CITY OF SANTA CLARA

Proposed Annual Budget
Fiscal Year 2010-11

Study Session

May 25, 2010

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2010-11 Proposed Operating 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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2010-11 Proposed Operating 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
- Follow-up on Budget Study Sessions Questions
- Presentation by Groups Seeking City Funding

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Budget Briefings and Public Meetings for 2010-11 Budget

- **February 9 & March 9**: CDBG Public Hearings
- **March 30**: Mid-Year Financial Report
- **April 20**: Budget Status Report
- **April 27**: 2010-11 Budget Principles Adopted by City Council
- **April 29**: Budget Presentation to Chamber of Commerce Board of Directors

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Budget Briefings and Public Meetings for 2010-11 Budget

- **May 11**: Capital Budget Summary/Project Highlights
- **May 18**
  - Review of Five Year Financial Plan
  - Additional CIP Project Highlights
- **May 24**
  - Citizens Advisory Committee Budget Presentation

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Budget Briefings and Public Meetings for 2010-11 Budget

- **May 25**
  - 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 2010-11 Budget

- **June 15**
  - Public Hearing/Budget Adoption
  - Convention Center Maintenance District Hearing
  - Downtown Parking District (Franklin Square) Hearing
  - Municipal Fee Schedule Adoption

Additional Outreach for 2010-11 Budget

- **March 2010 *Inside Santa Clara* Article**
- **Published Budget Schedule in April 2010 *Mission City SCENES***
- **Municipal Cable Channel 15**
- **Front Page of City Website**

Additional Outreach for 2010-11 Budget (Cont'd)

- Two Memos to City Employees
- Memo to City Employee Bargaining Groups
- Memo to Board & Commission Members
- Additional Outreach Underway
  - June 2010 *Inside Santa Clara* Article
  - Budget Video For City Website and Cable Channel 15

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City of Santa Clara
Operating Budget
2010-11

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Proposed Annual Budget 2010-11

- Decrease in Appropriations of $20.7 million:
  - Resource and production costs decrease $20.3 million (Electric and Water Utilities)
  - Salaries and Benefits across all funds net decrease $4.0 million (includes anticipated attrition savings)
  - Debt Service decrease of $3.5 million
  - Interfund and Other increase of $3.4 million
  - Capital Improvements across all funds increase of $3.7 million

City of Santa Clara

2010-11 Proposed Annual Budget

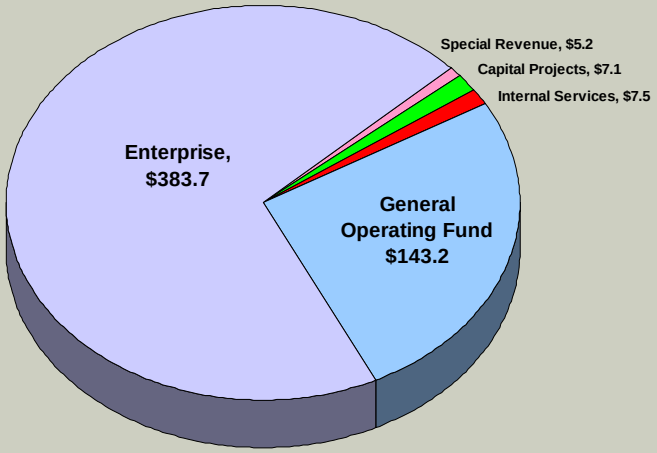
$546.7 Million

Fund ($millions)	Proposed 2010-11	Adopted 2009-10	Increase or (decrease)	Percent Change
Total City Budget	**$546.7**	**$567.4**	**$(20.7)**	**(3.7%)**
Operating Budget*	**$489.9**	**$514.3**	**$(24.4)**	**(4.8%)**
General Fund (w/Debt)	***$143.2***	***$150.8***	***$(7.7)***	***(5.1%)***
Capital Improvement	**$ 56.8**	**$ 53.1**	**$3.7**	**7.0%**

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

Proposed Annual Budget
2010-11

Total Resources - $546.7 million



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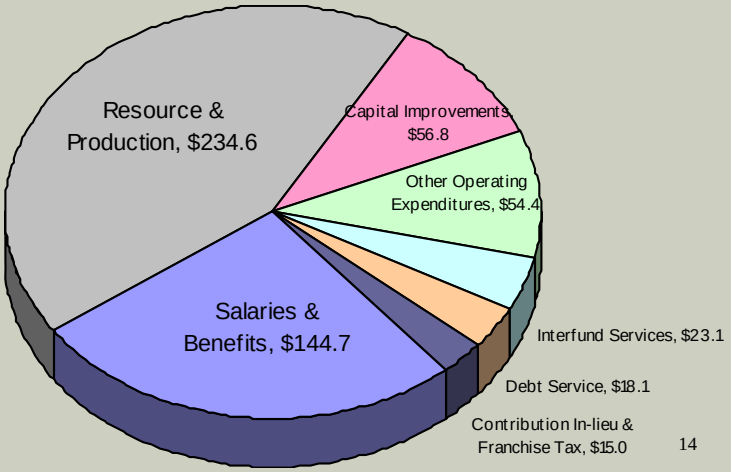
Proposed Annual Budget
Appropriations by Category
Total Appropriations - $546.7 Million



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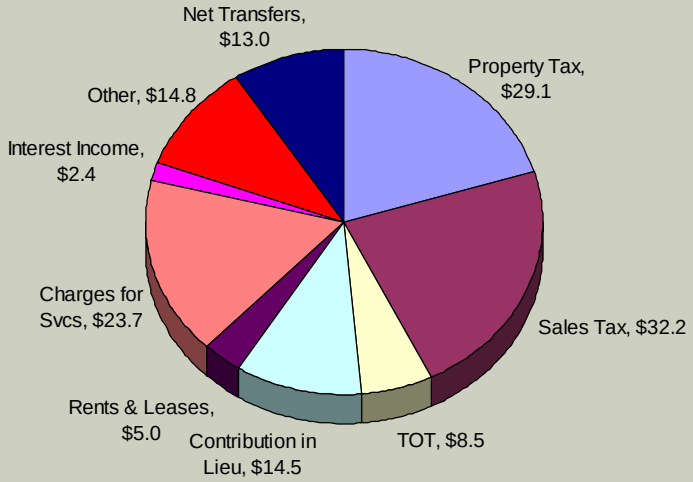
General Operating Fund
2010-11 Revenue by Source

Total Resources - $143.2 Million



2010-11 General Fund Budget

- Fiscal year 2010-11 showed a deficit of more than $20 million even with many strong steps taken to address the deficit including the ongoing managed hiring freeze
- Primary drivers include continuing revenue impacts from recession and contractually obligated salary and benefit cost increases

2010-11 General Fund Budget

- Decisive actions needed to balance 2010-11 Budget:
  - About 15% of the positions held vacant or eliminated - affects more than 100 positions and saves approximately $10 million (Ongoing)
  - Reduce City Manager salary by 10% (Ongoing)
  - Reduce as-needed and overtime budgets (Ongoing)
  - Reduce materials, services, and supplies budgets (Ongoing)
  - Increase fees to move closer to full cost recovery (Ongoing)

2010-11 General Fund Budget

- Decisive actions needed to balance 2010-11 Budget (Cont'd):
  - Refinance Police administration building debt (One-Time and Ongoing)
  - Refinance CalPERS miscellaneous plan unfunded liability (Ongoing)
  - Sell Altamont Pass property to Electric Utility (One-Time)
  - Charge staffing costs to CIP projects (One-Time – depending on projects)
  - Assume savings from voluntary time off program (One-Time/Short Term)

2010-11 General Fund Budget

- Decisive actions needed to balance 2010-11 Budget (Cont'd):
  - Remaining shortfall of $5 million assumed solved through additional frozen positions, reorganization/restructure of functions, reductions in employee-related costs, or other solutions

Budget Themes

- Use of Interns and Volunteers
  - Volunteer Santa Clara program
    - 1,404 active volunteers / 47,300 hours
  - Dedicated volunteers on boards & commissions
  - Police Department
  - Fire Department
  - Water & Sewer Department
  - Electric Department
  - Library
  - Parks & Recreation Department

Budget Themes

- Economic Development
  - City Council Economic Development Committee "Mission City 21"
    - 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
    - "Shop Santa Clara"
  - Funding for Convention-Visitors Bureau and operation of Convention Center

Budget Themes

- Minimizing Impacts on City Services
  - Proposed budget <u>keeps all City facilities open</u>:
    - 10 fire stations
    - Police Building
    - Northside Police Substation
    - Both City Libraries (reduced hours)
    - Parks & Recreation Facilities (reduced hours)
    - City Hall and Other City Offices

Budget Themes

- Minimizing Impacts on City Services (Cont'd)
  - Facility Impacts:
    - Central Park Library – 55 hours per week rather than 64 (reductions during lowest use times)
    - Mission Library Family Reading Center – 4 days per week, hours reduced from 46 to 26 per week
    - Senior Center – 53 hours per week (11 fewer) but still open 6 days per week
    - Teen Center – continues reduced hours from 2009-10 (4 hours per week)

Budget Themes

- Minimizing Impacts on City Services (Cont'd)
  - Departments working cooperatively with Water & Sewer Utility on Recycled Water Project
  - New IT Services agreement – lower cost
  - Program Impact Examples:
    - Vote Ethics Program funding reductions
    - Leadership Santa Clara funding reductions
    - "Inside Santa Clara" – 3 issues rather than 4 issues
    - Continue All-City 4th of July Picnic but eliminate fireworks

Budget Themes

- Minimizing Impacts on City Services (Cont'd)
  - Exploring New and Innovative Service Delivery Methods
    - Streamlined process for solar permits
    - Pilot program for every other month utility meter reading/billing for City facilities

State Budget Impacts

- State $2.05 billion RDA takeaway
  - Santa Clara's share is $9.8 million in 2009-10 and $2.0 million in 2010-11
  - California Redevelopment Association lost suit but is appealing this takeaway
  - These amounts are in addition to the 2004-06 RDA takeaways
- State continues to defer payment of gas tax monies
- Ongoing State Educational Revenue Augmentation Fund (ERAF) property tax shifts have taken about $60 million from the General Fund since the early 1990s
- League of California Cities actively engaged in efforts to close loopholes and stop State from deferring, borrowing, or taking local government monies

Reserve Status

- Working Capital (Emergency) Reserve
  - $8.9 million current balance
  - Expect to end 2009-10 with about $0.5 million due to additional recessionary impacts
  - Reserve not used to balance 2010-11
- Capital Projects Reserve
  - Only about $1.1 million will remain after use of $3.0 million in 2010-11

Reserve Status

- Land Sale Reserve
  - Policy is to preserve principal balance
  - Interest earned credited to General Fund
  - $17 million balance
- Building Inspection Reserve
  - 2009-10 shortfall to be covered by reserve
  - Anticipate to end 2009-10 with about $0.9 million
  - About $0.5 million at end of 2010-11 after funding for CIP projects

Enterprise Funds
Electric Utility

- Expenditures of $310.9 million, includes capital expenses of $33.3 million
- Operating budget decrease of $12.7 million, or 4.4% due to lower resource and production costs (e.g., retirement of NCPA Geothermal bonds)

Enterprise Funds
Water and Sewer

- Operating budget expenses of $41.8 million, decrease of 4.7% (lower water sales and sewer revenues due to economic downturn)

Enterprise Funds
Water and Sewer

- Rate increases for 2010-11 as follows:
  - Water: increase of $2.88 per month for average customer
    - Passed on from wholesale water suppliers
  - Sewer: monthly increase of $3.10
    - Increased operating and capital costs at treatment plant
  - Recycled Water: 9.3% increase

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Rate and Fee Impact
Enterprise Funds

Rate Type	*2010-11 Rate Change*
Electric Utility (Approved)	7% for Jan 2011
Water Utility Rate	$2.88 per month
Sewer Utility Rate	$3.10 per month
Recycled Water	9.3%

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

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Rate and Fee Impact
Enterprise Funds

Rate Type	*Monthly 2010-11 Rate Change*
Garbage Collection and Disposal Rate	$0.51
Residential Curbside Recycling Rate	$1.16
Clean Green	$0.98
Clean up Campaign Charge	No increase
Household Hazardous Waste Charge	$0.05

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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)

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City of Santa Clara

Redevelopment Agency (RDA)

and

Sports and Open Space Authority (SOSA)

Redevelopment Agency 2010-11 Proposed Budget

($ millions)

2010-11 Proposed	2009-10 Adopted	Percent Change
$61.5	**$37.8**	**62.6%**

- Includes $8 million for Walsh Avenue Sanitary Sewer Improvements project
- Housing projects for 2010-11 total $12.2 million
- Funding for annual debt obligations
- Pass through of $11.9 million of lease revenues to the City's General Fund
- $2.0 million State Educational Revenue Augmentation Fund (ERAF) takeaway for 2010-11
- Continues to fund Affordable Housing Set-aside at 30%, 10% more than mandated amount

Sports and Open Space Authority 2010-11 Proposed Budget
($ millions)

2010-11 Proposed	2009-10 Adopted	Percent Change
$6.0	$6.3	(5.4%)

- Golf Course budget of $3.2 million
  - Reflects increases in weekday and weekend rates for residents and non-residents in line with other comparable courses
- Transfer to City's General Fund of $2.6 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)

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Proposed 2010-11 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

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Conclusions

- Challenging Times
  - "Great Recession"
  - Most difficult budget process anyone can remember
  - Other cities facing similar challenges
- 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 2010-11 (adopted April 27, 2010)
- Balanced budget for 2010-11

Conclusions

- Enterprise Funds: Rate increases will allow for continued reliable services and capital maintenance, reduced structural deficits, and a small contribution to reserves (Electric)
- General Fund:
  - Significant work remains
  - Continue to explore strategies to balance ongoing revenues and expenditures
  - Team-based approach - input and participation from all stakeholders
  - Proactively seek opportunities for economic development

Follow-up to City Council Questions

- Additional information on CalPERS demographic assumptions
- Fairway Glen Park
- Northside Branch Library

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

Questions?