CITY OF SANTA CLARA

Proposed Annual Budget
Fiscal Year 2011-12

Study Session

May 24, 2011

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2011-12 Proposed Annual Budget Study Session Agenda

- Budget Calendar and Outreach
- Proposed Annual Budget
- Annual Budget Highlights
- State Budget Impacts
- Reserve Status
- Rate and Fee Impact Enterprise Funds

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2011-12 Proposed Annual Budget Study Session Agenda

- Redevelopment Agency (RDA)
- Sports and Open Space Authority (SOSA)
- Municipal Fee Schedule
- Other Budget Decisions
  - Give a Little…Help A Lot Fund
  - Asset Seizure Funds
- Presentation by Groups Seeking City Funding

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Budget Briefings and Public Meetings for 2011-12 Budget

- **February 8 & March 5**: CDBG & HOME Public Hearings
- **March 29**: Mid-Year Revenue Report
- **April 19**: 2011-12 Budget Principles Adopted by City Council

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Budget Briefings and Public Meetings for 2011-12 Budget

- **May 10**: Capital Project Highlights
- **May 17**
  - Review of Five-Year Financial Plan
  - CIP Budget Summary
  - Additional Capital Project Highlights
- **May 23**
  - Citizens Advisory Committee Budget Presentation

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Budget Briefings and Public Meetings for 2011-12 Budget

- **May 24**
  - Operating Budget Study Session
  - Presentations by Community Groups
  - Solid Waste Rate Hearing
  - Water and Sewer Rate Hearing

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Budget Briefings and Public Meetings for 2011-12 Budget

- **June 14**
  - Public Hearing/Budget Adoption
  - Convention Center Maintenance District Hearing
  - Downtown Parking District (Franklin Square) Hearing
  - Municipal Fee Schedule Adoption

City of Santa Clara
Proposed Annual Budget
2011-12

City of Santa Clara

2011-12 Proposed Annual Budget

$558.9 Million

Fund ($ millions)	Proposed 2011-12	Adopted 2010-11	Increase or (Decrease)	Percent Change
Total City Budget	**$558.9**	**$546.7**	**$12.1**	**2.2%**
Operating Budget*	**$495.6**	**$484.4**	**$11.2**	**2.3%**
General Operating Fund	***$146.3***	***$143.2***	***$3.1***	***2.1%***
Capital Improvement	**$ 63.3**	**$ 62.4**	**$0.9**	**1.5%**

*Includes General Fund, Enterprise Funds, Special Revenue Funds, Internal Service Funds.

2011-12 General Fund Budget

- Continued solutions implemented in 2010-11 including:
  - Over 100 full-time equivalent positions either eliminated, frozen, or left vacant (Ongoing)
  - Concessionary agreements reached with 8 of 10 bargaining groups included foregoing salary increases and implementing unpaid furloughs (Ongoing and Short-Term)
  - Layoffs implemented in 2 bargaining groups resulted in 14 regular and 1 overfill positions being eliminated (Ongoing)
  - Reduce City Manager salary by 10% (Ongoing)
  - Mayor and Councilmembers took voluntary reductions and/or not cost of living adjustments (Ongoing)

2011-12 General Fund Budget

- Continued solutions implemented in 2010-11 including (Cont'd):
  - Reduce as-needed and overtime budgets (Ongoing)
  - Reduce materials, services, and supplies budgets (Ongoing)
  - Increase fees to move closer to full cost recovery (Ongoing)
  - 1997 Police Station Certificates of Participation (COPS) were refinanced resulting in lower debt service payments (Ongoing)

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2011-12 General Fund Budget

- Fiscal year 2011-12 showed a deficit of more than $4 million even with many strong steps continued from 2010-11 to address the deficit (compares to over $20 million last year)
- Primary drivers include continuing revenue impacts from recession and pension cost increases

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2011-12 General Fund Budget

- Actions taken to balance 2011-12 Budget:
  - Adjusted revenues based on higher than expected 2010-11 collections
  - Full year savings from unpaid furloughs and layoffs (Short-Term and Ongoing)
  - Additional 2.75 FTEs eliminated (Ongoing)
  - Increased number of frozen positions (Ongoing)

2011-12 General Fund Budget

- Actions taken to balance 2011-12 Budget (Cont'd):
  - Increase fees to move closer to full cost recovery (Ongoing)
  - Sell one of five City-owned small properties to Housing Authority for $0.4 million (One-Time)
  - Continue to charge staffing costs to CIP projects (One-Time – depending on projects)
  - Savings from further reducing department materials, services, and supplies budgets (Ongoing)

Budget Themes – Economic Development

- City Council Economic Development Committee
  - Business Recognition Program
  - MovetoSantaClara.com
  - Commercial Broker Workshops and Certification program
- Work with Chamber of Commerce to:
  - Promote City's reliable, low cost utilities
  - Understand and respond to business needs including "speed to market"
  - Foster local business success, expansion, and relocation

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Budget Themes – Economic Development

- Funding for Convention-Visitors Bureau and operation of Convention Center
- Encourage enhancement of "Entertainment Theme" in Convention Center/Theme Park Area
- Council goal to develop formal Economic Development Plan to encourage and support business community
- Active projects include Nvidia, Dell, Sobrato, Yahoo!, Byer's Plaza, and others

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Budget Themes - Minimizing Impacts on City Services

- Proposed budget keeps all City facilities open:
  - 10 fire stations
  - Police Building
  - Northside Police Substation
  - Both City Libraries (reduced hours)
  - Parks & Recreation Facilities (reduced hours)
  - City Hall and Other City Offices (closed on unpaid furlough days)

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Budget Themes - Minimizing Impacts on City Services

- Facility Impacts:
  - Central Park Library – open 55 hours per week with seven day per week service
  - Mission Library Family Reading Center – open 26 hours over 4 days per week
  - Senior Center – 53 hours per week but still open 6 days per week
  - Teen Center – continues reduced hours from 2009-10 (4 hours per week)

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Budget Themes - Minimizing Impacts on City Services

- Program Impacts:
  - Trying to keep impacts on programs to a minimum
    - "Inside Santa Clara" – 3 issues rather than 4 issues

Budget Themes - Innovative Service Delivery & Cost Savings Measures

- Exploring New and Innovative Service Delivery Methods
  - Re-emphasizing "Volunteer Santa Clara" program
  - Departments working cooperatively with Water & Sewer Utility on Recycled Water Project
  - Successful outsourcing of IT services
  - Streamlined process for solar permits

Budget Themes - Innovative Service Delivery & Cost Savings Measures

- Exploring New and Innovative Service Delivery Methods (Cont'd)
  - Moved to every other month utility meter reading/billing for 687 City accounts
  - Library implemented evolving service delivery model – Central Library ranked in top 10 nationally

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Budget Themes - Innovative Service Delivery & Cost Savings Measures

- Departmental Reorganizations
  - Police reorganized two divisions for operational efficiencies with no change in positions
  - Water & Sewer reorganized to handle new regulatory requirements without additional staffing and with some savings
  - Accounting reorganized to handle increasing workload without additional staff

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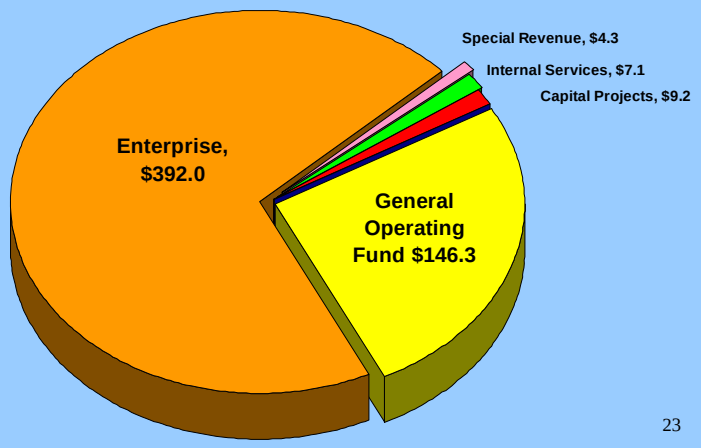
Proposed Annual Budget
2011-12

Total Resources - $558.9 million



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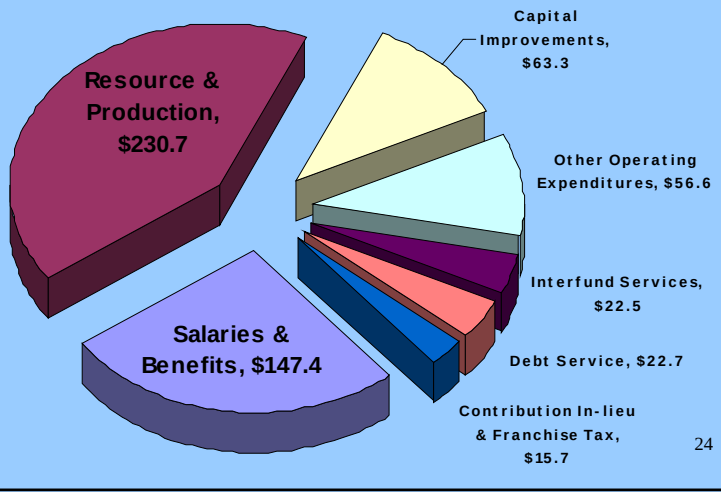
Proposed Annual Budget
Appropriations by Category
Total Appropriations - $558.9 Million



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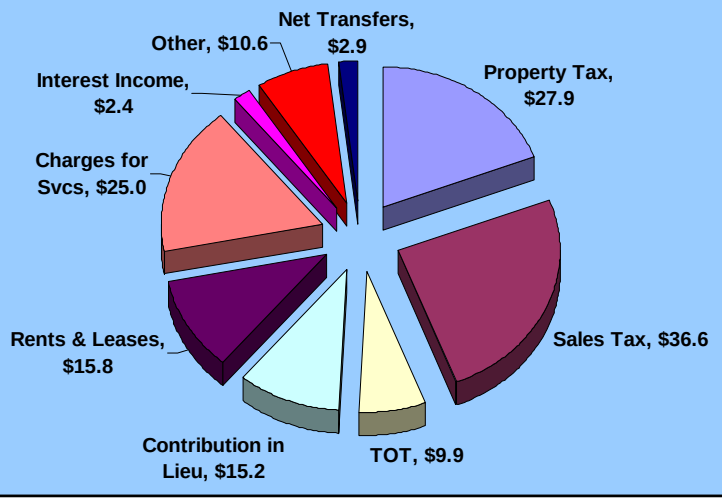
General Operating Funds
2011-12 Revenue by Source

Total Resources - $146.3 Million



State Budget Impacts

- Governor's January budget proposal recommended $26.4 billion in cuts and tax extensions including proposal to eliminate redevelopment agencies and transfer money to fund courts and Medi-Cal in 2011-12
  - Proposition 22, approved by voters just last November, specifically prohibits the State from taking or borrowing any more redevelopment monies
  - State Legislative Counsel opined that the proposed transfer would violate State Constitution

State Budget Impacts (Cont'd)

- California Redevelopment Association has proposed redevelopment reforms and voluntary contributions as alternative
- Governor's May Revise budget continues to propose elimination of redevelopment agencies
- City has taken aggressive actions to protect vital redevelopment projects including affordable housing, stadium, and Northside Branch Library

State Budget Impacts (Cont'd)

- $11.2 billion of cuts already agreed to
- Constitutional deadlines:
  - Legislature - June 15
  - Governor - July 1
- Ongoing State Educational Revenue Augmentation Fund (ERAF) property tax shifts have taken about $65 million from the General Fund since the early 1990s

Reserve Status

- Working Capital (Emergency) Reserve
  - $2.5 million current balance
  - Expect to make a contribution in 2010-11 based on better than expected revenue collections (some likely to go to Building Inspection Reserve)
  - Reserve not used to balance 2011-12
- Capital Projects Reserve
  - Only about $1.1 million will remain after funding critical projects for 2011-12

Reserve Status

- Land Sale Reserve
  - Policy is to preserve principal balance
  - Interest earned credited to General Fund
  - $17 million balance
- Building Inspection Reserve
  - Current balance $0.9 million
  - Expect to make contribution to reserve at end of 2010-11 based on increase in development activity
  - 2011-12 Budget includes use of $0.3 million for operations and $0.4 million for CIP projects

Enterprise Funds
Electric Utility

- Total budget of $310.0 million, decrease of $0.9 million or 0.3% (includes capital expenses of $33.3 million)
- Operating budget increase of $4.6 million, or 1.7% primarily due to higher debt service costs associated with refinancing variable rate to fixed rate debt
- 1% increase in sales projected
- Expect to make second consecutive yearly contribution to Cost Reduction Fund

Enterprise Funds
Water and Sewer

- Operating budget expenses of $44.4 million, increase of 6.1% (primarily due to projected increases in cost of water and sewer treatment)
- Capital budget of $10.0 million includes funding for significant sanitary sewer replacement needs both in the City and at the San Jose/Santa Clara Water Pollution Control Plant

Enterprise Funds
Water and Sewer

- **Rate increases for 2011-12 as follows**:
  - **Water:** increase of $3.00 per month for average residential customer
    - Passed on from wholesale water suppliers
  - **Recycled Water:** 6.5% increase

Enterprise Funds
Water and Sewer

- **Rate increases for 2011-12 as follows**:
  - **Sewer:** monthly increases of $2.91 on July 1, 2011 and $2.23 on January 1, 2012
    - Increased operating and capital costs at treatment plant
    - Critically important in-City infrastructure projects
    - Rate stabilization study completed

Rate and Fee Impact Enterprise Funds

Rate Type	*2011-12 Rate Change*
Electric Utility	No Change
Water Utility Rate	$3.00 per month
Recycled Water	6.5%
Sewer Utility Rate	$5.14 per month

Lowest combined electric, water & sewer rates in nine Bay Area counties

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Rate and Fee Impact Enterprise Funds

Rate Type	*Monthly 2011-12 Rate Change*
Garbage Collection and Disposal Rate	$0.96
Residential Curbside Recycling Rate	$0.13
Clean Green	$1.03
Clean up Campaign Charge	No Change
Household Hazardous Waste Charge	No Change

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Enterprise Funds
Rate Assistance Programs

- Electric
  - Financial Rate Assistance Program – Income based 25% discount
  - Medical Rate Assistance Program – 25% discount
  - Low Income Household Energy Assistance Program – Administered through Sacred Heart Community Energy Service
- Solid Waste
  - Reduced Collection Charge for Single-Family Low Income Residences - $1.25 per can/cart per month discount on garbage collection rates
- All
  - HELP Your Neighbor – Emergency assistance with utility bill payments for those experiencing financial hardship (funded through Give A Little…Help A Lot)

City of Santa Clara

Redevelopment Agency (RDA),
Housing Authority,
Sports and Open Space Authority (SOSA), and
Stadium Authority

Redevelopment Agency 2011-12 Proposed Budget
($ millions)

2011-12 Proposed	2010-11 Adopted	Percent Change
$20.1	$63.0	(68.2%)

- Assumes 8.4% decline in tax increment due to appeals
- Includes SB 211 pass-through payments of $0.6 million
- Reflects transfer to new separate Housing Authority of 20% Affordable Housing Set-Aside (do not expect sufficient tax increment to fund any of additional 10% Set-Aside)
- Reflects Cooperation Agreements with City, Housing Authority, and Stadium Authority for capital projects
- Reflects lease revenues now going directly to General Fund due to conveyance of properties
- Includes funding for annual debt obligations

Housing Authority 2011-12 Proposed Budget
($ millions)

2011-12 Proposed
$5.5

- Reflects 20% Housing Set-Aside transferred from RDA
- Assumes 8.4% decline in tax increment property tax due to appeals
- Do not expect sufficient tax increment property tax to fund any of additional 10% Affordable Housing Set-Aside
- Appropriates $5.5 million for Downtown Housing project

Sports and Open Space Authority 2011-12 Proposed Budget
($ millions)

2011-12 Proposed	2010-11 Adopted	Percent Change
$5.5	$6.0	(8.3%)

- Golf Course budget of $3.0 million down $0.2 million
  - Lower number of rounds played
  - No change in weekday and weekend rates for residents and non-residents proposed
  - Increase in rates for non-resident junior golf program
- Transfer to City's General Fund of $2.4 million including golf course net income and other leases (e.g., Interland Apartments)
- Reduces General Fund Subsidy ($2.8 million per year debt service on bonds for Golf Course paid by City)

Stadium Authority 2011-12 Proposed Budget
($ millions)

2011-12 Proposed
N/A

- Stadium Authority operating budget for 2011-12 under development
- Expected to be included in Errata Memo and reflected in Adopted Budget

Proposed 2011-12 Municipal Fee Schedule

- Fees adjusted based on recovering all or a portion of full cost (i.e., direct and indirect) per 2009 and 2010 fee studies conducted by MGT of America
- Most fees below full cost adjusted by greater of 25% or amount needed to recover full cost
- Higher increases for Development related fees where current fees were further from full cost recovery

CAC Questions

CAC Questions

- Have the majority of salaries been decreased by 10%?
  - 8 of 10 bargaining groups agreed to foregoing any scheduled salary adjustments for 2011 and beyond (5-6% savings)
  - 8 of 10 bargaining groups agreed to unpaid furloughs equal to about one day per month (savings of about 4-5%)
  - 2 of 10 bargaining groups had layoffs with equivalent savings

CAC Questions

- Is the 2011-12 budget really balanced?
  - The Proposed 2011-12 Budget is balanced without depending on use of reserves
  - Savings were achieved through cooperation of employee bargaining groups
  - Additional positions frozen or eliminated

CAC Questions

- Did the City have to access funds under its control to meet payroll?
  - No, reserves were not used to meet payroll during 2010-11

CAC Questions

- What is the current status of the City's Reserve Fund and will there be any attempt to replenish it this year?
  - The Working Capital (Emergency) Reserve) stands at $2.5 million and Capital Projects Reserve stands at $1.2 million
  - Staff expect that 2010-11 will end with about a $3.2 surplus and that a contribution will be made to the Working Capital Reserve and the Building Inspection Reserve

CAC Questions

- Any movement toward construction of the Northside Branch Library?
  - Staff are working with the architect and the design will go to the Library Board in June and to the City Council in July (Project ID 939-9060)
  - Construction planned to begin in 2012 with opening late in 2013
  - Operating costs built into the Five-Year Plan but challenging to fund

CAC Questions

- Any movement toward reconstruction of the International Swim Center?
  - The Proposed CIP shows this project (Project ID 532-3172) as an unfunded project with replacement of existing Swim Center and facilities shown over the 2014-15 through 2016-17 fiscal years at an estimated cost of $58 million

Conclusions

- Have made significant progress but challenges continue
  - Great Recession impacts linger
  - Expenditure controls need to continue
- Outstanding & Dedicated Employees
- Santa Clara Community Works Alongside the City to Meet the Challenges

Conclusions

- Budget consistent with the Council Priority and Supporting Principles
- Budget consistent with Budget Principles for 2011-12 (adopted on April 19, 2011)
- Balanced budget for 2011-12

Conclusions

- Enterprise Funds: Rate increases will allow for continued reliable services and capital maintenance
- General Fund:
  - Second year of three year effort to balance structural deficit
  - Continue to explore strategies to balance ongoing revenues and expenditures
  - Proactively seek opportunities for economic development

Other Budget Decisions

- Give A Little…Help A Lot Fund
- Asset Seizure Funds
- Presentations by Groups Seeking City Funding
- Public Presentations

Presentations by Groups Seeking Funding

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Questions?

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