



City of Santa Clara

The Center of What's Possible

April 30, 2019

Honorable Mayor, City Council and Residents of Santa Clara,

I am pleased to present the Proposed Biennial Operating Budget for fiscal years (FY) 2019/20 and 2020/21. The FY 2019/20 and 2020/21 Biennial Operating Budget is a carefully balanced budget that reflects the City Council priorities and continues to build on the foundation of financial sustainability. The recommendations included in this budget enhance delivery of public service, expand our capital assets and invest in the development of our talented employees. Last year, the City Council authorized a change to our budgeting practices from adopting a one-year budget to adopting a two-year budget, a process that alternates between an operating and capital budget. This year's budget focuses on our day-to-day operations, continuing to support highly-rated City services enjoyed by our residents.

Key refinements in the operating budget are particularly worthy of highlighting. Two years ago, in the FY 2019/20 and 2020/21 Forecast, the City originally faced a General Fund deficit of roughly \$13.8 million and \$24.0 million, respectively. Last fiscal year, prior to Council approval of the FY 2018/19 balanced budget, the City trimmed this to a General Fund deficit of approximately \$8.6 million with ongoing deficits forecasted in every year of the Ten-Year Financial Forecast. Continuing meticulous diligence from the prior year, staff reviewed and refined revenue and expenditure assumptions, most notably reflecting current CalPERS direction and methodology for payments. This resulted in a much improved, revised forecast presented to and accepted by the City Council in January and February 2019 at the City Council Operational and Strategic Priority Setting Sessions. This Ten-Year General Fund Financial Forecast serves as the starting point for planning and developing our Proposed Budget. In the forecast, on the revenue side, we have begun to assume a modest economic slowdown and we presented a recession scenario to the City Council earlier this year that shows our budget remains on edge, following a record economic expansion period of over a decade. On the expense side, departments reviewed and updated all contracted costs and submitted base budget requests based on current service levels. We have worked closely with our pension actuary, who presented to Council in December 2018 the latest issues and trends regarding CalPERS costs. This budget reflects these rising costs and establishes a new policy to regularly set aside reserves to pay down our liabilities. Discussed further in this document, this budget includes significant investments to our City Council priorities including sustainability and strategically managing our workforce.

As in the previous budget, we have included an allocation of \$100,000 for Community Grants to offset the cost of City fees and event costs, in support of the Council-approved Community Grants Policy (Policy). As directed by Council, staff will bring forward revisions of the Policy in the coming months based on Council input and the application of the Policy since last fall. Further, this budget continues to include a Council Contingency in the amount of \$100,000 for the City Council to expend on Council initiatives or unanticipated workload initiated by the Council that surfaces during the fiscal year and cannot be absorbed by the operating budget.

Lastly, 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, such as:

- 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.

Further, this budget as well as Council action during FY 2018/19 adds positions in comparison to the FY 2018/19 Adopted Budget to close the most critical administrative gaps and gain oversight in key areas such as in our audit, risk, public records, and convention center and stadium management functions. To support and transparently focus our strategic planning efforts, many of these positions are now shown in a separate Non-Departmental Citywide Strategic Planning Function section in this document. Finally, this budget invests in our workforce through professional development, training and tuition reimbursement. As we look ahead, our fiscal outlook shows deficits in the beginning of the ten-year forecast period; it is important to add specific positions that invest in areas of process efficiencies where we already know that our service delivery model is inadequate, staff and paper intensive, costly and high-risk. Per Council direction from the January City Council Operational and Strategic Priority Setting Sessions, staff is developing revenue strategies for Council consideration to address ongoing deficits projected for Year three and beyond of the Ten-Year Financial Forecast, outside of this two-year recommended budget. Specifically, the City Council directed staff to explore increasing Transient Occupancy Tax (TOT) or implementing a new Utility Users Tax (UUT), or any other revenue streams, that generate needed General Fund resources to keep pace with service level needs. Additionally, staff will review and research an employee-based Business Tax, or other revenue generating options, and the possibility of issuing debt to replace aged infrastructure from new revenue sources. Consultant funding to complete community research for potential revenue strategies/tax measures, support the development of revenue options for Council consideration, informational community outreach and legal analysis is included in this budget document.

As part of the City Council Operational and Strategic Priority Setting Session, the City Council individually provided their priorities for the organization. A total of 48 referrals resulted from the two-day study session. Staff reviewed referrals with each department and included responses and costs associated with each funding proposal. These referrals are categorized as: funded in the current FY 2018/19 budget, funding included in this proposed budget, no fiscal impact, partially funded, not funded, and unknown. In short, in order for staff to advance the priorities that surfaced at the Session, at minimum staff would need an additional 14.25 FTEs, along with additional resources, and at a minimum cost of \$57 million. Given the narrow margin between revenue and expenditures, staff evaluated priorities that were already underway and easy to absorb or added resources where there was already an existing project (and immediate funding sources). Many of the resources included in this budget address several of the Council interests because they were already determined to be a priority or necessitated additional investment. However, due to the limited funding capacity at this time, many of the priorities from that session are not included in the budget. A detailed proposal investment is included later in this letter, aligned to the City Council Priorities, and a separate City Council agenda item will be dedicated to further discussion and reconciliation of these policy priorities for final determination of how to proceed with the various priorities.

Turnaround Initiative Fund

As stated at the City Council Operational and Strategic Priority Setting Session, there are a number of items that could be advanced with a short-term strategy to infuse resources while concurrently maintaining high workloads; however, we were cautious to state that not all initiatives lend themselves to this approach. 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.

While many of these proposals are funded by one-time sources, they are intended to turnaround processes in a dynamic way, capturing efficiencies and modernizing old policies and practices. As workload and absence of resources has largely been the reason for not being able to advance these projects, significant discipline will be needed to not use the resources to add more workload, but rather to finish what was already directed and started.

Citywide Department Collaboration

Faced with increased service demands and insufficient resources, this budget proposes new cross-departmental collaborative structures rather than view resources within our department silos as has been past practice. For example, capacity in the City Clerk's Office was stretched through the removal of administrative functions from the elected City Clerk position, the deletion of vacant positions, and the reallocation of a position to the City Auditor's Office. In order to address the administrative staffing constraints, among the City Clerk, City Council, and City Manager's Office, we implemented a shared staffing approach to address the City Hall reception function and answering the City's main line while centralizing administrative functions between Offices rather than adding a new position. As explained prior, this budget also includes resources to coordinate real estate and property management functions between the Housing Division and the City Manager's Office.

We began this citywide collaborative approach as part of the adoption of the FY 2018/19 Budget; working in a constrained economic environment and through Council approval of the addition of a Risk Manager, Contracts Manager, and Public Records Manager, we have now begun to see the fruits of filling key positions supporting high risk areas. The positions were filled during the last few months and the incumbents were tasked to develop new citywide programs. The risk management function requires collaboration with the City Manager's Office, the City Attorney's Office, and all departments. Building on a more collaborative approach to departmental work, we recently hired contracts managers that work closely with departments to establish a citywide procurement and contracts management function. Public records staffing in the City Manager's Office, City Clerk's Office and the Police Department require combined work efforts to meet quick turnaround and address increasingly demanding legislation related to the release of records. Lastly, our effort to communicate key issues and responses through the media, led by our Director of Communications, requires the efforts of key resources in Information Technology, Police and Fire, and utilities. As we continue to look for new ways to deliver services and address administrative gaps, fostering a culture of collaboration is crucial to efficiently maximizing service delivery and providing excellent services to the community.

A Fresh Look

Consistent with the City Council pillar to enhance transparency, this budget was restructured to provide the Council and public with a better representation of City funds and spending. As part of this document, we 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. Comprehensively, this reset is part of a broader effort to set a foundation for long-term financial sustainability and future growth of our organization.

Guiding Framework

On January 31, 2019 and February 1, 2019, the City Council held two full-day sessions to review the state of the organization, advancements of policy priorities, and key data that provide direction on managing the City going forward. As part of those sessions, the City Council adopted key Council Strategic Pillars. The following Strategic Pillars were adopted:

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)

The City Council reviewed and adopted a set of Budget Principles. These Budget Principles were established to provide a framework for budget review and development; ensuring fiscal stability by considering both the short and long-term impacts of any funding decisions. The Budget Principles can be found in the ***Budget and Fiscal Policies*** section of this document.

As mentioned previously, this budget includes enhanced budget and fiscal policies which are highlighted in the ***Budget and Fiscal Policies*** section. These include the clarification of Appropriation Control based on language in the City Charter, establishes a policy for Interfund Loans, and cites other fiscal policies that govern our finances. In addition, consistent with the theme of fiscal sustainability, we recommend the establishment of reserves and reserve targets in select utility funds. A summary of the recommended reserve types is provided below:

- Operations and maintenance reserves with a target of funding 90-days of operations to cover unforeseen cost increases, revenue shortfalls, or protect against emergency financial crises or disaster situations.
- Construction reserves with a target of future year's capital funding requirement to support the utilities' capital improvement program (CIP) or fund unforeseen capital costs.
- Rate stabilization reserves with a target of 10% of operations to avoid wide swings in rates charged to utility customers.
- Pension stabilization reserves with targeted annual contributions of funding 1% of the City's unfunded pension liability annually to address the City's pension unfunded accrued liability.

Ten-Year Financial Forecast and Economic Outlook

The 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 focuses on maintaining long-term fiscal sustainability. While the fiscal outlook is not as grave as originally projected in the last Adopted Budget, it is still fragile with forecasted structural deficits within the Ten-Year Forecast and some legitimate risks that are not built into the forecast. For example, not reflected in the forecast are known factors that we have identified as risks, which may additionally adversely impact the forecast including, but not limited to the following risks:

- Decrease in Stadium Authority revenue (approximately \$3 million ongoing loss to the General Fund)
- Labor negotiations and expenditures beyond assumptions (unknown and TBD)
- CalPERS actuarial changes or any CalPERS reform actions (unknown and TBD)
- Downturn in economy / decline in revenues (unknown and TBD)
- Infrastructure operating budget impacts (unknown and TBD)
- State and federal legislative changes (unknown and TBD)
- Further refinement of major tax revenue projections (example: commercial cannabis deferred implementation, \$600,000 - \$2.4 million potential loss)
- Revenue and staffing impacts of development projects (unknown and TBD)

However, the budget continues to be fragile as there are indications for a potential economic slowdown in the near future and other factors that can impact our assumptions. We continue the approach of solving annual deficits with ongoing budget solutions as shown through the "net operating margin" model, on-going expenditure reductions or an increase in ongoing revenues are required in order to stabilize the City's fiscal

condition. We have built up our General Fund Budget Stabilization Reserve, demonstrating the incredible work that we have completed. This affords the City Council and staff time to work strategically, holistically and collaboratively on solutions. Our goal is to align expenditures with revenue growth which may require new revenue sources, service changes and/or reductions. It also requires the continued leadership and discipline that the City Council has practiced and the significant partnership that our bargaining units have provided in the best interest of the City.

Staff revised and presented the Ten-Year Financial Forecast for the City's General Fund to the City Council at the City Council Operational and Strategic Priority Setting sessions held in January and February 2019. The forecast presented shows a modest surplus of \$1.1 million in FY 2019/20 and \$0.1 million in FY 2020/21. It should be noted that budget proposals for basic needs (e.g., minimum wage compliance, state law compliance, etc.), included in this document and detailed later in the Council Priorities/Strategic Pillar section of this letter, are being recommended that will result in the elimination of the \$1.1 million surplus shown in the FY 2019/20 forecast.

FY 2020-2030 General Fund Ten-Year Financial Forecast										
Net Operating Margin - Ongoing Surplus/(Deficit)										
(\$ in millions)										
2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
\$1.1m	\$0.1m	(\$1.6m)	(\$0.5m)	\$0.7m	\$1.0m	\$1.5m	\$2.6m	\$2.9m	\$1.7m	\$2.6m
As a percentage of projected operating expenditures										
0.4%	0.0%	(0.6%)	(0.2%)	0.3%	0.3%	0.5%	0.8%	0.9%	0.5%	0.8%

Note: Does not assume known risk factors that will adversely impact these projections.

The forecast shows surpluses and deficits that are modest and highly sensitive to unexpected changes in forecasted revenue or expenditures. The forecast above assumes only a modest slowdown in the first few years. To the extent we experience a more severe recession, we will need to evaluate alternative methods of or reductions in delivering our services or explore more aggressive new revenue options. At the national level, the economy is in its tenth consecutive year of expansion with most economists predicting that we are at the peak of an economic expansion period. The Department of Commerce records show that the nation's Gross Domestic Product (GDP), the broadest measure of economic activity, has risen every quarter for almost five years. In addition to high consumer confidence and low unemployment, the national economy continues to remain strong.

At the regional level, job growth continues to be strong and unemployment rates have continued to remain low. The technology industry in our valley continues to be a major economic engine for the region, State and Nation. Employment data is one of the key data indicators for the health of the regional economy. The Employment Development Department reported California's unemployment rate rose past the 10% level in February 2009, reached a peak of 12.4% in early 2010, and began declining in late 2010. In the last year, the California unemployment rate declined from 5.2% in March 2017 to 4.3% in March 2018. Santa Clara County's and the City of Santa Clara's experience over the last year have been similar with March unemployment rates declining from 3.4% to 2.6% and 2.7% to 2.5%, respectively.

The strong labor market has also created some challenges including affordable housing, transportation, and maintaining a strong and competitive workforce. Rising interest rates put additional pressure on home affordability. In the City of Santa Clara, the median price for a detached single-family home dropped 5.2% in the 4th quarter of 2018 when compared to the same period in the prior year. Rising inventories at several chip manufacturers and reports of modest layoffs were both reported recently. We remain concerned that an economic slowdown in the region would present a significant impact to our forecasted budget. As such, building up reserves, finding more efficient ways of delivering service, and exploring new revenues where we are behind in comparison with similar cities will play an important role in the next few years. Overall, our

financial forecast remains on edge and we will continue to monitor our regional economy closely. With hard work, we have built up our reserves and continue to do so with this budget. Maintaining a strong financial foundation will require the continued leadership and discipline that the City Council has practiced and the significant partnership that our employee organizations have provided.

Budget Overview

The budget incorporates a balanced and responsible approach to meeting the City's short and long-term needs. The budget is an important document that serves as staff's recommendation and the City Council's direction for the work plan for the upcoming fiscal year. The FY 2019/20 Proposed Budget totals \$954.8 million. This budget figure includes adjustments for transfers, contributions and reserves to avoid double counting of the same funds (e.g. internal service funds are excluded). This budget rises to \$991.7 million for the FY 2020/21 Proposed Budget as a result of rising salaries and benefits costs and the timing of capital projects. The table below summarizes the total proposed budgets 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)
Subtotal Operating Budget	859,464,055	826,218,326	845,886,193
Capital Funds	83,992,645	128,559,518	145,841,775
Total Budget	943,456,700	954,777,844	991,727,968

* 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 FY 2019/20 and FY 2020/21 Proposed Budget is balanced and the appropriations recommended for departments are consistent with City Council's goals. In addition, the budget is based on the Budget Principles approved by City Council. Staff has carefully analyzed all department budget requests, taking into account the fiscal year projected resources, levels of service desired by Santa Clara residents and businesses, and City Council goals, principles and priorities.

Summary of Budgeted Positions

As mentioned previously, the Proposed Budgets include a net addition of 15.5 positions in order to address near-term and long-term administrative and programmatic gaps and is described in further detail below and in each department section of this document. The following table summarizes changes in the number of budgeted positions from the FY 2018/19 Adopted Budget.



Summary of Budget Position Changes (All Funds)	
FY 2018/19 Adopted Budget	1,111.25
Base Budget Changes (previously approved at City Council meetings)	6.00
FY 2019/20 Proposed Net Additional Positions	14.50
FY 2019/20 Budgeted Positions	1,131.75
FY 2020/21 Proposed Net Additional Positions	1.00
FY 2020/21 Budgeted Positions	1,132.75

The following table below summarizes the budgeted position changes by department. Base Budget changes reflect positions previously approved by the City Council at a separate City Council meeting. A detailed summary of Base Budget position changes can be found in the Department sections of this document.

Summary of Budgeted Positions by Department						
Department	FY 2018/19 Adopted	FY 2019/20 Net Base Changes	FY 2019/20 Net Proposed Changes	FY 2019/20 Proposed	Change	FY 2020/21 Proposed
Mayor and City Council	10.00			10.00		10.00
City Attorney	7.00			7.00	1.00	8.00
City Clerk	6.00	(1.00)		5.00		5.00
City Auditor	0.00	3.33		3.33		3.33
City Manager	13.00	(1.00)	1.00	13.00		13.00
Community Development	65.00		1.00	66.00		66.00
Electric Utility	189.00	4.00	4.00	197.00		197.00
Finance	61.00	(0.33)	0.75	61.42		61.42
Fire	167.25			167.25		167.25
Human Resources	15.00		0.75	15.75		15.75
Information Technology	7.00			7.00		7.00
Library	46.75			46.75		46.75
Parks and Recreation	80.75		2.00	82.75		82.75
Police	239.00			239.00		239.00
Public Works	127.50		1.00	128.50		128.50
Water and Sewer Utilities	73.00			73.00		73.00
Non-Departmental – Citywide Strategic Planning Function	4.00	1.00	4.00	9.00		9.00
Total	1,111.25	6.00	14.50	1,131.75	1.00	1,132.75

Investments in Our Council Priorities

With this budget, we continue to make significant investment aligned with City Council priorities. The resources allocated to each priority reflects funding that solve short-term needs and in some areas, is an initial start of addressing larger, long-term issues. A summary of service level change proposals are included below organized by City Council Strategic Pillar priorities.



Promote and Enhance Economic and Housing Development (\$754,000; \$624,000 ongoing/\$130,000 one-time)

- Real Estate Program Shared-Resources (\$305,000, 70% housing funds/30% General Fund) – adds one Assistant to the City Manager and one Management Analyst and deletes one Housing Division Manager in an effort to centralize real estate functions and develop a more robust real estate management function. Includes one-time resources to set up citywide real estate software application (\$90,000). This position will co-report to the City Manager's Office for real estate program functions and to Community Development for housing services.
- Pilot Accessory Dwelling Unit Incentive Program (\$200,000, housing funds) – initiates a loan program to encourage the development of Accessory Dwelling Units for income-qualified teachers and public service employees, to augment existing affordable housing units in Santa Clara.
- Affordable Rental Program Administrator (\$150,000, housing funds) – provides funding to administer the City's low- and moderate-income rental housing program.
- Housing Administrative Support (\$59,000, housing funds) – adds one Staff Aide I to assist with monitoring new and current housing programs.
- Housing Asset Management Software (\$40,000, housing funds) – consultant funding to assist with the implementation of housing software for tracking housing loans.

Deliver and Enhance High Quality Efficient Services and Infrastructure (\$7.9 million; \$7.9 million one-time)

- Capital Improvement Program Project Adjustments (\$3.7 million) – amends the FY 2019/20 Adopted CIP Budget to include resources for storm drain infrastructure, corporation yard renovations, water tank rehabilitation, advanced metering infrastructure, and civic center campus renovations.
- Silicon Valley Power (\$1.5 million) – funding for consultant services, conference and travel, remote property maintenance, advanced metering infrastructure and a van.
- Santa Clara Convention Visitors Bureau Subsidy Elimination (-\$1.5 million) – eliminates the current subsidy based on the transition to a new convention center operator and the proposed business model for destination marketing services as approved by Council.
- Information Technology Services (\$680,000) – resources to enhance cybersecurity, audio/visual services and Office 365 workforce transformation.
- Fire Engine Replacement (\$675,000) – funds the replacement of one reserve fire engine.
- Parks and Recreation programming (\$549,000, partially offset with program revenue) – funds additional outreach for special events, new therapeutic and north-side camps and programs, and reallocates program costs from previously unbudgeted funds to the General Fund.
- Public Works Consultant Support (\$393,000) – funds consultant to review and update fleet replacement and management policies, perform project design surveying, and to implement recent state legislation regarding traffic congestion to a vehicle mile traveled standard.
- City Auditor's Office Resources (\$357,000) – enhances audit services with funding for contractual services, conversion of one Office Records Specialist to Senior Performance Auditor, and training and conferences.
- Purchasing Policies and Procedures and Administrative Policies Update (\$330,000) – retains consultant services to update existing purchasing policies and procedures, citywide administrative policies and Civil Service rules.
- Silicon Valley Power Strategic Plan Implementation (\$250,000) – consultant services to develop a plan for implementation of the initiatives included in the adopted strategic plan.
- Revenue Strategies Consultant (\$200,000) – consultant funding to poll for potential revenue strategies/tax measures, support the development of revenue options for Council consideration, informational community outreach and legal analysis.
- Legislative Advocacy (\$150,000) – consultant services to support the City's legislative advocacy efforts as outlined in the Legislative Advocacy Position Policy.
- Fire Equipment and Programming (\$122,000) – funding for emergency response equipment, staffing software, and volunteer reserve programming.



- Census 2020 Outreach (\$100,000) – supports a more accurate census count to maximize our federal funding allocations.
- Pre-employment Consultant (\$70,000) – funding to complete a review of job physical requirements and pre-employment medical screening.
- Legal Management Software (\$50,000) – implements legal management software.
- Library Books (\$40,000) – funds purchase of eBooks and other library books.
- Santa Clara/Santa Cruz Counties Airport Community Roundtable (\$35,000) – costs related to an intergovernmental partnership with neighboring cities and counties.
- Community Garden Program Outreach (\$30,000) – funds marketing and communications efforts.
- Budget Office Workplan Support (\$30,000) – funds support for upcoming budget deliverables including the revision to the CIP budget format.
- Planning Commission Training, Education, and Conference (\$18,000) – funds planning commissioner education, training and conferences.
- City Council iPad Replacement (\$18,000) – replaces existing equipment in FY 2020/21.
- Permit System Support (\$7,000) – reallocates one Combination Inspector to one Senior Inspector to support the new permitting system.
- Northside Library Branch Additional Hours (\$5,000) – funds expanded hours on Monday, Tuesday and Sunday through the addition of one Librarian I and additional resources. Deletion of 1.0 Business Analyst partially offsets the cost of this proposal.

Enhance Community Sports and Recreational Assets (\$718,000; \$443,000 ongoing/\$275,000 one-time)

- Reed and Grant Sports Park (\$718,000, General Fund, Parks Capital Funds, partial program revenue) – funds two positions; furnishings, fixtures and equipment; and programming costs for the new Reed and Grant Sports Park projected to open in FY 2019/20.

Enhance Community Engagement and Transparency (\$382,000; \$112,000 ongoing/\$270,000 one-time)

- Document and Content Management Software Resources and Records Retention Policies Update (\$120,000) – updates records retention policies and provides funding to support the document and content management software implementation.
- City Clerk Initiatives and Voter Outreach (\$100,000) – funds voter outreach and education in an effort by the City Clerk to encourage voter participation.
- Lobbyist Ordinance Implementation (\$100,000) – funds lobbyist ordinance implementation and enforcement.
- Measure N Outreach and Engagement (\$50,000) – funds outreach and engagement for the potential upcoming district elections.
- Police Video Records Staffing (\$12,000) – adds a Police Records Specialist and deletes a vacant Staff Aide to address recent state legislation regarding public access to peace officer personnel records.

Ensure Compliance with Measure J and Manage Levi's Stadium (\$580,000; \$538,000 ongoing/\$42,000 one-time)

- Stadium Public Safety Deployment (\$365,000, 75% stadium reimbursed/25% General Fund) – adds one Stadium Oversight Manager (Deputy City Manager) to coordinate stadium functions including neighborhood impacts, multi-department deployment model, and other stadium event support issues.
- Public Safety Stadium Training (\$216,000, 100% stadium reimbursed) – funding for specialized training related to events at Levi's Stadium including firearms qualification, bicycle crowd control, sniper courses and incident command system training.

Manage Strategically Our Workforce Capacity and Resources (\$2.1 million; \$1.7 million ongoing/\$394,000 one-time)

- Silicon Valley Power Staffing (\$721,000) – adds two Electric Program Managers and one Electric Utility Engineer.
- Real Estate Attorney (\$294,000 in Year 2) – funds one Assistant City Attorney position to support real estate legal matters.
- Information Technology Services Cost-Benefit Analysis Consultant (\$200,000) – funding for a third-party review of the City’s current contract for information technology services including an evaluation of audio and visual needs.
- Web and Digital Media Manager (\$194,000) – adds one Web and Digital Media Manager to oversee the redesign of the City’s website and Inside Santa Clara newspaper and provide support to all departments regarding communications planning, media relations, and public outreach.
- Solid Waste Organic Waste Diversion Program (\$152,000, Solid Waste Fund) – funds one Staff Analyst to meet new state regulations regarding programs for organic waste diversion.
- Risk Management Program Resources (\$122,000) – adds one Office Specialist III to support the Risk Manager with administrative tasks in an effort to develop a more robust risk management program.
- Public Records Act Resources (\$120,000) – funding to assist with public records act requests until ongoing technology improvements are completed.
- Human Resources Administration (\$112,000) – adds an Office Specialist IV to provide administrative support to human resource operations.
- Housing Division Staffing (\$57,000) – adds one Staff Aide position to assist with monitoring existing and new housing programs.
- Tuition Reimbursement and Professional Development (\$54,000) – funds Working Scholars Program and offers educational benefits that improve employee skills and potential promotional opportunities.
- Firefighter Recruitment Pilot (\$20,000) – funds marketing and outreach resources to promote a diverse applicant pool for the upcoming firefighter academy.
- Public Works Engineering Staff (\$11,000) – deletes a vacant Associate Engineer and adds a Management Analyst position to perform analytical work currently performed by engineers.
- Certified Access Specialist Program (\$7,000) – funding to increase training for building inspectors to obtain accessibility certification.

Sustainability (\$670,000 ongoing)

- Sustainability Program (\$317,000 across various funds) – adds one Assistant to the City Manager to oversee strategies outlined in the Climate Action Plan with a focus on creating a more sustainable, healthy, and livable community; work with Silicon Valley Power to evaluate energy efficiency programs; ensure a reliable water supply, and coordinate with public works and community development regarding new building requirements.
- Silicon Valley Power Staffing (\$253,000) – adds one Electric Program Manager to support the utility’s electric vehicle program.
- Multi-Family Energy Rehab Program (\$100,000, housing funds) – a pilot program for multifamily housing for projects achieving 15% whole building energy savings with gas, electric, and water measures.

Amendments to the FY 2019/20 Adopted Capital Budget

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. As the focus of this year’s budget is operations, several budget amendments to the FY 2019/20 Adopted Capital Budget are recommended. Further detail can be found in the **Appendices** section of this document. 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 to the projects above, operations and maintenance costs are evaluated for all projects coming online. For projects coming online within the two-year operating budget window, funding proposals are included in this document to support operation of these capital projects upon completion. This budget includes resources for the Reed and Grant Sports Park and is discussed further in the ***Parks and Recreation*** section of this document.

Lastly, 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.

Stadium Authority

The Stadium Authority exists as a public body, separate and distinct from the City, and is established to provide for development and operation of Levi's Stadium. It is structured so that the City will not be liable for debts or obligations of the Stadium Authority. The Stadium Authority's stand-alone Fiscal Year 2019/20 Operating, Debt and Capital Budget was adopted by the Stadium Authority Board on March 27, 2019 and can be found at "<http://santaclaraca.gov/government/stadium-authority>". This budget reflects the revenues and expenditures related to the support of the Stadium; expenditures related to the Stadium Authority can also be found in the ***General Fund Non-Departmental*** section of this document.

Next Steps

A joint study session of the City Council, Sports and Open Space Authority, and Housing Authority will be held on May 7, 2019, at which staff will present an overview of the Proposed FY 2019/20 and 2020/21 Biennial Operating Budget.

Additionally, as a separate report, the Council will be presented with a matrix that inventories the individual policy priorities of each Councilmember, as expressed during our January and February 2019 at the City Council Operational and Strategic Priority Setting Sessions and additional City Council referrals that came forward thereafter, as well as an assessment of staffing and resource needs to implement them. The Council will be able to discuss these priorities and determine which items to advance. For items that the Council desires to advance, a tradeoff discussion/action against other service delivery goals would be required given that there are no surplus funds available with the proposed budget and any changes would require defunding services or proposals.

The proposed operating budget is scheduled for formal adoption on June 4, 2019.

Summary

The City of Santa Clara has been known as innovative and forward-thinking with a tradition of effectiveness and providing excellent services to the community. Through hard work and fiscal discipline, this budget builds on the financial foundation we set by building up reserves and refining our Ten-Year Financial Forecast. Our services to the community remain high, but there is more work to accomplish. The City is challenged with growing its revenue streams to support on-going public services and service areas that the community and City Council have expressed as priorities. The next 18 months is critical for the City to establish a revenue growth strategy, while also controlling expenditure levels. One-time resources are dedicated in this budget for turnaround initiatives that touch almost every department in the City in order to update outdated policies and procedures. Departments took a collaborative approach to bring forward creative solutions such as centralizing administrative functions among the Mayor and Council, City Clerk, and City Manager offices. The City Council provided feedback on numerous referrals through the City Council Operational and Strategic Priority Setting Sessions; many of these referrals are funded, meeting the highest needs of our City and enhancing crucial city services within limited additional resources. We took a fresh look at the budget, increasing transparency, allocating budget proposals by Council pillars, reviewing and including funds previously unbudgeted, recommending budget and fiscal policies that establish key reserve targets, and developing a strategy to fund our long-term pension obligation on an ongoing basis.

Santa Clara continues to be at the forefront of a strong state-wide economic recovery led by the Bay Area region. Businesses in the City are creating jobs, the economy is active, and unemployment is low. As we continue in a record economic expansion, we need to take caution. Our revised Ten-Year Financial Forecast includes deficits starting in the third year. We will continue to pursue new revenue options including evaluation of our TOT and UUT, recommending increases where we are behind compared to neighboring cities. In parallel to pursuing additional revenue, I will continue to focus my efforts on streamlining City operations and exploring alternative service delivery options.

City departments worked together as a team with my Office and the Finance Department to prepare this fiscally responsible, balanced budget. The budget maintains the level of funding needed to continue the City's goal of excellent service to the Santa Clara community. The hard work and dedication of City's Department Heads and employees is greatly appreciated, along with the community participation and policy leadership of the City Council. The Proposed Fiscal Year 2019/20 and 2020/21 Biennial Operating Budget is consistent with the City's mission and appropriates the resources necessary to facilitate meeting the goals of the City Council.

In closing, I want to thank the City Council for our continued strong partnership in advancing strategic priorities that positions well the City of Santa Clara and our financial planning for coming years. I truly feel that we have made great strides in aligning the organization on a strategic path for success as demonstrated by our accomplishments during the last year. With this budget we have done a great job of balancing the needs of our community and the organization with a focus on our employees, our greatest asset.

Respectfully submitted,



Deanna J. Santana
City Manager



Angela Kraetsch
Director of Finance

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