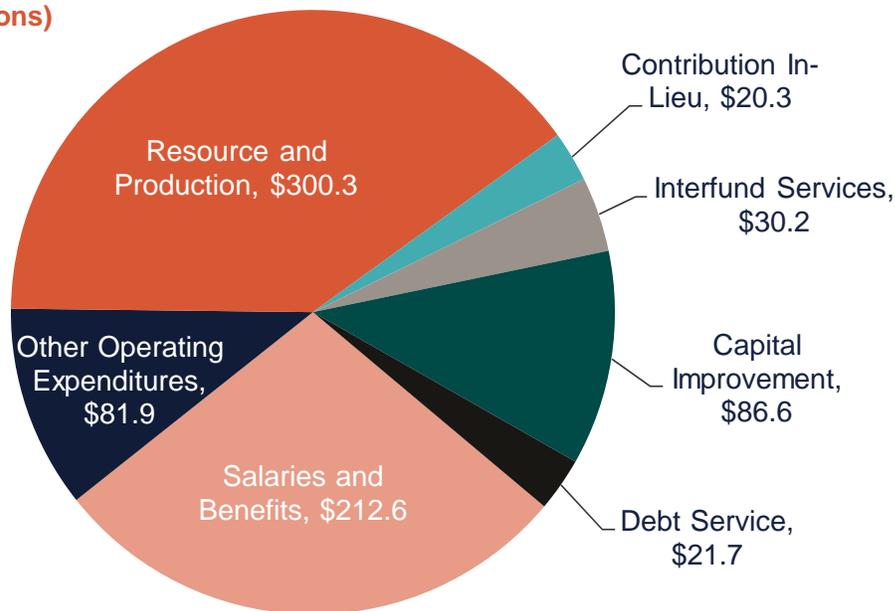
\$1.5
Convention/Visitors
Bureau

*Includes Information Technology, City Council, City Attorney, City Clerk & City Manager's offices



Total City Appropriations by Object Category

(Dollars in Millions)



Salaries and Benefits

The expenditure category for salaries and benefits across all funds in the 2016-17 Adopted Budget rose to \$212.6 million, an increase of \$21.5 million or 11.3% from the 2015-16 Adopted Budget. In the General Fund, this category increased by \$15.1 million or 10.4% from the prior year's budget.

THERE ARE TWO PRIMARY REASONS FOR THIS GROWTH:

1

Increase of 68.75 funded full-time equivalent (FTE) positions. In the 2015-16 budget, the authorized position count was 1,054.50 FTEs. However, only 1,009.50 FTEs were funded. For the 2016-17 budget, the number of authorized positions increased by 23.75 FTEs to 1,078.25 FTEs, but the number of funded positions increased by 68.75 FTEs from 2015-16. For the first time in many years, our authorized position count is now a true reflection of our staffing level. The addition of these funded positions was in response to Council budget priorities, recently completed staffing studies, and the need for additional staff in the Community Development Department in response to increased development activity. The fees and charges related to the current level of development activity will help to fund the costs in that department.

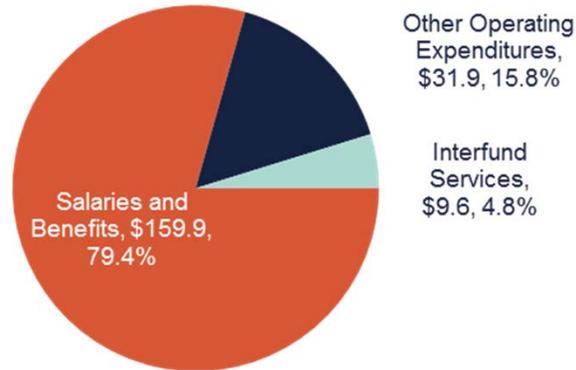
2

Increase in City share of pension costs due to higher CalPERS rates and funding for additional positions. The higher CalPERS rates help to make up for investment losses from the Great Recession, a lower investment return assumption, new demographic assumptions from the most recent experience study, and shorter smoothing and amortization periods. 2016-17 CalPERS employer contribution rates are 32.3% for miscellaneous employees and 44.4% for safety employees.

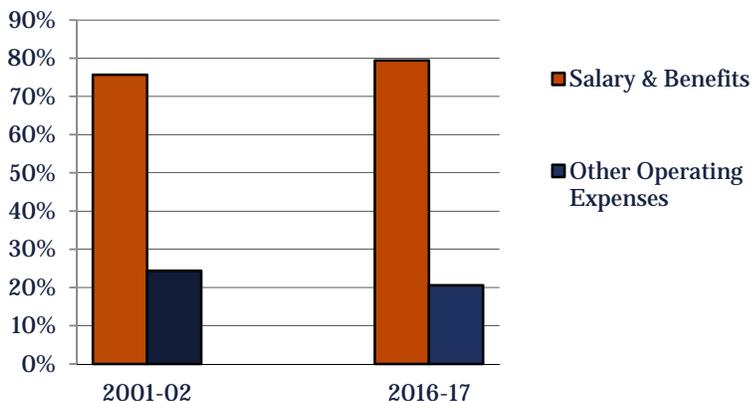
General Fund

Appropriations by Object Category (Dollars in Millions)

The City is an essential service provider for its residents and other stakeholders. Personnel related costs make up the majority of operating costs. Salary and benefits costs represent \$159.9 million of budgeted 2016-17 General Fund expenditures.



Time Comparison of Major Expenditure Categories



Salary and benefits costs as a percentage of total operating expenditures grew from 75.6% in 2001-02 to 79.4% in 2016-17. Key drivers include rising pension costs and negotiated labor agreements. In the fifteen-year period, other operating expenses, consisting mainly of materials, services, and supplies, fell from 24.4% to 20.6% of total operating expenditures.

Retirement Costs

The City is a member of the California Public Employees Retirement System (CalPERS), which provides a defined benefit plan for participating public entities within the State of California. Retirement costs are paid by the employees for the employee share and the City for the employer share. CalPERS retirement costs rose sharply over the past decade and are expected to continue to rise over the Five-Year Plan Financial Plan period. The City's unfunded liability for Miscellaneous employees as of June 30, 2014 was \$198.3 million (67.3% funded) and \$172.9 million (72.8% funded) for Safety employees. In September 2012, the Governor signed AB 340, the Public Employees' Pension Reform Act. This act reduced retirement benefits for new hires effective January 1, 2013 and is expected to slowly reduce pension costs over the next generation of employees.

The City also maintains an Other Post Employment Benefit (OPEB) Plan which provides reimbursement to retirees for qualified health care expenses. The City's unfunded OPEB liability as of June 30, 2014 was \$28.6 million (28.8% funded).

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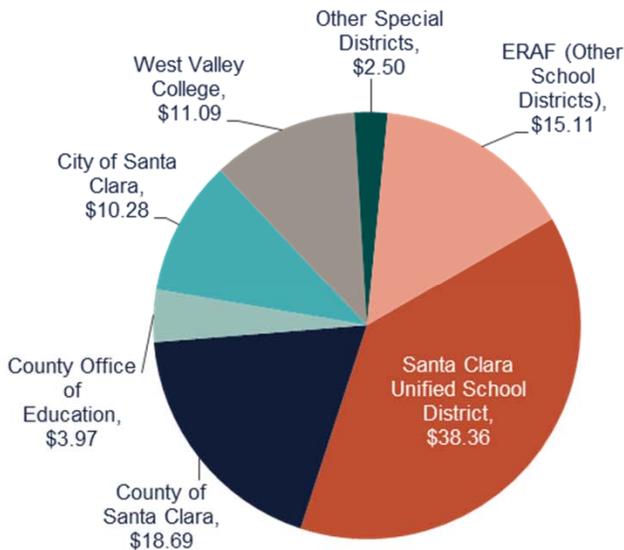
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Property Tax

When you pay your property tax bill to the County, the City of Santa Clara General Fund receives \$10.28 of every \$100 collected. This year the City anticipates receiving \$46.7 million.

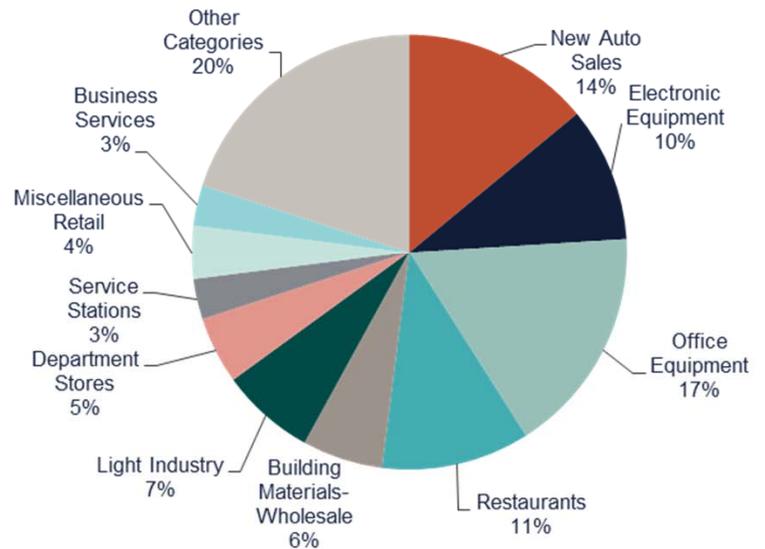
Per \$100 Collected



Sales Tax

Sales tax revenue in the City of Santa Clara comes from a wide range of sources. New auto, electronic equipment, restaurant, and office equipment sales were the City's leading economic sales categories last year making up 52% of sales tax collections.

Top 10 Sales Tax Generators



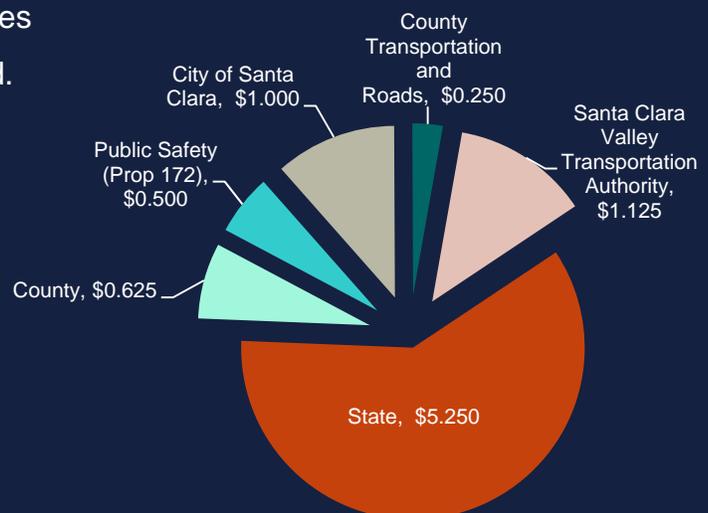
Where Your Sales Tax Goes

For every dollar you spend in Santa Clara on taxable purchases, you pay **8.75%** in sales tax or **\$8.75** for each **\$100** purchased.

Based on Purchase of \$100
Sales Tax Paid is \$8.75

Cities throughout the State receive a portion of the sales tax collected based on sales made within their respective city. For every \$100 purchase you make within the City of Santa Clara which is subject to sales tax, the City receives \$1.00. This year the City anticipates receiving \$64.3 million (note: this includes a \$7.0 million final one-time true-up payment for the unwinding of the State's Triple Flip).

California statewide sales tax rate is 7.50%, including an increase of 0.25% for voter approved Proposition 30 - Education Protection Account effective January 2013. Santa Clara County has four voter approved overrides including one for 0.125% effective April 2013 for County Retail Transaction Tax making the total local sales tax rate 8.75%.

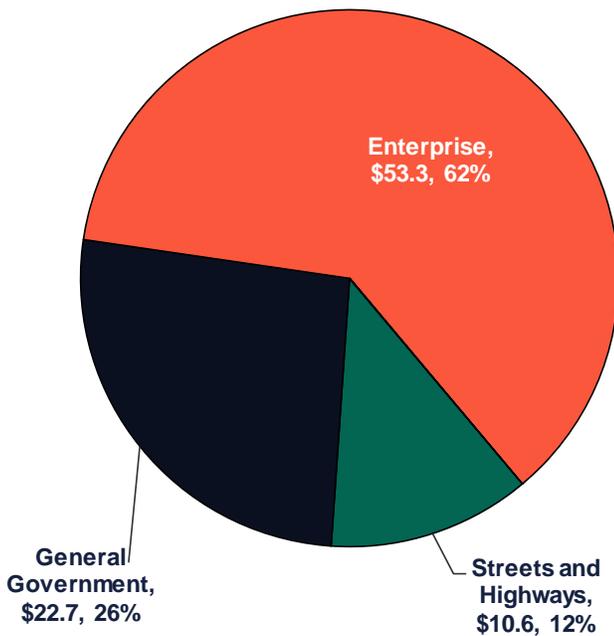


2016-17 Capital Improvement Project (CIP) Budget

In the 2016-17 Capital Improvement Project (CIP) budget, projects were prioritized based on Council priorities which included focusing on CIP projects that had been delayed, pursuing an "A" grade for our infrastructure and equipment, Parks improvements, and maintaining or improving the Pavement Condition Index ("PCI") for City streets. This pie chart shows the percentage allocations for the total 2016-17 CIP budget of \$86.6 million.

The combined CIP appropriation for City projects represents an increase of 18.9%, or \$13.7 million, over the CIP appropriation in 2015-16.

Appropriations By Category
(Dollars in Millions)



City Capital Improvement Projects



Roundabout installed to reduce traffic congestion at N. Cypress Ave. and Cecil Ave.

Each year, funds are set aside in the CIP budget for two broad purposes. The first is to provide for renewal, refurbishment, or replacement of existing facilities. The second purpose is to provide for the development of new City facilities and related public services when deemed necessary. Funds were allocated to complete existing projects and address critical infrastructure needs that had been delayed. With Council's direction, the City is focused on identifying funding sources to address the backlog of delayed CIP projects.

2016-17 Additional Projects:

- Central Park Arbor Playground
- Uncontrolled Crosswalk Improvements
- Computer Aided Dispatch (CAD) Alerting System Upgrade
- Cypress Avenue Area Streets Improvement
- Fire Station 5 Repair/Replacement
- Stationary Standby Generators
- Overhead Infrastructure Replacement
- Changeable Message Signs

Significant Continuing Projects:

- Annual Street Maintenance and Rehab Program
- Electric Generation Facilities Overhaul and Repairs
- GIS Enterprise System
- Implementation of Advanced Metering Infrastructure
- New Neighborhood Park & Community Garden
- Remodel of the Mission Branch Library
- Sanitary Sewer System Improvements
- S.J.-S.C Regional Wastewater Facility
- Water Distribution System Replacement/Restoration
- Youth Soccer Fields & Athletic Facilities