

Check-in on 2021 Santa Clara City Council Priorities

August 17, 2021



Welcome and Schedule

- Welcome and Check-in Overview
- City Council Meeting Management Procedures and Norms
- Review of 2021 Council Priorities
- Fiscal Update and Procurement Streamlining Measures
- Organizational Capacity
- Discussion of Council Priorities
- Wrap-Up and Council Questions/Comments

Vision for a Successful Session

- Elicit the range of views from Council
- Encourage listening and understanding
- Generate solutions
- Promote civility
- Work towards agreement and consensus

City Council Meeting Management Procedures and Norms

Dr. Shawn Spano, Facilitator

City Council Meeting Management

Two Areas:

1. Structural and procedural practices to improve meeting efficiency
2. Norms to facilitate meeting civility and collegiality

Assessment:

1. Key data points re: Council Meetings/Governance Committee items
2. Where has Council been successful?
3. What needs improvement?

Practices to Improve Meeting Efficiency

- Impose and enforce time limits
- Limit speaking turns and questions
- Councilmembers take straw votes before discussion
- For routine, non-controversial items, go to vote without staff presentation or discussion
- Enable the Mayor/Presiding Officer to expedite discussion
- Develop and manage meeting agendas to focus on the most critical items with sufficient and realistic time allotments

Norms to Improve Civility & Collegiality

1. Demonstrate respect
2. Build collegial and professional relationships
3. Do not assume negative motives or make it “personal”
4. Manage differences productively
5. Vote and move on
6. Do what’s best for the City
7. Be prepared for meetings
8. Monitor and adjust your behaviors for meeting efficiency

City's Code of Ethics and Values: Behavioral Standards

City Core Value: Communicative

- I communicate in various ways that I am approachable, open-minded and willing to participate in dialog
- I engage in effective two-way communication, by listening carefully, asking questions, and determining an appropriate response which adds value to conversations

City's Code of Ethics and Values: Behavioral Standards

City Core Value: Collaborative

- I act in a cooperative manner with groups and other individuals, working together in a spirit of tolerance and understanding
- I work towards consensus building and gain value from diverse opinions
- I accomplish the goals and responsibilities of my individual position, while respecting my role as a member of a team

Meeting Management Action Items

- What **procedural practices**, if any, does Council want to adopt or affirm?
- What **norms**, if any, does Council want to adopt or affirm?
 - How will these norms be implemented and enforced?
 - How will violation of the norms be handled?

Review of 2021 City Council Priorities

*Dr. Shawn Spano, Facilitator
Deanna J. Santana, City Manager*

2021 City Council Pillars



Promote and Enhance Economic, Housing and Transportation Development



Enhance Community Sports, Recreational and Arts Assets



Deliver and Enhance High Quality Efficient Services and Infrastructure



Manage Strategically Our Workforce Capacity and Resources



Enhance Community Engagement and Transparency



Ensure Compliance with Measure J and Manage Levi's Stadium



Promote Sustainability and Environmental Protection

2021 City Council Policy Priorities

- In February 2021, Council unanimously agreed that **COVID-19 Assistance and Relief** was the most urgent priority for the City.
- 15 additional priorities were identified in the following categories*:
 - **Important** – three items
 - **Already In Progress/Ongoing** – six items
 - **Items to be Considered Mid-Year or 2022** – six items

2021 City Council Policy Priorities

Three Important Items

- 1. Levis Stadium Curfew and Violation Fee** – Revisiting the Stadium curfew and fee which is going to be scheduled for the Board **in late October 2021,**
- 2. Modernization of Business Employee Tax** – Pursuing a business employee tax which is already before the Council and an additional Study Session planned for **late September/early October,** and
- 3. Affordable Housing Opportunities** – Affordable and, particularly, low-income housing, which has also been inclusive of homeless housing opportunities with a **Study Session scheduled for August 24.**

2021 City Council Policy Priorities

Six Already In Progress/Ongoing Items

1. Facilitate Economic Recovery
2. Elections/Redistricting for 2022
3. Provide Core Services, including Public Safety
4. Plan for Re-Opening, post COVID-19
5. Task Force on Diversity, Equity and Inclusion
6. Downtown Task Force – Precise Plan for Downtown

2021 City Council Policy Priorities

Six Items to be Considered Mid-Year or 2022

1. Elected Police Chief & City Clerk Ballot Measure for Nov. 2022
2. Homelessness (incl. RV Parking) – **Study Session scheduled for August 24**
3. Economic Support from Large Businesses (voluntary)
4. Transportation “Quiet Zone”
5. Election Reform/Campaign Contribution Cap
6. Internet Equity and WiFi

2021 City Council Policy Priorities

***Additional* Items Referred to Check-in Session**

7. Transportation Demand Management Study
8. Procurement reform recommendations
9. Email retention, specifically 90-day email retention schedule
10. Councilmember conflict of interest
11. Expanded IT contract options or eNews for districts
12. Pilot for ebikes and scooters

2021 City Council Policy Priorities

***Additional* Items Referred to Check-in Session**

13. Written Petition from Councilmember Jain: Create a Special Ad Hoc Committee to Discuss Issues Concerning the Unhoused Population
14. Written Petition from Councilmember Jain: Consider Topics such as Staffing and Resources, Consultants, Budget, Council Direction on Densities, Car Parking Strategy, Coordination with VTA and San Jose, and Timeline for Implementing a Station Area Plan

Fiscal Update and Procurement Streamlining Measures

Deanna J. Santana, City Manager
Kenn Lee, Director of Finance
Mark Giovannetti, Purchasing Manager

Agenda

- Fiscal Condition
- Addressing Budget Challenges
 - Progress to Date
 - Moving Forward
- Next Steps

Fiscal Condition



Fiscal Outlook - Dynamic and Changing

- COVID-19 spurred the abrupt end to the longest economic expansion in U.S. history
- Record breaking increases in **unemployment** and **declines in economic activity** in 2020
- Uneven impacts across economic sectors
- COVID-19 continues to evolve (Delta and other variants, vaccine hesitancy)
- Vaccination rates still lagging*:

| | | |
|---------------|--------------|-----------------------------|
| 50.5% of U.S. | 54.72% of CA | 79.1% of Santa Clara County |
|---------------|--------------|-----------------------------|

- Approximately 64% of City staff are fully deemed vaccinated as of July 2, 2021, which is below the County average and when compared to other municipal agencies



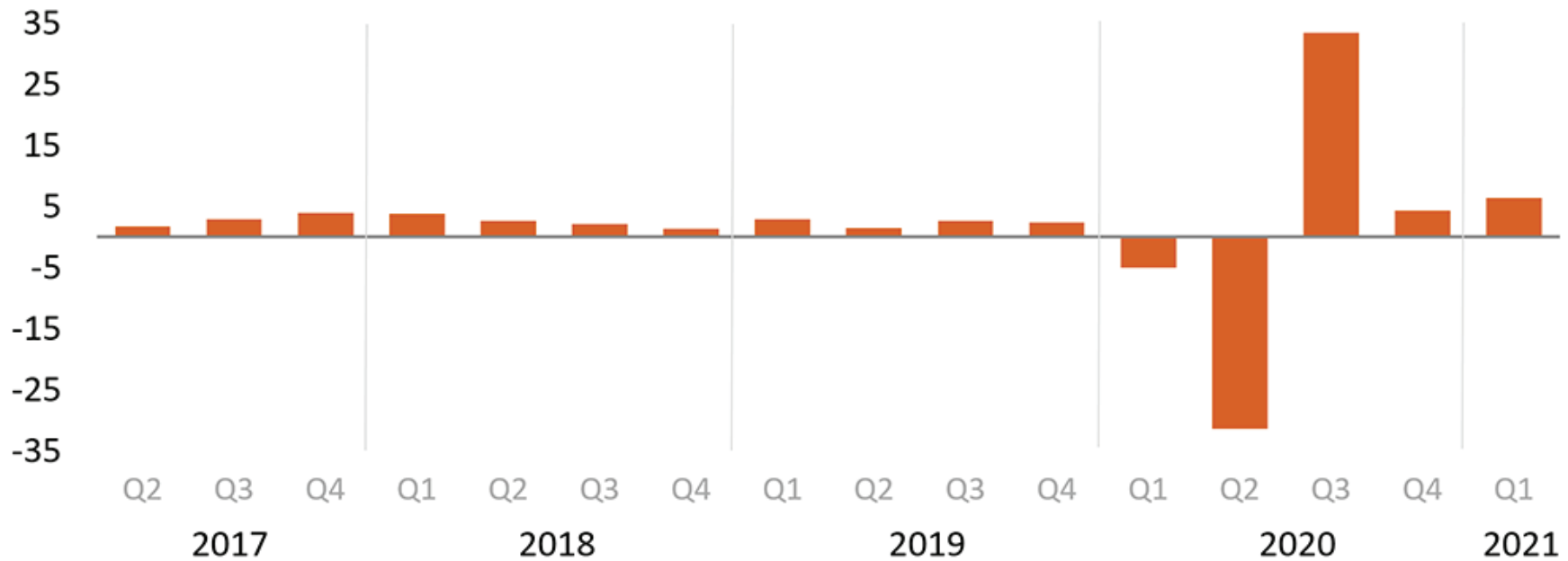
Fiscal Outlook - Focus on COVID-19 Recovery

- In Feb. 2021, the Council determined that the City would focus on and prioritize **COVID-19 Assistance and Relief**.
- Moving forward, **Response and Recovery are still** the primary policy focus, though the City continues with safe operations and on-going Council directives--Delta variant is a **RISK**.
- Response and recovery have required multi-department response to provide relief programs, there has been some delay in other Council priorities.
- Robust economic growth and recovery were originally expected, with development of vaccine, but is now dependent on impact of Delta variant.



Economic Conditions Improving-- Strong GDP Growth with Q2/3 = TBD based on Delta Variant

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates



City of Santa Clara
The Center of What's Possible

Economic Conditions Improving

Regional Unemployment Outperforming Nation and State

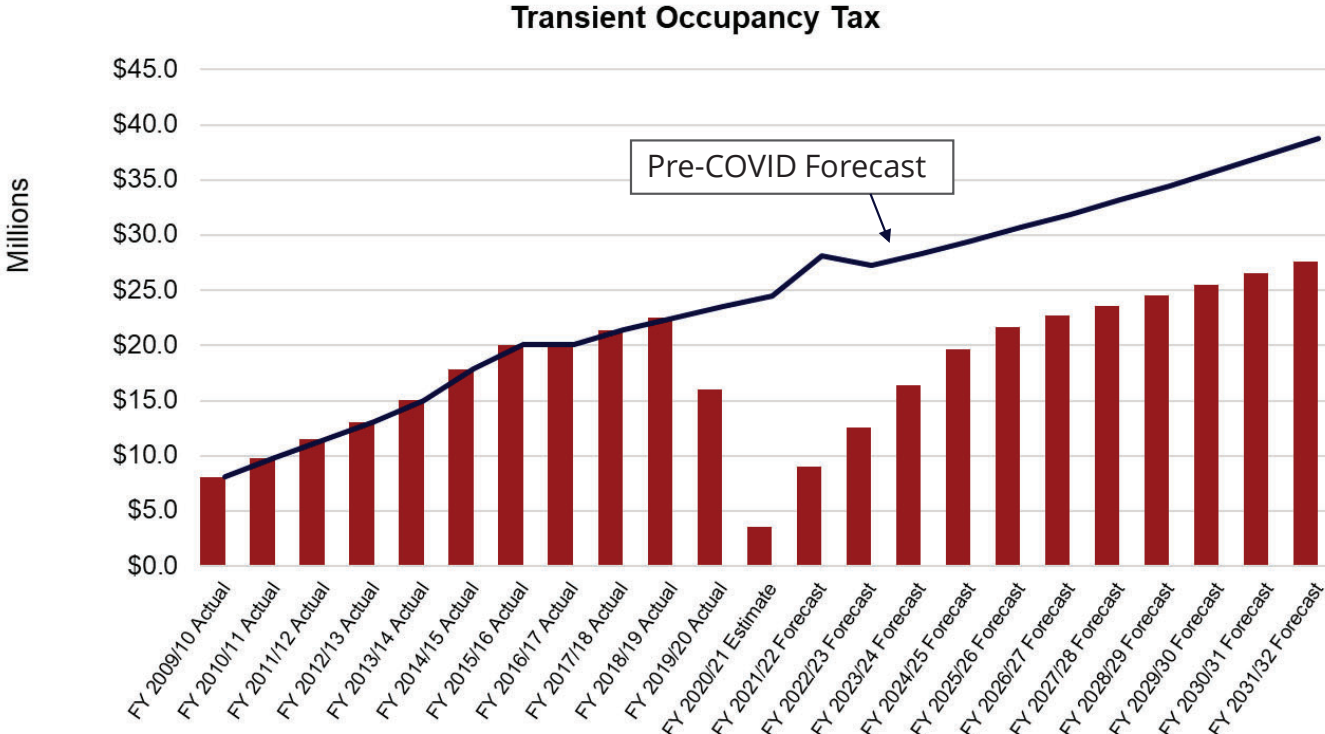
- U.S. unemployment rate was 5.9% in June 2021, well below the high of 14.7% in April 2020 but above the pre-pandemic level of 3.5% in February 2020
- Regional unadjusted unemployment rate was 5.2% in June 2021, well above the pre-COVID level of 2.6% in Feb 2020
- The California unemployment rate was 7.7% in June 2021, below the June 2020 level of 14.1% but above the pre-pandemic level of 4.3%
- California has regained 54% of the 2.7 million jobs lost due to COVID-19 in March and April 2020

San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area
Unemployment Rate



Longer Recovery for Hotel Industry

- The hotel industry is one of the most heavily impacted sectors and the decline has significantly impacted TOT revenues (down 85%)
- Forecasters expect improvement in second half of 2021; CBRE forecasts a return to 2019 levels in 2024
- Gains are expected to vary by market with business cities and those relying on international travel with the lowest gains
- Santa Clara projected to reach pre-COVID levels by 2026



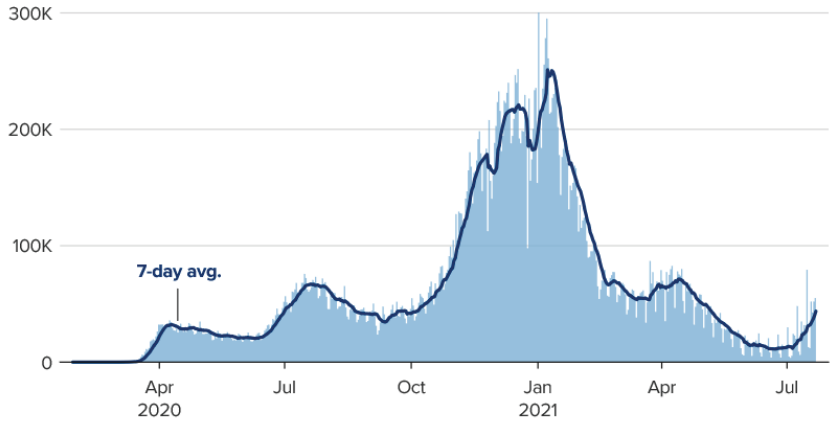
Concerns Moving Forward: Known Risks

- More significant impact from COVID-19 and Delta/Other Variants
- Slowing economic growth
- Property Tax – non-residential properties
- State/federal legislative changes and legal challenges
- Labor costs outside the budget assumptions
- CalPERS actuarial changes or unanticipated reform actions
- Capital/infrastructure - unanticipated critical maintenance needs
- Maintenance impacts and timing of development projects



Concerns Moving Forward: COVID-19 Cases on the Rise

Daily new Covid cases in the U.S.



Source: Johns Hopkins University. As of July 22, 2021.



Psaki confirms international travel bans extended over spread of Delta variant

By Steven Nelson

July 26, 2021 | 3:45pm | Updated

- **‘It’s not going to be good.’ Fauci sounds alarm over low vaccination rates fueling Covid surge.**

Covid cases are rising again in all 50 states across U.S. as delta variant tightens its grip

ECONOMY

Global Economic Recovery Accelerates, but Delta Variant Clouds Outlook

Parts of the world are expected to surge in coming months as red-hot U.S. growth begins to ease

Veteran economists are optimistic yet concerned that the Delta variant could prompt new closures that might slow American economic recovery.

Addressing Budget Challenges: Progress to Date



Progress to Date: Budget Balancing through FY 2021/22 and Ongoing Forecast

General Fund Forecast Timeline – COVID – 19 Induced Impact

| | January 2020 Forecast | April 2020 Forecast | January 2021 Forecast | April 2021 (With Phase 1) | Ongoing Shortfall w/Adopted Actions |
|------------------------|-----------------------|---------------------|-----------------------|---------------------------|-------------------------------------|
| General Fund Shortfall | (\$13 M) | (\$34 M) | (\$42 M) | (\$29 M) | (\$17.6 M) |

Progress to Date: Cost Control Measures Implemented

- Hiring freeze, with limited exceptions
- Stricter expenditure controls
- Decreased temporary staffing (by over ≈ 450 staff or 48%) and removed approx. 450,000 productivity hours
- Limited travel and training
- Reduced expenditures for IT
- Reduced expenditures for vehicle and fleet purchases
- Evaluating current contracts and other non-personnel expenditures

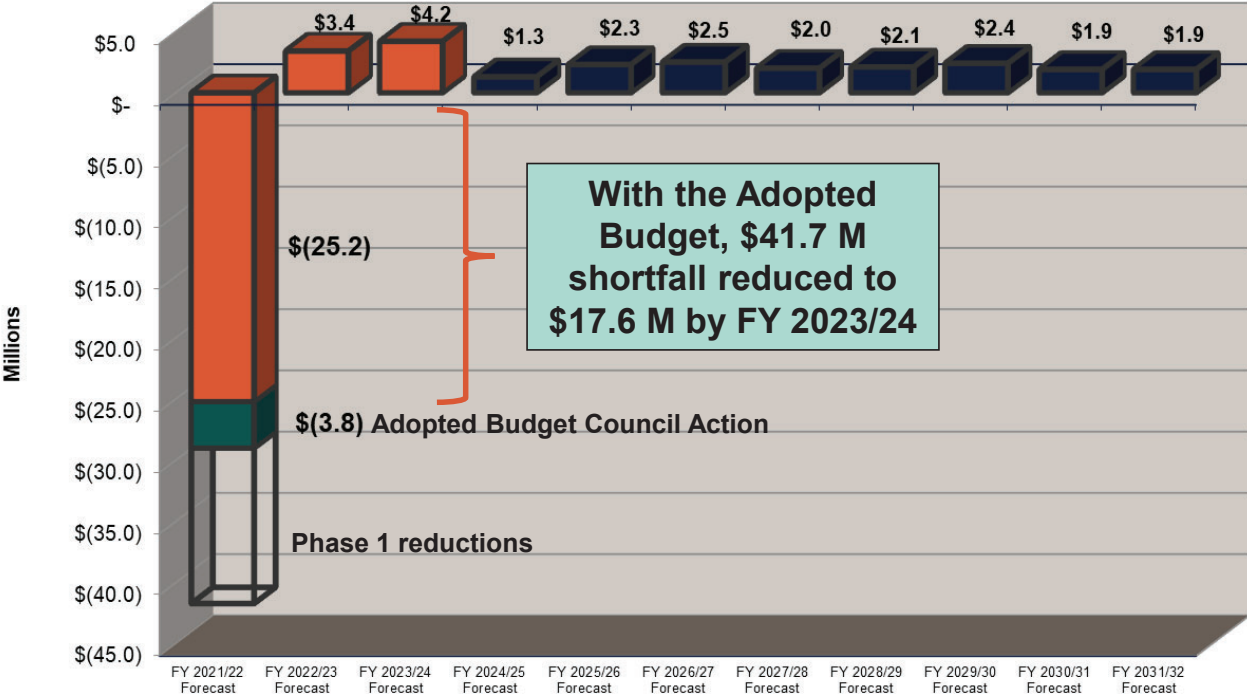


Progress to Date: Revised Forecast

\$17.6M Deficit Projected in FY 2023/24

- Economic conditions expected to improve in 2021
- Assumes ongoing reductions and recovery of some revenue
- \$24.1 M (58%) of shortfall addressed with budget actions (\$16.5 M) and forecasted revenue improvement (\$7.6 M)
- \$17.6 M remaining shortfall in FY 2023/24

General Fund Net Operating Margin



Progress to Date: FY 2021/22 and FY 2022/23 Adopted Budget

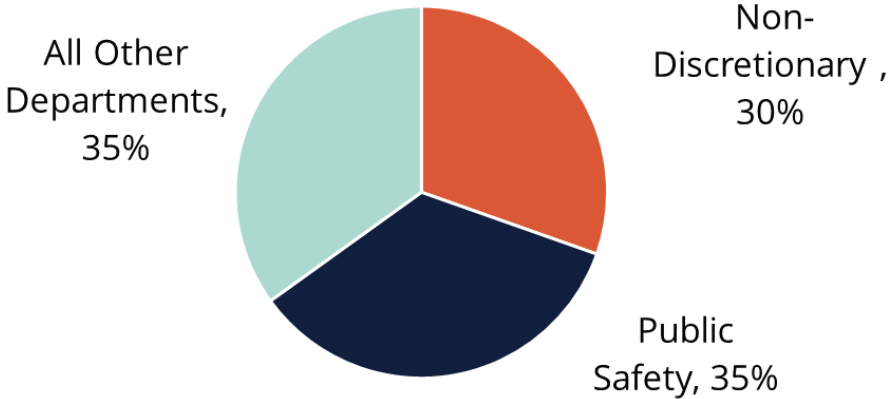
- \$29 M shortfall in FY 2021/22 addressed with ongoing (\$3.3 M) and one-time (\$25.7 M) solutions
- Federal stimulus funds key to budget balancing: allows more time for economic recovery and avoids more significant service reductions
- \$17.6 M shortfall would remain to be addressed with continued work over next several years

| | FY 2021/22 | FY 2022/23 | FY 2023/24 |
|---|-------------------|-------------------|-------------------|
| Forecast (Shortfall)/Surplus (Factors in Phase 1 Budget Reductions of \$12.7 M) | (\$29.0 M) | \$3.4 M | \$4.2 M |
| Carried Over Deficit from Prior Year (Due to Use of One-Time Solutions) | | (\$25.7 M) | (\$21.8 M) |
| Ongoing Actions | | | |
| Adopted Budget Expenditure Changes | \$1.8 M | | |
| Adopted Budget Revenues | \$1.5 M | \$0.5 M | |
| Total Adopted Budget Ongoing Solutions | \$3.3 M | \$0.5 M | |
| Remaining Shortfall After Ongoing Solutions | (\$25.7 M) | (\$21.8 M) | (\$17.6 M) |
| One-Time Actions | | | |
| Transfer to the Special Liability Fund | (\$5.2 M) | | |
| Federal Stimulus Funding | \$25.9 M | | |
| Budget Stabilization Reserve | \$3.6 M | \$17.3 M | |
| Land Sale Reserve | \$1.4 M | \$4.5 M | |
| Total Adopted Budget One-Time Solutions | \$25.7 M | \$21.8 M | |
| Remaining Budget Shortfall/Surplus | \$0.0 M | \$0.0 M | (\$17.6 M) |

Progress to Date: March 2021 and FY 2021/22 and FY 2022/23 Adopted Budget

- **Phase 1 and 2 Budget Balancing**
 - Use of Federal Stimulus Funding
 - Use of Reserves
 - Elimination of 59.5 Positions (**does not factor in Police restoration of 2 Police Officers and 8 non-sworn positions**)
 - No layoffs
 - Ongoing expenditure reductions
 - Eliminated approximately 8% of discretionary budget
 - Revenue solutions

FY 2020/21 General Fund Budget



- Non-Discretionary (30% of Budget)**
- Retirement unfunded liability
 - Council Appointees / Elected Officials
 - Revenue backed
 - Mandated
 - Insurance
 - Debt payments

Progress To Date: Use of General Fund Reserves

- **Budget Stabilization Reserve (BSR)**

- Target of 25% of the expenditure budget
- FY 2021/22 budget principles allows this reserve to drop to 15%
- \$3.6 million used in FY 2021/22 and \$17.3 million in FY 2022/23
- The Reserve totals \$53.9 million or 19% of expenditures in FY 2021/22 and **drops to \$36.6 million** or **approximately 13%** in FY 2022/23

- **Land Sale Reserve**

- \$1.4 million used in FY 2021/22 and \$4.5 million in FY 2022/23 as a General Fund budget balancing action
- Balance to **drop from \$24.7 million to \$18.7 million (-24%)** by FY 2022/23

Addressing Budget Challenges: Moving Forward



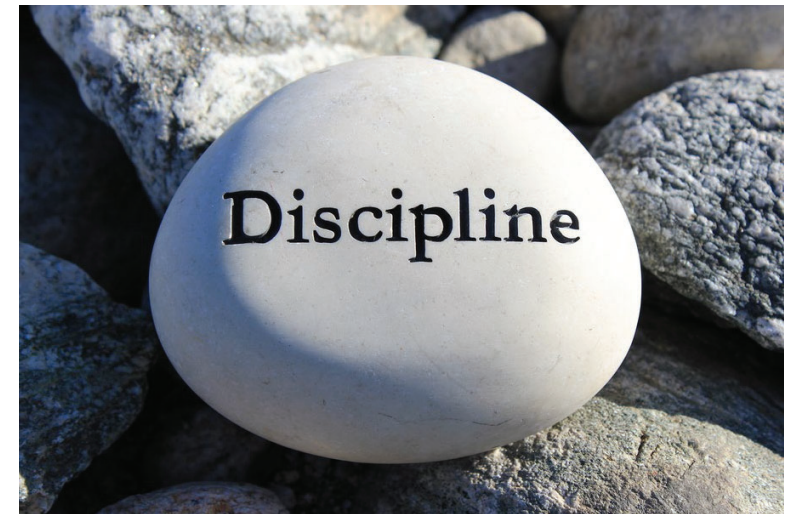
Where Do We Need to Go

- Fiscal Discipline
- Budget Balancing Actions
- Revenue Growth
- Infrastructure Needs
- Long-Term Fiscal Stability



Where Do We Need to Go: Fiscal Discipline

- **Continue cost control measures**
- **Guiding principles**
 - Avoid adding new General Fund costs without a funding source
 - Align ongoing additions with ongoing resources
 - Limit consideration of General Fund budget adds to the annual process to balance competing needs to the extent possible



Where Do We Need to Go: Budget Balancing

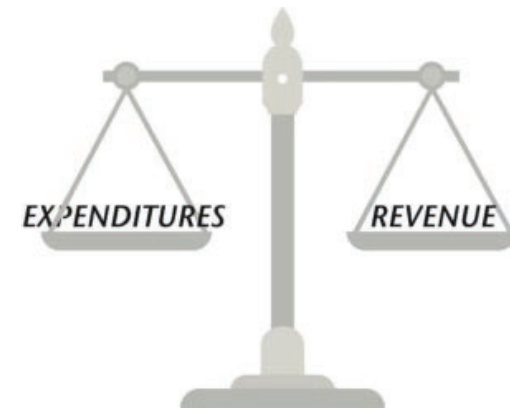
Potential budget balancing strategies to address \$17.6 M shortfall projected in FY 2023/24

- **Increase Revenues**

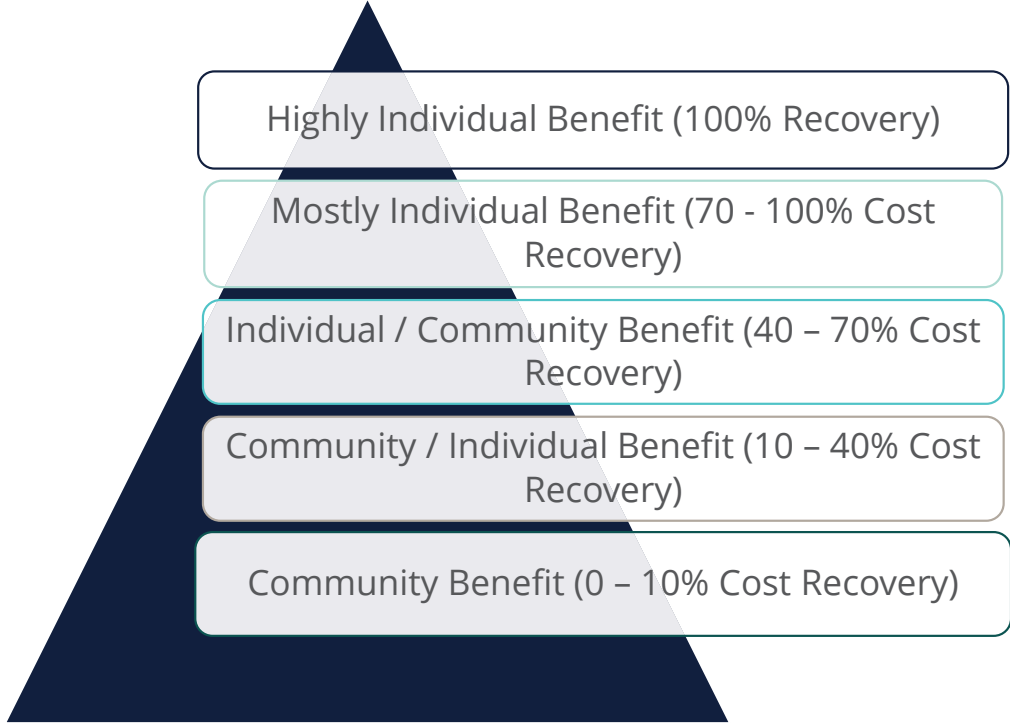
- Increase Cost Recovery of Fees
- Tax Measures
- Ensure Other Funds Paying Fair Share

- **Reduce Expenditures**

- Cost Reductions
- Labor Negotiations (achieve consistency across bargaining units)



Where Do We Need to Go: Budget Balancing Increase Cost Recovery of Fees



- Increase cost recovery of existing fees
- Add fees to recover eligible costs
- Fee Study results to be delivered in FY 2021/22
- Focus on Parks and Recreation Programs cost recovery objectives and corresponding fee adjustments (\$12 M current subsidy)
- Engage committees, community stakeholders, and City Council

Where Do We Need to Go: Budget Balancing TOT Increase

| Transient Occupancy Tax Scenarios | | | | |
|-------------------------------------|---------|----------|----------------|----------|
| | 4% | 3% | 2% | 1% |
| Pre-Covid-19 | \$7.0 M | \$5.25 M | \$3.5 M | \$1.75 M |
| Using FY 2021/22 Projections | \$3.4 M | \$2.6 M | \$1.7 M | \$860 k |

Measure E Ballot Language:

"To maintain and protect the level of essential city services including 9-1-1 emergency medical/disaster preparedness, police and fire protection, bicycle and pedestrian safety, roadways and storm drains and other vital services including parks, recreation, libraries and senior services, shall a measure increasing the hotel rate up to 4%, generating up to 7 million dollars annually, paid only by hotel/motel guests, until ended by voters, be adopted?"

Passed with 73.57% voter approval

Transient Occupancy Tax Rate by City

| City | TOT Rate |
|------------------------------|-------------|
| Gilroy | 9.0% |
| Santa Clara (w/o CFD) | 9.5% |
| Saratoga | 10.0% |
| Fremont | 10.0% |
| Mountain View | 10.0% |
| San Jose | 10.0% |
| Morgan Hill | 11.0% |
| Campbell | 12.0% |
| Cupertino | 12.0% |
| Los Gatos | 12.0% |
| Sunnyvale | 12.5% |
| Los Altos | 14.0% |
| Milpitas | 14.0% |
| Palo Alto | 15.5% |

Ten-Year Forecast assumes a 2% increase effective January 1, 2022

- Staff to bring forward resolution for two percentage point increase effective January 2022

Where Do We Need to Go: Budget Balancing Business Tax

- Staff directed to bring potential business tax measure for November 2022 ballot
- Ballot measure will need to include the structure of the tax
 - Tax Basis (e.g., employee count, gross receipts, square footage, payroll)
 - General Tax Measure
 - Special Purpose Tax Measure
- Ballot measure will need to adjust rates
 - Reasonable contributions from businesses
 - Alignment with other jurisdictions that have modernized tax

Where Do We Need to Go: Budget Balancing Business Tax/Estimated Timeline

| Action | Date |
|---|-------------------|
| Council Study Session - Business License Tax / Other Revenue | Fall 2021 |
| Retain Consultant(s) – Financial Analysis, Outreach & Polling | Fall 2021 |
| Council Priority Setting Session | February 2022 |
| Polling/outreach to determine community interest/priorities | March - June 2022 |
| Evaluate options and make final determination | May - June 2022 |
| Submit final measure for Nov. 2022 ballot | July 2022 |
| Election Date | November 2022 |



Where Do We Need to Go: Budget Balancing Other Potential Ballot Measures

- Utility User Tax / SVP Charter Language Clarification
- Documentary Transfer Tax
- General Obligation Bond or Parcel Tax

Note: City Council will need to prioritize ballot measures as there are many being considered.

Where Do We Need to Go: Budget Balancing Utility Users Tax

- Common tax imposed by a City on the consumption of utility services
- The rate and use is determined by the City
- Tax is levied on the utility customer
- The City does not currently have a UUT
- Voter approval required
- UUT rates vary in the area
 - The most common rate is 5%
 - The rates in Santa Clara County range from 2% to 5%
- Potential estimated revenue of \$4 M - \$6 M (Water, Gas, Telephone)



Where Do We Need to Go: Budget Balancing

Documentary Transfer Tax

- Documentary Transfer Tax is imposed on the transfer of the title of real property from one person (or entity) to another within the jurisdiction
- Based on the property's sale price
- Current County Transfer Tax is \$1.10 for each \$1,000 sale amount
 - City receives \$0.55 and the County receives \$0.55
 - Tax increase would go to the City but the entire \$1.10 would stay with the County
 - Current revenue of approximately \$1.4 million
- Increase of \$3.30 (for a total tax of \$4.40 for each \$1,000) would generate \$7 million annually; for a \$1.5 million property sale, the tax would increase from \$1,650 to \$6,600

Where Do We Need to Go: Budget Balancing

Documentary Transfer Tax

Documentary Transfer Tax Comparison for Santa Clara County Charter Cities*

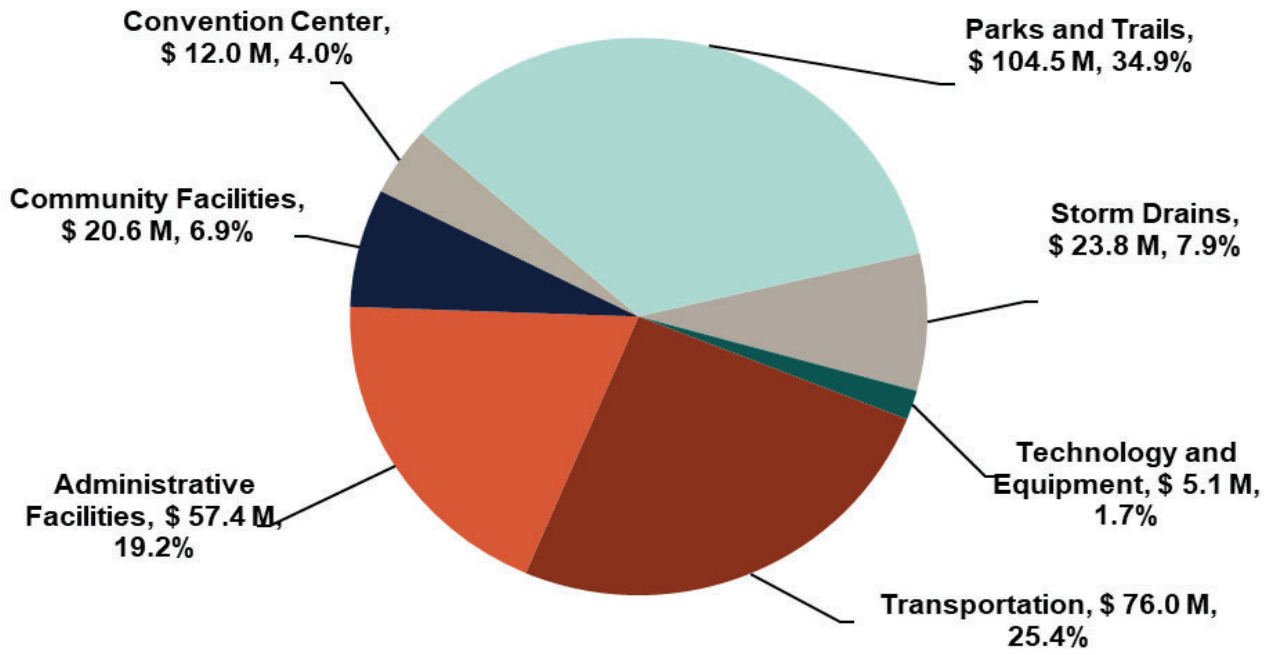
| City | City Rate | FY 21 Budget |
|---------------------------|--|--------------|
| Gilroy | \$0.55 per \$1,000 (base set for all counties) | \$0.3 M |
| Mountain View | \$3.30 per \$1,000 | \$4.0 M |
| Palo Alto | \$3.30 per \$1,000 | \$4.7 M |
| San Jose – Conveyance Tax | \$3.30 per \$1,000 | \$30.0 M |
| San Jose – Transfer Tax | \$7.50 - \$15.00 per \$1,000 (tiered - over \$2 M) | \$30.0 M |
| Santa Clara | \$0.55 per \$1,000 (base set for all counties) | \$1.2 M |
| Sunnyvale | \$0.55 per \$1,000 (base set for all counties) | \$1.8 M |

* Only Charter Cities may impose a transfer tax above the amount set by State

Where Do We Need to Go: Infrastructure Needs

Significant Unfunded Infrastructure Needs

Five-Year CIP Unfunded Needs = \$299.4 M



Where Do We Need to Go: Infrastructure Needs

Close to \$1 billion of identified capital needs beyond CIP:

- Parks Assessment (December 2017-Kitchell Report) identified \$100 M of parks grounds and building needs (\$156 M w/ escalation)
- 2015 Storm Drain Master Plan identified \$343 M in projects (2018 dollars), including almost \$68 M in high priority projects
- Transportation infrastructure (e.g., traffic signal infrastructure replacement (\$50 M), uncontrolled crosswalks (\$50 M), Bicycle Plan (\$40 M), Creek Trail Master Plan (\$50 M), pavement (\$9 M annually beyond CIP)
- Public Buildings (New City Hall (\$236 M – \$300 M), existing City Hall (\$39 M); fire stations, historic buildings, corporation yard, ADA plan)
- Expand capacity (e.g., library)

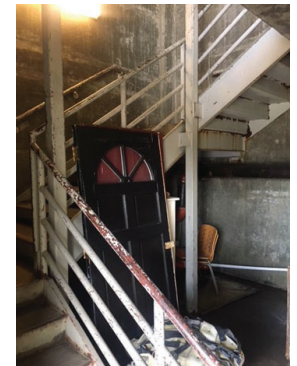
Where Do We Need to Go: Infrastructure Needs General Obligation (GO) Bond

Key Features:

- Used for long-term capital project financing
- Requires two-thirds supermajority vote
- One-time revenue, up front
- Secured by levying ad valorem property taxes in addition to the 1% general ad valorem property tax



Swim Center Boiler



Fire Training Tower

Where Do We Need to Go: Long-Term Fiscal Stability

- Align on-going expenditures with increased on-going revenue
- Replenish reserves to Council Policy level
- Resume contributions to Pension Unfunded Actuarial Liability
- Charter clarification language
- Position City for future economic recovery
- Continue to reduce fiscal subsidy for fee-based cost for service, where appropriate
- Strategic increases in rates to sustain costs for service delivery and infrastructure investments

Next Steps



Next Steps

- **TOT Ordinance** – resolution to be brought forward for January 2022 implementation per Council direction
- **Fee Study** – to be brought forward in FY 2021/22 per Council direction
- **Potential Ballot Measures Workplan** (Business Tax, Charter Language and/or Other Tax Measures) – Study Session in late September/early October 2021 and Ballot Language to be brought forward for November 2022
- **CIP Funding Strategy** – potential ballot measure; planning in the FY 2022/23 and FY 2023/24 Capital Budget



Next Steps: Fee Study

- As part of the Operating Budget adoption, staff was directed to bring forward a Parks and Recreation fee cost recovery policy in FY 2021/22 for Council consideration as part of the comprehensive review of fees
- Fee analysis and comparison to other jurisdictions
- Develop fee framework and identify options to set cost recovery goals
- Committee and community engagement on strategy development
- Community outreach and education on fee changes



Next Steps: Ballot Measures

- Determine which measures Council would like to pursue and prioritization of measures
- Business Tax was prioritized – Council to determine structure based on additional information
- Consultant to determine the likelihood of success of one or more ballot measures/combination of measures
- Consultant to test structure/language of potential measures
- Community education and engagement

Procurement Streamlining Measures

Kenn Lee, Director of Finance
Mark Giovannetti, Purchasing Manager

Background

- **January 2019:** Council approved moving forward with purchasing reforms at the Priority Setting Session
- **2019-2021:** Project was prioritized until after purchasing and contracts functions were strengthened
- **June 2021:** Governance Committee approved advancing these efficiency reforms to full Council

Procurement Governance Structure

City Charter – Section 1318
Government Code Sections 54201-54205

Code Section 2.105.080
Centralized Purchasing for Goods
and Services

Procurement
Guide

Proposed Changes (Major)

- Change award thresholds for City Council and City Manager
- Change thresholds for formal and informal procurements
- Eliminate Local Business Preference
- Clean up language to reduce ambiguity

Changes in Thresholds: Contract Award for Goods and Services

Current

City Manager less than or equal to \$100,000 and \$150,000 for Utilities

City Council
\$100,000 / \$150,000 or more

Proposed

City Manager less than \$250,000

City Council
Greater than \$250,000

Benchmark: Cities of Sunnyvale, San Jose, and Mountain View

Projected Impact of Higher Contract Limits based on FY 20/21 Data

Potential for **27% fewer contract approval requests on Council Agendas** representing 3% of the total value of all contracts approved and gained capacity efficiencies/cost effectiveness.

| TYPE OF CONTRACTS | QUANTITY | AMOUNT |
|-----------------------|-----------|--------------------|
| Product | 1 | \$119,911 |
| General Services | 13 | \$2,488,883 |
| Professional Services | 7 | \$1,294,626 |
| TOTAL | 21 | \$3,903,420 |

Changes in Bid Thresholds

Current

Informal is less than \$50,000 for services; \$100,000 for supplies and equipment

Formal is more than \$50,000 for services, \$100,000 for supplies and equipment

Proposed

Informal is \$250,000 or less

Formal is more than \$250,000

Benchmark: Consistent with Federal Guidelines; high cost of living area

Local Business Preferences

Current

1% consideration for business
located in Santa Clara

Proposed

Remove Local Preference
Code section

Additional Code Revisions/Clean-up

- One Code for City and Stadium Authority
- Codify a vendor protest process for formal bids
- Delete minimum \$ threshold for purchase orders
- Delete “idle act”
- Revise “additional quantities”
- Revise bidder security and bonding requirements
- Delete requirement that all services must be on a signed agreement
- Further definition on when competitive bidding for professional services may be exempt
- General organization and clean-up

Impact of Process Improvements

- ✓ **Greater capacity for Staff and Council**
 - Faster execution of agreements
 - Fewer agreements on Council agendas to consider
 - Fewer number of Council requests for Staff to prepare
 - Faster procurement cycles – less time and cost to obtain goods and services
 - Reduced Staff time to administer new Purchasing Code—capacity efficiencies and cost effectiveness!

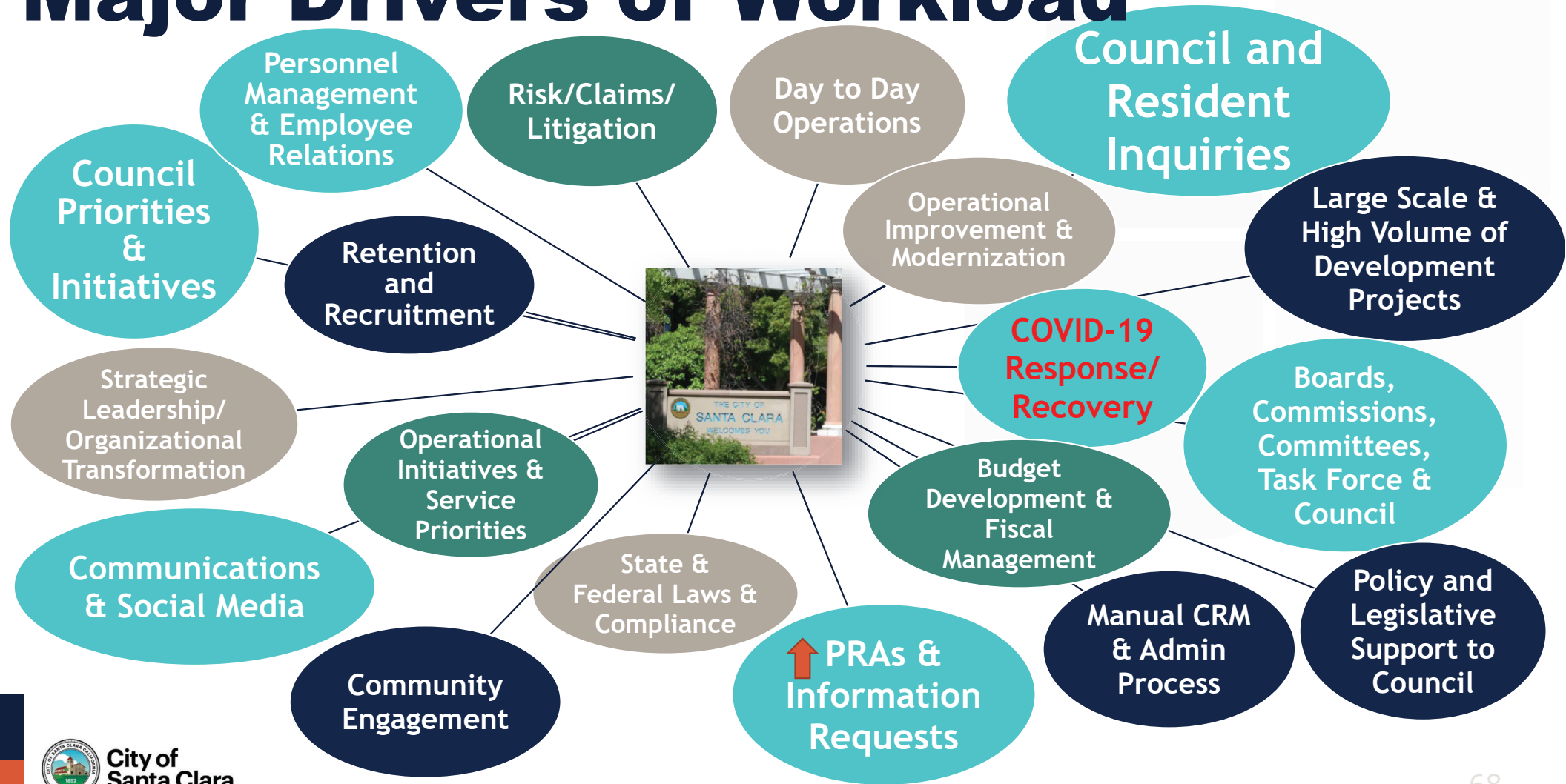
Next Steps

- Provide direction on proposed reforms and direct staff to return to a future Council meeting with draft Code amendments for approval

Organizational Capacity

*Deanna J. Santana, City Manager
Dr. Shawn Spano, Facilitator*

Major Drivers of Workload



Organizational Capacity Considerations

- COVID-19 Response and Recovery, safe operations and on-going Council directives
- Budget Sustainability and Fiscal Solutions
- Ensure ongoing service delivery against increase in workload and decrease in resources
 - Reduced staffing (-26%), high vacancy rate (17%) and loss of ≈450 as-needed staff (-48%) (as of July 2021)
- Pandemic still evolving, Delta variant is main risk
- Focus on City staff's vaccination rate and frequent testing

Organizational Capacity—approx. 26% loss

| Pre-COVID-19 Staff Capacity | Hours |
|---|------------------|
| 1,151.5 FTEs x 1,792 hrs.* | 2,063,488 |
| 927 as-needed x 1,000 hrs.** | 927,000 |
| Total full capacity productivity hours | 2,990,488 |

| Current Staff Capacity | Hours |
|---|------------------|
| 950.25 Filled FTEs x 1,792 hrs.^ | 1,702,848 |
| 525 as-needed x 1,000 hrs. | 525,000 |
| Total current productivity hours | 2,227,848 |

*Assumes time off for holidays, vacation, sick and personal days and furloughs
 **As-needed positions can work up to 1,000 hrs./year
 ^Total budgeted positions is 1156.5

**Pre-COVID
Vacancy Rate:
11.0%**

(Jan 2020)

**Post-COVID
Vacancy Rate:
17.08%***

**56% of
Recruitments
in Progress**

**26%
Reduction
in Services**

| Department | # FTE's | Froz/Elim Positions of Total FTES | Vacant Positions | Vacancy Rate |
|-------------------------|---------|-----------------------------------|------------------|--------------|
| City Attorney's Office | 9 | 1.0 | 1.0 | 22.2% |
| City Auditor | 3 | 0 | 1.0 | 33.3% |
| City Council | 9 | 0 | 0 | 0% |
| City Manager/City Clerk | 29.5 | 4.0 | 2.0 | 20.3% |
| Community Development | 76.25 | 1.75 | 22.0 | 31.1% |
| Electric Utility | 200 | 0 | 39.0 | 19.5% |
| Finance | 73.75 | 3.0 | 7.0 | 13.5% |
| Human Resources | 16 | 1.75 | 1.0 | 17.2% |
| Fire | 168.25 | 12.75 | 9.0 | 12.9% |
| Sworn | 150 | 12.0 | 4.0 | 10.7% |
| Non-Sworn | 18.25 | .75 | 5.0 | 31.5% |
| Information Technology | 6 | 1.0 | 0 | 16.6% |
| Library | 42.5 | 0 | 9.0 | 21.2% |
| Parks and Rec | 81.75 | 5.0 | 7.0 | 14.6% |
| Police | 237 | 17.0 | 23.0 | 16.9% |
| Sworn | 159 | 8.0 | 13.0 | 13.2% |
| Non-Sworn | 78 | 9.0 | 10.0 | 24.4% |
| Public Works | 131.5 | 8.0 | 11.0 | 14.4% |
| Water & Sewer | 74 | 0 | 15.0 | 20.3% |



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

Total budgeted
FTE's: 1156.5 as of
7/26/2021

Organizational Capacity

- Data show that Departments are also those experiencing a high demand for services
- COVID breakouts impact capacity and delivery of services
- Burnout and inability to respond to other City Council priorities, or take time off, already exists
- City runs high risk of being in violation of employee laws regarding workplace time off requirements (e.g., breaks, lunch, etc.)
- There is a workload that Council controls and workload that is outside of City's ability to manage (which continues to increase)

Active/Newer Initiatives Requiring Capacity Now*

- Redistricting Committee and public process
- New Potential Committees or Task Forces
 - International Exchange Commission (*pending*)
 - Committee or Task Force on Unhoused Population
 - Ad Hoc Committee on CVRA Litigation Apology
 - Housing Commission
 - Ad Hoc Homelessness Task Force
- Downtown Community Task Force
- Task Force on Diversity, Equity and Inclusion
- COVID-19 Recovery and Reopening Plans
- Related Development, Phase 1 beginning (Q1 of 2022, with staff work beginning in October 2021)
- BART and North San Jose development status

Growing Workload Outside of Council Direction

- **63% increase** in Public Records Act requests Year-to-Year, with each year breaking new records (**20%+ vac rate**).

| PRA Requests Year-to-year | | |
|---------------------------|-----------|-----------|
| | July 2020 | July 2021 |
| Total Requests | 362 | 589 |
| Total Sub-requests | 6,538 | 10,654 |

- **Unprecedented Permits processed** – the City processed record-breaking Plan Check and Permit fees in FY 2020-21 for over **\$15.5 million in revenue**, an all-time high for the City. In contrast, Community Development has **≈31% vacancy rate**.
 - **7,814 building permits were issued in FY 2020-21**, compared to 6,005 in FY 2019-20 and 7,321 in FY 2018-19.
- **Ongoing Planning Projects** – total of 84 ongoing projects that collectively propose 20,186 units and 21.8 million square feet of non-residential development.
 - Projects are supported by City staff at every stage, from entitlement to construction, and require resources from staff in numerous departments.

Growing Workload Outside of Council Direction

- **Support of Parade of Champions** on Oct 9, 2021– includes Public Safety, street closures, permitting, etc.

(Some staffing removed from budget for large events, due to suspension of them)

- **Recruitment, retention and personnel management**

- City's vacancy rate is 17% and though Council approved a hiring freeze, there are key positions out for recruitment, including Library, Building Official, Code Enforcement Officer, SVP, etc.
- Both Community Development and the City Clerk's Office have significant vacancies that the Council has approved for hiring. High regional competition, different pay structure, and known workload resulted in unsuccessful recruitments. Positions increasingly challenging to fill.

Growing Workload Outside of Council Direction

- **Community/resident Service Requests up 40% Year-to-Year within \approx 26% drop in resources**
- **Statewide Climate Related Issues**
 1. **Drought** and outside urgent requests for infrastructure improvements (e.g., Valley Water, etc.),
 2. **Statewide power issues** impact our electric utility, with urgent orders for rapid response to sustain power supply (Governor's recent 30-day Order, etc.), and
 3. **Mutual aid** response to fires, electric outages, and other municipal resources, etc.

Efficiencies and Improved Workload & Customer Service Management

Deanna J. Santana, City Manager
Dr. Shawn Spano, Facilitator

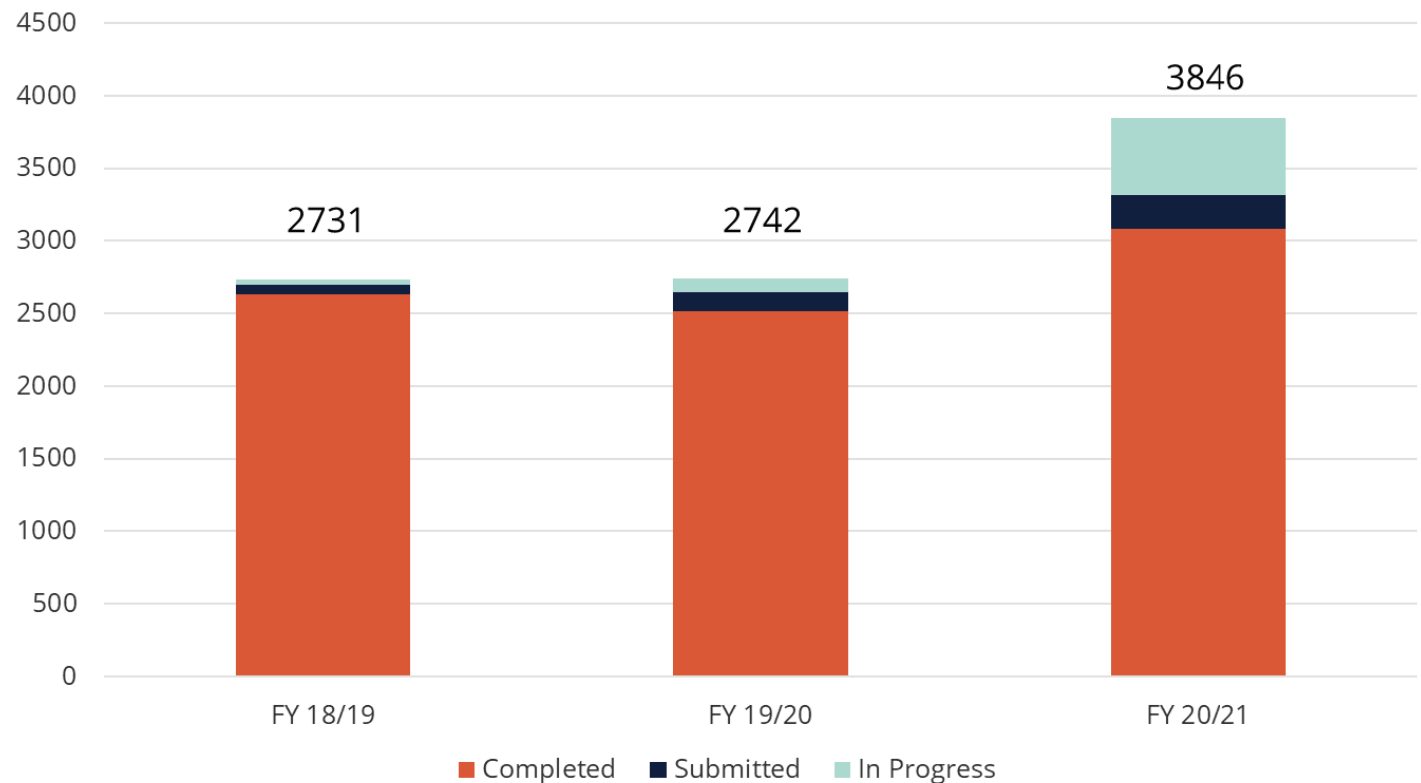
Service Request Data (My Santa Clara)

YTY increase of ≈40%

- Increased community use
- More request types added

Resources and staffing were not increased to accommodate – these requests are absorbed as daily work and impact all Departments

My Santa Clara Service Requests*



Resident and Council Inquiry Process

- To expedite day-to-day requests, the community is encouraged to use **MySantaClara** for common work order inquiries or requests for service.
- **Nonstandard requests should be directed to our Part-Time, As-Needed Executive Assistant** in the Mayor and Council Office who will work with the City Manager's Office to address the request.
- This will allow for a centralized process/repository for all Council questions, inquiries, and resident issues, which can be assigned to staff based on capacity and existing priorities.
- **Councilmember inquires should be submitted to City Manager and Executive Assistant** – Not Directors and Dept. Staff

Resident and Council Inquiry Process

Processing inquiries and concerns through the City Manager's Office will allow/encourage:

- Departments to **focus on service delivery** without being redirected
- Council inquires to be prioritized and not interfere with operations and the implementation of full Council directives-- **capacity is too valuable** and should be concentrated on citywide operations and Council directed priorities. Delays may occur.
- **Better management and tracking of the information and response, increased Council's awareness of resolution of items**
- **Preservation of City's limited capacity/resources** and maintenance of broader focus on policy/service priorities, without being waylaid by smaller requests
- Reports on status of inquiries available through MySantaClara, removes manual tracking by staff.

Council Discussion and Questions on Priorities

Discussion Questions

- Check-In should be used to evaluate current COVID induced conditions and workload against the resulting capacity impacts.
- What are the current urgent and important items from now through February 2022? These are determined to be critical in the near-term, needing immediate focus and attention.
- What are the less urgent, but still important items? These will continue on the work plan but at a lower priority.
- What items would Council like to consider for 2022 Policy Priority Session, based on what you have heard today?



City of Santa Clara

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