

Current Budget Deficits — COVID-19 Turns Up the Heat on City's Simmering Budget Problem

BY CAROLYN SCHUK

Although their cause is unprecedented, Santa Clara's current budget woes aren't an anomaly. Since 2000, the City's budget has had a structural — chronic — deficit that keeps the City's budget seesawing between deficits and surpluses. The COVID-19 pandemic has accelerated the pace.

In 2001, the economic crash caused by the dot-com bust and September 11 hit the City budget.

But four years after that crisis, in 2005, then-City Manager Jennifer Sparacino warned that the biggest problem in Santa Clara's budget wasn't the economy. It was a structural deficit, Sparacino told the Council, that wasn't going to be fixed without structural changes that would increase revenue or cut expenses.

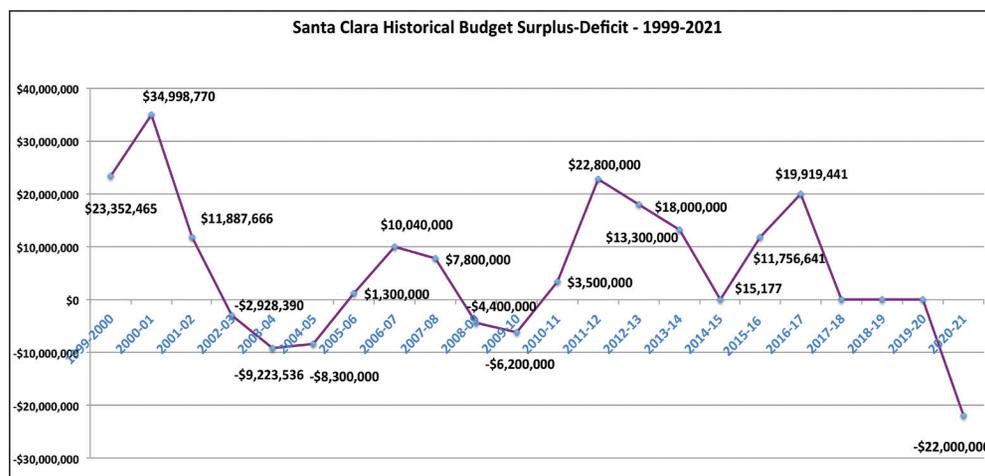
History has proved Sparacino's analysis correct.

From a \$34 million surplus in 2000, the City posted a \$3 million deficit in 2003. Three years later the City posted a \$13 million surplus. Another three years later the City posted a combined \$10.6 million deficit in 2009 and 2010, the immediate cause being the Great Recession and the real estate meltdown.

The City Council's response to these cyclic deficits was not to heed Sparacino's warnings. It was to spend down the City's emergency reserves — recently renamed the budget stabilization reserves.

When, in 2011, the reserve accounts held little more than moths — by law, cities must have balanced budgets — the Council finally agreed to act.

"I've worked for the City for the last 30



years and the situation is by far the worst I've ever seen," Sparacino told the Council at an April 2010 meeting.

The City froze or left vacant 100 open full-time positions, cut about 10 full-time positions, and negotiated with eight of the City's employee unions for pay concessions — one day a month furloughs and a moratorium on raises. Two of the City's unions chose layoffs rather than concessions.

At that time, then-City Manager and elected officials took voluntary salary and stipend cuts. City Hall, library and the Senior Center hours were cut. As-needed staffing and overtime budgets were cut. Funding for outside groups and City events was cut. Fees and charges for services increased. Materials, services, and supplies budgets were pared to a bare minimum.

And the City sold property it owned on Altamont Pass to Silicon Valley Power — a transaction that put cash into the general fund and put the asset on SVP's books.

The City broke even in 2012 and man-

aged to end the year with a \$3.5 million surplus. But most of these measures were one-time fixes.

Furloughs, for example, only affect current payroll. They don't affect the City's pension costs, which continued their steep upward climb.

After the crisis passed, hiring and raises proceeded apace, often with higher percentages to compensate for lost pay. And between 2017 and 2020 many new management positions were created and salaries ballooned.

A few things — such as Triton Museum funding, which accounts for about 1/1,000th of general fund spending — were never restored.

As the economy bounced back, the City enjoyed surpluses and rebuilt its reserves after 2012. The opening of Levi's Stadium delivered about \$3 million a year directly to the general fund, as well as increases in sales tax revenue.

Skyrocketing real estate values made

property tax Santa Clara's top revenue source for the first time. New development fees, proposed by former City Manager Julio Fuentes, brought funding for new and renovated parks.

Despite the revenue growth after 2012, surpluses dwindled to nothing in the last two years, with the 2019 forecast showing deficits through 2023.

And now, what was expected to be a \$1.6 million deficit this year has become a \$23 million shortfall.

City Hall has taken some action already, as current City Manager Deanna Santana reported in May. These include a hiring freeze, stricter expenditure controls, a 50 percent cut in temporary staff, limits on travel and training, reduced IT and vehicle purchases and a review of current contracts.

Nonetheless, the City will have to spend down \$11 million of the budget stabilization reserve to balance the 2020-21 budget. This still leaves over \$60 million in the reserve fund.

"We are working with our bargaining units to determine whether they will participate in cost reductions," Santana wrote in an email. "We will provide updates to the City Council on budget reduction actions in September and other proposals may be necessary for the December 2020 timeframe."

The City is also looking at long-term revenue boosts, which won't help the immediate situation, but would help stabilize the budget in the long term. One of these is increasing the hotel tax (transient occupancy tax), which is on November's ballot. This could generate up to another \$7 million for the general fund in future years.

SCU's DACA Community Feels Only Slight Relief After Supreme Court Ruling

BY ERIKA TOWNE

In early July, the Supreme Court ruled that President Donald Trump was not allowed to revoke the Deferred Action for Childhood Arrivals (DACA) program put in place by his predecessor, President Barack Obama. The program grants temporary legal status to people who were brought to this country as children, provided they graduate from high school or are dishonorably discharged from the military and pass a background check.

Members of Santa Clara University's (SCU) DACA community say things were very tense ahead of the Supreme Court decision.

"In the weeks leading up to the DACA decision, I know that for myself and for the couple of students that I was talking to, the stress level was at a height that I hadn't seen

it before because it's so uncertain and it's so out of your hands," said Karla De La Torre, the Director of Student Life at SCU's law school. De La Torre graduated from SCU in 2009 and SCU's law school in 2014. She is also DACA.

Diana, a DACA recipient who recently graduated from SCU and is working towards her Masters in Education, says she was preparing for the worst.

"I was getting ready to say goodbye. I was telling everybody, 'This isn't going to happen. I'm only going to be here for one more year.' Kind of prepare myself mentally to do that," said Diana. "When the Supreme Court said that DACA could stay alive and other people could apply, I felt really relieved. I was really happy because it meant that at least for another three years — if and when my application for renewal is approved — I

get to finish my Masters and continue my education and continue doing what I love, which is teaching and education."

While both women are thankful for the positive decision, they know more work needs to be done.

"I just hope that people don't rest on the laurels of this...they're not all encompassing," said De La Torre. "I just hope that people continue to fight and continue to advocate for the changes that need to happen. By that, I mean comprehensive immigration reform."

Erin Kimura Walsh, who works in SCU's DACA and undocumented students, says even with the Supreme Court ruling there is still a high level of concern amongst students.

"I think all of our students are incredibly concerned and I think all of us who support

them are concerned as well," said Walsh. "The Supreme Court case is just one little piece...of this bigger puzzle."

SCU offers scholarships and support to DACA and undocumented students including resource days to try and help them remedy their status.

Walsh points out that many of the current SCU students aren't DACA, they're undocumented. That's because they were too young to apply to the DACA program when it was halted in 2017 or they were simply too scared. She says, even today, many are too scared to reveal their status to even their closest friends.

"Increasingly, I feel like more of our students are much more hesitant to share; much more fearful," said Walsh. "I think some