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Santa Clara City Council Receives Proposed Annual Operating Budget and 10-Year Financial Plan

City to Evaluate Revenue Opportunities to Strengthen Budget

SANTA CLARA, Calif. - May 23, 2018 – The Santa Clara City Council received the Proposed Annual Operating Budget for Fiscal Year 2018-2019, and the Ten-Year Financial Plan, which were submitted by City Manager Deanna J. Santana.

The Proposed Budget is balanced with total expenditures and revenues of \$859.5 million and \$250.1 million in the General Fund. There is a modest net addition of 6 City-wide positions, with 3 of the positions funded through the General Fund through reduction of existing positions.

New to the budget process is that the City is switching to a Ten-Year Financial Plan, from a Five-Year Financial Plan, to allow the City Council and staff to better understand how today's budget decisions impact our community long-term and to work strategically, holistically, and collaboratively on solutions for addressing year-over-year deficits. The City also is switching to a two-year budget cycle, starting with the Capital Budget in Fiscal Year 2018-2019 and the Operating Budget in Fiscal Year 2019-2020. A biennial budget will allow for a more in-depth review of existing resources and needs, in alignment with Council priorities. City staff will continue to bring forward the capital and operating budget for approval of annual appropriations.

The current Ten-Year Financial Plan forecasts annual deficits between \$3.5 million and \$28.2 million, due to ongoing expenditures that are likely to outpace expected revenue. These deficits are structural in nature, like many surrounding government agencies, in which revenue growth occurs more slowly than expenditure increases. However, by committing to fiscal discipline and addressing the annual deficits with cost reductions, alternative service delivery options, or finding ways to increasing revenue, the year-over-year deficits can be reduced to between \$1.8 million and \$6.6 million.

“The City of Santa Clara is known for innovation, forward thinking and excellent services provided to the community,” City Manager Deanna J. Santana said. “However, after coming back from the tough recession years and then taking on the administration of Levi's Stadium, under the direction of the Santa Clara Stadium Authority Board, staff resources have been stretched, investments have been delayed, and administrative

processes have struggled to keep up. The focus needs to be on expanding capacity to meet growing needs by maximizing service delivery within existing resources and concentrating on projects and services that benefit the community as a whole. At the same time, it's important that the City contain costs and continue to set aside reserves for predictable slowed economic growth or required expenditures.”

To address the City's structural deficit and infrastructure needs, on May 29, staff will present to the City Council various proposed options to increase City revenue. Although property tax revenue continues to remain strong, due to rising home prices, and the Council policy of pursuing full cost recovery for services, there is a projected reduction of 4.3% in sales tax revenue due to an increase in online shopping and decrease in local spending by consumers. Based on the City Council's discussion of potential revenue measures, staff will conduct community research, by contacting registered voters in the City to discuss potential tax increases to help fund priorities needs of the City.

Other new items proposed for the new budget include:

- Adding a risk management function
- Dedicating resources to an audit function in the Finance Department, as directed by the Council
- Improving city-wide contract management
- Adding staff for public records management, including responses to Public Records Act requests
- Funding consultant resources for a city-wide sustainability effort to support the Climate Action Plan, approved by the Council.
- One-time allocation of \$100,000 for sponsorship opportunities approved by the Council, which may be used to cover the cost of permit fees
- General Fund subsidy of \$548,829 to provide a full year of funding for the Golf Course
- Revenues and expenditures related to the support of the Stadium have been included in one central location in the Proposed Budget document, instead of budgeted in individual departments, as has been past practice.

To view the Proposed Annual Operating Budget for Fiscal Year 2018-2019, please visit <http://santaclaraca.gov/home/showdocument?id=57713>

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