Attachment 5

FY 2025/26 and FY 2026/27 Proposed Operating Budget
Responses to Questions from the 5/13/2025 Budget Study Session

1. **For the potential expansion of the City's fiber network, how will the fiber be used within the City?**

   Response: The City plans to hire a consultant with expertise in broadband networks to study deficiencies in internet options available to residents and businesses. The objective of the study is to recommend options to ensure that 100% of the City have reliable broadband access. At present, the City of Santa Clara (through Silicon Valley Power) installs and provides dark fiber connections to businesses. Potential solutions may include expanding the City's fiber program, establishing partnerships with private industry, and/or establishing a municipal broadband service. Staff does not have a desired solution, instead, we intend to seek options and recommendations from outside experts that will benefit Santa Clara's residents and businesses.

2. **Why does the Transient Occupancy Tax (TOT) revenue estimate increase approximately 20% from FY 2024/25 to 2025/26? Does this factor in growth associated with the major events scheduled for 2026?**

   Response: In FY 2024/25, the TOT revenue estimate was set at $22.9 million in the Adopted Budget. However, receipts are tracking to exceed this level with a year-end estimate over $25 million. Starting from this higher year-end estimate, collections in FY 2025/26 are projected to increase to $27.5 million. This reflects growth of approximately 9% from the FY 2024/25 revised estimate and 20% from the FY 2024/25 Adopted Budget. The FY 2025/26 estimate factors in the annualization of the TOT rate increase from 12.5% to 13.5% in January 2025 as well as continued growth in this category. The major events in 2026 are expected to contribute to this growth.

3. **For the library materials restoration, how much is funded and is there a balance that remains unfunded?**

   Response: There was an unfunded need of $290,000 annually to restore library materials funding. The Proposed Budget includes one-time funding of $145,000 in FY 2025/26 and FY 2026/27, leaving an unfunded balance of $145,000 each year. Restored funds will be used to support digital (60%) and non-digital (40%) materials, with a focus on items for children. With the restoration of Sunday hours, there is also more circulation of materials. Programming and the availability of materials go hand-in-hand in the comprehensive approach to library services.

4. **Do the additions in the Building Division take into account the internal audit of the Building Permitting Process?**

   Response: Yes, these position additions take into account the audit of Building Permitting Process. Additionally, an internal organizational review is being performed for City departments. Based on the results of this review, additional positions may be brought forward for City Council consideration to address recommendations from both the internal audit and organizational review. The results of the internal audit performed by Baker-Tilly are expected to be brought forward to the Audit Committee in June.

5. **Why is the Tasman/Lafayette Walkway Feasibility Study funded by the City's General Fund rather than the Stadium Authority?**

   Response: The initial feasibility study for a walkway/stairway from Tasman to Lafayette with an under bridge carve-out for rideshare is funded by the General Fund in the amount of $200,000; however, the City will seek additional funds from the Stadium Authority and private developments within the vicinity of the project, as well as Federal and State grant funds to support schematic

design, construction plans, and construction costs. While the area is used heavily during events at Levi's Stadium, there is a desire to enhance conditions at this location due to daily usage of the at-grade crossing for the Great America Amtrak Station near Levi's Stadium.

This study will analyze the situation, develop options, and prepare a cost estimate as well as incorporate a review of ADA requirements, right-of-way restrictions, and vehicle/pedestrian safety. As noted above, given that the potential walkway would provide a benefit to the community for general use as well as during special events, a combination of funding would be pursued for the project, including funding from the Stadium Authority, developer contributions, and grants in addition to the City's General Fund.

6. **Can staff provide a report on the utilization of the SV Hopper program?**

   Response: The Department of Public Works is currently working with VIA and the City of Cupertino to finalize a report regarding the SV Hopper Program. Once that report is complete, it will be distributed to the Council in the next couple of months**.**

7. **For the increase in the general liability insurance associated with major events in 2026, why is this funded by the City rather than the Stadium Authority?**

   Response: First, it is important to note that the figures listed in the proposed Special Liability Fund budget for insurance premiums are preliminary and represent the midpoint of the estimates received. The appropriate policy limits and self-insured retention are still under discussion with the City's long-time insurance broker, Alliant, and the policies have not yet been decided.

   For context, the City did not see any significant spike in claims arising from the Super Bowl 50 event, and we will take this into consideration when arriving at the final determination regarding coverage. Additionally, this is a potential change to the City's insurance coverage only, and would not extend to any private entity. Second, the Stadium Authority's standard non-NFL event insurance coverage limits will be purchased for the fiscal year and will be paid for through the Stadium Authority budget. The cost of specialty coverages (such as terrorism or active shooter coverage, or increased coverage as may be required by FIFA, above and beyond the standard SCSA coverage) for FIFA World Cup 2026 events will be borne by Bay Area Host Committee under the Assignment and Assumption Agreement. Third, the potential risk identified by Alliant for the City arises from an anticipated increase in visitors to all parts of the City due to special City events around Super Bowl LX and FIFA World Cup, visitors travelling to the City for these major events and exploring the entirety of the City in the process, as well as a general regional increase in interest in visiting Santa Clara due to the media coverage of the City. From a risk perspective, that increase in visitors translates to the potential for increased claims of various types. Such claims would be against the City, rather than any other entity, and would be addressed by the City's insurance coverage. Lastly, these issues were also discussed in the context of coverage for FY 2015/16 when the City hosted Super Bowl 50. The City decided that for the fiscal year, the self-insured retention would be decreased from $5M to $3M and the coverage policy limits for the City would be increased from $20 million to $65 million (the limits were decreased to $50 million in the years following). The corresponding increase in the premiums was a City expense, not charged to the Stadium Authority. The proposal for the current budget follows this model.

FY 2025/26 and FY 2026/27 Proposed Operating Budget
Responses to Questions from the 5/13/2025 Budget Study Session

8. **Are the latest cost estimates provided by Silicon Valley Regional Interoperability Authority (SVRIA) incorporated into the budget?**

   Response: The FY 2025/26 budget reflects the estimate provided by SVRIA in late February 2025. As the February estimate is slightly higher ($14,000) than Santa Clara's allocation adopted in March 2025, there is sufficient budget to cover the SVRIA costs for FY 2025/26.

9. **Are the latest cost estimates for the Water Treatment Plant incorporated into the budget?**

   Response: No, the latest cost estimates were received after the development of the proposed budget. The operations and maintenance costs are $0.3 million higher than the current proposed budget, while the construction estimate is $5.8 million lower than the current proposed budget. Overall, the five-year CIP total for the Regional Wastewater Facility is largely unchanged.

   As part of the adoption of the FY 2025/26 and FY 2026/27 biennial operating budget on June 10th, staff will bring forward these adjustments to the operating and capital improvement program budget in the Sewer Utility funds to reflect these updated costs for the Regional Wastewater Facility.

10. **For the major events in 2026, how are these being supported by staff? Are there additional positions recommended to address the workload?**

    Response: The major events are supported by existing staff, as needed staff, the use of overtime, and staff from outside agencies (e.g., Police officers from other jurisdictions). There are no new positions added for support for the Super Bowl and FIFA.

11. **For the unfunded City Council Priorities, when will these be revisited? Were any previously identified priorities removed from the list?**

    Response: Staff is currently working on developing reports for City Council consideration related to some of the unfunded priorities including but not limited to: RV Parking, Vision Zero, parking, etc. Those reports will be presented to the City Council as they are completed. In fall 2025, staff will return with a biannual update on the Council Priority Initiatives with a summary of progress on each item. In addition, staff is working to develop a public dashboard to efficiently provide updates on the progress of Priority Initiatives.

    The 2024 Council priorities, which were summarized in the 2024 City Council Priorities Summary Report, have been categorized as follows:

    1. **Priority Initiatives (Underway/New)**. During the May 13th Budget Study Session, the presentation slides highlighted several priority initiatives that are currently underway and ones that require additional funding. These are items staff will continue to work on.

       For the priority items requiring additional funding, staff will be bringing forward some of the items during the next fiscal year. In addition, items will be revisited as needed as part of the biannual updates and the annual budget process.

    2. **Completed:** Items identified as complete in the 2024 Council Priorities Summary Report were removed from the tracking list. These include the following:
       - Pursue a Bond Measure for Infrastructure Investment
       - Hire an Economic Development Director

- Restore Funding for Police Park Patrols
- Request for Speaking at Events
- Expand Councilmember District Communication Options
- Pursue an Admission Tax on Ticketed Entertainment Events

3. **Baseline /Ongoing:** The items which are baseline for City staff will no longer be tracked on the future dashboard for the Council Priorities. These include the following:
   - Write better City Contracts without ambiguity to protect City Rights
   - Manage Pension Liability and Salaries
   - Understand the realities of Grants and/or Low-cost Loans for Infrastructure
   - Create and Fund a Grant Writer position focused on Federal Grant Opportunities
   - Support Resident Youth Groups and Programs, Senior Programs, and Community Activities and Placing the needs of the Community first
   - Implement more Community Benefits that Celebrate the City's diversity and culture (dog parks, cricket fields, and placemaking)
   - Identify Areas where the City can Reduce Spending
   - Use of Technology to Solve Traffic Issues / Intelligent Lights

12. For the General Obligation Bond projects, how can changes to the expenditure plan be brought forward for consideration based on needs?

Response: The expenditure plan for bond proceeds was adopted by the City Council on July 16, 2024. Ordinance No. 2069, Section 13(b)(ii) outlines the process to amend the expenditure plan: "City staff shall review, analyze and make a recommendation on any proposed substantive amendment to the Expenditure Plan ("Amendment"). Prior to City Council consideration, any such proposed Amendment shall first be submitted to the Bond Compliance COC for their review and recommendation. Any proposed Amendment shall require the unanimous approval of the City Council."

13. With the number of City Council priorities, does the City administration have the capacity to address all of these priorities?

Response: The City administration will continue to balance the City Council priorities with the other day-to-day operations. The work on the Council priorities can impact the ability to make progress in other areas given staff capacity. As we move forward, it will be important to manage the total number of Council priorities that are being pursued at a given time to ensure those priorities can be successfully implemented while we continue to deliver a high level of service to the community.

14. For the capital infrastructure funding, the $10 million ongoing amount built into the Ten-Year General Fund Forecast seems low. What would be a realistic amount to budget to address the needs? Should the City's budget policy regarding the Capital Projects Reserve be revised with a new goal rather than the minimum balance of $5 million?

Response: The $10 million built into the General Fund Forecast over the ten-year period was a first step in setting aside funding for ongoing infrastructure maintenance but does not address all of the funding needs. The Fiscal Sustainability Project that is proposed to be funded in the Proposed Budget will evaluate the ongoing needs as well as potential funding strategies for the City's infrastructure. The results of this Plan may also inform an update to the City's Budget and Fiscal Policies that currently sets the General Fund Capital Project Reserve at a minimum of $5 million.

Council may direct staff to bring forward a revision to the policy that would be approved by the City Council. Staff recommends that this be done in concert with the Fiscal Sustainability Project.

15. What labor costs are assumed in the Ten-Year Forecast?

Response: The General Fund Ten-Year Forecast builds in the labor cost assumptions for all salary and benefit categories. For instance, salary costs are based on negotiated labor agreements and/or assumed growth, retirement costs are based on information from CalPERS and the City's actuary, health costs are based on projected increases to premiums and negotiated labor agreements regarding the City's contributions for specific plans, other post employment benefits (OPEB) are based on information from the City's actuary, and social security and Medicare costs are based on required contributions. There are several labor costs tied to specific bargaining units such as Peace Officer Standards and Training (POST) pay for sworn police staff, education incentive pay for firefighters, holiday pay for police and fire positions, specific equipment and uniform allowances, car allowance, bilingual pay, City-paid deferred compensation, Voluntary Employees' Beneficiary Association (VEBA) contributions, City-paid vision, employee assistance program, and dental.

The labor cost assumptions are applied to the individual positions. In developing the labor costs, staff downloads employee-specific data each year, such as the salary/salary step data and the benefit selections (e.g., health election).

16. How is the City managing the unfunded pension liability?

Response: The City contributes funds to a Pension Stabilization Reserve (Trust). The current budget policy is to fund 1% of the value of the City's unfunded liability annually. These funds are added as part of the year-end budgetary report in December each year. While the City's CalPERS plans are currently funded below the state average, the City's Trust has a balance of $49 million that brings the plans closer to the average. This amount raises the funding ratio (actuarial asset value as of June 2023) from 61.9% to 64.5%, compared to the State average of 70%. The Council could decide by policy to fund additional amounts; however, given resource constraints, staff would recommend that a policy decision be brought forward after the Fiscal Sustainability Plan project. Pre-funding options have been evaluated by staff and are not recommended at this time due to additional risk this strategy could provide to the plan. The City's ability for plan design changes would require further analysis and staff will include this scope as part of the Fiscal Sustainability Plan project.

17. What are the separate budgets and position counts for the Police and Fire Departments?

Response: In FY 2025/26, the Fire Department budget totals $81,298,549, or 4.5% of the total City budget, with 175.50 positions (14.6% of total budgeted positions). The amount for the Fire Department represents 21.1% of the General Fund.

In FY 2025/26, the Police Department budget totals $100,425,435, or 5.6% of the total City budget, with 231.00 positions (19.3% of total budgeted positions). The amount for the Police Department represents 29.8% of the General Fund.

18. Are there sufficient Information Technology staff to address the workload, including changing needs such as AI, and what would the two new positions (one in FY 2024/25 and one proposed for FY 2025/26) be assigned?

Response: The current IT staffing model combines a limited number of city staff with a contracted service provider, Unisys. This contract is recommended to be extended through December 31, 2025 (as a separate item on the May 27th Council agenda), while a longer extension is being negotiated through the closeout of the 2026 special events. At the same time, an IT review will be conducted to determine the long-term strategy for the delivery of these services. In an effort to improve efficiencies, streamline processes, and enhance the end user experience, two new Senior IT Services Manager positions have been added, one in last year's budget and one proposed to be added for FY 2025/26 to focus on departmental applications and projects, including the use of AI in the workplace.

19. Are the park in-lieu fees sufficient to purchase park land? How are the needs for new park space and improved park space being balanced?

Response: By internal policy, approximately 25% of the park in-lieu fees are allocated to the Parkland Acquisition Project in the Parks and Recreation Capital Fund, which has a current estimated balance of $11.5 million. The current fair market value for an average acre of land ranges from $5.25 million (North Santa Clara) to $5.65 million (West Santa Clara). Most of the property for sale throughout Santa Clara (including North Santa Clara) has a facility/building asset that will also factor into the land/property value. An estimated 3-5 acres is required to develop a neighborhood/ community park with adequate amenities such as off-street parking, restrooms, open space, playground(s), picnic tables, walking paths, and optional sport courts (tennis, basketball, pickleball). The Parks and Recreation Department will be issuing a Request for Proposal (RFP) within the next fiscal year for a vendor to assist with the identification and potential purchase of parkland. Additionally, the Parks Master Plan will be finalized within the calendar year and assist City Council and staff in prioritizing and balancing the approach to parkland acquisition and improving existing parkland, including the 32 acres located in North Santa Clara within the Related Project.

20. How much does the City spend supporting the unhoused? How are we addressing the service needs?

Response: Between FY 2022/23 through the current fiscal year, the Housing Division has spent an annual average of approximately $0.9 million on services for the unhoused and homelessness prevention (e.g., partnering with the County of Santa Clara for intensive case management, tenant-based rental assistance, and mobile shower and laundry services). These amounts reflect spending in the various Housing special revenue funds (Housing Authority, City Affordable Housing, Housing Successor Agency, and Housing and Urban Development). Funding for these services is incorporated into the ongoing budget in the Housing Division. Not included in the $0.9 million are funds spent by other departments (Police, Code Enforcement, etc.) to address quality of life issues and complaints related to the unsheltered population.

Additionally, the City received a $1.8 million grant from the State of California for the Santa Clara Overnight Care Locations pilot program. Staff proposes to use this grant funding to support initial investments in an emergency and inclement weather shelter program for unhoused residents and to conduct mobile outreach and case management citywide for a two-year period. This project will come back to City Council for approval by early summer 2025.

The City is planning a City Council Study Session on July 8th for a discussion on a citywide plan to reduce homelessness and its impacts, which includes additional future services to support the unhoused.

FY 2025/26 and FY 2026/27 Proposed Operating Budget
Responses to Questions from the 5/13/2025 Budget Study Session

21. Are there ongoing positions funded with one-time funds? How will those costs be addressed moving forward?

Response: The budget includes 7.35 positions that are recommended to be funded by the General Fund on an ongoing basis. These include 1.0 Management Analyst to help manage the Homelessness Response Plan; 1.0 Staff Analyst for Housing Element implementation support; two positions (1.0 Accountant, 1.0 Management Analyst) to support a revision of the City's practice to charge public works staff directly to projects; 1.0 Recreation Manager to support Parks and Recreation capital projects and programs; 1.0 Management Analyst to support sustainability / Climate Action Plan; unfreezing 1.0 Legal Office Specialist; and 0.35 portions of positions in Finance and Fire. These positions were identified as the highest needs to deliver current City Council priorities and support operations in key areas. While the FY25/26 and FY26/27 costs are funded with one-time resources, the ongoing cost (if approved) will be included in the 10-year forecast and will be factored into the solutions needed through the Fiscal Sustainability Plan project.

22. Are there additional surplus funds in the General Fund projected for FY 2024/25?

Response: Yes, the General Fund is tracking to end FY 2024/25 with a surplus. Several General Fund revenues are tracking to exceed the budgeted estimates and expenditures are also expected to end the year below budget. In the FY 2025/26 Proposed Budget, $13.7 million of the anticipated surplus was factored into the budget balancing, including revenue from the Stadium Authority as well as higher projected Sales Tax to restore the Budget Stabilization Reserve to 25%. Additional surplus funds are expected to be generated above these amounts and will be reconciled as part of the FY 2024/25 Year-End Budgetary Report that will be brought forward to the City Council in December 2025. The goal is to end each fiscal year with a positive balance with targeted excess revenues of 2% and expenditure savings of 2%. These surplus funds have historically been the source of funding to support the City's infrastructure needs, contributions to the Pension Trust Reserve and the Budget Balancing Reserve, and to address other needs that arise after the adoption of the budget.

23. What is the overall increase in salaries and benefits in the Proposed Budget?

Response: The overall increase in salaries and benefits between FY 2024/25 and FY 2025/26 is $39.5 million or 11.4%. This increase reflects adjustments to salaries, including as-needed staff, totaling $12.6 million (31.8%), and overtime, totaling $7.3 million (18.2%). The majority of the overtime increase ($5.3 million) is associated with special events at the Stadium that will be reimbursed. In addition, $11.3 million, or 29%, of the changes are due to increases in retirement costs, health allocations, and other benefits.

The remaining amount of $8.3 million, or 21%, reflects the increase in budgeted positions between the two fiscal years, including changes approved by the City Council during FY 2024/25 (18.25 positions) and proposed changes recommended as part of the FY 2025/26 and FY 2026/27 operating budget (21.00 positions).

24. How much funding is budgeted for a City Charter amendment and why is that incorporated now?

Response: The Proposed Budget includes additional $100,000 for elections in the City Clerk's Budget in FY 2026/27 for a potential City Charter amendment. These funds are budgeted in the General Fund. The 2025 Governance and Ethics Committee Workplan approved on May 1, 2025,

includes a Comprehensive City Charter Update proposal to make corrections and update the City Charter to be consistent with current, best practices for City operations. This proposal is expected to be brought forward to Council within the next 30 to 45 days for Council consideration and direction. The Proposed Budget provides funding to bring forward a measure in FY 2026/27 based on the outcome of this work. These funds would be returned to the General Fund if a Charter Amendment does not move forward.

25. How much funding is set aside for major events? A dashboard with expenses and reimbursements would be helpful to inform the Council and the public.

Response: The FY 2025/26 proposed budget includes $11.4 million for personnel and non-personnel costs (e.g., equipment, training) associated with Super Bowl LX and FIFA World Cup 2026 events, while the FY 2026/27 proposed budget includes $1.2 million for salary costs associated with the FIFA World Cup events. All of these costs are budgeted to be reimbursed.

Information will be provided through an online dashboard reflecting cost estimates and reimbursement status on a quarterly basis for each major event.

26. Will the time spent on major events displace normal City service delivery? How much of our City services are being impacted?

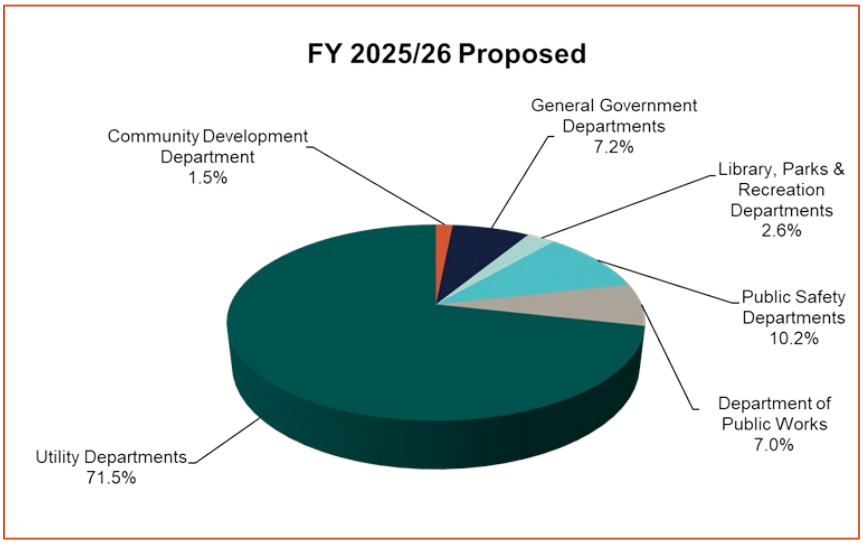
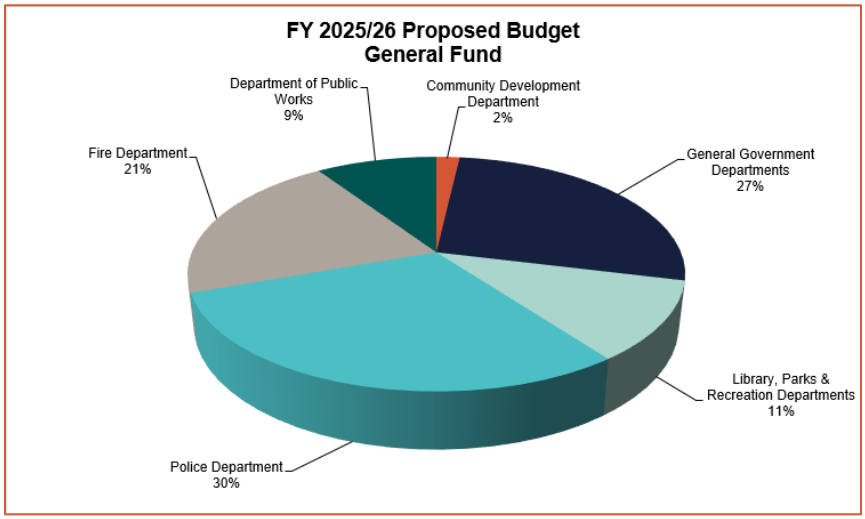
Response: The time spent on major events is expected to have minimal impact on normal City service delivery. Most of the other labor-related resources are provided through overtime, as-needed staff, and other partner-agencies. These categories add capacity to support the special events beyond the base level of service provided by existing staff.

As shown in the table below, City salary costs represent a small portion of the total labor-related costs associated with the special events, primarily in the Police and Fire Departments. The Police staff are assigned to Special Events Division as part of their normal staff assignments.

Department	Salaries	Overtime	As Needed	Other Agencies	Total Labor	Non-Personnel	Total Costs
Police	1,126,626	4,401,171	1,038,994	2,134,495	8,701,286	1,264,802	9,966,088
Fire	294,602	722,965	8,137	-	1,025,704	8,100	1,033,804
Public Works	143,549	224,644	101	-	368,294	-	368,294
Information Technology	-	-	-	-	-	40,500	40,500
General Admin	9,387	-	-	-	9,387	-	9,387
Total	**1,574,164**	**5,348,780**	**1,047,232**	**2,134,495**	**10,104,671**	**1,313,402**	**11,418,073**
% of Total	13.79%	46.84%	9.17%	18.69%	88.50%	11.50%	100%

Following the May 13, 2025 City Council meeting, staff received one additional question from a City Council member on the proposed budget. That question and the staff response are below.

27. In the budget briefing, there was a slide showing public safety costs as a percentage of the total $1.6B budget in a pie chart. Could we also get a pie chart of public safety costs as a percentage of the general fund budget expenses (not counting reimbursable costs from Levi's stadium) events?

FY 2025/26 and FY 2026/27 Proposed Operating Budget
Responses to Questions from the 5/13/2025 Budget Study Session

Response: The requested charts are below. All funds, public Safety represents 10% of the Proposed Budget. In the General Fund, Public Safety represents 51% of expenditures. The percentages for Public Safety do not include costs associated with Levi's Stadium events.