

FY 2021/22 and FY 2022/23 Proposed Operating Budget Responses to Questions from the 5/25/21 Budget Study Session

1. What are potential funding options to continue the Roberta Jones Jr. Theater Program? (Consider fee increases, grants, funding from companies)

Response: The Proposed Budget factors in on-going cost/expenditure reductions of \$200,189 in FY 2021/22 and \$205,427 from the elimination of the Roberta Jones Jr. Theater (RJJT) Program, partially offset by a revenue loss of \$68,000. Below is a discussion of the proposed program and a potential funding strategy for FY 2021/22 and FY 2022/23.

If the funding for the program is restored, the RJJT Program would include two shows (6 performances each) in FY 2021/22 given the start-up time necessary after operations have been suspended in FY 2020/21. In FY 2022/23, the RJJT Program would produce three shows (6 performances each). The funding could potentially be restored using a combination of increased revenues and use of the Land Sale Reserve.

- **Increased Revenues** – the goal would be to recover approximately 75% of the program costs through fees and other revenues. This cost-recovery goal is based on the individual versus community benefit level, with this program primarily benefitting the individual. The additional revenue could be generated by increased participant fees, increased ticket prices, and private donations and/or sponsorships.
 - Increase participant fees – Per the Municipal Fee Schedule, recreation class fees (range of \$0 - \$5,000) are based on the market rate and detailed in the Quarterly Activity Guide. Currently, the fee is set at \$136 per participant per show. If this fee is increased to \$275 per participant per show in FY 2021/22 and \$280 in FY 2022/23, fee revenue is projected to total \$41,250 in FY 2021/22 and \$63,000 in FY 2022/23. Income-based scholarships would be made available to ensure access to the program.
 - Increase ticket prices – ticket prices vary and have most recently ranged from \$7 to \$14 per show. If the fee is increased to a flat rate of \$20 per show, revenue is projected to total \$60,000 in FY 2021/22 and \$90,000 in FY 2022/23.
 - Seek private sponsorships – the City or organized participants can pursue funding from private companies, individuals, or grants to support the program. The goal would be to bring in sufficient revenue to close any funding gaps to reach at least the 75% cost recovery level. After reaching the 75% cost recovery level, these funds could also be used to subsidize the participant fees and/or ticket price, augment the program, or reduce the General Fund contribution.
- **Use of the Land Sale Reserve** – the use of the land sale reserve is a one-time funding source that could be used to support approximately 25% of the program costs in FY 2021/22 and FY 2022/23 (\$50,939 - \$52,427). On an ongoing basis, this funding level would need to be factored into the FY 2023/24 and FY 2024/25 Biennial Budget.

RJJT Program Funding	FY 2021/22	FY 2022/23
Participant Fees	41,250	63,000
Ticket Sales	60,000	90,000
Private Sponsorships	48,000	
Land Sale Reserve	50,939	52,427
Total	200,189	205,427

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2. How much would a Utility Users Tax (UUT) generate?

Response: City staff have raised the possibility of a UUT over the past years to stabilize needed revenue growth to support and expand City services. Many jurisdictions throughout this region and the State collect a Utility Users Tax (UUT) with varying rates. The amount of revenue would depend on the UUT rate and the utilities to which the rate was applied. Assuming a 5% rate applied to revenues, following are rough estimates of the UUT that could be generated.

- Electric Utility – estimate of \$24.7 million based on the Contribution In-Lieu (CIL) estimate for FY 2021/22. The CIL amount is also set at 5% of revenues. This would generate additional funding if both a UUT and the CIL are collected.
- Water Utility – estimate of \$2.4 million based on the FY 2021/22 proposed Charges for Services revenues of \$47.5 million.
- Gas Utility – estimate of \$1.2 million based on the rough estimate of 10% of the UUT receipts assumed by the City of San José, based on the relative population of both cities.
- Telephone Utility - estimate of \$2.1 million based on the rough estimate of 10% of the UUT receipts assumed by the City of San José, based on the relative population of both cities.

3. Are there funding needs related to Silicon Valley Power (SVP) for security?

Response: Funding is available in the FY 2021/22 and FY 2022/23 Proposed Operating Budget in the Electric Utility Operating Fund to cover anticipated security costs. A Request for Proposals (RFP) for these services is in progress.

4. How can we help food trucks with licensing/permitting?

Response: As part of the Municipal Fee Schedule, there are Solicitor/Peddler fees charged by the Police Department that would apply to the food trucks. In the Proposed FY 2021/22 Municipal Fee Schedule, the proposed fee is \$283 for a new applicant and \$150 for any additional employees. The annual renewal is \$100. By policy, the City Council can lower these fees as part of the approval of the Municipal Fee Schedule, but they would not be cost recovery which is inconsistent with the City Council's budget principle. If the Council would like to subsidize these costs, then the General Fund Budget Stabilization Reserve would need to absorb this subsidy.

In addition to the Police Department fees, the food trucks are required to have a City of Santa Clara business license (\$113 annually – this is a tax rather than a fee, and changes are subject to voter approval), Santa Clara County Health Certificate and appropriate insurance.

5. What are potential funding sources to address one-time funding needs identified for Transportation Demand Management program and to address train horn noise?

Response: The Council expressed interest in identifying one-time funding to support the Transportation Demand Management (TDM) program given the level of development and the need for an effective program. Consultant funding of approximately \$150,000 would be

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necessary to develop a standard format for TDM reports and to develop options for a future program for Council consideration (including future staffing needs, funding, and consultant support. The Land Sale Reserve or the Capital Projects Reserve could be potential funding sources for this effort.

The Council also expressed interest in one-time funding to explore establishing quiet zones for train horns. Based on staff's research, it is anticipated that \$300,000 would be necessary to support this multi-year process. The Land Sale Reserve or the Capital Projects Reserve could also be the potential funding sources for this project.

6. There were questions regarding employee pay cuts to help solve the budget deficit and the amount of savings already generated.

Response: All City employees, with the exception of the Mayor and Council, Chief of Police, City Clerk, Council Appointees (City Manager and City Attorney), and temporary staff, are represented by a union/bargaining unit. Additionally, Council Appointees have individual labor/employment contracts which contain provisions regarding employee concessions (e.g., impacted the same as Unit 9).

The Meyers-Milias-Brown Act (MMBA) governs labor-management relationships within CA local governments. (Gov. Code sections 3500-3511) The MMBA requires employers to meet and confer in good faith with the unions on issues involving wages, hours, and other terms and conditions of employment. This includes pay reductions. This City is not able to unilaterally implement pay cuts prior to completing the meet and confer process, along with any State process that either party may initiate (e.g., mediation, fact finding, unfair labor practice, etc.).

Additionally, with the exception of police, fire, non-sworn public safety, electrical, and engineer unions, all unions/bargaining groups and Council Appointees have already contributed concessions to address the City's fiscal condition. For example, the City has reached agreements with 5 unions that include 0% wage increases and freezing step or merit increases. The savings achieved for these items is approximately \$7.0 million in the General Fund (\$11.0 million All Funds). These savings have been factored into the budget and include the contributions of Council Appointees. Lastly, if public safety (police and fire) were to contribute concessions similar to the other bargaining groups/unions, that would result in an additional \$5 million concession value. The City is currently in negotiations with the public safety unions. Pay reductions must be weighed against current market conditions to recruit and retain staff. Given that other agencies increased revenue (e.g. sales tax, TOT, fees, etc.) there are regional cases where staff are getting pay increases and not pay cuts. This compounds our recruitment/retention issues.

7. What resources are available to help small businesses?

Response: The State of California budget includes funding for small businesses, including the California's Small Business COVID-19 Relief Grant Program (\$2.075 billion added in February 2021 to the \$500 million investment and an additional \$1.5 billion federal ARPA funds included in the May 2021 budget revision for FY 2021/22). Other actions include license renewal fee waivers for certain small businesses impacted by the pandemic and the

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conformance of state tax law to the federal treatment of Paycheck Protection Program (PPP) forgiven loans to allow most of the small businesses in California that received a PPP loan to avoid paying tax on that income and to be able to deduct expenses related to the loan in the event the loan is forgiven by the federal government. The May 2021 budget revision also includes a small business loan guarantee program, a Main Street small business tax credit, iBank's Small Business Center and the California Rebuilding Fund, and a California Dream Fund that provides micro-grants of up to \$10,000.

The City of Santa Clara has provided nearly \$1.7 million in grants to assist small businesses. The effort to build this program, review the more than 500 applications and approve/fund 248 applications required the efforts of 4 staff. If additional dollars were to be allocated, the Land Sale Reserve would be a potential funding source for any new City funds to support small businesses in FY 2021/22, and a reprioritization of staffing workplan may be required.

8. Are the Fire Department Photovoltaic System fees new and how much revenue is generated from these fees?

Response: In the FY 2020/21 Municipal Fee Schedule, there was one Photovoltaic System fee in the Fire Department totaling \$850.34. In the Proposed FY 2021/22 Municipal Fee Schedule (p. 7-27), this fee is broken out between commercial (\$864.00) and residential (\$432.00) customers. It is estimated that a total of \$25,056 will be collected in FY 2021/22, including \$12,960 from commercial fees and \$12,096 from residential fees.

9. Is there funding available for the Central Park North project?

Response: As part of the Related project, \$500,000 is allocated for outreach, engineering and design in the FY 2020/21 budget in the Parks and Recreation Capital Fund. These funds are tied to phase 2b, and funding will be received on a reimbursement basis. Depending on development activity, it is anticipated that there will be Park Mitigation Fee Act funds that could be used as seed money for these activities. Related has also committed to \$4.5 million as an initial phase for construction. As Phase 1 groundbreaking occurs, staff can work with Related regarding their willingness to assist the City with the timing of funds so that initial work (community outreach and preliminary concept planning) can occur. If additional funding beyond these amounts is needed, the Capital Projects Reserve would be a potential source. It should be noted that full funding to develop this part is not readily available and the City will need to develop a funding strategy in the near future.