



ADOPTED BUDGET AND RESOURCE ALLOCATION PLAN

Fiscal Year 2002/2003
Twenty-Year Financial Plan

VOLUME I Budget Overview & Operating Budget

Introduction; Budget Overview; and Operating Budget





**Adopted 2002/2003 Budget
and
Ten-Year Resource Allocation Plan**

**City Manager's
Adopted Budget Message**

CITY MANAGER'S ADOPTED BUDGET MESSAGE

I am pleased to present the FY 2002/2003 Budget and accompanying Ten-Year Resource Allocation Plan, as adopted on June 25, 2002 by the Sunnyvale City Council. The specifics of the budget as recommended to Council are discussed in detail beginning on the next page. This addendum addresses the adoption of Budget Supplements and amendments to the Recommended Budget. The expenditures and revenues for each supplement and amendment have been incorporated into the appropriate projects and operations budgets of this final document.

Budget Supplement #1 provides for additional funding to recruit, select and train additional Public Safety Officers to keep pace with significantly increasing rates of attrition over the next two years. The funding also includes two additional Public Safety Lieutenants for two years to provide the necessary additional supervision of trainees in the Police Academy, Fire Academy and Field Training Programs. Because this request is to supplement current recruitment levels for this unique circumstance, the additional funding is budgeted for two years only.

The second Budget Supplement funds one additional Performance Auditor in the Department of Finance, allowing one auditor to focus full-time on the audit component of the City's Planning and Management System.

Funding is provided through Budget Supplement #3 to increase the Department of Public Works – Traffic Engineering Division's budget. The funding will increase resources for additional traffic calming studies and projects.

Budget Supplement #4 provides funds for the production of a recruitment video to strengthen the Boards and Commissions Program. This is a one-time expense.

The fifth Budget Supplement increases the annual fee waiver program budget to provide continued opportunities for participation in recreational activities by economically disadvantaged citizens.

In addition to these supplements, Council approved four amendments to the Recommended Budget. I will briefly describe them here.

First, Council appropriated \$4,000 to provide additional funds to the Cupertino Community Services' Rotating Shelter Program. The Rotating Shelter Program provides shelter to the homeless in Sunnyvale. The funds are included in a special project.

Secondly, Council responded to a request from Junior Achievement (JA) by appropriating up to \$10,000 in matching funds for JA's efforts to improve the workforce readiness of local youth. The funds are included in a special project to be

used to help students develop skills in math, reading, language arts, social studies and geography. JA met the matching requirements for last year's appropriation.

The recommended budget provided funds for the preliminary work in realigning the Lawrence Expressway and Wildwood Avenue intersection. Council appropriated an additional \$1.6 million to this project to fully fund the realignment design and construction.

Lastly, Council appropriated \$5,000 to the Council travel budget for travel related to increased representative responsibilities. This funding is for one year.

The FY 2002/2003 Budget provides for the continuation of our high levels of service, despite the recent downturn in the economy. Our long-range plan ensures that we will continue to maintain the service levels and meet the challenges and opportunities of the future. The enhancements I have outlined here are just a few of the ways in which we are improving services and continuing our long tradition of providing outstanding public service.

Respectfully,

By: /s/ROBERT S. LASALA
Robert S. LaSala
City Manager

August 28, 2002



**Adopted 2002/2003 Budget
and
Ten-Year Resource Allocation Plan**

**City Manager's
Letter of Transmittal**

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Honorable Mayor and Members of the City Council:

CITY MANAGER'S MESSAGE

I am pleased to present for your review and consideration the recommended FY 2002/2003 Budget and accompanying Ten-Year Resource Allocation Plan (RAP). In addition, financial projections are provided for a second ten years, ensuring a full 20-year perspective for financial planning. In keeping with Council policy, each fund is balanced to the twentieth year.

This is the first year of the two-year operating budget cycle. The two-year cycle for operating programs recognizes that service levels change only modestly from year to year and that resource requirements can be effectively planned over that time frame. Since most operating programs are not extensively reviewed for the second year, a significant amount of staff time is saved. This staff time can be directed toward service provision, continuous improvement efforts, and Council study items. However, certain key factors in the operating budget, such as major revenue sources, personnel costs and enterprise activities, are reviewed each year in order to ensure the accuracy of our long-term projections. These factors are discussed in more detail later in this Transmittal Letter.

In keeping with the separation of the operating and project budget cycles, FY 2002/2003 is the second year of a two-year projects budget. For this submittal, project scope or cost was updated as necessary, and a small number of new projects were proposed. As a result of the project budget process this year, I am recommending \$29,381,466 in capital and special projects in FY 2002/2003 and a total of \$111 million in projects over the ten-year planning period. This ambitious project program, which began last year, has been made possible, in large part, because of special funding available for areas such as streets, transportation and parks as well as the issuance of Wastewater Revenue bonds. Details of the project budget are included in the *Major Project Efforts* section of this Transmittal Letter as well as in discussions of the individual funds.

The national economy has been in a modest recession for nearly sixteen months. Silicon Valley has experienced more dramatic effects of the economic slowdown. The regional recession has been far deeper and is expected to trail the rest of the country in recovery. Sunnyvale's unemployment rate has risen from a low of 1.2% to 6.5%. Business activity has slowed dramatically as evidenced by a severe drop in Sales Tax and Transient Occupancy Tax collections. This economic contraction was further exacerbated by the cautious economic response of our population to the September 11th tragedies.

While all economic signals suggest a slow and modest recovery may be underway, prudent government financial planning dictates a cautious approach to revenue anticipation and expenditures. Technology and software purchases coupled with employment expansion lag the economic recovery. These factors will slow local governments' resource recovery.

The headlines in the newspapers announce fee hikes, job cuts, and service reductions in our surrounding communities. The estimated state budget deficit has grown over the last nine months from \$15 billion to \$22 billion and climbing. Can the governor keep his promise not to cut State-shared revenues to local governments?

The City's strategies of long-range financial planning, our commitment to setting service levels based on predictable amounts of revenue ("living at the trend line"), and our preservation of excess revenues during robust economic times for nonrecurring events and reserves will protect high levels of service in the City no matter what fluctuations occur in the economy. However, these practices cannot completely protect us from the massive shifts of State-shared revenue from local governments to help solve the State budget crisis. Therefore, we must adhere to our successful financial and management practices and begin exploring options for new revenues and expanded revenue possibilities where we have not fully utilized existing ones. We must also recognize that service reductions may be an option as well in future budgets. The Council, staff, and community will need to evaluate these choices so that we are well prepared to respond to any further revenue reductions by the State.

Our systems and our history of results have generated a high level of trust and confidence from the community, as evidenced again in the 2001 citizen opinion survey.

Despite the power of our system of governing, we continue to seek opportunities to use our planning and management tools more precisely to accurately position ourselves to respond to rapid change. To this end, we continue to refine our planning tools so that they are more flexible, user friendly, and are meaningful to more employees throughout the organization.

THE SUNNYVALE APPROACH TO BUDGETING

Sunnyvale's approach to budget preparation is a central part of the City's Planning and Management System (PAMS). Key elements of the PAMS framework include:

- Long-range strategic planning (the General Plan Elements and Sub-Elements),
- Long-term financial planning (the Ten-Year Resource Allocation Plan, which includes projections over a 20-year time frame),
- Short-term allocation of resources (the two-year action budget),
- The Council Study Issues process,
- Performance "contracts" for Management, and
- Annual performance reporting and evaluation.

This integrated framework has enabled the City, over time, to accomplish the long-range strategic goals established by Council in the General Plan Elements and Sub-Elements. PAMS has assisted the City in maintaining, and even expanding, services during times of numerous Federal/State mandates and revenue restrictions or reductions. PAMS has also served as a valuable tool in producing and capturing remarkable gains in efficiency and productivity.

The Fiscal Sub-Element of the General Plan requires that the City Manager annually propose a budget that is balanced not only for the budget year, but also for the Ten-Year Resource Allocation Plan. Since FY 1993/1994, Council has approved a financial plan that has been balanced to the twentieth year. The long-term nature of the City's financial planning system allows decision-makers to better understand the true effect of policy decisions. Because City practice has been to prepare a fully balanced 20-year financial plan, it effectively requires that decisions made today guarantee that the resources will be available to provide quality services in the future. The Ten-Year Resource Allocation Plan prevents wild swings in service levels during the upturns and downturns of economic cycles.

Annual budget review and approval is a sound business practice and is required by the City Charter. However, an understanding of the City's long-term financial picture is more important to the process than just looking at a one-year or two-year snapshot. Therefore, much of the discussion in this Transmittal Letter will focus on long-term strategic planning and fiscal issues.

OPERATING BUDGET PROCESS

Sunnyvale has practiced two-year budgeting for our operating programs for a number of years. This is in recognition of the tremendous effort needed to develop budgets, particularly with the City's sophisticated outcome-based budget system. In reality, service levels remain relatively constant from year to year. By doing two-year budgeting, staff time is maximized and more in-depth review of each budget element can be accomplished.

As indicated earlier, FY 2002/2003 is the first year of a two-year operating budget cycle. Therefore, a careful review of all elements of the operating budget was conducted to ensure that resources are aligned with desired outcomes. A number of other components of the operating budget were analyzed and updated to reflect current conditions. Rental rates and salary additive rates for the internal service programs were reviewed, with new rates applied to recover costs. Current salary levels for City employees were adjusted based on existing Memoranda of Understanding or estimated salary increases. For enterprise funds, significant cost components, such as purchased water, chemicals or landfill charges were updated with current information, and utility rates were adjusted as appropriate.

Additionally, major revenue sources were updated for all funds. In FY 2001/2002 staff embarked upon a special project to further enhance our revenue projection methodologies. This project involved work with the Center for the Continuing Study of the California Economy to define economic conditions that have a specific effect on each of our major revenue sources. Results of the study were incorporated into revenue projections for FY 2002/2003 and the 20-year planning period. This process will be discussed more fully in the sections of this Transmittal Letter that deal with General Fund revenues.

PROJECT BUDGETING PROCESS

In the City of Sunnyvale the term “project” refers to non-operating activities. Beginning in FY 1999/2000, the City segregated each project into one of four possible categories: Capital, Special, Infrastructure and Outside Group Funding. These categories are defined as follows:

Capital Projects are major expenditures related to construction, improvement or acquisition of capital assets. This category includes feasibility studies, preliminary plans and other projects that are related to design, construction, capital improvement or acquisition. The construction of a traffic signal would be a capital project. Other examples include adding a room to an existing facility (capital improvement) or purchasing a piece of property (acquisition).

Special Projects are one-time only in nature and are set up to eliminate the impact that such costs would have on unit costs in operating programs. This category includes studies and other projects that are not related to construction, capital improvements, renovation/ replacement or acquisition of a capital asset. For example, the preparation of a new sub-element of the General Plan would be a special project.

Infrastructure Projects are inherently related to capital projects. This category includes the renovation and/or replacement of a capital asset. After a capital project is complete, the City has an asset that must be maintained through the operating budget until the asset reaches a point where maintenance costs exceed renovation/ replacement costs. An infrastructure project is developed in order to provide future funds at the time that replacement or renovation is required. An example would be the replacement of major components of the Water Pollution Control Plant or the replacement of the Heating, Ventilation and Air Conditioning (HVAC) system in City Hall.

Outside Group Funding Projects are essentially special projects; however, they are established to identify contributions made to local community-based organizations.

As mentioned earlier, the City’s process for budget preparation places the project budget on a two-year cycle alternating with the operating budget. FY 2002/2003 is an “off year” for the project budget cycle, and therefore the only review that was conducted was for new items or those that had a significant change in cost or in scope.

As Council may recall, a Project Review Committee was created in FY 1999/2000 to evaluate and prioritize all project requests and make recommendations to the City Manager for approval. This Committee is staffed with members who are key to the project process, including the directors of Public Works, Community Development, Finance and Parks and Recreation. The Project Review Committee puts each new or changed project proposal through a rigorous evaluation process. The respective project manager completes an evaluation matrix that asks a number of qualitative questions. These questions involve issues such as public health and safety, environmental quality, economic development, availability of outside financing, percent of population served by the project, degree of public support, life expectancy of

the project, benefit-to-cost ratio, and the project's effect on operating budgets. Only those new projects that have substantial and significant merit are forwarded to the City Manager for consideration in the recommended Budget and Ten-Year Resource Allocation Plan. The results of this review process continue to be very beneficial due to the varied expertise and professional background of each Committee member. More information on the recommended projects is included below either in the *Major Project Efforts* section of this Transmittal Letter or in the *Detailed Fund Reviews*.

OUTCOME-BASED BUDGETING

The movement from a performance-based to an outcome-based budget represents a key component in the City's organizational change strategy. The City's outcome management system identifies the high level results that each budget program is expected to produce. It better balances our focus between producing tangible products (e.g., gallons of drinking water) with service delivery results (e.g. safe, reliable drinking water) that are important to our various customer groups.

During FY 2001/2002, we continued to migrate operating and support programs to the Outcome Management System. Existing programs managed by Employment Development, Finance, Human Resources, Information Technology and Parks and Recreation completed the initial steps required to move to the new format. These steps included:

- preparing program outcome statements that describe the programs' overall purposes;
- developing program outcomes that describe the most important results that the programs should accomplish; and
- assigning a weighting factor for each program outcome that describes its relative importance.

Council has approved the program outcome statements, measures and weighting factors for several of the new programs. These departments are continuing the steps to implement the new programs for FY 2002/2003 or FY 2003/2004. Council will see the remaining new program statements and measures in the next several months. It is important to note that while these departments are working on the conversion, their current programs' budgets have essentially been rolled over for FY 2002/2003. This recommended budget contains the existing (non-Outcome) programs with the only adjustments for salary and position changes and specific line items such as software licenses.

While most of the existing programs contain measures and activities that are no longer relevant, in the case of Employment Development, the current program structure is based on specific grants, the majority of which are no longer in existence. Because this format is not functional and would provide inaccurate information, it is not included in this recommended budget. An interim program is being created and will be included in the adopted budget. Additionally, for programs implementing the Outcome Management format in FY 2002/2003, the new programs will be included in the adopted budget.

The conversion to Outcome Management is complex, often requiring a significant change in thinking in order to find the best ways to meet the new informational needs under this system. As a result, many programs are restructured as managers gain more experience with the Outcome Management structure. During FY 2001/2002, programs within the Community Development, Library and Public Works Departments and the Office of the City Manager were restructured to provide better information for staff and citizens. The revised programs are included in this recommended budget.

During the next two-year operating budget, all programs that report directly to the City Manager will have migrated to the Outcome Management System. City staff will then shift its attention to improving this important management system so that it is better understood and used by employees at all levels of the organization and is more responsive in addressing the changing expectations and requirements of our citizens. City staff will also continue to work to improve data reliability and analysis.

BUDGET FORMAT AND AWARDS

Sunnyvale has an extremely complex and detailed budget preparation, review and adoption process. Staff has traditionally presented to Council the City Manager's recommended Budget in the form of a workbook. This workbook is used to guide the Council through the budget workshop, the public hearing and finally the official adoption of the budget for the upcoming fiscal year.

The recommended Budget document is divided into three stand-alone volumes. *Volume I* includes documents that staff provides to Council on an annual basis. The *City Manager's Transmittal Letter, Budget Summary, Financial Graphs, Long-Term Financial Plans, Revenues, and User Fees* can be found in this volume. Also included is a section on *Budget Supplements*. This section contains the details of this year's proposed budget supplements, along with a financial worksheet that includes both the net costs and the expenditures and revenues associated with each supplement. *Volume I* is useful as a summary document, with more detailed information found in the other two volumes.

Volume II Projects Budget contains all of the City's capital, infrastructure, special and outside group funding efforts. Importantly, this volume begins with a *Projects Budget Guide* that describes what a project is in the City of Sunnyvale and how projects are prioritized in the budget process. This volume receives detailed attention during the "on year" for projects, which was FY 2001/2002.

Volume III Operating Budget contains all of the City's programmatic efforts. This volume also begins with an *Operating Budget Guide* that describes Sunnyvale's unique Planning and Management System. This guide is extremely useful in understanding the mechanics of the City's efforts to move from performance-based to outcome-based budgeting. The Operating Budget is organized around the seven elements of the General Plan. Each element contains the General Plan's Goals, Policies and Action Statements, Community Condition Indicators, and the budget of each operating program that is tied to that particular element. This volume receives detailed attention during the "on year" for operating, as is the case for FY 2002/2003.

In prior years staff has received positive feedback from Council members and citizens regarding the Budget-in-Brief booklet. This is an effort to highlight the important aspects of the particularly large and complex recommended budget document. This year, staff will again prepare this summary containing the City Manager's Transmittal Letter, Budget Summary and selected Financial Graphs.

In April, 2002 the Department of Finance was notified that the City's adopted FY 2001/2002 Budget and Ten-Year Resource Allocation Plan had received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA), a national organization of finance professionals. This award program, established in 1984, "recognizes exemplary budget documentation by state, provincial and local government, as well as public universities and colleges."

The City of Sunnyvale has received this award for 13 consecutive years. While over 70 California organizations received the GFOA award for FY 2001/2002, only five have received this award longer than Sunnyvale. In the United States, Sunnyvale ranks among the top organizations that have received this award for 12 or more consecutive years.

FISCAL YEAR 2002/2003 BUDGET

OVERVIEW

I am pleased to again present a balanced budget for this upcoming fiscal year. The Ten-Year Resource Allocation Plan and 20-year financial plan are in balance as well. The recommended FY 2002/2003 Budget maintains City services at existing levels in spite of significant reductions in our major revenue sources due to the economic downturn. The proposed budget also includes modest service level expansions in the areas of traffic calming, performance auditing, recreation fee waivers, and a video for the Boards and Commissions program. Significant funding has also been added for a two-year period to address a critical Public Safety recruitment challenge. These budget supplements are discussed later in the *Budget Supplements* section of this Transmittal Letter.

Table I, on the following page, is a summary of the recommended expenditures for all City funds. This table provides a comparison of the two recommended years with the current fiscal year and the latest actual fiscal year.

Table I Recommended Expenditures – Citywide*

Expenditure Character	2000/2001 Actual	2001/2002 Revised Budget	2002/2003 Recommended Budget	% Growth 2002/2003 over 2001/2002	2003/2004 Recommended Budget	% Growth 2003/2004 over 2002/2003
Operating	137,776,464	146,960,798	154,761,198	5.31%	162,126,683	4.76%
Projects	44,904,165	95,453,753	29,381,466	-69.22%	21,980,297	-25.19%
Budget Supplements**	0	0	2,322,252	N/A	2,160,382	-6.97%
SMaRT Station Expenses***	11,610,431	10,974,786	10,354,891	-5.65%	10,589,066	2.26%
Debt	6,422,355	6,670,328	6,978,839	4.63%	6,981,526	0.04%
Equipment	19,174	75,331	300,000	298.24%	0	N/A
SUB-TOTAL	200,732,589	260,134,996	204,098,646	-21.54%	203,837,954	-0.13%
Employment Development Grant Programs	9,390,287	10,577,796	10,577,869	0.00%	0	N/A
TOTAL	210,122,876	270,712,792	214,676,515	-20.70%	203,837,954	-5.05%

* This table excludes internal service funds, which are reflected as rental and additive rates in the Operating character line.

** Recommended budget supplements were as follows: FY 2000/2001 totaled \$2,515,798 and FY 2001/2002 totaled \$214,207. Upon Council approval these costs are included in the Operating and/or Projects character line for those years.

*** The SMaRT Station Expenses character represents Mountain View and Palo Alto's shares of SMaRT Station expenses. Sunnyvale's share of expenses is represented in the Operating character line.

The overall recommended FY 2002/2003 Budget is 20.7% below the adopted FY 2001/2002 Budget. However, the inclusion of the Employment Development Grant programs and project-related expenditures can be misleading when making year-to-year comparisons.

The recommended FY 2002/2003 Budget for operating-related expenditures is 5.31% higher than the adopted FY 2001/2002 Budget. The largest components of this change in the operating budget are attributable to increases in the cost of salaries and benefits. This issue will be discussed in more detail in the *General Fund* section of the *Detailed Fund Reviews* and in the *Employee Benefits Fund* review.

As you may note, the project line item has seen a dramatic decrease from FY 2000/2001 Actual and FY 2001/2002 Budget to the recommended FY 2002/2003 Budget. Again, this type of yearly comparison is difficult to make since projects are often one-time only in nature. There are two reasons for the apparent decline. First the City had a number of large projects funded from outside organizations or debt financing that were budgeted in the last two-year period. In many of these cases, the funds are appropriated in one year even though they will be spent over a multi-year period. Examples of this are the Multimodal Transit Station, funded by the Valley Transportation Authority and other transit organizations, the purchase of the Sunnyvale Office Center, funded by Certificates of Participation, and various Wastewater infrastructure projects funded by a Wastewater Revenue Bond. Second,

because of the appropriation pattern for projects discussed above, project funds are often carried over from year to year. This can be seen in the FY 2001/2002 Revised Budget number of \$95.4 million for projects. Of this amount, approximately \$45 million represents carryover of funds for projects in progress from FY 2000/2001.

Below are listed some of the largest project efforts that make up the \$29,381,466 in the recommended FY 2002/2003 Budget. Please note that some of these projects are multi-year and the dollar amounts represented are only the FY 2002/2003 appropriations.

- Senior Center Construction(\$9 million) – Nonrecurring events reserve
- Mathilda Avenue Railroad Overpass(\$2.5 million) – federal grants
- Chlorinating/Dechlorinating Equipment Replacement (\$526,200) – Wastewater Bonds
- Storm Pump Station No. 1 Rehabilitation (\$530,000) – Wastewater Bonds
- HOME housing projects(\$1.3 million) – federal Housing funds, and
- Measure B Pavement Management Projects (\$897,040) – countywide voter-approved ½ cent sales tax.

As Council can see, it is important to understand that the City's budget is comprised of multiple budgets or funds, with the real short-term and long-term position of the City contained in the respective position of each of these funds. This Transmittal Letter will discuss each fund in detail, but places emphasis on the General Fund.

Finally, any long-range financial or strategic plan must make certain assumptions in establishing the basis for projections. The next section discusses the assumptions that staff has developed for this particular recommended Ten-Year Resource Allocation Plan and its accompanying 20-year financial plan.

BUDGETARY INFLATION FACTOR

Inflation of budgeted costs for the recommended Ten-Year Resource Allocation Plan and 20-year financial plan is assumed to be unchanged at 3% per year for the first ten years, and 4% for the second ten years. Certain selected budget components, such as purchased water, gasoline, or electricity are increased according to their individual cost characteristics. Salary projections are based on current memoranda of understanding with employee associations or on the budgetary inflation factor.

Projections for major revenues are based on detailed analyses of their unique characteristics and therefore they do not necessarily reflect a simple inflation pattern. The assumptions for each major revenue source will be detailed in the discussions of each appropriate fund.

The budgetary inflation factor is a critical assumption and has the following long-term consequences:

- The City's financial position is improved overall when inflation is low. This is because, in general, the City's major revenue sources grow at a rate slower than inflation over time, while expenses grow at inflation or greater. Should inflation

occur at a higher rate than projected, the financial plan would be negatively affected.

- Expenditure growth has to be limited to the growth of inflation, or the projections in the financial plan will not hold. The most significant portion of the operating budget is labor costs. This amounts to 54% of the Citywide annual budget and 77% of the annual General Fund budget. The extremely low unemployment rate that our area enjoyed during the economic boom has resulted in recent salary and benefit increases for our employees that have been substantially higher than inflation. Our budgetary assumptions have incorporated the projected increases to above market for our employee associations. If labor costs increase in the future substantially beyond these assumptions, the long-term expenditure projections may be understated.

STRATEGIC ISSUES

A number of issues are emerging as key strategic opportunities or challenges for the City. During the next several years, these issues and our responses to them will help shape what Sunnyvale will look like, determine how we will provide services to our customers, and define our fiscal base. These issues include:

- City workforce reinvestment
- Organizational effectiveness initiative
- Development activity
- Service level pressures; and
- Quality of life initiative

INVESTMENT IN CITY WORKFORCE

We often say our employees are our most important resource. Our actions either reinforce or contradict these words. I believe that our Workplace Improvement Program represents our strongest statement of the value that we place on our employees. The City's Workplace Improvement Program, which began in FY 1999/2000, is a values-based effort to focus internally and improve the City organization as a place to work. Its purpose is to improve our employees' morale, individual effectiveness, and capacity, in order to raise the overall performance of the organization. In FY 2000/2001, six crosscutting task forces were formed to address the key concerns identified through the employee opinion survey. These teams were charged with designing strategies for addressing the following issues: communications, staffing and training, compensation, workspace, employee recognition, and organizational guiding principles. These task forces developed more than 50 recommendations to make improvements in these critical areas.

I am pleased to report that our Workplace Improvement Program has reached another milestone. Staff has been working to implement 25 specific workplace improvement recommendations in FY 2001/2002. More than half of these recommendations have been fully implemented; another nine will be completed by the end of the fiscal year. For example, employees from various City departments are serving on two standing

committees—communications and employee recognition. Another ad hoc team is focused on workspace, which continues to be a serious problem for our organization. Progress on this issue is discussed below in the *Public Facilities Workspace Issues* section of this Transmittal Letter.

The City's second employee attitude survey will be conducted early in FY 2002/2003. Survey results will help to shape next year's work plan. We continue to emphasize and align our work to our four guiding principles: Public Service, Leadership, Honesty and Integrity, and Respect and Recognition. These principles guide and direct how we respond to our citizens, how we carry out our jobs, and how we deal with each other. I anticipate another exciting, productive year as we continue our implementation activities on this important program.

In addition to the Citywide Workplace Improvement efforts, departments have undertaken numerous activities to improve their specific work environments. These have ranged from improving internal communication to realigning staff and work processes. Building on this foundation, departments will continue to address issues such as employee communications, recognition, and integration of the Guiding Principles as we work to make the workplace more "employee friendly" for employees at all levels of the organization.

ORGANIZATIONAL EFFECTIVENESS INITIATIVE

The Workplace Improvement Program is a key component of a larger effort: the City's Organizational Effectiveness Initiative. This multi-year effort is designed to improve individual and organizational performance through engaging and developing the full potential of all City employees. Housed in the Office of the City Manager and now fully staffed, the Organizational Effectiveness (OE) team provides training, in-house consulting assistance, streamlined work processes, and management tools for use by individual employees or teams to deliver services to specific customer groups. Next year, the OE team will focus on four key aspects of the Organizational Effectiveness Initiative: Integrated Strategic and Business Planning, Citizen and Customer Focus, Process Improvement, and Organizational Results.

Integrated Strategic and Business Planning will focus on a mid-range time frame (three to five years). It will define the high level strategic objectives for the organization, and the key initiatives that staff will develop and implement in achieving the broad, organization-wide strategic goals set by Council. The business plan will focus on a one-year time frame. It will describe the short-term tactics that City staff will undertake during the upcoming fiscal year to address the strategic goals and performance indicators contained in the strategic plan.

Citizen and Customer Focus will continue to refine and improve the methods we use to listen, learn, and respond to our customers. OE staff will work to improve external and internal customer satisfaction surveys, develop reporting formats to reduce cycle times for reporting and analyzing survey results, and work toward building a tiered approach for listening to the City's distinct customer groups.

Process Improvement will build the City's capacity to regularly review and improve the processes that we use in delivering services. OE staff will lead ad hoc teams that

will analyze and improve key business processes that cut across department lines. Staff will also assist department teams as they complete improvement cycles on work processes used within specific departments.

Organizational Results will develop and implement approaches for verifying program performance data, and for reporting performance results more regularly. Additional resources are allocated to a budget supplement described later to increase the number of performance audits conducted on existing programs by the Department of Finance. Beginning next year, the City’s Organizational Effectiveness Initiative will be assessed by the California Council for Excellence to determine where we are succeeding and where additional attention is required. Results from this independent, outside agency will be tied directly to the outcome measures for the restructured Organizational Effectiveness program.

DEVELOPMENT ACTIVITY

The recent economic boom in the Silicon Valley resulted in a record-setting level of construction activity in Sunnyvale in FY 2000/2001. As the economy has cooled, so has the level of construction activity. Nevertheless, the value of construction and permit fee revenue remains above the average of the past decade, as indicated on the table below.

	Construction Valuation	Permit Fees
Average from FY 1991/1992 to 2000/2001 (adjusted for inflation)	\$241,930,865	\$4,521,935
FY 2000/2001	\$501,347,014	\$10,188,652
FY 2001/2002 (projected)	\$270,000,000	\$5,300,000

Industrial areas in Sunnyvale are still very attractive to sector-leading technology companies. Software, Internet services, telecommunications, biotechnology and related support services are diversifying our economic base and minimizing our historic reliance on a few large companies. Moffett Park has proven to be one of the most attractive areas in the City for such uses. The Moffett Park Specific Plan, which will be presented to the City Council this summer, is designed to facilitate the continued development of headquarters and high technology companies in this area.

A turning point in the Downtown redevelopment effort was recently achieved with the City Council adoption in concept of the Downtown Design Plan. Prepared by a 21-member Downtown Stakeholders Advisory Committee, the Plan sets forth an ambitious but attainable vision for the future: a traditional, multi-purpose, pedestrian-friendly Downtown which establishes a sense of place and identity for all citizens. Over the next nine months, the Downtown Design Plan will be the subject of an extensive environmental review process that will incorporate an expanded public outreach program as directed by Council. The final Downtown Design Plan, together with the environmental impact report and implementing documents, will return to City Council for adoption early in 2003.

Many projects that are consistent with the Downtown Design Plan are already under construction or should begin construction in the coming year. A new 974-space parking structure at the Sunnyvale Town Center Mall on the corner of Iowa and Sunnyvale was completed last November. Target opened its store in Sunnyvale in the old Montgomery Wards building on March 3.

The three new office buildings along Mathilda north of Washington should be completed by the Mozart Development Company and ready for tenant improvements by November, 2002. They are leased to Handspring and Broadcom, and at full occupancy should bring 1,800 new employees to Downtown Sunnyvale. Work will begin in FY 2002/2003 on the 1.7-acre Downtown Plaza Park, immediately adjacent to the Mozart Project at Frances and Evelyn. North of Evelyn, the MultiModal Transit Center is under construction, and should be completed by the end of this calendar year.

The two major new residential developments adjacent to Downtown are nearing full occupancy: The Cherry Orchard, a 300-unit apartment and multi-use complex developed by the Irvine Apartment Communities on the former Olson family orchard, and Villa del Sol, the 124-unit apartment complex on the corner of Evelyn and Sunnyvale Avenues. Similar large-scale projects are not anticipated for next year; however, the Downtown Design Plan provides the opportunity for development of up to 2,000 new residential units in the future.

We believe that the next major project to begin construction in Downtown will be the redevelopment and expansion of the Town Center Mall. A new developer is in the process of acquiring the Mall. Inspired by the Downtown Design Plan, the new owners propose to extend Murphy Avenue southward to the Penney's store, to line the eastern sidewalk of the street extension with retail shops on the ground floor of a new 1300-space parking structure, to completely rebuild the center section of the Mall as an open-air retail district, to extend McKinley Avenue from Mathilda to the Mall and line it with major stores and restaurants, and to add a 16-screen movie theater. If all goes in accordance with the new owner's current time schedule, construction should begin in early 2003.

The economic downturn resulted in our economic development focus shifting to business retention. A "Shop Sunnyvale" campaign was launched to encourage greater residential support of local businesses. Businesses, in turn, have been encouraged to look to other Sunnyvale establishments to supply needed products and services. This business support and retention thrust will be continued and expanded in the coming fiscal year.

Community development is a complex process involving not only City budget resources directed to our Community Development Department, but also budgetary resources of other City departments, Federal resources in the form of Community Development Block Grant (CDBG) and HOME funds, developer generated housing mitigation funds, and redevelopment tax increment funds. In the coming year, staff will be studying the community development needs of Sunnyvale, and preparing a Community Development Strategy which will recommend policy, priorities and strategies for using these available resources in the most effective, coordinated manner.

SERVICE LEVEL PRESSURES

As in past years, we remain committed to absorbing increases in service demands that are generated by population changes. These increases will be offset by improved operating efficiencies or through the budgetary inflation factor. However, we are continuing to see requested service level increases coming from distinct customer groups. Examples include the 50-meter swimming pool recently completed at Fremont High School, the Sunnyvale Senior Center which is currently under construction, and the Fair Oaks Skateboard Park which will be under construction shortly. On the operating side, a study is currently underway to determine if a higher level of Emergency Medical Services should be provided in Sunnyvale and a pilot project on expanded Neighborhood Preservation and Code Enforcement has been established. Any of these initiatives could result in a significant increase in General Fund expenditures on an on-going basis.

Over the last several years, the City's revenue base has experienced exceptional growth, enabling us to provide for increasing demands for services. However, as the economy has slowed, our revenue has dropped significantly, and we project that the rate of growth into the future will moderate. Therefore, our revenue base will not continue to expand at a pace sufficient to meet increasing service levels. In order to address this problem, the City must review service levels and evaluate priorities and examine ways to augment our revenue sources.

QUALITY OF LIFE INITIATIVE

The City began a Quality of Life initiative several years ago as a result of a Council study issue. The purpose of the initiative has been to engage residents in determining what priorities are important to the quality of life in Sunnyvale, and to provide a strategic framework to guide the City in developing programs, strategies, and tactics. The goal is to have a few, clearly defined strategic goals that represent the concerns and priorities of all City residents, and then to develop a Quality of Life Index to measure progress against residents' priorities. The Council made several revisions and accepted the Quality of Life initiative final report in April 2001.

Several key tasks were completed that moved this important project forward during FY 2001/2002:

- an interdepartmental task force was formed to clarify which departments "owned" specific Quality of Life objectives and measures;
- task force members determined where and how they would collect information to measure progress in meeting targets for specific performance measures; and
- a mid-year Quality of Life report was prepared to pilot test the availability and reliability of data being collected through this initiative.

Staff also updated the City Council on progress to date on this project. The City's first Quality of Life Report and Index will be developed during the first half of FY 2002/2003.

FUTURE FISCAL ISSUES

In addition to the strategic issues mentioned above, which tend to be longer term in nature, there are factors in the City's current environment and in the near-term that could impact our fiscal security. Each year in January a Council Study Session is held that identifies these future fiscal issues. This year, the focus of the Study Session was on two overarching issues that have the potential to drastically alter the City's financial position. These are: the economic condition of Sunnyvale, the Silicon Valley region, and the State of California; and the State budget situation and its potential impacts on local governments. Below is an update on these two critical issues.

CURRENT ECONOMIC CONDITIONS AND OUTLOOK

Two years ago, the nation was in the longest economic expansion in U.S history. The Silicon Valley was booming and Sunnyvale's finances were buoyed by significant increases in General Fund revenues. Since that time a number of events have occurred nationally and locally that have dramatically altered our fiscal position.

On a national basis, the U.S. economy decelerated sharply beginning in mid-2000 after experiencing nearly ten years of sustained economic growth. Gross domestic product (GDP) growth slowed from over 5% in the first half of 2000 to 1.4% by the fourth quarter of the year. After September 11th the downturn intensified. Especially significant for Sunnyvale and Silicon Valley was the dramatic slowing of business expenditure on computers and software in the fourth quarter, a condition that continues to persist.

Staff began to see signs of a Silicon Valley slowdown in January 2001 as we started estimating revenues for the FY 2001/2002 budget, and it is now universally recognized that we, along with the rest of the nation, entered recession in March 2001. Though most economists agree that we are now slowly beginning to rebound from the downturn, we will feel its effects for some time. There are several converging factors that have made recessionary pressures more pronounced here than in other parts of the State.

The dot.com bust resulted in mass layoffs in Silicon Valley where the unemployment rate rose from record lows of around 1.2% to nearly 8%. From December 2000 to July 2001, Silicon Valley lost approximately 27,000 jobs. Due to the tech-heavy concentration in our region, unemployment remains higher here than the rest of the country.

In addition, a number of interrelated changes have taken place further affecting the City's and State's fiscal position:

- Lower personal income and household wealth due to declining stock values have reduced disposable income. This produces declines in home sales, general retail goods and vehicles.
- Increases in the cost of goods due to higher energy costs and rising costs of gasoline are further reducing disposable income.

- Lower demand for high-tech products has reduced the ability of companies to pursue expansion plans.

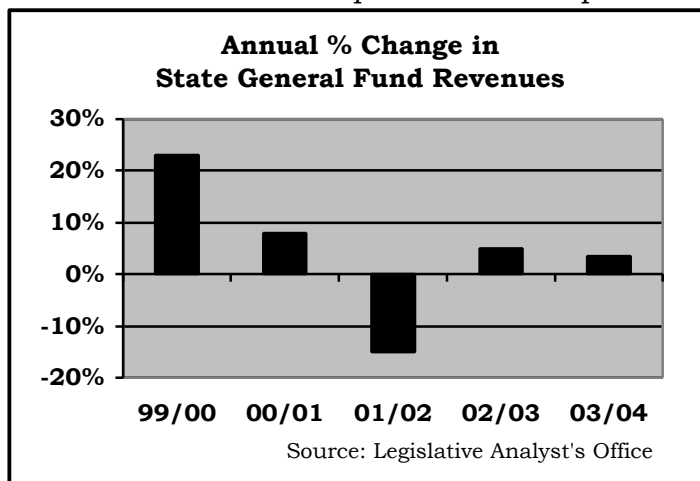
One key reason why a Silicon Valley recovery will lag the rest of the nation can be seen in our region's heavy reliance on business investments. While consumer goods purchases have strengthened nationwide (as evidenced by a 5.8% increase in GDP the first quarter of 2002), business investments in Silicon Valley technology companies remain flat. Not surprisingly, Sunnyvale has traditionally received about one-half of its sales tax from business-to-business sales, but this percentage has decreased to 39% for the most recent quarter.

While the recent increase in GDP is heartening, it is not a clear indication that the recovery is fully underway. In an article entitled "The Recovery's Soft Underbelly" in the May 6, 2002 Newsweek, Robert Samuelson expresses this cautionary note:

"...if the economic recovery has a soft underbelly, profits would seem to be it....If profits don't revive, the recovery may be weak or stillborn. Without higher profits, companies won't have the funds to finance new investment in factories, software or machinery. Profits also underpin stock prices. Poor profits may mean a poor market, dragging down consumer confidence and spending."

These new fiscal realities are in sharp contrast to Silicon Valley and California in 2000, which was the strongest year of the state's economic expansion. Total personal income and taxable sales increased by about 11%, according to the State Legislative Analyst's Office (LAO). State General Fund revenues enjoyed a phenomenal 23% increase in FY 1999/2000.

As a result of the energy crisis, the general economic slowdown and the reduced demand for information technology products, State General Fund revenue growth decelerated to about 8% in FY 2000/2001, and is projected to sharply decline by perhaps 15% or more in FY 2001/2002 before slowly beginning to rebound (see chart above).



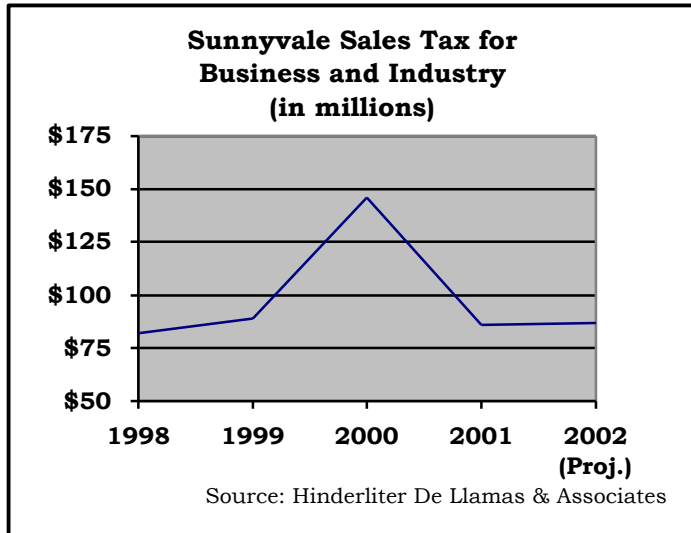
One result for Sunnyvale has been a sharp drop in Sales Tax and Transient Occupancy Tax (TOT) receipts. Revised revenue projections suggest that Sales Tax will decrease in FY 2001/2002 by as much as 30% over FY 2000/2001 record highs and TOT will be down by some 40%, as this latter revenue is almost exclusively business-related in our region.

Projected Pace of Recovery

The basis for a projected pace of recovery begins with the premise that the intensity of the Silicon Valley technology boom in 2000 was in all likelihood an anomaly that may

not ever be repeated. As the graph illustrates below, Sunnyvale Sales Tax in the Business and Industry sector spiked by more than 60% from calendar 1999 to 2000, before sharply returning to 1998 levels. Not coincidentally, this sharp spike parallels the huge increase and subsequent drop in State General Fund revenues that was largely fueled by capital gains and stock options.

The one consistent theme from economists is that a recovery here and across the



nation will be modest and slow, a theme that is echoed in our own forecasts over the Long-Term Financial Plan. Unemployment in the region remains high, but there are positive signs in the form of slightly increased orders for new technology equipment and increased hiring of temporary and part-time tech-sector employees. If cautious optimism abounds for an economic recovery, it is largely offset for us by the deepening budget deficit at the State level, and the negative effects it may have for Sunnyvale and other local governments.

STATE BUDGET SITUATION

Less than two years ago, the State government was anticipating a budget surplus of up to \$13 billion. In a stunning reversal of fortune, the State now forecasts a record \$22 billion deficit by the end of FY 2002/2003, begging the question: Where did all the money from the good times go? There are three main answers to this. First, as previously mentioned, State revenues are in sharp decline, largely due to decreases in personal income tax from capital gains and stock options. Though the LAO predicts a partial income tax recovery by the end of FY 2003/2004, it is highly unlikely that FY 2000/2001 tax collection levels will return anytime soon. Second, as State revenues were growing, so were expenditures. From FY 1993/1994 to FY 2000/2001, State spending more than doubled, from \$39 billion to \$79 billion. Nearly one-half of the overall increase occurred between FY 1998/1999 and FY 2000/2001. The third reason lies in unplanned expenses, chiefly the fact that the State did not anticipate well, or recover well, from costs related to the energy crisis.

One of the more telling signs of the declining State budget situation has been the devaluation of the stock market and the resulting negative effects on State income tax revenues. At a time when the State was already experiencing fiscal problems due to the energy crisis (about \$6.5 billion was spent on emergency energy purchases, effectively eroding the State's projected budget surplus), a dramatic decline in capital gains and stock options occurred that was directly tied to the sharp drop in share values of California's high-tech companies. To further illustrate this, consider that State personal income related to these sources rose from \$25 billion in 1994 to over \$200 billion in 2000. At their peak, these sources accounted for more than 22% of the State's General Fund revenues in that year. By contrast, the LAO has forecast a 60%

decline, with personal income taxes dropping to just \$77 billion in 2001. Equally dismal is a recent announcement by the State Controller who reported that April's income tax receipts are 40% below April of last year.

The result of these converging factors is that the State has a significant ongoing structural deficit that will not disappear without corrective action. In fact, the State Controller has announced that the State will deplete its cash reserves this June and will have to borrow \$7.5 billion from private lenders to meet its financial obligations. The State proposes to do this by issuing Revenue Anticipation Warrants (RAW), only the fifth time it will do so since 1939. The RAW will pay off a \$5.7 billion debt for Revenue Anticipation Notes (RAN) the State issued last summer, as well as a constitutionally required payment to schools in the amount of \$1.4 billion. The State may have to issue additional RAWs if it is unable to market the \$13 billion in energy bonds it had hoped to sell last summer.

Though the Governor has publicly stated that he will not "balance the budget on the backs of local government", he has also called local governments "partners" who must share in the solution to the State's budget woes. To date the Governor has proposed balancing the budget with a combination of borrowing, spending reductions and high hopes for an improving economy. According to the LAO however, the current proposal does not go far enough to erase the mounting record deficit, raising the likelihood of increased taxes and/or takeaways of local revenues. For instance the State currently "backfills" the City's revenue from the legislatively reduced Motor Vehicle License Fee (VLF). If the State were to cease the backfill (a tempting \$2.5 billion statewide target) Sunnyvale would lose between \$4.6 and \$4.9 million in yearly revenue.

A better picture of the State's deficit reduction strategy will be available after the Governor's revised budget is released on May 14, 2002. Early indications point to a protracted budget stalemate in the Legislature, especially given the enormity of the State's budget situation. One indicator of this is a request by the State Controller to authorize a special \$11 billion line of credit so the State can meet its financial obligations should the stalemate occur. Other sources well versed in state politics are predicting a Special Session after the November 5th election to debate not whether to cut local government revenues, but by how much. If the past is any indicator, likely takeaways could include a reduction in the VLF backfill, elimination of certain mandated cost reimbursements/state grants, or further Property Tax shifts (not so affectionately dubbed "son of ERAF").

In addition to these two overarching concerns, there are several other issues that may have significant impacts on the City's financial situation in the near-term. These include neighborhood preservation and code enforcement, public facilities space needs, and homeland security. Below is a discussion of each of these issues.

NEIGHBORHOOD PRESERVATION AND CODE ENFORCEMENT

One full-time Neighborhood Preservation Specialist was added to the Neighborhood Preservation staff in FY 2001/2002 to address chronic code violators. In accordance with the code enforcement priorities established by the City Council, this new inspector has pursued to compliance some of the most critical and complex enforcement issues in the City. Aggressive use has been made of tools such as

abatement by City forces and Board of Building Code Appeals imposition of compliance orders accompanied by large fines. Over the past ten months, 204 chronic code violation cases have been successfully resolved.

In the coming year, staff proposes to test proactive, neighborhood-based code enforcement. Unlike the “get tough” approach taken with chronic code violators, the neighborhood-based approach will seek voluntary compliance by working with residents to identify, prioritize and correct violations within a prescribed geographic area. This approach will be tested on a pilot basis only in FY 2002/2003, with no increase in resources devoted to code enforcement. Based upon the results of the pilot program, we may be seeking additional budget resources in the following fiscal year to introduce this approach on a more widespread basis.

PUBLIC FACILITIES WORKSPACE ISSUES

As I mentioned in the last two Transmittal Letters, workspace continues to be an issue for our employees. It has been clear for several years that our employees do not have the workspace necessary to maintain the highest level of productivity, occupational health, and customer interaction. Many staff members work in cramped quarters not originally designed as office space, and there is insufficient support space in the form of conference rooms and reception and circulation areas.

In the fall of 1998, a formal study of workspace related issues commenced with the selection of a consultant and the formation of an internal Space Optimization Team comprised of the directors of Parks and Recreation, Public Works, Human Resources, and Information Technology. The results of these efforts suggest that while staff currently operates in a total of 165,000 square feet of building space (including most City buildings), there is currently a need for 239,000 square feet. And, by the year 2010, it is estimated that 256,000 square feet will be needed. New office standards have been drafted and are based on job function, not title. Based on these new standards, the existing gap in required office space only is 40,000 square feet.

Staff is currently pursuing both short-term and long-term options for Council’s consideration. In FY 2001/2002, Council approved funding for short-term options designed to meet the City’s office space needs only (not including support areas). This is simply to provide the office space that employees need to perform their jobs while long-term options are reviewed.

Purchase of the Sunnyvale Office Center, located at 505 W. Olive, in FY 2000/2001 was a significant initiative to deal with the workspace dilemma. This 5.6-acre property, located next to the Library and across the street from City Hall, was acquired by the issuance of Certificates of Participation (COPs) for possible expansion of the Civic Center campus. In the short term, the purchase is helping to resolve office space needs for a significant number of City employees. Recent vacancies in the office complex are allowing the relocation of various crowded work units from the City Hall and Public Safety complexes to the Office Center to alleviate a portion of the problem. Short-term office space solutions should be fully implemented by the end of FY 2002/2003.

The purchase of the Sunnyvale Office Center also necessitated the establishment of a new internal service fund to account for the management and operations of the existing business park until any Civic Center expansion occurs. This fund includes the expenses and rental revenues associated with the property until the end of FY 2005/2006. Maintenance of the facilities has been assumed by the Building Maintenance Division of the Parks and Recreation Department. Their budget has been increased by approximately \$240,000 for these expanded maintenance services.

As Council is aware, net income of approximately \$700,000 per year generated from rental charges for the business park was projected to be applied toward the debt service on the COPs used to fund the purchase of the property. City work units that are occupying office space at 505 W. Olive are currently paying rent for this space to the new Sunnyvale Office Center Fund. These funds have been reduced from monies that were programmed in last year's budget for short-term office space solutions. If and when the Sunnyvale Office Center reaches its useful life or is removed to make way for an expansion of the Civic Center, these funds will then be available for rental of outside office space as necessary until a long-term solution is completed.

A special project was approved by Council in FY 2001/2002 for an analysis of the long-term future of the Civic Center Campus. The first phase of this work was completed in early 2002, and several options were presented to the City Council in Study Sessions on February 12 and March 19, 2002. Net costs of the options range from \$69 to \$90 million. Council requested more detailed information and a study of various sub-options, which will be the subject of further exploration in FY 2002/2003. Various means to develop and finance new construction or modernization of the existing facility will need to be identified and evaluated. Needless to say, the magnitude of this project presents a significant fiscal challenge to the City in an era of limited resources.

HOMELAND SECURITY

The need to protect our national security was thrust into the spotlight with the horrifying events of September 11th. Clearly this need goes beyond mere vigilance or the ability to effectively react to critical incidents of a terrorist nature. The federal government has recognized this need by creating the Office of Homeland Security, with the promise of federal dollars to state and local governments.

There are several factors that complicate the fiscal uncertainty of homeland defense costs. While the federal government has promised funding to local governments, there is no clarity yet on how federal funds will be allocated, or on the exact dollar amounts we will receive. Homeland Security Director Tom Ridge has publicly stated that there is "...no higher priority for state and local budgets than homeland defense", but he hastened to add that the federal government cannot be counted on to provide all the funds needed. This suggests the potential for new federal mandates, which may or may not come with funds attached.

In a recent meeting with Director Ridge, several state and local public interest group representatives voiced their frustration that the federal government has not yet created a coordinated approach to homeland security, nor announced a clear process for state and local funding, even though dollars should be made available October 1, 2002.

To date the Sunnyvale Public Safety Department has incurred at least \$200,000 in expenses responding to terrorist-related calls for service, mostly during a 3-month timeframe following the terrorist attacks and the subsequent anthrax scare. Most of the calls were for suspicious packages or people, and all proved to be false alarms, but the significant amount expended thus far highlights the fiscal uncertainty associated with these types of call responses, as each call must be thoroughly investigated. An additional \$114,000 has been committed in this fiscal year to create a bomb-detecting canine unit to further minimize the risk of injury to Sunnyvale citizens. Absent federal funding, all costs incurred to date will likely be paid with asset forfeiture funding.

STATE/LOCAL FISCAL RELATIONS

For more than a decade, significant state (and federal) actions have negatively impacted local government finances. The best, but hardly the only example of this was the dramatic shift of property taxes away from cities and counties in the early 1990s into the Educational Revenue Augmentation Fund (ERAF). When implemented in FY 1992/1993 and FY 1993/1994, some \$2 million in Property Tax revenue from Sunnyvale was shifted to ERAF; today that amount approaches \$6 million. Though the cumulative effects of these revenue reductions are somewhat easy to measure, it is much more difficult to quantify the sustained erosion of local control over resources that cities and counties traditionally enjoyed.

This diminished local control, along with the looming state budget crisis, has prompted the League of California Cities to declare as one of its top goals in 2002 the protection of “existing city revenues from reduction, reallocation, redistribution or diversion by the State to the maximum extent feasible, and oppose the inequitable reduction of state revenues shared with cities.” To help achieve this goal the League has forged two important alliances: the LOCAL Coalition and the Grassroots Network. These coalitions have grown out of the dual awareness that 1) municipalities historically have not been able to effectively compete with well-funded/organized special interests, and 2) the key to protecting local control of revenues lies in effective, multi-faceted lobbying of elected state officials to hold them accountable for promises they make to local governments (and for the votes they cast in Sacramento).

LOCAL COALITION

The League continues to work with the California State Association of Counties (CSAC) and the California Special Districts Association (CSDA) to protect local revenues through the creation of the “LOCAL” Coalition (Leave Our Community Assets Local). LOCAL has as its key principles:

- Essential local services should not be sacrificed to solve state budget problems.
- Local taxes and fees paid by local residents should stay in the community to fund local services.
- Local governments and local revenues are already part of the State budget solution.

- State government should balance the budget without taking more money away from local communities.

Through LOCAL the League has employed a “campaign-style” approach by establishing a statewide steering committee and regional advisory boards, and by extolling the values of effective letter writing and press conferences to “engage all of the constituencies of local government in a comprehensive and coordinated effort”.

GRASSROOTS NETWORK

This proposal was developed by a League-authorized task force to better respond to the erosion of local control/political clout as compared to well-funded interest groups who contribute millions of dollars to political campaigns. The Network is comprised of ten field offices and fourteen regional coordinators who will assist city officials in aggressively promoting key League legislative priorities with legislators, district staff, local media and other supporting community groups. The main goal of the Network is to help city officials focus strategic attention on state lawmaker’s decisions affecting cities, and to assist in stakeholder relationship-building.

As a participant on the Network’s Advisory Committee I am encouraged with progress made so far, but clearly more work has to be done, especially during these uncertain economic times. I encourage the Council to take on an increased role in this important area, and have begun to focus more attention on building a more effective legislative advocacy program across all city departments to further support Coalition and Network strategies.

Together these alliances will help implement the League Fiscal Reform Task Forces’ long-term plan for sustained protection of City revenue streams, including ongoing efforts to:

- Enact a constitutional amendment to protect local government revenue sources.
- Return ERAF monies shifted away from localities, or at the very least, cap future shifts.
- Continue to distribute local sales tax on a point-of-sale, or situs basis.
- Reform the unfunded mandate reimbursement process to make it more workable and meaningful.

FISCAL STRATEGIES

One of the most powerful aspects of multi-year budgeting and projection is the ability to plan for the future. Small changes now can avert large problems later. When the issues identified in the previous section are viewed in their totality, and the financial condition of each fund is reviewed carefully, it is clear that there is little room for significant service expansion without revenue enhancement.

In previous Transmittal Letters I have outlined a number of key strategies to help us deal with future financial realities. These strategies will work to maintain our fiscal

stability and allow us to continue providing high quality services. As discussed below, some of these have already been employed, while others will be utilized in the future.

- **Emphasize economic development**

Economic development holds great promise not only for increased revenue, but also for strengthening the economy. As discussed above in *Strategic Issues*, the redevelopment of the Town Center Mall, the Downtown development by the Mozart group, and the Downtown Design Plan are all critical aspects of the City's economic development strategy.

- **Use cost-effective technologies to increase productivity, enhance customer service and/or reduce the cost of service**

Technology makes up an increasing percentage of the City budget. For the most part, it supports the delivery of high-quality services. As a result, it is important that technology investments are focused on those areas that have a significant return on investment. Effective use of technology can simplify work procedures, improve efficiencies, and enhance customer service. The objective here is to effectively leverage our technological resources in a manner that will allow us the opportunity to keep pace with the demand. Currently, the Information Technology Director is in the process of updating the "Information Technology Strategic Plan" endorsed by Council in January 1999. The Plan will include a strategy for implementing E-Government solutions to assist departments in meeting increased service requirements while improving City interaction and communication with constituents. The updated Plan will be completed early in FY 2002/2003, including the tactical planning elements to facilitate implementation.

- **Pay close attention to the financial impact of policy decisions made throughout the year**

Many of the study issues initiated by Council each year can have significant long-term financial implications. Although the budget is reviewed only one time each year, decisions that affect it are made throughout the year. Unfortunately, when such decisions are made outside of the annual review of the budget, it is more likely that the long-range financial picture for the City will not receive the attention due. Further, when potential new expenditure items are reviewed independently, it is virtually impossible to put them in a context of other competing expenditure requirements. The City has entered a period of diminished economic resources, and great restraint will be required to maintain our strong fiscal condition over the next several years.

- **Rely on multi-year financial planning for key decisions**

Continue to place emphasis on performance-based/ results-oriented budgeting, as well as strategically analyze issues from both a long-term and immediate planning perspective.

MAJOR PROJECT EFFORTS

Sunnyvale's projects budget is a complex document involving four separate and distinct categories of projects: capital, infrastructure, special, and outside group funding. The projects themselves are budgeted and accounted for in various funds, most notably the General and Gas Tax Funds, the Capital Projects and Infrastructure Funds, and the Utility Funds.

Major initiatives and actions have added to this complexity. For example, the City's remarkable infrastructure planning and funding efforts led to the creation of long-term projects to fund major renovation and replacement efforts. The City's debt financing strategies are also reflected in this area.

Additionally, the past few years have seen a marked increase in various grants and special funding sources available for specific project categories, such as parks and streets and transportation. These revenue streams include the Santa Clara County half-cent sales tax for transportation (Measure B), traffic mitigation fees, State park grants (Proposition 12 and Proposition 40), park dedication fees, and new monies for the Traffic Congestion Relief program (AB 2928 and Proposition 42).

The recommended FY 2002/2003 Budget includes funding for a total of 378 projects in all categories. This section discusses some of the special funding sources and provides information on major project initiatives. Descriptions of other projects are included in the *Detailed Fund Review* section of this Transmittal Letter.

SPECIAL PARKS FUNDING

Proposition 12 Funds

The passage of the Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000 (Proposition 12) means Sunnyvale will receive more than \$1.5 million in new funds for parks over the next few years. These funds, which are allocated to cities on a per capita basis, may be used to pay for acquisition, development, improvement, rehabilitation, restoration, enhancement and interpretation of local park and recreation lands and facilities. In FY 2001/2002, Sunnyvale programmed these funds for a variety of park improvements, including:

- Renovation of the Lakewood Park multi-purpose concrete bowl, amphitheater and space station,
- Redesign of the hardscapes and walls surrounding the Ortega Park playground to allow parents better visibility of children at play,
- Construction of a facility in which to store equipment used to maintain the Heritage Orchard, and
- Provision of wooden benches at 16 City tennis courts.

Appropriations for these projects totaled approximately \$1.2 million. Approximately \$387,000 remains to be allocated. These funds will be programmed in next year's two-year projects budget process, pending the results of actual costs of those projects listed above, and the receipt of bids for the City's current skateboard park project (which is likely to require more funds than are currently appropriated).

Proposition 40 Funds

The passage of a second bond measure under the California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Act of 2002 (Proposition 40) provides an additional \$1 million for park and open space projects. Although the actual appropriations are not included in the recommended FY 2002/2003 Budget, staff are proposing that \$500,000 of these monies be the City's contribution toward the creation of an historical museum to be constructed at Orchard Heritage Park in partnership with the Sunnyvale Historical Society and Museum Association. \$40,000 would complete the funding necessary to construct a connector trail between Yahoo! and the San Francisco Bay Trail. It is anticipated that the remainder of these monies would be used to supplement funding for the Downtown Plaza Park. These funding recommendations will be coming forward to Council as budget modifications during the remainder of FY 2001/2002 or in FY 2002/2003.

Park Dedication Funds

When developers of multi-family housing do not dedicate land for use as parks, the City collects a fee in lieu of the land dedication. These park dedication fees are then used to pay for park facilities. These fees will help to pay for a variety of upcoming projects, including:

- The Downtown Plaza Park at Evelyn Avenue and Frances Street,
- The Fair Oaks Skateboard Park,
- Improvements to the playground at Ortega Park, and
- The Master Planning/Expansion of Murphy Park.

TRAFFIC AND TRANSPORTATION FUNDING

Santa Clara County Measure B Pavement Management Program

In November 1996 Santa Clara County voters approved Measures A and B. These measures provided for a new general Sales Tax within our county, with proceeds earmarked specifically for transportation improvements. Following an unsuccessful legal challenge by taxpayer groups, the County Board of Supervisors and the Valley Transportation Authority (VTA) established procedures for the allocation of funds in 1999. The City of Sunnyvale has been allocated approximately \$7.7 million over a five-year period for pavement management-related capital projects from Measure B funds.

To date, twelve capital projects have been funded by Measure B revenues, two of which will continue in FY 2002/2003. These are Sunnyvale Avenue –El Camino Real to the Southern Pacific Railroad, and Sunnyvale/Saratoga Road – Homestead to Fremont. A total of \$6.3 million in Measure B funds have been spent or appropriated to date. The remaining unappropriated balance of Measure B funds is approximately \$1.4 million. Staff will be reviewing other transportation-related capital needs and making recommendations for appropriation of the balance in the coming year.

State Traffic Congestion Relief Program (AB 2928) and Proposition 42

The State Traffic Congestion Relief Program (AB 2928) was part of the budget trailer bill for the transportation finance package of the State's FY 2000/2001 Budget. As part of this finance package, approximately \$1 billion from the State portion of sales tax on gasoline sales will go directly to cities and counties for preservation, maintenance and rehabilitation of local street and road systems for the period FY 2000/2001 through FY 2005/2006. These new funds are allocated on a per capita formula. AB 2928 funds impose a maintenance of effort requirement that obligates the City to maintain a level of expenditures for street, road, and highway purposes equivalent to the average expenditures for FY 1996/1997, FY 1997/1998 and FY 1998/1999. In addition, a "use it or lose it" provision requires that the City expend these funds by June 30th of the fiscal year following the one in which they were received. The legislation also requires that the monies be held and accounted for in the City's Gas Tax Fund.

It is projected that the City will receive approximately \$3 million under AB 2928. In October 2000 the City received funds in the amount of \$949,530 representing the first disbursement of AB 2928 monies for FY 2000/2001. AB 2928 funds in the amount of \$359,100 will be received in FY 2001/2002 and \$460,180 is scheduled for FY 2002/2003. The remaining \$1.5 million will be allocated in amounts of approximately \$500,000 from FY 2003/2004 through FY 2005/2006.

During FY 2001/2002 the City funded the following projects with AB 2928 monies:

- | | |
|---------------------------------------|-----------|
| • Homestead/Belleville Traffic Signal | \$175,865 |
| • El Camino Real Left Turn Pockets | \$148,506 |
| • AC Overlay of Fair Oaks | \$630,846 |

For FY 2002/2003 the City plans to use AB 2928 monies to complete the following projects:

- | | |
|---------------------------------|-----------|
| • Lawrence/Elko Traffic Signal | \$372,375 |
| • Fremont/Wright Traffic Signal | \$342,064 |

As Council is aware, a constitutional amendment that permanently shifts the sales tax on gasoline from the State General Fund to the Transportation Investment Fund created by AB 2928 was approved by the voters as Proposition 42 in March 2002. The effect of this action is to indefinitely extend the allocation of Traffic Congestion Relief Program funds to cities, counties, and transit agencies beginning in FY 2008/2009. Preliminary information indicates that Sunnyvale's annual allocation will be approximately \$1.2 million. Because approval of the proposition is so recent, staff currently does not have details as to regulations of the program or specific types of projects that will be allowable. Therefore, these funds have not been programmed in the recommended FY 2002/2003 Budget. Staff will return with proposals for the use of these funds in the next two-year project budget cycle.

Traffic Mitigation Funding

The Public Works Department is currently in the process of completing a Transportation Strategic Plan as part of the Revenue Sources for Major Transportation Capital Improvement Projects Study Issue. The Transportation Strategic Plan will be used to identify potential revenue sources for major transportation improvements included in the Land Use and Transportation Element of the General Plan, the Futures Study, the Downtown Specific Plan, the Southern Pacific Corridor Plan, and the Lockheed Site Master Use Permit. These area-specific plans and the Land Use and Transportation Element identify mitigation of transportation impacts required to support the plans, but do not identify funding sources.

The cost of this mitigation is considerable, estimated several years ago in the Land Use and Transportation Element in excess of \$100 million. This level of funding cannot be accommodated by the City's current Resource Allocation Plan. In order to provide for planned, orderly development in Sunnyvale over the next 20 years, an interim funding mechanism has been implemented for transportation improvements. This revenue source, known as Cumulative Traffic Mitigation, will mitigate cumulative impacts of the Land Use and Transportation Element of the General Plan, and offset the potential revenue loss that would result if the City waited until the Transportation Strategic Plan is completed before implementing a fee or assessment. It is anticipated that when the Transportation Strategic Plan is completed and presented to Council, the interim Cumulative Traffic Mitigation would be revised.

The adopted FY 2001/2002 Budget included \$2.1 million in projects funded from Cumulative Traffic Mitigation. The recommended FY 2002/2003 includes no new funded projects for the upcoming year. Approximately \$5 million of Cumulative Traffic Mitigation revenue will be available to be applied to additional capital projects or the major mitigation measures identified in the Land Use and Transportation Element. Since these mitigation measures are not yet finalized or identified in the current capital program, these funds will be appropriated over the next several years as the projects are developed.

The projects currently fully or partially funded with Cumulative Traffic Mitigation revenues are shown below:

- Mathilda Avenue Railroad Overpass Improvements - \$92,300,
- Washington Avenue and Mathilda Avenue Intersection Improvements - \$1,173,500, and
- Borregas Avenue Bicycle Corridor - \$805,000.

WASTEWATER UTILITY REVENUE BONDS

The recommended FY 2002/2003 Budget for the Wastewater Management Fund continues to reflect the need for significant capital improvements to our wastewater facilities over the next several years. The Fund is experiencing an increase in infrastructure costs for the wastewater collection and treatment system due to the normal deterioration of facilities with age.

In December 2001, the Sunnyvale Financing Authority sold its Water and Wastewater Revenue Bonds Series 2001. The total amount of the transaction was approximately \$34 million. The bonds refunded the Authority's 1992 Utility Revenue Bonds and provided an additional \$12.5 million for new wastewater projects.

The process of issuing the Series 2001 bonds went very smoothly. The city received excellent ratings from both the rating agencies and the insurance agencies. Specifically, the rating agencies were impressed with the City's long range planning approach and Planning and Management System (PAMS).

The bond money is being used to fund the cost of the most pressing infrastructure projects at the plant and throughout the city's collection system. These projects include sewer and storm main replacements (including the Borregas Sanitary Sewer Trunk Replacement), Water Pollution Control Plant improvements, work on the Power Generation Facility, rehabilitation of the treatment ponds, rehabilitation of pump stations no.1 and no.2, and many other smaller projects identified in recent years.

The use of bonds to raise capital needed for new infrastructure projects minimizes the impact on rates and spreads the costs to users on a more equitable, long-term basis. As Council will see in the *Detailed Fund Reviews* section of this Transmittal Letter, staff has included increased debt service for the Wastewater Fund beginning in FY 2002/2003 to reflect the sale of the bonds.

INFRASTRUCTURE RENOVATION AND REPLACEMENT

Sunnyvale has traditionally provided resources in its operating budgets for optimizing maintenance of fixed assets. Indeed, this City is one of very few government agencies that budgets infrastructure maintenance at optimal levels. Staff believes this to be the most cost-effective, long-term way to approach asset management. Optimum maintenance has served, and continues to serve, our residents and ratepayers quite well.

Nonetheless, even with this maintenance approach, eventually every infrastructure element reaches the point where maintenance is no longer a cost-effective strategy, and significant renovation and replacement is required. Planning for infrastructure requirements is no small undertaking. There are two reasons for the magnitude of the challenge. First, much of the infrastructure maintained by the City was never initially a cost to us. Most of the roads, streetlights, and utility lines were paid for by owners of the benefiting, adjacent properties at the time various areas of the City were developed. When major renovation or replacement is needed, however, this same source of revenue support is no longer available. Second, even during the time when local governments in California had considerable flexibility with revenue sources, the likelihood of gaining constituent support for tax increases or assessments for this purpose was not high. In today's far more constrained revenue raising environment, it becomes even more difficult.

Although the funding of the renovation and replacement of the City's \$1 billion in infrastructure assets is an enormous challenge, it is also critical to the long-term quality of life and financial condition of the City. Because of this fact, the City has

undertaken an unprecedented effort to plan for this eventuality with a comprehensive Long-Range Infrastructure Plan (LRIP).

The development of this plan was split into two distinct phases. As the Council knows, the City completed Phase I of the LRIP in November 1997 with a Council-approved plan for replacing or renovating assets in the General/Gas Tax Fund and the Community Recreation Fund. The FY 1996/1997 Budget and Ten-Year Resource Allocation Plan established the Infrastructure Renovation and Replacement Fund. The FY 1998/1999 Budget incorporated the full funding plan for the General/Gas Tax and Community Recreation Fund assets.

In FY 1998/1999, staff began work on Phase II of the LRIP, addressing the fixed assets within the utility funds (water, sewer and refuse). Since that time, staff has been identifying and inventorying all of the City's utility-related fixed assets, and providing preliminary estimates for replacement costs and lifespans. Because the Solid Waste Management Fund contains only a few assets, staff was able to complete a financing plan for those assets in the current rate structure for solid waste fees. However, the Water and Wastewater Funds have a large number of varied assets, including water mains, water valves, reservoirs, sewer collection equipment, storm drains and the Water Pollution Control Plant to name only a few. Assumptions for how much the replacement of these assets will cost and when replacement will occur are essential to forming choices for financing strategies.

In order to provide more realistic estimates, staff has been collecting data on how these fixed assets perform in varied conditions. The City's utility maintenance management database effort was begun two years ago for this purpose. When completed it will provide historical information that will assist in making more refined estimates. Then, the City will have all the necessary data to conduct a careful review of alternative financing strategies. Due to the large number of components in our inventory of facilities this process is anticipated to take from three to five years to complete. This is due to the complexity of our system and the need to complete this work while we continue to operate our facilities.

In the meantime, it is clear that the infrastructure issue is gaining more attention at the national and state policy level. One example is Governmental Accounting Standards Board (GASB) Statement 34, which takes effect for the City's Comprehensive Annual Financial Report (CAFR) for FY 2001/2002. GASB 34 introduces a new governmental financial reporting model that puts particular emphasis on infrastructure reporting. The practical effect of this statement will be that public agencies will be required to develop and implement better maintenance management systems that will help them report on infrastructure assets and the level at which they are being maintained. Our LRIP will help us address the new standard and allow us to meet the requirements of GASB 34.

The increased political attention to infrastructure will likely mean the development of intergovernmental programs that provide assistance in the areas of rehabilitation and replacement. This assistance could include low-interest loans from "infrastructure banks," matching programs, and/or grant funding. Any financial assistance will help defray the effect of future infrastructure costs on our ratepayers.

SUNNYVALE SENIOR CENTER

In July of 1998, Council considered a report on options for providing a Senior Center facility and directed staff to begin working toward construction of a new 23,000 square foot, single story Senior Center to be located on the Community Center grounds. Further action at that time included appropriation of \$50,000 to pursue the development of preliminary plans and cost estimates for the project. The consultant's report on costs was received in FY 1999/2000, with initial projections of approximately \$11 million. Various funding options were presented to Council for consideration, and a budget modification was approved fully funding the construction at that level. Resources for the project included the General Fund Non-Recurring Events Reserve, mitigation funds from the Applied Materials Arques Campus development, and Community Development Block Grant funds.

Detailed construction plans and drawings were completed in mid FY 2001/2002, and on March 19, 2002 Council approved an award of bid to Thompson Pacific Construction, Inc. in the amount of \$9,405,200. A groundbreaking ceremony was conducted on the site of the new Senior Center on April 24, 2002, and construction is expected to last approximately one year. Council will be kept advised of any adjustments to this schedule that may be necessary due to bad weather or other unforeseen circumstances.

In last year's Transmittal Letter, I indicated that funding to extend the existing lease with the Sunnyvale School District was included in the Community Recreation Fund's Long-Term Financial Plan. However, the District recently advised the City that it was interested in charging the City \$3.00 per square foot (\$75,584) per month for such an extension. This is approximately three times the cost currently being paid by the City (more than half a million dollars a year over what we currently pay) and staff is negotiating with the District for a lower rate. If staff is unsuccessful in this regard, other steps may need to be explored, including the relocation of the Senior Center to a temporary site and/or the curtailing of programs such that senior activities can be located within the existing Community Center while the new Senior Center is being constructed.

In anticipation of the new, expanded Senior Center, ongoing maintenance costs appropriate to the larger site have been phased into operations in the Community Recreation Fund beginning in FY 2002/2003.

MATHILDA AVENUE RAILROAD OVERPASS REPLACEMENT AND RECONFIGURATION

The State of California Department of Transportation (Caltrans) inspects bridges throughout the state every other year for structural adequacy and functional operation. They have been doing this bi-annual inspection for many years and the reports are given to the City to address any corrective action that is documented in the report. These reports are used as the basis for the City's maintenance efforts on bridges and included as part of the overall infrastructure management program.

As per Caltrans's inspection report, the current bridge design does not meet bridge pier clearance standards, deceleration lane design standards, shoulder width standards, and bridge railing standards. These deficiencies create potential hazards to the public, and present a potential liability issue for the City.

City staff has successfully secured federal funds with 20% local match for removing the deficiencies and improving traffic circulation on the bridge. The proposed bridge improvements include reconfiguring the off ramp to Evelyn Avenue to allow full access to Evelyn from southbound Mathilda Avenue. As an added benefit, this improvement can service the anticipated increase in traffic from southbound Mathilda Avenue to downtown Sunnyvale.

A conceptual layout of the improvement proposal with a preliminary cost estimate of \$17.418 million for the project has been submitted to Caltrans for funding purposes. The requirement of 20% local match translates to a maximum federal share of \$13.93 million with the City's share of \$3.48 million. However, Caltrans has indicated to City staff that a limit of \$10 million of Federal Hazardous Bridge Rehabilitation Replacement funding is placed on this project at this time. This would require the City to commit to a match of \$7.418 million. Caltrans has also indicated to City staff that increased funding requests are considered on a case by case basis. City staff is continuing to work with Caltrans to increase funding. An alternative has also been prepared by refining the proposed improvements which reduces the project cost to \$14.4 million. The 80% of the reduced cost still exceeds the federal contribution of \$10 million. Caltrans has given direction that design should proceed prior to applying for increased funding. The current schedule calls for design to be completed in December 2003, and submittal of the high cost project application in February 2004.

The recommended FY 2002/2003 Budget includes the Mathilda Avenue Railroad Overpass project unchanged at the \$17.5 million project cost. As design work and negotiations with Caltrans continue, this project estimate will be modified to reflect the actual funding level and funding sources. As indicated above, additional City funds may be needed to fully construct this project.

FAIR OAKS SKATEBOARD PARK

As part of its expansion of teen services in the summer of 1999, Council directed staff to study the feasibility of developing a skateboard facility within the City. In August 2000, Council reviewed the results of that study, supporting Fair Oaks Park as the best location for possible development of a skateboard park in Sunnyvale. Council approved funding for this project with Park Dedication Funds in FY 2001/2002 at an estimated construction cost of \$575,000. Bids received at the time of writing this Transmittal Letter would suggest this project may be underfunded, but unappropriated monies from Proposition 12 have been identified as a possible source of additional funding should project costs actually exceed budgeted amounts. Annual operating costs are projected to be approximately \$7,000 and have been included in the Parks Division's operating budget.

FREMONT POOL

Two years ago, Council approved an agreement establishing a partnership between the City and the Fremont Union High School District to build and operate a 50-meter swimming pool for use by the City and the District at the Fremont High School site. Use of this pool will provide significant improvement in adult swim opportunities for the community and will also benefit other age groups through a balanced swim program and reduced demand for adult use of other City pools.

As of the writing of this Transmittal Letter, construction of the new pool facility is nearly complete. The City's portion of the capital costs is currently programmed at \$1.6 million, and at this point it appears that actual costs will not exceed the budgeted amount. Given the recent energy crisis, the District is considering a co-generation facility for the pool in order to reduce ongoing energy costs. Staff would recommend that the City share in any capital costs associated with a co-generation facility so long as the original appropriation by Council for the pool project is not exceeded.

The City's portion of annual operating costs for the Fremont Pool is now estimated at \$161,018 per year beginning in FY 2002/2003, and continuing for the 25-year term of the agreement. Offsetting operating revenues from user charges have been estimated at approximately \$41,200 beginning in FY 2003/2004, the first full fiscal year of operation. This leaves a required subsidy from the General Fund of approximately \$120,000 per year. The Friends of Fremont Pool are attempting to raise \$1 million to be donated to the funding of this project as an endowment to offset operating costs. Their efforts to date have yielded about \$800,000 in grants and pledges, and the interest earnings on monies received are expected to further offset operating costs by approximately \$46,000. The Friends of Fremont Pool have committed to complete their \$1 million fund raising effort by the time the pool is in full operation, and staff will be updating the revenue estimates to reflect increased donations.

It is important to note that the cost and revenue figures identified above are based on the assumption that the City is successful in negotiating with a third party to operate the City's share of the 50-meter pool in accordance with guidance received from Council during a study session on February 4, 2002 relative to pool fees and use schedules. At the time of the writing of this Transmittal Letter, however, Council had yet to consider any formal contract, and it is still possible that staff may need to operate the pool themselves. In this case, both operating and revenue costs might change.

MULTIMODAL TRANSIT CENTER

For several years the City has been working with the Valley Transportation Authority (VTA) and the Peninsula Corridor Joint Powers Board (JPB), which operates CalTrain, to develop a multimodal transit center on Evelyn Avenue. The purpose of this center would be to enhance the public transit component of the Downtown and solve some of the parking problems faced by CalTrain and the City.

The first phase of the Project involves construction of a multi-level parking structure containing 400 parking spaces, transit station and associated site improvements on

JPB and City property. These additional parking spaces will support the expanded use of public transit as well as support the existing businesses in the area.

The contract in the amount of \$11,335,000 for construction of the project was awarded to S. J. Amoroso Construction Company by the City Council in June 2001. The total construction cost of \$13,168,500 has been funded by contributions from VTA and JPB, a Metropolitan Transportation Commission (MTC) grant, and \$1.4 million available from the Downtown Parking District through land sale proceeds.

The construction of the project is underway and work is in progress on the second level parking deck. Construction is scheduled to be completed in December, 2002.

DOWNTOWN PLAZA PARK

The Downtown Plaza Park will be under construction during FY 2002/2003. Staff has reviewed alternative design concepts with residents, boards and commissions, and the City Council. Construction drawings are now being prepared for the concept preferred by most parties. It will be a unique open space resource for Sunnyvale, designed to accommodate gatherings of up to 2,000 people for special events, but also designed to be a pleasant passive experience for the day-to-day visitor. Staff is now exploring methods to accelerate the project so as to commence construction as soon as possible after completion of the deck over the underground parking structure.

Funds of \$3,051,431 have been budgeted through FY 2001/2002 for this project. Preliminary construction estimates indicate a potential design and construction cost that ranges from \$5.1 million to \$10.3 million depending on the features included and the materials used. A study session will be held with Council in May 2002 to review the conceptual plans for the Plaza Park. At that time, staff will have a clearer idea of total cost and will review potential funding sources for recommendation to the Council. This will be handled as a budget modification for FY 2001/2002.

ANIMAL FIELD AND SHELTER SERVICES

On July 20, 2000, Sunnyvale entered into a 7-City Joint Powers Agreement, the Silicon Valley Animal Control Authority (SVACA), to ensure the continued provision of State-mandated animal shelter services. Member cities include Campbell, Cupertino, Los Gatos, Monte Sereno, Santa Clara, Saratoga, and Sunnyvale. It is anticipated that in FY 2002/2003 SVACA will construct and operate a new animal shelter facility funded by member contributions. This facility will be located in the City of Santa Clara. The capital project budget includes \$2,380,060 for Sunnyvale's contribution to construct the facility, which was initially approved as a budget supplement in the FY 2000/2001 budget. It is important to note that project costs are still preliminary and may vary depending on increased construction costs, changes in building specifications, lease arrangements, or other unforeseen circumstances.

To date we have expended approximately \$618,000 as a participant in this new venture. Of this amount \$439,239 has been spent on shelter and administrative costs, and \$178,741 has been spent on capital startup costs. Total operating costs in excess of \$400,000 have been programmed annually in the General Fund for animal shelter services beginning in FY 2002/2003. Sunnyvale's costs for shelter services

represent 32.41% of the pool of current JPA cities.

Prior to the creation of SVACA, the Humane Society of Santa Clara Valley provided animal sheltering but notified its contract cities that it would no longer provide the service after June 30, 2003. The Humane Society's decision not to renew its shelter contracts was in large part due to State legislation that mandated longer holding periods for stray animals, creating significant ongoing space and cost issues for the Society

As a potential financial offset to increased animal control costs, the Commission on State Mandates has approved parameters and guidelines for Animal Adoption test claims, paving the way for state reimbursement of at least some portion of costs associated with the longer animal holding periods. Several test claims have been filed and are said to be controversial as well as complex, leaving many unanswered questions at this point in time. Staff will raise the issue with SVACA personnel in the hope of beginning research to prepare for eventual filings once the test claims are completed.

UNDERGROUNDING OF UTILITIES ON MAJOR STREETS

Following the Pacific Gas & Electric (PG&E) bankruptcy in FY2000/2001, staff recommended that funds for the undergrounding of overhead utilities on Fair Oaks between Evelyn and El Camino Real be removed from the Capital Improvement Plan because funds were not available from PG&E for their portion of the work. These funds were programmed for other capital purposes. In September 2001, PG&E informed the City that funds were again available for this project. On January 15, 2002, as part of the City's year-end carryover process, the City Council decided not to appropriate \$900,000 into this project to provide for the City's portion of the undergrounding.

This issue will be considered again during the next two-year project budget process. Meanwhile, funds for the undergrounding project are not included in the recommended FY 2002/2003 Budget.

The total allocation credit balance for the City under PG&E's Rule 20A program is \$5,275,868.

LAWRENCE EXPRESSWAY AND WILDWOOD AVENUE REALIGNMENT

For many years the City has been tracking the potential for neighborhood traffic issues in the Fairwood area of the City. This residential neighborhood abuts the City of Santa Clara, and just over the City limit Santa Clara has approved major commercial and office developments. As these developments were being planned, the potential for inappropriate non-neighborhood traffic to use neighborhood streets to travel to and from Lawrence Expressway to Santa Clara was identified as a significant issue.

As the effects of these developments have manifested themselves over time, a new roadway connection of Wildwood Avenue and Lawrence Expressway, combined with a new traffic signal, has been discussed as a potential solution to address neighborhood concerns. The City has pursued approval from Caltrans and the County of Santa

Clara, which have regulatory authority over these types of projects. At this time, the County has approved the concept, and Caltrans has given conditional approval. Costs of the project have increased significantly due to Caltrans requirements and the contracting environment. Current estimates for the project are about \$ 3.6 million, while budgeted Gas Tax funds are approximately \$ 2 million, less current charges.

The City has undertaken a study of alternatives to update traffic data and collect neighborhood input. This study will allow a better understanding of the costs and benefits of a traffic signal, and identify and contrast other potential improvements with a signal project. Council is scheduled to consider this study in May 2002. Depending upon the alternative selected, funding requirements for this project will change. If the realignment and traffic signal construction is chosen, the City will need to identify additional funds. If a lesser-cost alternative is identified, funds currently programmed for this project will be returned for other uses.

INTEGRATED NEIGHBORHOOD SERVICES

Members of the City Council and staff have long wanted to create a stronger sense of community and to facilitate greater connectivity within the community. To address this need, the Integrated Neighborhood Services special project was established in FY 2001/2002 with an appropriation of \$280,828. The first year of the project was dedicated to exploring best practices of neighborhood services delivery, proposing a model to fit the unique needs of Sunnyvale, and identifying a baseline operating and service structure. A Project Task Force consisting of the Directors of Community Development, Public Safety, Public Works, Parks and Recreation, and Libraries was established to provide guidance to the project.

The recommended FY 2002/2003 Budget includes a continuation of the special project with an appropriation of \$294,057 to begin implementation of the baseline operating and service structure and to develop a proposal for any additional services recommended by the Project Task Force.

The components of the baseline operating and service structure include managing in-place Neighborhood and Community Services programs: the Columbia Neighborhood Center, Youth and Family Services, Child Care Services, and Volunteer Services. It also includes developing relationships with leaders of faith communities, community associations, and ethnic groups; building relationships with service providers; developing multicultural outreach and engagement mechanisms; supporting the community outreach and community building efforts of other City departments; identifying and recommending best practices; and facilitating Council outreach to community associations.

At the end of FY 2002/2003, all services will be transitioned to the operating budget in the Office of the City Manager. Beginning in FY 2003/2004, annual operating costs of \$310,236 have been included in the General Fund Long-Term Financial Plan.

YOUTH AND FAMILY SERVICES

Two City studies on the needs of youth and families in Sunnyvale were conducted in 2000. Based on the results of those studies, in February 2001 Council approved a

Youth and Family Services Project for FY 2001/2002 in the amount of \$383,523. The project included five components:

- Enhance access to information about citywide programs and services,
- Youth and family crime prevention,
- Youth services coordination,
- Develop policy on the provision of staff support to businesses in locating onsite childcare facilities, and
- Provide mobile recreation programs at city parks.

The recommended FY 2002/2003 Budget includes \$281,345 in additional project funds to provide leadership in further implementing the recommendations of the study. Activities will include: educating Sunnyvale's diverse community about available youth and family services, serving as a public policy advocate for youth and family services, supporting networking and training of youth and family service providers, supporting the efforts of community agencies to leverage resources in providing services, maintaining a knowledge base of the community's services and service needs, supporting City departments in meeting the needs of youth and families, and piloting a mobile youth services program.

This special project will terminate at the end of FY 2002/2003 and all services will transition to the operating budget of the Office of the City Manager. Beginning in FY 2003/2004, annual operating costs of \$368,249 have been programmed in the General Fund Long-Term Financial Plan.

DETAILED FUND REVIEWS

So far, this letter of transmittal has focused on those factors affecting the overall budget of the City. As noted earlier, however, City finances are actually composed of a number of diverse businesses. As a result, the following review will provide strategic long-term, as well as important short-term, financial highlights for each individual fund.

GENERAL FUNDS

The General Fund is used by the City to account for all financial resources except those required by law or practice to be accounted for in another fund. Due to the fact that operation of the Gas Tax Fund is inextricably intertwined with the General Fund, it is included in the General Fund discussion.

General Fund

The General Fund supports many of the most visible and essential City services, such as police, fire, road maintenance, libraries, and parks and open space maintenance. General government support functions are also included in this fund, and their costs are apportioned through the use of in-lieu fees to other City funds. Because the General Fund receives the preponderance of its revenue from taxes, it has been the most affected by voter-approved initiatives and State legislative actions. As a result of

such action over the past decade, revenues to the General Fund are significantly less than they would have otherwise been. Virtually all of the assumptions and issues noted earlier have a direct effect on the General Fund.

In addition, the General Fund has a very close relationship with several other funds. Those funds are the Community Recreation Fund, the Youth and Neighborhood Services Fund, the Gas Tax Fund, the Internal Service Funds, the Capital Projects Fund, the Infrastructure Renovation and Replacement Fund, and the Redevelopment Agency Fund. In each case, the condition of these funds has a direct bearing on the General Fund due either to contractual relationships or because the General Fund is a primary or significant source of financial support. The relationship between these various funds, where appropriate, will be discussed as a part of the General Fund, as well as in the review of each of these individual funds.

General Fund Revenues

Revenue Estimation Methodology

All revenue assumptions and projections are reviewed and revised each fiscal year. Further, considerable analysis is undertaken to identify the key elements that impact our major revenue sources so that the projection methodology is reliable over the long-term. Historical data underscores the fact that a significant swing in revenues can occur due to economic cycles. From a low in 1990 to the high in 2000, the economy has produced very different revenue yields to the City in a number of major categories. Projecting revenues based on the high point of the economic cycle could overstate the City's financial position significantly for future years and could result in spending patterns that cannot be sustained. Conversely, projecting revenues from the lowest point of the economic cycle could understate the long-term financial position of the City and cause unnecessary service reductions.

Each revenue source has its unique characteristics that have been used to make projections. In general, estimates of actual expected revenue for each major source are used to calculate FY 2002/2003 figures and one or two years beyond. For the balance of the financial plan, however, projections are based on average historic yields over a defined economic cycle modified for present circumstances. Recognizing that Silicon Valley is likely to go through several economic cycles during the 20-year projection time frame, staff believes that this methodology is more accurate over the long-term because it projects revenues from the "trend line" rather than from any given high or low point. This approach has served the City very well and prevented us from adding or reducing services based upon a one-year revenue condition. However, because it is based on historic performance, it should be expected that revenues would actually perform considerably better than projected in some years and considerably worse in others.

As indicated above, Sunnyvale's approach to revenue forecasting, which is based on individual revenue patterns and economic cycles, has served us well. However, to assure that our methods are the most advanced possible, staff began working on a special project with the Center for the Continuing Study of the California Economy in early FY 2001/2002 to verify and enhance the forecasting methodology used for the major revenue sources that constitute 90% of our funding. During this process,

Stephen Levy, noted economist and Director of the Center, reviewed our long-term revenue projections for Sales Tax, Property Tax, Utility Users Tax, Motor Vehicle License Fees, Transient Occupancy Tax, and Construction-related revenues to identify patterns of behavior for each source. Additionally, Mr. Levy worked with staff as we developed our forecasts for the recommended FY 2002/2003 Budget and 20-year Financial Plan. His input was extremely valuable to assist us in determining the effect of current economic conditions on the future years of the forecast.

Overall, staff's work with Mr. Levy resulted in shifts in several key revenue assumptions. For instance, we have for the first time this year developed separate forecasts for revenue growth resulting from inflation and revenue growth that is "real," that is, expanding the base. For example, Property Tax revenue is limited by the California Constitution to 2% growth per year for inflation purposes. However, growth to the base occurs when new housing or commercial buildings are constructed. Likewise, Sales Tax may have an assumed inflation growth to reflect the growing cost of goods, but the base can also increase through the addition of sales outlets.

Further, for many years our revenue projections had assumed greater revenue growth in the second ten years of the plan compared to the relatively short-term future. For most major revenues, this assumption has been reversed this year. This change reflects certain long-range demographic trends identified by Mr. Levy, including the expectation that Sunnyvale's population growth will be slower in the out years compared to the earlier years of the forecast. We also believe that, due to the aging of the "Baby Boom" generation, our residents will be of older average age in the second ten years of the plan, which will lead to reduced spending and consumption patterns. Information from Mr. Levy also indicates that the pace of development of new homes and businesses will probably slow in the latter years of the plan due to "build out" of the City. These key assumption changes have been reflected in the long-range forecasts of the City's major revenues. Specific changes or refinements made as a result of our work with Mr. Levy will be discussed in the sections of this Transmittal Letter that deal with each major revenue source.

In addition to making changes to our long-range forecasting methodologies, staff also revised our estimates for FY 2001/2002 receipts to reflect current economic conditions. In preparing revenue estimates for FY 2001/2002 during last year's budget process, staff had already anticipated decreases in many of our major revenue sources. This was done to reflect the beginning of a downward trend that started to manifest itself in January 2001. Overall revenue decreases of approximately 10% were projected for FY 2001/2002, chiefly in Sales Tax, Transient Occupancy Tax, Motor Vehicle License Fees, and construction-related taxes and fees. In August and September, staff began to reduce these revenue projections further to reflect the economic downturn and the events of September 11th. It now appears that we will experience another \$8.7 million reduction from the levels budgeted for FY 2001/2002. Declines are particularly dramatic in Sales Tax, which will be about 30% below last year's levels, and Transient Occupancy Tax, which is experiencing a 40% decline from last year. Fortunately, Property Tax receipts have been higher than forecast and Motor Vehicle License Fees are at or slightly above projected levels. However, improvements in these revenue sources are not enough to make up for the marked declines in the other areas.

Table II, below, reflects projected major sources of General Fund revenues for FY 2002/2003 and compares those sources with the FY 2001/2002 revised projections. FY 2000/2001 actuals are also included.

Table II Recommended Revenues – General Fund						
Revenue Character	2000/2001 Actual	2001/2002 Revised Projection	2002/2003 Recommended Projection	% Growth 2002/2003 over 2001/2002	2003/2004 Recommended Projection	% Growth 2003/2004 over 2002/2003
Sales Tax	37,620,492	26,376,992	27,418,302	3.95%	28,760,851	4.90%
Property Tax	20,360,778	22,612,456	21,529,318	-4.79%	22,170,989	2.98%
Transient Occupancy Tax	10,735,481	6,390,780	6,904,275	8.03%	7,537,570	9.17%
State Shared	8,568,105	7,905,057	7,734,975	-2.15%	7,636,870	-1.27%
Interest	5,175,512	4,955,899	4,008,708	-19.11%	3,512,605	-12.38%
Franchises	4,690,090	5,450,515	5,182,536	-4.92%	5,333,496	2.91%
Utility Users Tax	5,858,805	5,844,602	6,019,940	3.00%	6,200,538	3.00%
Permits and Licenses	6,415,078	3,854,113	3,482,346	-9.65%	3,574,096	2.63%
Inter-Fund Revenues	3,136,398	3,322,171	1,744,796	-47.48%	1,706,199	-2.21%
Other Taxes	3,562,065	2,140,159	2,029,337	-5.18%	2,076,285	2.31%
Service Fees	3,184,734	1,724,801	1,370,585	-20.54%	1,398,734	2.05%
Rents and Concessions	1,215,726	1,148,146	1,186,446	3.34%	1,239,431	4.47%
Fines and Forfeitures	641,008	704,025	706,916	0.41%	725,136	2.58%
Miscellaneous	853,232	751,098	576,088	-23.30%	587,500	1.98%
Federal Government	56,081	0	0	N/A	0	N/A
TOTAL	112,073,586	93,180,815	89,894,569	-3.53%	92,460,300	2.85%

In the following section, detailed discussions of the City's six major revenue sources will include explanations of the revenue forecasts for FY 2002/2003 and beyond. However, for several other revenue sources the comparison between revised projections for FY 2001/2002 and recommended projections for FY 2002/2003 shown on Table II needs some explanation.

The decrease shown in anticipated interest earned is the result of reserve balances being drawn down to balance the recommended FY 2002/2003 Budget. This situation will be discussed in detail in the section below on *General Fund Reserves*.

As will be discussed below, the estimates for construction-related revenues for FY 2002/2003 have been reduced to reflect the current economic slowdown. This has resulted in declines in three categories represented in Table II. The drop in anticipated construction-related revenue largely accounts for the decline in anticipated revenue from Permits and Licenses. The decline in anticipated Construction Tax is the

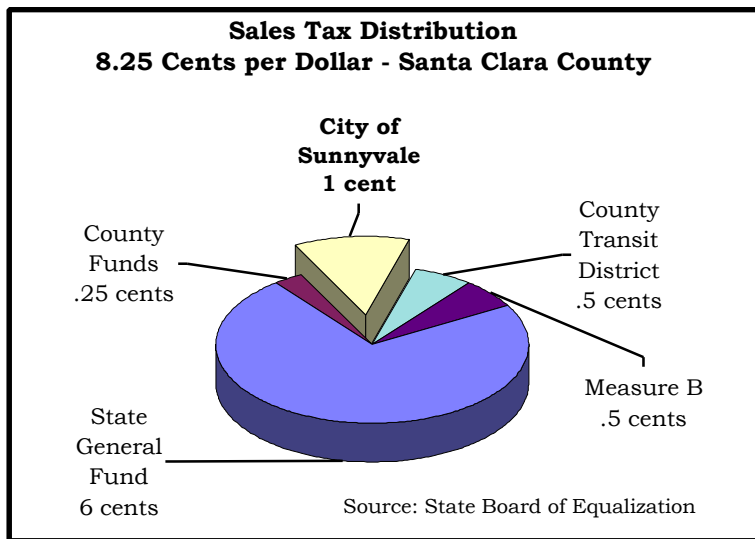
reason behind the expected reduction in revenue from Other Taxes. Service Fees revenue is expected to decline chiefly because of decreased receipts from Plan Check Fees.

Miscellaneous Revenues are made up primarily of contributions from developers and others and income generated from miscellaneous leases. Because this category is one-time and varied in nature, we have used an historical average to project future receipts.

Following are detailed discussions of six of the General Fund’s major revenue sources: Sales and Use Tax, Property Tax, Utility Users Tax, Transient Occupancy Tax, construction-related revenues, and State-shared revenues.

Sales and Use Tax

Sales and Use Tax represents the largest source of revenue to the General Fund (28% in FY 2001/2002). The graph below shows how Sales Tax dollars are distributed within Santa Clara County. The State receives the largest share of the eight and one quarter cents per dollar of sales, while cities receive only one cent of the rate.



Sales and Use Tax is composed of two parts - general retail sales and business-to-business sales. In Sunnyvale, as well as some other Silicon Valley cities, an unusually high proportion of overall Sales Tax has traditionally been business-to-business in nature. During FY 2000/2001, our ratio was 48% retail to 52% business-to-business. It is telling to note that our ratio for the most recent quarter is now 61% retail to 39% business-to-business.

Our revised Sales Tax estimate for FY 2001/2002, down nearly 30% or \$11.2 million compared to our actual receipts for FY 2000/2001, reflects the “bursting” of the economic bubble. This estimate is based on actual receipts to date, and has been confirmed by our Sales Tax consultant, Hinderliter, deLlamas & Associates (HdL). It also now appears from information received from the State Board of Equalization (SBOE) that the record level of Sales Tax received by the City in FY 2000/2001 contained some misallocations that overstated our actual revenue base. For example, we received word from the SBOE during this year that approximately \$1 million from one company and \$500,000 from another had been incorrectly allocated to Sunnyvale in the firms’ tax returns. These misallocations were taken from our receipts in the current year, and they also reduce our base permanently.

In forecasting our Sales Tax revenues for the next two years and the balance of the financial plan, three fundamental questions were addressed. First, what is our actual underlying Sales Tax base? Second, when will we return to the actual base level? And, finally, what will be the rate of recovery?

Information discussed above, and also in the section of this Transmittal Letter on *Current Economic Conditions and Outlook*, indicates that the Sales Tax revenues enjoyed by the City in FY 1999/2000 and FY 2000/2001 were a “bubble” that does not reflect the sustainable level of our Sales Tax base. Staff analysis and discussions with Mr. Levy and with HdL have led to the conclusion that FY 1998/1999 is a better reflection of the underlying level of Sales Tax that we can expect when the recovery occurs. Consequently, our projections are based on returning to that level when the economy has fully rebounded.

The questions as to when the recovery will occur and what will be the rate of recovery are a bit more problematic. It is clear that Silicon Valley is recovering more slowly than the rest of the Bay Area and California because of our dependence on technology-related business. However, Mr. Levy and the majority of economists are of the opinion that the technology decline has bottomed out and that the rebound will occur in mid 2003. Further indications are that the recovery will not be sharp, but will be slow and measured. Our projections, as described below, reflect these assumptions. It should be noted, however, that the City’s Sales Tax receipts can lag the marketplace by up to six months, and so our revenue projections will reflect this delay.

Sales Tax projections for FY 2002/2003 are that the City will receive 4% more revenue than in the current year. This is comprised of a 2% actual revenue growth as well as the effect of inflation (2%). Our projection for FY 2003/2004 reflects our belief that we will experience moderate economic growth as a result of the general economic recovery. We have projected base growth of 3% as well as an increase of 2% attributable to inflation, for a total of 5% increase. We expect to experience real growth of 4% over and above the 2% inflation assumption in FY 2004/2005 and FY 2005/2006 to reflect the full recovery to our underlying base level of Sales Tax revenue.

As discussed above under *Revenue Estimation Methodology*, we have assumed that Sales Tax receipts will grow more slowly in the final decade of our Long-Term Financial Plan to reflect demographic assumptions.

In summary, Sales Tax revenues have experienced wild swings over the last several years. Sunnyvale experienced unprecedented growth of about 20% per year in Sales Tax receipts in FY 1999/2000 and FY 2000/2001 due to a “boom” in high technology business. Unfortunately, this level of revenue was not sustainable. The current economic recession was already impacting City revenues a year ago, as the stock market was undergoing dramatic declines and numerous companies across the nation were implementing cost saving measures that included reducing capital investment. We have since experienced the full effects of the recession and the resulting declines in our Sales Tax revenues. We are now anticipating a recovery over the next several years to a more realistic on-going level.

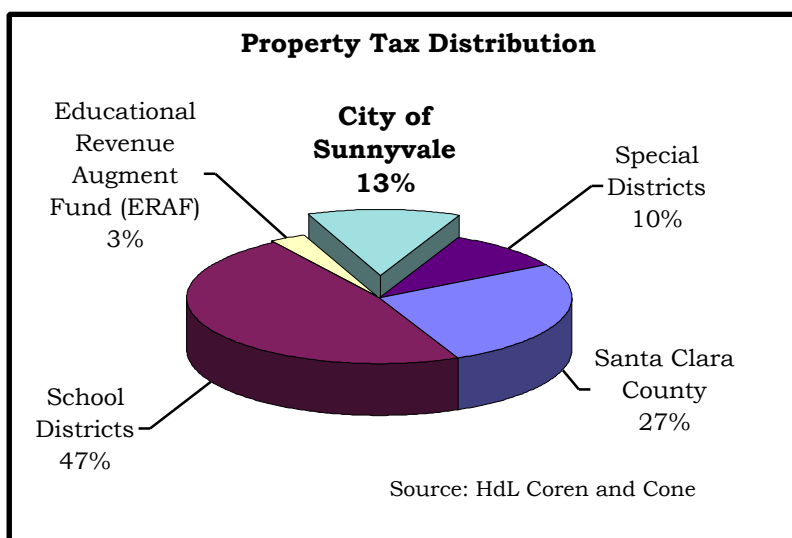
Finally, two major factors that may have an impact on our Sales Tax revenues should be noted. First, we have not included any potential new revenue to be generated from our economic development efforts in the Downtown area. When the Town Center Mall remodel project has been completed, the City will be in a better position to identify realistic revenue and expenditure effects. Second, we have not included any recognition of the increasing negative effect of Internet commerce on our Sales Tax base beyond that which is built into our results to date.

Property Tax

The Property Tax represents the second largest source of General Fund revenue (24.28% in FY 2001/2002). Property Tax is up considerably as a percent of General Fund revenues compared to the prior year as a result of sharply declining receipts from Sales Tax.

The following graph shows how Property Tax dollars are distributed in Santa Clara County. Sunnyvale receives 13% of every Property Tax dollar paid by property owners in the City.

Property Tax has also been the revenue most affected by voter initiatives and legislative actions. With approval of Proposition 13 more than 20 years ago, Property Tax revenues were reduced by two-thirds and thereafter limited to 2% annual increases or the CPI, whichever is less. In the early 1990s, the State legislature shifted a larger portion of the Property Tax to schools. This shift was made to the State's Educational Revenue



Augmentation Fund (“ERAF”) to backfill a portion of the State’s obligation for school funding. As shown in the graph above, this “ERAF shift” is now 3% of the Property Tax dollar, representing an annual loss to the City of Sunnyvale of approximately \$5.9 million.

Even with the recent declines in the real estate market, our Property Tax revenues have grown. This is due to the fact that the Property Tax typically lags economic conditions by a year or more because of the assessment schedule and the time it takes to get a property transactions onto the rolls. Previous increases in real estate values and an increase in new construction over the last several years are now being reflected on the assessment rolls. We expect an 11% increase in Property Tax revenue in FY 2001/2002 compared to the amount received in FY 2000/2001.

Revenue from secured Property Tax, which represents about 80% of total Property Tax revenues, is projected to remain flat next year. While home sale prices have continued to hold relatively steady in moderately priced properties, there are declines in the commercial market, and we expect a rise in the number of assessment appeals. In the following year, FY 2003/2004, we expect real growth of 1% over inflation, followed by 2% real growth from FY 2004/2005 through FY 2011/2012. Again, we have moderated our growth estimates for the last decade of the financial plan to account for the anticipated demographic changes discussed earlier. For the remaining Property Tax categories, we have based the FY 2002/2003 estimates on the average actual receipts for the most recent five years through FY 2000/2001.

Utility Users Tax and Franchise Fees

Utility Users Tax (UUT) and Franchise Fees combined represent the third largest source of General Fund revenue (12% in FY 2001/2002). Historically, these two revenue categories have been combined because one of the primary sources of revenue for both is sale of electricity and gas.

As indicated in Table II, receipts from UUT are expected to decline by less than a quarter of a percent in FY 2001/2002 compared to last year's receipts. This is despite a dramatic decline in receipts from Enron energy sales and PG&E gas sales. Losses in those categories have been recovered by dramatic gains in revenues from PG&E electricity sales.

It should be noted that in March 2001 Pacific Gas & Electric (PG&E) declared bankruptcy. It is unclear how this may affect our receipt of UUT and Franchise Fee revenues in the long run. PG&E has continued to remit these monies to us. However, recent correspondence from PG&E has indicated that the California Department of Water Resources (CDWR) is disputing the right of municipalities to collect Franchise Fees on CDWR power sales, which account for about 23% of total electric sales. The case is currently being heard in proceedings of the California Public Utilities Commission (CPUC). PG&E has paid the disputed funds to us, reserving the right to a refund if the proceedings find in favor of CDWR. The amount Sunnyvale would lose in this case is approximately \$400,000 annually. The City has joined in a legal brief prepared by the City and County of San Francisco supporting the right of cities to collect these Franchise Fees. Staff will monitor the bankruptcy case and the CDWR case carefully to protect this important source of revenue.

For FY 2001/2002, Franchise Fee receipts are anticipated to be approximately 16% higher than originally forecasted. This improvement is due primarily to a sharp increase in revenue from the PG&E franchise, reflecting escalating electric rates due to the statewide energy crisis. It should be noted that both gas and electric rates have moderated, and PG&E has recently filed a General Rate Case which reflects a slight reduction in electric rates.

Projections of Franchise Fee revenues for FY 2002/2003 reflect a decline of about 5%. This decline is made up primarily of expected decreases in four revenues, chiefly a decrease in PG&E franchise receipts from surcharges on direct providers. Although these revenues from PG&E are included in our FY 2001/2002 receipts, we do not

expect them to continue because of the drastic reduction in number of direct providers. We have therefore not included them in estimates for future years.

AT&T cable Franchise Fees are also estimated at a slightly lower rate in FY 2002/2003 as we used an historical average as our base for future forecasts. The garbage collection contract and the SMaRT Station franchise revenues are also lower, due to a 7% decrease in tonnage, as discussed later in this Transmittal Letter under *Solid Waste Management Fund*.

We have included estimated Franchise Fee revenue increases of 3% to 4% per year for most of the remainder of the financial plan, beginning in FY 2003/2004.

State-Shared Revenue

State-shared revenues represent about 8.5% of General Fund revenues in the current year and are the fourth largest revenue source. Vehicle License Fees (VLF) make up by far the largest portion of these revenues. VLF is an annual fee on the ownership of a registered vehicle in California, levied in place of a property tax on vehicles. These fees are collected by the State and distributed to local jurisdictions on a per-capita basis. Total revenues are allocated 61% to the State, 27% to counties, and 12% to cities. The local portion of the VLF is constitutionally protected as to allocation formula.

The revised FY 2001/2002 estimate for VLF based on the state's projection is \$7.15 million, up less than 3% over the FY 2000/2001 receipts

Growth in this revenue in prior years had been driven by extremely strong auto sales resulting from the robust economy. Estimates for FY 2001/2002 assumed that auto sales would drop about 5% as the economy softened. However, even as the economy faltered, statewide vehicle sales remained surprisingly strong, in part due to unusually generous financing offers. Even so, we do not anticipate growth in this revenue in the near future and have held our estimates flat until FY 2004/2005. Then, we expect modest growth of 2% over inflation through the end of FY 2011/2013, followed by inflation-only in the last decade of the financial plan.

It should be noted that this projection does not take into account the fact that approximately two thirds of these receipts are potentially subject to reduction by the State. As part of the State's 1998 budget, the VLF was cut by 25%. In subsequent years, additional cuts were made, and currently the reductions equal 67.5% of the total fee. To date, the State has been backfilling the local portion of the revenue by giving an equivalent amount to cities and counties from its general fund. Unfortunately, this revenue is particularly vulnerable to State takeaways, since the backfill is not constitutionally guaranteed. The risk that cities will lose this important revenue has become greater as the State's projected budget deficit has grown to \$22 billion. Loss of the backfill represents between \$4.6 and \$4.9 million to Sunnyvale and would require substantial cuts in service to our citizens. Despite the State's negative fiscal position, our forecast assumes that the State will continue the backfill of this revenue or the cuts in VLF rates will be reversed by the State Legislature.

Transient Occupancy Tax

Transient Occupancy Tax (TOT) represents 6.86% of General Fund revenues in the current year and is the fifth largest revenue source. Last year, TOT was the third largest source and constituted about 10% of the total.

The year 2000 was a banner year in the hotel industry, and especially so for Silicon Valley hotels. During the boom of FY 1999/2000 and FY 2000/2001, the City's TOT revenue enjoyed significant growth. Beginning in approximately 1995, improved economic conditions led to higher occupancy rates and room charges, as well as the addition of several new hotel and motel properties. Our TOT rate was also increased from 8% to 8.5% in 1995. However, this revenue is particularly susceptible to economic cycles because both occupancy rates and room rates are closely linked to economic conditions. The bulk of our TOT revenue stems from weekday business travel.

After another strong first quarter in 2001, occupancy rates fell drastically as a result of the recession, the dot.com bust, and the terrorist attacks of September 11. For instance, the San Jose Convention and Visitor's Bureau forecasts a 54% average occupancy rate for 2002, compared to 73% in 1999, 78% in 2000, and 57% in 2001. Sunnyvale staff informally surveyed some Sunnyvale hotels and estimated occupancy rates of 65% for 2002, considerably lower than in the recent past.

As a result of these economic factors, we have seen a dramatic drop in our TOT revenues this year, which we forecast will be more than 40% lower than last year's receipts. Compared to FY 2000/2001, this translates to a reduction of more than \$4.3 million.

Staff believes that some of this decline is one-time in nature and therefore that this revenue has reached its lowest point. For FY 2002/2003 we expect to see growth resulting from the return to more normal patterns of business travel as there is easing of both the recession and fear of terrorism. However, as with Sales Tax, we do expect that the normal base for this revenue is the FY 1998/1999 level rather than the levels of the last two boom years.

As indicated previously, we have for the first time separated real growth from inflationary growth in our estimates. We estimate real growth in TOT receipts of 6% over inflation in FY 2002/2003 and for each of the four subsequent years, reflecting a return to the normal base. We then expect much more moderate growth (1%) over inflation through the end of the first decade of the financial plan, followed by inflation-only growth in the second decade. This decline in growth over the longer term reflects such factors as the City's inability to continuously add to the number of hotel rooms and the aging stock of our some of our properties.

Construction-Related Revenue

Construction-related revenues represent about 8.5% of General Fund revenues in the current year. This category includes Construction Tax as well as receipts from the issuance of building, electrical and other permits. Plan Check Fees are also reflected here. Due to a number of large projects, as well as general increases in construction,

these revenues showed extraordinarily large gains in FY 1999/2000 and FY 2000/2001. The FY 2001/2002 estimate assumes a return to a less robust economy, with fewer major construction projects. The forecast is based on a six-year average, adjusted for inflation, plus 20%. To date receipts for the current year are tracking with or slightly higher than the budget. The FY 2002/2003 projection utilizes a six-year average, excluding FY 2000/2001. The following years are based on the average adjusted for inflation.

General Fund Expenditures

Table III outlines the recommended expenditures for the General Fund and Gas Tax Fund combined. Although these are separate funds, they are added together in Table III to better represent the proposed changes from one year to the next. It is in the interest of the City to expend Gas Tax Funds for eligible projects and operating activities before utilizing General Fund money. This results in increases and decreases from year to year regarding the amount of road maintenance operations that are funded by the Gas Tax Fund and General Fund respectively. By combining the two funds, a clearer picture results as to the year-to-year changes.

As Table III below indicates, the overall combined recommended expenditures of the General Fund and Gas Tax Fund for FY 2002/2003 are 1.96% above the adopted FY 2001/2002 Budget. Further, because certain aspects of the budget can change dramatically from year to year, notably capital, infrastructure and special projects, a more precise understanding of the comparative budget is in the operating area. The operating portion of the recommended FY 2002/2003 Budget is 6.41% above the Revised FY 2001/2002 Budget.

Expenditure Character	2000/2001 Actual	2001/2002 Revised Budget	2002/2003 Recommended Budget	% Growth 2002/2003 over 2001/2002	2003/2004 Recommended Budget	% Growth 2003/2004 over 2002/2003
Operating	76,774,577	83,563,732	88,921,580	6.41%	94,174,862	5.91%
Projects	5,902,320	11,396,360	5,557,334	-51.24%	3,443,660	-38.03%
Budget Supplements*	0	0	2,129,424	N/A	2,117,122	-0.58%
Debt	416,473	418,883	415,648	-0.77%	416,568	0.22%
Equipment	19,174	75,331	300,000	298.24%	0	N/A
TOTAL	83,112,544	95,454,306	97,323,986	1.96%	100,152,212	2.91%

* Recommended budget supplements were as follows: FY 2000/2001 totaled \$2,515,798 and FY 2001/2002 totaled \$214,207. Upon Council approval these costs are included in the Operating and/or Projects character line for those years.

For a deeper understanding of this operating increase, each component must be reviewed. There are two components with significant increases above the assumed inflation rate: salaries and benefits and internal service charges.

First, the growth of salaries and benefits is estimated at 8%. This number reflects salary increases and the cost of benefits such as medical care, retirement, workers'

compensation, and leave time. The recommended FY 2002/2003 Budget fully reflects all salary increases during FY 2001/2002, as well as anticipated increases in FY 2002/2003. In general, all employees saw significant salary increases as the result of our local labor market and the City's competitive compensation philosophy. For example, PSOA received increases of approximately 6% in FY 2001/2002. SEA saw an average increase of 6% in July 2001, including the move to 1% above market as required by the MOU. For FY 2002/2003, SEA salaries will reflect market plus 1.5%, with a movement to 2% above market required for FY 2003/2004. The management group received raises averaging 5% using a methodology that maintains both market competitiveness and internal equity. The agreement reached with SEIU in FY 2000/2001 provided 5% in July 2001 and 9.5% for FY 2002/2003.

A more disturbing trend, with significant fiscal implications for the future, is the rapid escalation being experienced in the cost of personnel benefits. The recommended FY 2002/2003 Budget contains an increase of 14.8% in expenditures for the Employee Benefits Fund over the prior year, and 11.4% for FY 2003/2004. The largest components of this increase for FY 2002/2003 are for the cost of medical insurance (\$1.2 million), Safety retirement contributions (\$1.3 million) and workers' compensation (\$1.4 million). The rate of escalation of these benefits, if left unchecked, is unsustainable in the longer term and will ultimately have severe effects on our ability to provide services to our citizens. Detailed discussions of each of these costs are included in the *Detailed Fund Reviews* section of this Transmittal Letter under *Employee Benefits and Insurance Fund*.

The second operating component that increased significantly is in the internal service charges area. These are costs for internal services such as Building Services, Information Technology Services and Fleet Services and are operated out of the General Services Fund. In particular, the Technology Services program had salary increases and increases in software licensing and support costs that necessitated a 14% rise in rental rates. This situation is discussed more fully in the *Detailed Fund Reviews* section under *General Services Fund*.

Additionally, it should be noted that the recommended FY 2002/2003 Budget includes an increase of 5,430 hours in the Department of Human Resources. This includes hours for Classification and Compensation, the Training Program, and Risk and Insurance. These additional hours are needed to decrease our reliance on classification and compensation consultants, to manage our disability program with full-time resources rather than casual employee hours, and to provide appropriate management and supervision of the Recruitment and Selection function which has never been adequately staffed. This has caused cumulative negative effects to the organization. With these proposed changes, there is a corresponding reduction of \$50,000 for the use of consultants and an exchange of 750 casual hours for full-time hours to staff the City's disability program.

Table IV, on the following page, outlines the recommended expenditures for the General Fund only. Looking at just the General Fund, the proposed operating expenditures for FY 2002/2003 are 7.81% above the Revised FY 2001/2002 Budget. The contributing factors previously mentioned in the General/Gas Tax Fund discussion are applicable here as well. Total General Fund recommended

expenditures, including projects, debt, and equipment, are 5.39% above the Revised FY 2001/2002 Budget.

Table IV Recommended Expenditures – General Fund						
Expenditure Character	2000/2001 Actual	2001/2002 Revised Budget	2002/2003 Recommended Budget	% Growth 2002/2003 over 2001/2002	2003/2004 Recommended Budget	% Growth 2003/2004 over 2002/2003
Operating	73,475,228	81,644,219	88,021,580	7.81%	93,274,862	5.97%
Projects	5,170,024	7,536,067	3,638,762	-51.72%	2,220,149	-38.99%
Budget Supplements*	0	0	2,129,424	N/A	2,117,122	-0.58%
Debt	416,473	418,883	415,648	-0.77%	416,568	0.22%
Equipment	19,174	75,331	300,000	298.24%	0	N/A
TOTAL	79,080,899	89,674,500	94,505,414	5.39%	98,028,701	3.73%

* Recommended budget supplements were as follows: FY 2000/2001 totaled \$2,515,798 and FY 2001/2002 totaled \$214,207. Upon Council approval these costs are included in the Operating and/or Projects character line for those years.

Budget Supplements

In the City of Sunnyvale, the budget supplement process is used to draw a distinction between the service levels provided in the baseline budget and recommended expansion or reduction of service levels. Supplements are presented to the City Manager by staff for consideration in the recommended budget. While the City Manager makes the recommendations for funding, the Council is responsible for the ultimate decision. If a supplement is approved, that particular activity is moved into the baseline budget before Council adopts the entire budget in June.

For this coming fiscal year, six budget supplements were submitted for consideration and five were recommended for funding beginning in FY 2002/2003. The recommended budget supplements total \$2,353,244 in FY 2002/2003, \$2,160,382 in FY 2003/2004, and ongoing costs of \$164,991 for the balance of the financial plan. Four of the supplements are in the General Fund. Two are in the Community Recreation Fund, which would require an increase in subsidy from the General Fund for the supplements. Because the predominant effect is on the General Fund, these supplements are all discussed within this fund review.

Council should note that a full report regarding each budget supplement is included in the budget document, *Volume I*, under *Budget Supplements*.

Five budget supplements are being recommended to the City Council for approval:

- **Budget Supplement #1 – Expanded Public Safety Recruitment:** This supplement adds 63,760 hours of officer training and staff support to the Public Safety budget and related goods and services over a two-year period to cover expenses associated with the expanded recruitment and training effort for sworn public safety personnel. Current attrition and staffing projections indicate a need for accelerated recruitment and training efforts to maintain approved levels of

sworn personnel. The average age of our sworn personnel and their years of service indicate that a large number of them are eligible for retirement within the immediate future. Although the approved budget service level includes funding for 17 recruits to be successfully trained on an annual basis, recent separation trends necessitate a level double that. The actual number of recruits in process during FY 2001/2002 averaged 30, with 29 currently in various stages of training. For FY 2002/2003 and FY 2003/2004, this funding request includes 30 new officers successfully recruited, trained and on the job each year. This requires an average weekly total of 46 new officers in-training to account for the historical dropout rate of 24%.

This supplement also includes the cost of two additional Public Safety Field Training Lieutenants for the same two-year period to provide recruit supervision for the expanded number of recruit officers attending the Police Academy, Fire Academy, and their respective Field Training Programs. Experience has shown that much of the dropout rate of new officers occurs at the field training level, and these two positions will ensure that the City's investment in new recruits will have a successful conclusion. The first year salary for the police lieutenant will be funded from the Asset Forfeiture Fund. This request is only for the two years of expanded recruitment activity described above. It is anticipated that these Lieutenants will fill patrol vacancies resulting from attrition as the recruit training wanes.

Funds recommended for this supplement total \$1,767,041 in General Fund monies and \$150,828 in Asset Forfeiture funds for FY 2002/2003 and \$2,213,767 in General Funds for FY 2003/2004. For the General Fund portion, we are suggesting that this be a two-year package allotting \$2 million each year, which will allow staff to move funds forward or backward depending on how the recruiting and training "wave" occurs.

- **Budget Supplement #2 – Additional Performance Auditor:** This supplement adds 1850 hours of a Management Analyst to the Internal Audit function of the Department of Finance. These additional hours would increase the staff to two Internal Auditors, allowing one auditor to focus full-time on the performance audit component of the City's Planning and Management System while the other auditor would focus on operational and financial audits. The number of performance audits of City programs and activities would double under this proposal. The annual cost of this supplement is \$94,424.
- **Budget Supplement #3 – Increased Traffic Calming Efforts:** This supplement adds \$20,000 annually to the Department of Public Works Traffic Engineering Division budget to allow for increased implementation of traffic calming studies and projects. The funds would increase the service level from 1-2 major studies per year to the equivalent of 3-4 a year.
- **Budget Supplement #4 – Recruitment Video for Boards and Commissions Program:** This supplement provides a one-time \$15,000 addition to the Office of the City Manager budget for FY 2002/2003 for a professionally produced recruitment video to attract qualified candidates for City Boards and Commissions.

- **Budget Supplement #5 – Increased Fee Waiver Program for Leisure Programs:** This supplement recommends an increase to the annual fee waiver program in the Parks and Recreation Department to provide continued opportunities for participation in recreational activities by economically disadvantaged citizens. The fee waiver program, which provides leisure services to eligible Sunnyvale residents, has been in place since FY 1980/1981 and has gradually outgrown the funds available. This supplement will bring the budget up to the level of assistance granted in the past few years. An additional 10,000 program hours of usage resulting from waived fees would be provided.

A sixth budget supplement was submitted for consideration and is not being recommended at this time:

- **Budget Supplement #6 – Creation of Master Plan for Public Art and Art Resources for Developers.** This supplement provides funds for creation of a master plan for public art and development of resources to assist developers in complying with the art in private development requirement. The master plan will identify high profile locations on public property and in public buildings for the installation of public art funded by in-lieu fees held in a Public Art Fund. The resources for developers will include a “How to Get Started” pamphlet, a “Public Art Brochure,” and an artist resource file. The one-time cost of this supplement is \$30,992 to be added to the operating budget of the Leisure Services Division of the Parks and Recreation Department for FY 2002/2003.

General Fund Projects

This is the second year of the two-year budgeting cycle for projects. Therefore, staff efforts were limited to review of newly proposed projects and those that had changed significantly in scope or cost. By and large, the General Fund projects contained in last year’s Ten-Year Resource Allocation Plan have experienced few changes in timing, cost, or scope. This Transmittal Letter focuses on newly developed or significantly revised projects. Descriptions and detailed financial information on all projects can be found in the budget document, *Volume II Projects Budget*. There are two helpful indexes of all the City’s projects, one alphabetically oriented (by project name) and the other numerically oriented (by project number).

As mentioned earlier in this Transmittal Letter under *Major Project Efforts*, General Fund-related projects are found in several places in the budget. They are in the General Fund, the Gas Tax Fund, the Capital Projects Fund, and the Infrastructure Renovation and Replacement Fund. In general, these categories are considered to be related to the General Fund because it is the ultimate source of financial support through contributions or transfers. For example, the General Fund is scheduled to make annual contributions to fund its infrastructure projects in the Infrastructure Renovation and Replacement Fund and to fund its capital projects in the Capital Projects Fund.

Several major capital or special projects have been discussed earlier in this Transmittal Letter in the *Major Project Efforts* section. The following are new projects affecting the General Fund included in the recommended FY 2002/2003 Budget:

- **Develop Pocket Parks:** This project provides for the development of pocket parks on vacant fenced parcels of City and PG&E property on Ramona, Lois, and Dona Avenues. It is scheduled for FY 2008/2009 and is dependent upon future park grants or additional Park Dedication funds in the amount of \$1,240,000.
- **Mary Avenue Route 280 Bicycle Footbridge:** This project provides funding to a bicycle and pedestrian overcrossing of Route 280 to Mary Avenue. This effort was initiated by the City of Cupertino. \$110,000 in Gas Tax funds has been programmed, based on the estimated cost of Sunnyvale mitigation measures.
- **Evelyn Avenue Bike Lanes from Bernardo Avenue to Sunnyvale Avenue:** The purpose of the project is to provide an east/west commute route for cyclists on Evelyn Avenue, connecting Wolfe Road and Reed Avenue. Funds in the amount of \$150,000 are available from the Santa Clara County Transportation Enhancements Program, with a match of \$20,000 from Gas Tax funds.
- **Connecting North and South Sunnyvale for Bicyclists:** This project provides efficient north/south commute routes for cyclists on Mathilda Avenue from Caribbean Drive to U.S. 101 and Wolfe Road from Old San Francisco Road to Maria Lane. Funds in the amount of \$150,000 are available from the Santa Clara County Transportation Enhancements Program, with a match of \$20,000 from Gas Tax funds.
- **Awahnee Avenue Soundwall Landscape:** This project provides for completion of landscaping on the west side of the Awahnee Avenue Soundwall. Gas tax funds of \$91,080 have been programmed for this purpose.
- **Supervisory/Managerial Development in Public Safety:** This project combines \$69,000 of General Fund monies with Asset Forfeiture funds of \$195,806 to implement a comprehensive supervisory skills work plan in the Public Safety Department. The objective is to create a specific, clearly identifiable and effective set of supervisory practices that will incorporate the City's newly adopted Guiding Principles.
- **City Property Acquisition Related Activity:** This project would fund property-related costs such as real estate appraisals, environment assessments and consultant services for properties that do not have an existing capital project. General Fund monies of \$50,000 each year have been programmed from FY 2002/2003 to FY 2003/2004.
- **Printing of City Publications in Multiple Languages:** This project provides \$250,000 in General Fund monies for printing and translating resources to prepare City brochures and publications in multiple languages depending on the targeted audiences. Costs will be budgeted in this project for one year, and will be identified and allocated to individual programs from FY 2003/2004 forward.
- **Optimal Public Safety Staffing Study:** This project provides funds to study the optimal number of full-time sworn public-safety officers for the City. \$50,000 in General Fund monies have been appropriated in FY 2002/2003 for this purpose.

Additionally, the following are projects included in the recommended FY 2002/2003 Budget that are either noteworthy or have changed in scope or cost:

- **Lawrence Expressway and Wildwood Avenue Realignment:** Funds in the amount of \$1,315,000 were programmed in FY 2001/2002 to identify possible mitigation measures to help divert neighborhood traffic that has resulted from the Mercado development in Santa Clara. Measures being considered include a traffic signal and road realignment at Wildwood Avenue and Lawrence Expressway. Project funding has been increased to a total of \$2,116,695 in FY 2002/2003.
- **Fair Oaks Avenue and Iris Avenue Traffic Signal:** This project appropriated \$35,000 in FY 2001/2002 to begin a traffic study of the intersection of Fair Oaks and Iris Avenues to determine need and configuration. Funds for construction in the amount of \$330,000 are programmed in FY 2002/2003.
- **Lawnmower Buyback Program:** Funds of \$19,483 were programmed in FY 2001/2002 to provide a monetary incentive for exchange of gas-powered lawn mowers with electric mowers. An additional \$20,233 has been proposed in FY 2002/2003.
- **Cherry Chase Sports Field Renovation:** An infrastructure project for renovation of the Cherry Chase sports field will begin in FY 2002/2003, with construction scheduled for FY 2003/2004. The total project cost is \$594,133.
- **Lakewood Park Recreation Facilities Improvement:** An infrastructure project to renovate recreation facilities at Lakewood Park including the multi-purpose concrete bowl, amphitheater, and the space station began the planning phase in FY 2001/2002, with construction scheduled for FY 2002/2003. Funds in the amount of \$653,606 from the State Parks Bond Act (Proposition 12) are programmed for this project.
- **De Anza Park Sports Field Irrigation Renovation:** Renovation of the De Anza Park sports field is programmed as an infrastructure project beginning in FY 2002/2003, with construction scheduled in FY 2003/2004. Funds appropriated total \$292,500.
- **San Francisco Bay Trail – Yahoo!:** This multi-year project beginning in FY 2002/2003 was created to provide a trail connection between the Yahoo! campus and the existing San Francisco Bay Trail in Sunnyvale. Funds of \$60,000 have been provided by Yahoo! and \$40,000 has been programmed in Proposition 40 funds.

General Fund Reserves

One of the most powerful aspects of multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the necessary steps to alter the long-term forecasted position of a particular fund should that appear necessary.

There is no place in the overall budget more significant in this regard than understanding fully the General Fund's Long-Term Financial Plan. As will become clear in the following paragraphs, this long-term strategic approach paints a very different picture than what would be assumed in the more typical governmental framework of one-year or two-year budgeting and financial planning.

The Council's attention is directed to two key aspects of the General Fund's financial plan contained in the *Financial Plans* section of the recommended Budget document, *Volume I*. First, please review the *Reserves* section under the sub-heading, *Designated Reserves*. By Council policy, contingency reserves in the amount of 20% of the operating budget are required as well as an additional 5% of operating costs for the *Service Level Contingency Reserve*. These reserves are met throughout the 20-year financial plan and grow along with operations.

Your attention is also directed in the same section to the *Non-Recurring Events Reserve*. This reserve contains funds from FY 1997/1998 and FY 1998/1999 that resulted from greater than anticipated revenues and lesser than anticipated expenditures as this extraordinary economic cycle saw continued growth. By Council action, these types of one-time funds resulting from the peak of the economic cycle are set aside for significant high-priority capital and special projects and not used to add recurring services. In prior years, these funds were programmed over a several year period for the following major projects:

- Senior Center Construction,
- Animal Field and Shelter Facility Construction, and
- Fremont Pool Construction.

An additional \$1.5 million was added to the *Non-Recurring Events Reserve* in the adopted FY 2001/2002 Budget to be spent as necessary on important one-time projects. The recommended FY 2002/2003 Budget shows this reserve being reduced from \$8,985,864 to \$1,367,892 to pay for the Senior Center Construction project. The reserve then remains at that level and is available to fund other priorities that the Council may identify.

Next please focus, again in the same *Designated Reserves* section, on the 20-Year Resource Allocation Plan reserve, entitled "*20 Year RAP*." This reserve functions in the General Fund and many other funds to levelize economic cycles from year to year. By letting this line item vary each year, the fund can absorb the cyclical effects of the economy and specifically plan for project-related expenditures. As can be seen, it is estimated that by the end of FY 2001/2002, \$52.9 million will be present in the *20 Year RAP Reserve*, in addition to the required contingency reserves and the *Non-Recurring Events Reserve*. At the end of FY 2000/2001, the *20 Year Rap Reserve* was \$59.6 million. This means that the reserve was drawn down by about \$6.7 million during the current year to cover revenue shortfalls that were discussed earlier.

The function of the *20 Year RAP Reserve* and its strength is particularly apparent in the recommended FY 2002/2003 Budget and Long-Term Financial Plan. In prior years when the City was experiencing strong economic growth, the reserve was building up over time to the \$59.6 million level reached last year. Now, as the effects of the economic downturn are being fully felt, the reserve is available to provide a

“cushion” to maintain City services at desired levels. Council will note that under current economic forecasts, the Long-Term Financial Plan shows the *20 Year RAP Reserve* being drawn down until FY 2009/2010, or over the first eight years of the planning period. In FY 2010/2011 the *20 Year RAP Reserve* stabilizes and begins to grow again until the middle of the second ten years. Since the City policy is to fix the reserve at zero in the twentieth year, it again is drawn down over the final five years of the financial plan.

In short, the *20 Year RAP Reserve* functions very effectively as the City positions itself to “live at the trend line.” It prevents us at the top of the economic cycle from adding services that cannot be sustained, and it allows us to maintain the Council-approved services levels during economic downturns. This is in sharp contrast to jurisdictions like the State of California, which greatly increased spending during the boom and is now faced with making draconian expenditure reductions in the face of revenue shortfalls. Our citizens are well served by our longer term approach.

Over the last several years a trend has been identified in the Long-Term Financial Plan where current requirements begin to exceed current resources on a consistent basis in the latter half of the 20-year time frame. In last year’s forecast, for example, this pattern began in FY 2012/2013, with sharp declines in the last eight years of the 20-year plan. As discussed above, this pattern has now changed due to the economic downturn we are experiencing when our revenues do not keep pace with inflation while our expenditures grow more rapidly.

While not a reserve, another important element of the financial plan is the planned expenditure called *Fiscal Uncertainties*. The *Fiscal Uncertainties* line item is contained within the Expenditures section of the financial plan, and it represents the on-going latitude that is available to increase service levels, add new annual programs, or address unexpected fiscal pressures. This number is normally derived from the last year of the 20-year plan. It is essentially determined by setting the *20 Year RAP Reserve* at zero for the 20th year but maintaining the required contingency reserve. If a positive number appears in the *Fiscal Uncertainties* line in year one, this reflects the remaining latitude the City has to deal with any issues or assumptions not included in this recommended financial plan. If this number turns negative, then it reflects the amount of budget reduction and/or revenue increase that is needed at the beginning of the planning period in order to avoid the long-term plan effectively going into true deficit.

For the recommended FY 2002/2003 Budget, the *Fiscal Uncertainties* line item has been handled differently than in the past. During the Future Fiscal Issues study session held in January, Council expressed concern that this line item not be taken away, but remain at substantially its existing level. Consequently, *Fiscal Uncertainties* has been held at its previous level of approximately \$900,000 for FY 2002/2003 increasing by inflation over the life of the plan. This will provide the City with some latitude to deal with any additional fiscal pressures that may occur or any unexpected requirements for ongoing service level increases.

General Fund Financial Position

As Council can see, the City's long-term financial position continues to be stable and balanced over the 20-year planning period. However, the position of the *20 Year Rap Reserve* has worsened for the first eight years of the plan. The reasons for this change are many and complex and are discussed in detail throughout this Transmittal Letter. Principally, the City's revenue position has weakened due to a variety of economic pressures that we are experiencing. Additionally, there are a number of pressures on the expenditure side that are growing significantly faster than inflation. Some of these pressures are out of our control or are the result of previous City action and have already been included in the recommended FY 2002/2003 Budget. Items in this category are primarily personnel costs and benefits including medical insurance, workers' compensation, and retirement costs.

In closing this section, it is essential that the Council understand that this discussion relates to the long-term financial condition of the City. Because so few government agencies utilize long-range financial planning, it is the short-term context that most understand best. In this regard, the City is in excellent shape in spite of the decrease that we will be experiencing over the first ten years of the planning period. Adequate reserves have been established, service levels are retained and slightly expanded with the budget supplements under consideration, infrastructure is maintained at optimal levels, and our General Fund infrastructure renovation and rehabilitation needs have been funded. Even though a number of other Silicon Valley cities have substantially higher revenues per capita than does Sunnyvale, we believe that the present-day financial picture of our City is exceptional by any standard. This is even more true under the current economic circumstances where our long-range approach shields us from major service level reductions. In areas that are often "hidden liabilities" for most other cities, such as infrastructure, Sunnyvale has taken steps to address problems that others have not yet acknowledged. The fiscal issues and challenges outlined earlier do not impact only the City of Sunnyvale, and our long-term approach to financial planning puts us in a far better position to address them.

Gas Tax Fund

The Gas Tax Fund is required by State law to account for gas taxes collected and allocated by the State. These taxes are levied on gasoline and other motor fuels in terms of cents per gallon, and these funds are then distributed to the State, cities and counties on a formula based on population. Revenue forecasts for this fund utilized year-to-date projected receipts increased by the Association of Bay Area Governments (ABAG) estimated population growth rate for Sunnyvale.

Gas Tax funds are spent on maintenance and capital related to public streets and highways. As noted in the previous discussion of the General Fund, the Gas Tax Fund works in tandem with the General Fund. Essentially, a level of Gas Tax funding for operations is established, with remaining funds used to cover Gas Tax-eligible capital projects. It should be noted that in prior years certain projects funded by Federal grants and other similar sources were included in the Gas Tax Fund if they were street related. As of FY 2000/2001, all such new projects with multiple fund sources were accounted for in the Capital Projects Funds rather than the Gas Tax Fund.

Beginning in FY 2001/2002 new state funding for streets and road systems (AB 2928 - State Traffic Congestion Relief Program) is held and accounted for in the Gas Tax Fund as required by state law. A complete discussion of this revenue source and the projects associated with it can be found in the *Major Project Efforts* section of this Transmittal Letter.

A description of major projects funded with Gas Tax revenues can be found in the *General Fund Projects* section above. Operating expenses programmed for street maintenance in this fund are \$900,000 for FY 2002/2003 and remain rather steady throughout the entire financial plan.

ENTERPRISE FUNDS

The Enterprise Fund Group of the City incorporates programs and activities that are either fully self-supporting by way of user charges and fees or partially self-supporting. Those that are partially self-supporting require some level of transfer from the City's General Fund.

The City has three utilities that are fully self-supporting, including the Water Supply and Distribution Fund, Solid Waste Management Fund, and Wastewater Management Fund. Additionally, the SMaRT Station® Fund has been established to account for operations at the Sunnyvale Materials Recovery and Transfer Station, which is a partnership among the three cities of Sunnyvale, Mountain View and Palo Alto. This fund consists of two sub-funds, one used to account for SMaRT Station operations and the other used to account for equipment replacement needs.

In April 2002 Council approved the following rate changes as recommended by staff:

Utility	Rate Change
Wastewater	4.0%
Water	4.5%
Solid Waste	4.5%

Each rate increase and the factors contributing to the need for such increases are discussed in detail below. As a result of these increases, monthly costs associated with solid waste, water, and wastewater services for an average residential customer will increase by 3.5% overall. It is important to note that even with the rate changes, Sunnyvale residents enjoy utility rates that are 31% lower than the average of surrounding communities. This amounts to annual savings of approximately \$329 per household.

In prior years, the Patent Library Fund, which includes the Sunnyvale Center for Innovation, Invention, and Ideas (Sc[i]³) program and reflects its services and revenues, was classified as an enterprise fund. This program required an annual General Fund subsidy for operations because fees did not cover the full cost of all activities. As discussed below, a study issue conducted in FY 2001/2002 concluded that the Patent Library program should be reduced and moved back into the Library facility. Financial changes associated with this recommendation included removing the enterprise fund designation and eliminating the General Fund transfer. These

recommendations were approved by the Council in mid FY 2001/2002. The Long-term Financial Plan for the Patent Library Fund reflects these changes.

There is one enterprise fund that requires an annual transfer from the General Fund for operations because it is not fully sustaining. The Community Recreation Fund incorporates Leisure Services activities including golf, tennis, and recreation programs. The decision to utilize an enterprise fund approach for these programs was based on two factors. First is the existence of competition in the marketplace. Users of Leisure Services have a wide variety of other options to supply these services. Second is the desire that these programs be managed in an environment similar to the market. By this, we mean that issues of pricing, marketing and appropriate service niches are more applicable for these kinds of activities than for other City services.

Finally, the FY 1999/2000 Budget and Ten-Year Resource Allocation Plan created a new Information Technology Enterprise Fund to account for the City's efforts to market and sell the SunGIS computer system.

Water Supply and Distribution Fund

The Water Supply and Distribution Fund accounts for all revenues and expenses related to the City-operated water utility. Expenses include costs for wholesale water, project-related costs, debt service, and other operating costs. Revenues consist of service fees for water and recycled water, water-related public works and construction fees, and interest income. Once expenditure levels are developed, then water rates must be set to maintain the fund in a sustainable financial position. The fact that Sunnyvale utilizes long-range financial planning and sets utility rates every year helps minimize wild rate swings.

Approximately seventy percent of the Water Fund's direct expenditure budget is the cost of purchased water, so each year staff reviews the costs of wholesale water and the quantities planned to be purchased. The City purchases water from two wholesalers: San Francisco Water Department (SFWD/Hetch Hetchy) and the Santa Clara Valley Water District (SCVWD). Currently, we are paying \$392 per acre-foot to SFWD, and \$410 per acre-foot to SCVWD.

In general, each of the City's suppliers provides price projections for a one to four year period. Staff then takes these numbers, factors in all known price increases, and projects water usage over the long-term plan to optimize the use of the least expensive sources of water within the terms of the contracts.

The recommended FY 2002/2003 Budget assumes moderate increases from SFWD and SCVWD over the next three years, based on estimates provided by each supplier. The rate increase assumed for next year for SFWD was 5% in mid-April when the rate calculations were made. Projections for FY 2003/2004 were also 5%. Since SFWD did not forecast any further, staff assumed an annual increase of 4% for the remainder of the twenty-year planning period. This is the information that was utilized to propose new water rates. Subsequently, in late April, SFWD staff recommended and the San Francisco Public Utilities Commission (SFPUC), the governing body responsible for the Hetch Hetchy System, approved no rate increase for FY 2002/2003. In light of the fact that SFWD is projecting massive infrastructure projects and is likely to approve a

revenue bond measure in the near future that will raise rates significantly, staff recommended that the rates go forward as projected based on the 5% assumption. This will have the effect of at least partially stabilizing the rates over the near term.

SCVWD staff has provided estimates for purchased water that show an increase of 2.4% for FY 2002/2003, followed by 8.3% for FY 2003/2004 and 4.8% for FY 2004/2005. Projections for FY 2003/2004 and 2004/2005 are up from projections that we received last year. As with SFWD, an annual increase of 4% was utilized for the remainder of the planning period. These estimates were incorporated into our rate calculations.

Neither SFWD nor SCVWD will provide projections beyond the next four years, nor will either entity guarantee that they have accounted for all possible increases. The potential for additional costly water treatment requirements continues to exist, pending finalization of new drinking water quality regulations. Any significant changes in water quality regulation will increase the charges to us from SFWD and SCVWD and therefore affect rates in future years.

A major potential influence on water rates continues to be the need for significant improvement to the SFWD infrastructure. As staff has mentioned for several years, SFWD has identified a need for approximately \$4.6 billion in capital improvements to restore the reliability of the Hetch Hetchy system. The Hetch Hetchy system (the sixth largest in the nation) delivers an average of 206 million gallons of water per day to 2.4 million people in San Francisco, San Mateo, Santa Clara, and Alameda counties. Much of the system was built in the late 1800s and early 1900s and has reached or exceeded its life expectancy. The system crosses three major earthquake fault lines between San Francisco and its sources of water, 160 miles away in the Sierra Nevada mountain range. Seismic studies indicate that a major earthquake could cause system failure resulting in a loss of water for sixty days or more.

Sunnyvale is one of 29 jurisdictions outside of the City of San Francisco who make up approximately 70% of the system's customers (the "Suburban Users"). The SFPUC estimates that \$2.9 billion of the total needed capital improvements are directly related to the provision of water to communities outside of San Francisco. The SFPUC has identified the needed improvements and is in the process of evaluating and adopting a Long Term Strategic Plan for Capital Improvements.

According to current law, the SFPUC must obtain approval from San Francisco voters to sell revenue bonds for the needed capital improvements. This translates to 100% of the decision making power residing with 30% of the system's users, resulting in the potential for the capital improvement projects to either be unfunded, or only partially funded. To address this issue, apply pressure to the SFPUC to take action, and provide a back up plan in the event that the San Francisco voters turn down the bond measure, three separate bills have been introduced in the State Legislature in Sacramento. The following is a summary of the bills and how they would affect the system:

- AB 1823: Requires the SFPUC to complete all critical projects by 2015.
- SB 1870: Allows suburban water users to start a regional agency that could issue revenue bonds to fix the system.

- AB 2058: Allows suburban water users to start a regional authority that would be allowed to secure funds for critical projects and make those funds available to the SFPUC.

Sunnyvale currently supports all three bills and is working with the Bay Area Water Users Association (BAWUA), made up of all 29 Suburban Users, to pressure the SFPUC to address these issues.

The bottom line for Sunnyvale is that the capital improvements needed for the Hetch Hetchy system are required to ensure a safe and reliable water supply. In the future, as the capital plans are developed, the cost of these improvements will have a significant impact on the rates charged to the City by SFWD and therefore a significant impact on future Sunnyvale water rates. Since these improvements are not fully costed or scheduled at this time, it would be premature to reflect any provision for them in our current rates. Again, this will undoubtedly affect future water rates.

Several other issues affect the Water Fund and its revenue requirements for FY 2002/2003. As discussed last year, the Water Fund has appropriated approximately \$1.1 million over a two-year period for its share of two technology projects: the Maintenance Management System and the GIS Support for the Mapping of Utilities project. These appropriations began in FY 2001/2002 and continue through FY 2002/2003.

Additionally, the Water Supply and Distribution operating budget increased significantly this year due to the projected impacts of the conversion of temporary employees to full time employees. For the past four years, the budget of the Water Program has been held constant while it went through a restructure to outcome management. The program has been using temporary employees to help meet changes in service demands or regulatory requirements that have occurred during the four-year period. To address their needs, staff evaluated the current organizational structure and proposed permanent positions in the budget to cover work that temporaries currently are performing. The result of this proposal is the conversion of nine temporary positions to full time city positions. The budget impact to the water program is approximately \$600,000 per year. Staff was able to offset the impact of this change through savings in purchased water and other operational areas, enabling the financial position of the Water Fund to remain positive while holding rate increases as projected for FY 2002/2003.

Finally, the Long-Term Financial Plan for the Water Fund makes a provision for the long-term cost of infrastructure renovation and replacement for water facilities. It is clear that the water utility will represent one of our largest cost areas for infrastructure projects. Last year the fund began making a modest annual transfer to the Infrastructure Renovation and Replacement Fund. The current plan includes a more substantial annual transfer for the 20-year planning period beginning in FY 2007/2008. While setting aside these dollars will certainly help, there will be greater long-term requirements that will have to be addressed to fully fund our infrastructure needs.

The rate increase approved by Council for water utility services for FY 2002/2003 is 4.5%, the same as was anticipated last year. An annual rate increase of 4.5% is also

anticipated for FY 2003/2004. Increases of 4% are projected the remaining 17 years of the planning period.

If the wholesale water cost increases do not occur as anticipated, then future Sunnyvale water rate changes will be moderated. Likewise, if the worst case wholesale water cost increases are experienced, then the future rate increases will have to be revised in subsequent budget processes.

Wastewater Management Fund

The Wastewater Management Fund accounts for the revenues and expenses related to the City-operated sewer collection and Water Pollution Control Plant (WPCP) services.

As mentioned in last year's Transmittal Letter, the recommended FY 2001/2002 Budget reflected the need for significant capital improvements to our sewer facilities over a four year period, mostly due to our aging infrastructure. The major infrastructure project is the Borregas Sanitary Trunk Sewer Replacement, budgeted at \$5.7 million over a four year period ending FY 2004/2005. Other significant projects include the rehabilitation of Storm Pump Station No. 1 (\$2.1 million) and Pond rehabilitation (\$575,000). Additionally, for FY 2002/2003 the capital projects budget for the Chlorinating/Dechlorinating Equipment replacement project, which is designed to replace obsolete chlorinating and dechlorinating equipment in the recycled water production system, reflects an increase of approximately \$500,000. This increase has been offset by decreases in other projects within the Wastewater Fund.

As detailed earlier in the *Major Projects* section of this Transmittal Letter, rather than fund these substantial projects on a cash basis, which would have a negative impact on rates, Council accepted staff's recommendation and issued Wastewater Revenue Bonds in December 2001. The Wastewater Fund Long-Term Financial Plan therefore reflects this approach in the Debt Service expenditure line, as well as the refunding of the existing Utilities Revenue Bonds and the Wastewater Fund's portion of the debt service on the bonds issued to purchase the Sunnyvale Office Center.

The recommended FY 2002/2003 Budget also includes two continuing special projects that relate to our National Pollutant Discharge Elimination System (NPDES) permit as well as four projects that provide for improvements to the processes at the Water Pollution Control Plant. As mentioned above in the discussion on the Water Fund, the Wastewater Fund is also paying for its portion of two technology projects: the Maintenance Management System and the GIS Support for the Mapping of Utilities project.

Finally, the Wastewater Fund was scheduled to make a modest contribution of \$600,000 per year to the Infrastructure Renovation and Replacement Fund starting in FY 2000/2001. The Wastewater Rate Study and Financing Plan completed this year suggested that an additional annual \$500,000 contribution be made, and this has been programmed into the second ten years of the long-term financial plan. Further increases in the transfers beginning in FY 2014/2015 are anticipated. Unfortunately, it is expected that infrastructure renovation and replacement requirements will be larger in the wastewater area than in any other area because of the WPCP facility. When Phase II of the Long Range Infrastructure Plan, which includes all utility funds,

is completed, Council will be presented with various alternative ways of developing the necessary funds to support the needed infrastructure improvements.

The Wastewater Management Fund was affected by a large decrease in connection fee revenues in FY 2001/2002, due to the downturn in the economy. Staff estimates that connection fees will come in \$1 million less than projected for this year. These projections have been revised to reflect this decrease throughout the Long-Term Financial Plan.

In FY 2001/2002, the City conducted a Wastewater Rate Study and Financing Plan, the recommendations of which were used to set rates last year. The net effect was a change in the base structure, with costs shifted away from residential rates and to commercial rates to reflect actual usage patterns. This year's recommended rates for the Wastewater Fund continue to reflect the results of the study.

The rate increase approved by Council for Wastewater services for FY 2002/2003 is 4%, the same as was anticipated last year. An annual rate increase of 4.5% is anticipated for FY 2003/2004 through FY 2011/2012. Increases of 4% are projected for the final ten years of the planning period.

The Wastewater Management Fund Long-Term Financial Plan continues to provide a good example of the power and flexibility created through multi-year financial planning. The Fund begins the planning period with substantial Rate Stabilization Reserves, which are drawn down beginning FY 2005/2006 to maintain stable rates closely approximating inflation over the next 20 years. Because of the substantial requirements for infrastructure renovation and replacement in the first years of the plan, the Interfund Loan Repayment to the General Fund has been restructured and deferred for two years in order to provide better cash flow in the first four years. This restructuring allows the Wastewater Fund to repay more of its loan in the later years of the plan when it has more financial capacity. Finally, the use of the Wastewater Revenue Bonds allows the City to keep the rates on an even basis over the plan rather than experiencing large cash outflows in the first five years. These various rate-flattening techniques assure that ratepayers both now and in the future are not subject to wild upward and downward variations in rates solely to accommodate year-to-year cash flow requirements. It should be noted that the use of bond financing also spreads the cost of major capital efforts more equitably across the City's customer base over a longer period of time.

Solid Waste Management Fund

The Solid Waste Management Fund accounts for the revenues and expenses related to management of solid waste generated within the City of Sunnyvale. A private company, Bay Counties Waste Services (doing business in Sunnyvale as Specialty Solid Waste & Recycling), has been issued an exclusive franchise for collection of refuse and recyclable materials, and these contract costs are reflected here. Operations of the Sunnyvale Materials Recovery and Transfer Station and disposal of refuse at the Kirby Canyon Landfill are included in a separate fund, but the City's share of these activities is reflected in the Solid Waste Management Fund.

There are several factors that influence the Solid Waste Management Fund budget and therefore the user rates. The first of these is the cost of collection services performed by our contractor, Specialty Solid Waste and Recycling (“Specialty”). Costs for Specialty contract services are based upon an annual review of various cost components in accordance with the terms and conditions of the franchise agreement. The company’s payment for FY 2002/2003 is based on actual expenses for FY 2000/2001 that have been adjusted by various contract-specified cost of living indexes. The contractor payment to Specialty for FY 2002/2003 is virtually unchanged from the prior year because lower fuel costs balance increased costs in other areas of their operation.

The second factor having a major impact on Solid Waste operations and rates is the City’s share of SMaRT Station expenses. An RFP for a new contractor to operate the SMaRT Station issued during FY 1999/2000 by Sunnyvale and its partners resulted in a significant savings for the three partner cities.

Two other factors had a negative influence on the financial status of the Solid Waste Fund in FY 2001/2002. These were a reduction in tonnage and corresponding revenues. In the prior Long-Term Financial Plan, it was expected that City of Sunnyvale customers would generate 127,454 tons of solid waste per year. The current plan has been updated to reflect recent delivery history and anticipates a substantial 7% decrease to 118,703 tons in FY 2002/2003. This reduction in tonnage is directly related to the economic downturn. In solid waste collection and disposal, tonnage drives both revenue and expenditures. However, the impact on revenues from a decrease in tonnage is about three times larger than the corresponding decrease in expenditures due to fixed costs associated with collecting solid waste and maintaining the closed Sunnyvale Landfill.

Solid waste revenues are also very responsive to the economy in terms of discretionary services. The Fund has seen a decline in revenues from the FY 2001/2002 Long-Term Financial Plan projections for FY 2002/2003 of approximately \$1.6 million. The largest impact has been on construction bin revenues, which are down substantially.

The continued rate benefit received from the decrease in the cost of operating the SMaRT Station is, to a degree, offsetting losses in revenue. Revenue loss is also offset by using the Rate Stabilization Reserve to levelize the rates. As a result, FY 2002/2003 solid waste rates are projected to increase by 4.5%, as planned last year. In order to maintain the Fund in solid financial condition, rates are projected to go up 4.5% annually until FY 2011/2012 and 4% annually for the remainder of the planning period. These overall rates are slightly higher than had been projected in the previous Long-Term Financial Plan.

Solid Waste rates are set on a cost of service basis that apportions Solid Waste Management Fund expenses and revenues to various service rates according to policies established by the Council in 1993. Every three to five years, the Solid Waste Program does a cost of service study to reallocate the costs of the City’s solid waste services among the various customer classes based on their use of the solid waste collection and disposal system. Rates were adjusted substantially to reflect those policies in 1993 and somewhat less substantially in 1997. In both cases, the adjustments resulted in a number of significant shifts among rate classes. More

recently, adjustments were also made to the debris box rates in April 2000.

During FY 2001/2002 staff worked with consultants Hilton, Farnkopf and Hobson (HF&H), who helped develop the original cost of service model, to identify the current operating and fixed costs. HF&H first reviewed the costs associated with the collection of solid waste in Sunnyvale. This review included an analysis of Specialty collection costs, tipping fees at Kirby Canyon Landfill, and operations at the SMaRT Station. They then generated a cost of service for each customer class and recommended adjustments to the solid waste rate structure to ensure that costs are recovered on an equitable basis from the different customers. Staff has taken these adjustments and then applied the 4.5% across-the-board increase to each rate class to generate the proposed new rates.

In general, as with last year's Wastewater Cost of Service Study, costs shifted from residential customers to commercial customers. While the Solid Waste Fund's revenue requirement increased by 4.5% overall, the net rate increase taking into account the cost of service study for three typical benchmark services is:

- Residential unlimited collection rates increased by 2.65%
- The rate for a 3 cubic yard bin collected once a week increased by 10%
- The delivery and rental of a 30 cubic yard bin increased by 14.2%

Nevertheless, Sunnyvale's solid waste collection rates remain among the lowest in the surrounding area.

Sunnyvale Materials Recovery and Transfer (SMaRT) Station

The Sunnyvale Materials Recovery and Transfer Station Fund consists of two sub-funds. The SMaRT Station Fund accounts for operations at the SMaRT Station and receives its revenue from charges to the cities of Sunnyvale (Solid Waste Management Fund), Mountain View, and Palo Alto. Major operating cost components include the contract with the SMaRT Station operator and disposal fees and taxes collected by the Kirby Canyon Landfill. The fund is designed so that annual revenues and expenditures are in balance and that no fund balance is carried forward to the next year. Operating costs and revenues from the sale of recyclables are charged to or distributed to the cities based on the numbers of tons of solid waste each community brings to the SMaRT Station for materials recovery, transfer, and disposal.

The SMaRT Station Replacement sub-fund provides for the replacement of City-owned SMaRT Station equipment. The three participating cities contribute to these replacement efforts and to payment of debt service based on fixed percentages established by the SMaRT Station Memorandum of Understanding (MOU) among the cities.

As discussed earlier in the *Solid Waste Management Fund* section of this Transmittal Letter, selection of a new operator for the SMaRT Station has resulted in significant savings for SMaRT Station operations over the planning period. Because these expenditures are passed on to the three participating cities, a corresponding drop in revenues is also projected.

The SMaRT Station Fund shows decreases in both revenues and expenditures over the planning period based on updated tonnage projections submitted by all three participating cities. SMaRT operations are affected by the same economic conditions that were discussed earlier in relationship to the City's Solid Waste program. Large swings in tonnage projections are anticipated to be seen in future SMaRT Station Fund Long-Term Financial Plans in response to economic cycles, the independent solid waste management strategies of the three cities, and other factors.

The status of the SMaRT Station Replacement Fund remains essentially unchanged from last year.

Community Recreation Fund

This fund, which was created ten years ago, contains the leisure service activities of the City, including the two City-operated golf courses, the tennis center, and recreation classes and services. Prior to the initiation of the Fund, leisure services were part of the General Fund, which routinely contributed more than \$2.5 million annually to the effort. The creation of the Community Recreation Fund included the merger of the City's golf and Tennis Center operations with the remainder of all other leisure service activities, as well as the adoption of new, entrepreneurial approaches to service delivery. This approach resulted in a significant reduction in the General Fund subsidy required to support leisure services in Sunnyvale—to the point where nearly a decade later, the Fund will require a smaller subsidy than it did in 1992. This is true in spite of considerable increases in service levels and the compounding effect of inflation on expenditures since that time.

Based on early gains, long-term projections were made soon after this Fund was created suggesting that it might be self-sufficient by FY 2000/2001. Careful examination of the assumptions subsequently indicated that some of the revenue estimates could not be achieved, and the Transmittal Letter for FY 1997/1998 acknowledged that self-sufficiency was not realistic for leisure services in the current environment. Given recent Council-approved increases in heavily subsidized service areas (e.g., teen programs), a new Senior Center, and the development of the new 50-meter pool at Fremont High School, this is all the more true today.

At the same time, staff has identified the need to reconsider the overall impact of some of the strategies used to achieve this Fund's remarkable financial success. While representing a significant positive effect on the bottom line, the elimination of four management positions within the Division has caught up with the Department in terms of its ability to manage both day-to-day operations and non-routine projects. Two managers currently oversee a larger operation than six managers did prior to the establishment of the Enterprise Fund, and this has created an ever-increasing strain on staff.

Another strategy aimed at reducing expenses within the Fund has been to rely heavily on the use of "temporary" employees or contract labor for the delivery of recreational services. While a good number of these positions are truly temporary in nature, many more are relied upon to deliver on-going services, and deserve to either be classified as regular part-time or full-time City positions.

The recommended FY 2002/2003 Budget addresses both these staffing issues. First, hours have been added to provide expanded capacity at the first line management level. Second, a number of contract hours were converted to regular full-time or regular part-time hours to recognize the ongoing nature of their assignments and level of responsibility. These changes have resulted in a significant increase in expenditures for the cost of personnel. These costs are above and beyond those increases related to medical coverage, worker's compensation, and other labor expenses that have been discussed previously in the *General Fund Expenditures* section of this Transmittal Letter. However, revenue generation in the Community Recreation Fund is also projected to increase significantly and certain operational changes have been made to reduce costs. The net effect of these changes is that the General Fund subsidy will increase by approximately \$700,000 over the first ten years, and \$2.8 million in the second ten years of the planning period. The increase in subsidy for FY 2002/2003 is \$89,768.

A fundamental tenet of this Fund, however, is that it can always reduce costs, to the point of becoming self-sufficient at any time by reducing or eliminating services. This is an important concept, and a reassuring one from a worst-case financial planning perspective. The dilemma, of course, is that those heavily subsidized services that would need to be eliminated to achieve self-sufficiency represent some of the most important services the Leisure Services Division provides in terms of community benefit (e.g., teen programming/older adult services). There are very few, if any, adult services which are not financially self-supporting. There is little to be gained financially by eliminating them—in fact, in many cases just the opposite is true.

Golf operations continue to be the greatest single source of revenue for this Fund. A number of new employees are now overseeing related operations, and they have had an immediate and positive effect on both the services we provide our golfers, and the financial posture of golf services. The courses have never been in better condition, and satisfaction surveys suggest our golfers are very pleased with playing conditions. Beginning in FY 2001/2002, this Fund reflected a modest improvement in golf revenues, reflecting the City's assumption of golf services formerly provided by Art Wilson Golf Services, Inc. Staff believes, and has demonstrated this past year, that this transition to City operations will result in improved service as well as an improvement to golf's financial bottom line.

Future year projections of golf revenues take into account the golf industry's trend toward increased numbers of golf courses without corresponding increases in rounds of play. This is a trend we expect to experience as well, with several new courses developed or renovated in this area, and a projected decrease in golf rounds as a result. Everything is relative, of course, and Sunnyvale continues to lead the local courses in terms of golf rounds played.

Council's continued support of market-based golf fees regardless of residency remains a critical factor in maintaining this important revenue stream and supporting other subsidized leisure services.

For FY 2002/2003, the recommended Budget reflects a General Fund transfer of approximately \$2.4 million. That transfer then grows at a varying rate over the course of the rest of the planning period. Over the past several years, reserve funds were

used to maintain existing services as an alternative to increasing the General Fund transfer. However, the Community Recreation Fund *20-Year RAP* will be totally depleted during this coming year. Over the first ten years of the planning period, an additional \$700,000 will be needed to maintain leisure services programming at its current level, largely because of the staffing issues mentioned earlier.

As discussed in this Transmittal Letter in the section on *Major Project Efforts*, funds for the lease of the existing Senior Center from the Sunnyvale School District have been included in the Community Recreation Fund through the first part of FY 2003/2004. In anticipation of the construction and completion of the new, expanded Senior Center, ongoing maintenance costs appropriate to the larger site have been included in the operating costs of the Community Recreation Fund beginning in FY 2002/2003. The City has recently received a letter from the Sunnyvale School District which seeks to increase the rent on the existing site by approximately \$500,000. Staff is currently in discussions with the District to attempt to mitigate this increase and is also exploring alternative arrangements.

As indicated earlier, we have increased the amount of the General Fund transfer to the Community Recreation Fund over the 20-year planning period to the amount necessary to support existing service levels. The provision of additional leisure services to the public, unless they are self-supporting, will require either additional General Fund transfers or a reduction in other services.

The recommended FY 2002/2003 Budget and Ten-Year Resource Allocation Plan includes no new capital projects in the Community Recreation Fund. Two budget supplements have been proposed: an increase in the fee waiver program and a master plan for the public art program. The first of these has been recommended by the City Manager and reflected in the General Fund Transfer to the Community Recreation Fund. The second is not recommended. More discussion of these supplements can be found in the *General Fund Detailed Fund Review* section of this Transmittal Letter. Additionally, a full report on each budget supplement is included in *Volume I* of the budget document, under *Budget Supplements*.

Patent Library Fund

Sunnyvale Public Library has served the needs of the intellectual property community for nearly 40 years. In the mid 1990s, the City and the United States Patent and Trademark Office formed a partnership which elevated the level of service available in Sunnyvale to nearly equal that of the office in Washington, D.C. The partnership, Sunnyvale Center for Innovation, Invention and Ideas Sc[i]³, is the flagship of the Patent and Trademark Depository Library Partnerships which also includes a center in the Detroit Public Library. A third partnership at Rice University recently closed because revenues were insufficient to cover the cost of the operation.

Sc[i]³ is recognized as an important contribution that the City of Sunnyvale makes to the economic development in the region. Services and products designed and tailored to the needs of Silicon Valley inventors, intellectual property attorneys, corporate legal staff, researchers, patent agents and paralegal staff have been offered through Sc[i]³ for the past six years. Several years ago the availability of patent and trademark

information on the Internet began to undermine some of these services, and the patent library revenue stream has been negatively affected.

In the adopted FY 2000/2001 Budget, Council approved a \$250,000 two-year special project to support marketing and fundraising activities by Sc[i]³. The intent of the activities was to find permanent, stable funding for the patent and trademark center so that the City's General Fund will not be adversely impacted by increasing annual financial contributions to make up the difference between the Patent Library's revenues and operating costs. The library undertook five initiatives to achieve this goal: 1) develop an advisory group to assist in program planning, communication, marketing and fundraising; 2) secure state funding through special legislation or other means; 3) develop and implement a fundraising plan; 4) develop and implement a training and curriculum plan to increase revenues; and 5) develop and implement a marketing plan to publicize and promote Sc[i]³ services and support fundraising.

While efforts to secure State funding were unsuccessful, the library was able to establish a non-profit foundation (The Friends of Sc[i]³), develop an active advisory committee, enhance the high quality training program, and develop a marketing plan. Despite these successes, it became clear at the beginning of FY 2001/2002 that revenues from many services continued to decline as the costs of operating the separate branch library continued to increase. In addition, we recognized that fundraising is difficult in the current economic environment and that success of the training program is dependent on continually developing new courses, a costly undertaking.

In July 2001 the City Council approved a plan to redesign the services and relocate Sc[i]³ to the Main Library. A number of steps were taken to reduce the potential cost to the City for the operation of Sc[i]³. The entire operation was relocated in January 2002. The free public patent and trademark reference services have been fully merged into the existing Adult Services area (Program 637), with that program reflecting budget increases of \$100,000 per year to support the new services. The remaining fee-based services were scaled back to include only those activities that are likely to result in total self-sufficiency of the operation. The cost of the lease was eliminated and staff size was reduced by more than half. Other economies were achieved by reducing the amount of equipment and materials needed to support the operations. These changes have provided increased flexibility in the management of Sc[i]³, allowing us to react appropriately to policy changes at the United States Patent and Trademark Office or to new competition presented by the use of technology in providing patent and trademark services. As a result of the changes made to Sc[i]³, the City will realize net savings of approximately \$2.5 million over the 20-year planning period.

Information Technology Enterprise Fund

As part of Sunnyvale's innovative efforts to streamline building permitting processes, the Information Technology Department developed a permitting software program called SunGIS. Other municipalities expressed a desire to purchase this product, and in FY 1999/2000 the City established the Information Technology Enterprise Fund to represent the revenues and expenditures associated with enhancement and marketing of City-developed software. In September 2000, the City entered into an agreement with Berryman & Henigar Enterprises to allow that firm to market, sell and support

software developed by Sunnyvale in return for royalties, software maintenance, enhancements and support.

The agreement relieves the City of previously anticipated expenditures associated with provision of maintenance, enhancement and support. Consequently, there are no expenditures shown in the fund beyond FY 2001/2002. Under the terms of the agreement, the City's royalties will be a percentage of the licensee's gross revenues. We have not attempted to project those revenues, but have instead recognized only revenue sufficient to reimburse the General Fund for a \$29,185 loan made to the Information Technology Enterprise Fund in FY 1999/2000. As we gain experience with revenue receipts per the agreement, we will adjust our projections accordingly.

SPECIAL REVENUE FUNDS

The Special Revenue Fund Group is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Housing Fund

The Housing Fund is comprised primarily of revenues from HOME grants and housing mitigation fund receipts. Expenditures are for capital and special projects targeted to achieve the goals of the City's Housing and Community Revitalization Sub-Element of the General Plan and the 2000-2005 Consolidated Plan. The Consolidated Plan is a five-year comprehensive planning document submitted to the federal government. It identifies a jurisdiction's overall needs for affordable housing and non-housing community development. The federal government requires the City to submit annual updates during the intervening years of the Consolidated Plan, and this is generally done in May of each year.

Housing mitigation funds are maintained in a separate sub-fund, accruing interest solely for housing mitigation purposes as required by law. This fund shows receipts through FY 2005/2006, reflecting only development approved to date; the extended time reflects the five-year payment period approved for Applied Materials in their specific development agreement with the City.

\$280,000 in HOME funds has been expended for the PACE Autism Center project over the past year. Additionally, non-profit agencies are expected to utilize HOME funds to provide new and rehabilitated housing projects for low-income families, seniors and the disabled. These projects target the goals of the City's General Plan and the 2000-2005 Consolidated Plan.

In the Housing Mitigation Fund, a major expenditure in FY 2000/2001 was a \$500,000 contribution to the Housing Trust Fund of Santa Clara County. This fund was created in 1997 to build and sustain a revolving loan fund and grant-making program to complement existing affordable housing efforts and leverage other housing finance resources. The goal is to help almost 5,000 individuals and families affected by the affordable housing crisis. Another \$1.425 million was given to the Emergency Housing Consortium to acquire a multi-family property for transition housing; however, this project will not go forward and these monies have been returned to fund reserves.

In FY 2001/2002, Council appropriated \$719,912 for the Housing Assistance for Teachers and City Employees project. This allocation includes funding for all three components of the program: Homebuyer Education, Security Deposit Loan Program and the soon to be implemented Down Payment Assistance Program. Staff has proposed an additional \$173,000 for this project in the recommended FY 2002/2003 Budget.

Staff is working with Mid Peninsula Housing Coalition on phase two of the Homestead Park project. Mid-Peninsula has requested \$800,000 of HOME funds in FY 2002/2003 for the construction of sixty-six new rental units for very low income seniors and families. During FY 2002/2003, as other funding sources are committed to this project, Mid-Peninsula will seek further funding from the City's Housing Mitigation Fund of approximately \$600,000 to support this effort.

Finally, Staff will develop a comprehensive strategy in the coming year for the most cost-effective allocation of \$10 million of accumulated housing mitigation funds over the next five to ten years.

Community Development Block Grant Fund

The Community Development Block Grant Fund is comprised of revenues from Community Development Block Grants, rental income from the City's Manzanita property, and the repayment of commercial and residential loans. Primary expenditures are for housing opportunities, special projects, and most of the City's outside group funding efforts.

On the revenue side, Community Development Block Grants are shown through FY 2002/2003. The Federal Government has notified the City of its FY 2002/2003 entitlement. Similar to the long-standing strategy used with all federally financed programs, future grant receipts are not shown beyond the immediate planning horizon. When and if these entitlements are no longer provided, expenditure levels would drop considerably. At that time, Council would have to make determinations as to where the priorities will be regarding the relatively small amount of income that would continue to be available on an annual basis from loan repayments. As a side note, the General Fund's long-term financial plan sets aside a fraction of the City's total outside group funding efforts in case this possibility becomes a reality.

CDBG funds are used primarily to address the City's affordable housing strategy. This includes support of housing and human service agencies; rehabilitation and retrofitting of the existing housing stock; and the acquisition, rehabilitation, and construction of affordable housing by non-profit developers. As in the Housing Fund, capital and special projects are targeted to achieve the goals of the City's Housing and Community Revitalization Sub-Element of the General Plan and the 2000-2005 Consolidated Plan. In addition, CDBG funds may be used for programs or projects that benefit groups with special needs such as senior and handicapped citizens.

For FY 2002/2003, funds in the amount of \$300,000 will be appropriated for construction of the Sunnyvale Senior Center. These funds are in addition to the \$1.7 million previously allocated from CDBG, bringing the total to \$2 million. The Housing

and Human Services Commission has recommended \$265,769 in support of the programs of 13 non-profit social service agencies. Funds will also be allocated for a wide variety of housing and housing related activities, including the acquisition/development of new affordable housing units, rehabilitation of existing and affordable housing units, lead-based paint abatement, the removal of architectural barriers, and fair housing services.

The City has created a new operating program for FY 2002/2003 that separates the Housing division from Neighborhood Preservation efforts. The new program provides better reporting capabilities for the various funding sources supporting the housing and human service efforts. This program was approved by Council as an Outcome restructure in FY 2001/2002.

Park Dedication Fund

The Park Dedication Fund was established to meet statutory requirements regarding the accounting for park dedication monies. In general, the City collects park in-lieu fees for multi-family residential projects that do not dedicate land for use as parks or open space. Those revenues are recognized in the Park Dedication Fund, and then available resources are transferred to the Capital Projects Funds for designated and approved park-related projects.

Some years ago, the methodology for determining park in-lieu fees included a determination of fair market value on a project by project basis. This process was sometimes contentious and time-consuming for both the project proponent and staff. In 2000, Council approved an alternative methodology for determining park in-lieu fees that eliminated the need to determine fair market value on a project by project basis.

In past years, this fund was earmarked to help cover the costs of approved park-related projects. Projects have included both the renovation of existing parks and the addition of new parks. The City has never relied on this fund in order to plan its open space projects. In other words, park projects have been planned on the basis of community need as opposed to the amount of funding available in the Park Dedication Fund. In fact, the General Fund has funded the vast majority of past park projects, with the Park Dedication Fund simply an additional funding mechanism to periodically offset costs planned in the General Fund.

In FY 1999/2000 the City received over \$1.4 million in park dedication fees in relation to three large residential projects (the Irvine Apartments on the Olson property, the Villa del Sol apartments at Sunnyvale and Evelyn Avenues, and the Las Palmas homes on the Stowell property). No park dedication funds were received in FY 2000/2001, and staff does not anticipate any for FY 2001/2002. Opportunities for the type of large residential activity that occurred in FY 1999/2000 are limited, and so projections for future years have not been made. The concept is that the City cannot count on, nor predict, this revenue stream. Therefore, appropriations will only follow the actual receipt of park dedication fees. This will be done in the context of the budget process.

In prior years an appropriation of approximately \$2 million was made of Park Dedication funds for the design and construction of a new Downtown Plaza Park at Evelyn Avenue and Frances Street. For FY 2000/2001 this was programmed as a transfer to the Capital Projects Funds to reflect the fact that other funds will be available for this plaza project. Discussion of this project and progress to date is included in the *Major Project Efforts* section of this Transmittal Letter.

Two projects were funded with the use of Park Dedication funds in the recommended FY 2001/2002 Budget. These included the construction of the Fair Oaks Skateboard Park (\$575,000) and the expansion of Ortega Park's playground (\$76,000). For FY 2002/2003, \$95,750 is recommended for the expansion of Murphy Park. This project was at one time included in the City's long-term plan, but was eliminated following the State takeover of property taxes in the early 1990s. It necessitates the acquisition of additional park property via residential purchase. Some of these properties have been acquired and this fund sees rental income, as well as maintenance costs, from these properties until the City has acquired all the necessary parcels for planned park expansion. The fact that dollars are programmed for Murphy Park expansion in FY 2002/2003 only represents a placeholder since the City cannot predict when the additional parcels will be acquired.

At the end of this current fiscal year, the City will have approximately \$814,000 remaining in this fund's reserves after appropriations have been made for the projects mentioned above. These uncommitted funds may be needed for existing park projects that cost more than planned or construction of the Downtown Plaza Park. Absent this need, use of these funds would be considered in the next two-year projects budget process.

Asset Forfeiture Fund

The Asset Forfeiture Fund was established to account for monies received through drug and other law enforcement activities as allowed under Federal and State asset forfeiture guidelines. Because the purposes for which asset forfeiture can be used are limited, the strategy currently employed and recommended for future years is one that would draw down funds for new one-time expenses targeted for law enforcement services. The objective over time would be to draw down all of the resources in this fund. By the same token, caution should be used to assure that these expenses are ones that fit into the City's priorities.

In this current fiscal year, Council has adopted two budget modifications that created specific projects to be funded with asset forfeiture revenues. The first project, Bomb-Detecting Canine Unit, enables the City to more effectively respond to bomb threats and suspicious items. In light of the September 11th terror attacks, this project will improve the Department of Public Safety's capacity to react to domestic terrorist threats. The second item allows the City to cover allowable ongoing costs related to the yearly asset forfeiture audit.

For the recommended FY 2002/2003 Budget and Ten-Year Resource Allocation Plan the following special projects are included for funding:

- **Police Services Equipment Acquisition:** This project is appropriated each year to purchase special law enforcement equipment to supplement police services. Funding will enhance police communications by covering costs associated with cellular phone service.
- **Bomb-Detecting Canine Unit:** This project provides related expenses for training, canine care/maintenance and other supplemental costs, and has a General Fund component for canine handler specialty pay.
- **Supervisory/Managerial Development in Public Safety:** This project will augment work begun in FY 2001/2002 to implement a comprehensive set of supervisory practices consistent with the newly adopted Guiding Principles, and is timely due to a number of supervisory and managerial retirements. Implementation will occur largely through the utilization of consultant services. This project also has a General Fund component.
- **Police Services Vehicle Acquisition:** This project will fund the lease and associated maintenance of two sedan vehicles to be utilized by Department of Public Safety Captains in order to ensure 24-hour response capability.

In addition to the special projects listed above, asset forfeiture funding is budgeted in FY 2003/2004 to cover costs associated with the law enforcement portion of the building remodel at the Department of Public Safety Headquarters.

The continuing transfer to General Fund from the Asset Forfeiture Fund is to support juvenile diversion activities within Police Services.

Police Services Augmentation Fund

The Police Services Augmentation Fund is closely related to the Asset Forfeiture Fund. This fund accounts for two grant programs, which provide monies for law enforcement purposes. The first is the Supplemental Law Enforcement Services (SLES) program established by the State five years ago, and the second is a small Federal block grant from the Bureau of Justice Administration (BJA). Both of these funds have been used to establish a Bureau of Professional Standards, which includes two Lieutenant positions. This function provides a higher level of service to the public by allowing for timely completion of internal affairs investigations and increased direct contact between Public Safety and members of the community. In addition, SLES funds provide for the continuation of a Police Patrol Team Captain position.

State and Federal law requires that SLES/LLEBG funds be spent by the end of the fiscal year subsequent to the fiscal year in which they were received. The City is in compliance with this requirement. The transfer from the General Fund to this fund represents the City's matching requirements for the BJA block grant.

The financial plan for the Police Services Augmentation Fund reflects revenue only through FY 2002/2003 in keeping with our policies of not recognizing speculative grant revenues. It is important to note that two developments, in the form of declining grant amounts and increased operational expenditures, will cause reserve monies to be depleted by the end of FY 2002/2003, raising the likelihood of service modifications

and/or reductions in subsequent years.

Employment Development Fund

The Employment Development Fund is required by Federal regulations to account for the use of various Federal funds and program revenues for the workforce development activities conducted by the North Valley (NOVA) Job Training Consortium. NOVA, formed in 1983, serves the cities of Cupertino, Los Altos, Milpitas, Mountain View, Palo Alto, Santa Clara, and Sunnyvale and is administered by the Department of Employment Development of the City of Sunnyvale. NOVA programs receive no General Fund resources. NOVA has a wide variety of programs funded in different ways, with baseline funding coming from the Federal Government through the State of California. A significant amount of additional grant money is received from Federal and State sources, as well as local companies and foundations.

Since July 1, 2000 primary funding for the Department of Employment Development/NOVA is the Workforce Investment Act (WIA.) While WIA funds are still a key portion of NOVA's budget, NOVA has significantly decreased its reliance on WIA funds over the past three years, from 78% of the budget in FY 1999/2000 to 57% in FY 2001/2002, through intentional diversification of funding sources.

The WIA allocated funding for NOVA for FY 2002/2003 has just been released by the State of California and amount to a total of \$1,895,891. In addition to this, NOVA has a history of being very competitive for additional Federal and State resources to address the workforce development needs of the region. For example, in FY 2001/2002 NOVA applied for and received \$7 million, over two years, from WIA's Star XI Grant.

For the purposes of the City's recommended FY 2002/2003 Budget, we have taken the funds that were available in FY 2001/2002 and used these as a starting point for NOVA's FY 2002/2003 programs and service levels. It is important to note that the Department is currently restructuring its programs to the outcome management format. The current programs and activities, based on specific grants (many of which are no longer active) are not applicable or functional for staff. Therefore, the current programs are not included in this recommended budget. Rather, the base funding level will be appropriated to an interim program until the new program structures are created. The interim program will be included in the adopted budget. As in past years, staff will submit budget modifications to Council to incorporate additional grant resources as they are received throughout the year.

Again, in keeping with City policy for grant-funded programs, the Employment Development Fund Long-Term Financial Plan reflects grant revenues only for the immediate planning period.

Parking District Fund

The Parking District Fund is a small fund that provides for the ongoing maintenance of downtown parking lots as well as the retirement of outstanding debt obligations utilized to purchase land and make improvements. This Fund's revenue sources are special assessments and property taxes.

The Downtown Parking District includes all public parking in the downtown area with the exception of the parking structure adjacent to the Sunnyvale Town Center, which is under ownership of the Redevelopment Agency and leased to the shopping mall.

The approval of Proposition 218 had a significant effect on the methodologies utilized to raise assessments to fund maintenance and operations within the Parking District. Proposition 218 not only deals with the approach and methodologies to be used for benefit assessments, but also the approval process. Essentially, after a method has been selected, a vote occurs by those who would be assessed, with votes weighted according to the amount of assessment. If this weighted majority does not approve the assessment, then it does not go forward. The only exception is for outstanding bonded indebtedness that the City has a continued right to collect. Annual debt service is approximately \$70,000, with all debt service to be paid by FY 2003/2004. Annual debt service continues to be funded by ad valorem property taxes.

Beginning in FY 1998/1999, voters in the District approved the new assessment methodology and assessed themselves for operation and maintenance. Based on this prior approval, the Fund's Long-term Financial Plan projects that revenues to cover operations and maintenance will come in large part from special assessments from the property owners again in FY 2002/2003, with debt service to be paid through a continued ad valorem property tax.

Because of the various new developments occurring in the downtown area, staff has recommended that the assessment for operations and maintenance continue at approximately the current level for FY 2001/2002. Further, the downtown development is likely to change the character of the parking assessment district, making it extremely difficult at this time to project expenses and revenues into the future. Therefore, the Parking District Fund Long-Term Financial Plan shows that the assessment revenue remains the same, with a slight inflationary factor over the remainder of the planning period, with existing *20 year RAP Reserve* funds being drawn down to pay the full cost of maintenance. Operational expenses are then shown as decreasing beginning in FY 2008/2009 to equal special assessments. It should be noted that once all of the various factors related to parking in the downtown are defined and stabilized, the Parking District may be reconfigured considerably.

One other issue concerning the Downtown Parking District is the possibility of the voters not approving the assessments at some point in time. It is likely that those who framed Proposition 218 did not consider its impact in situations such as this. Downtown merchants rely on this parking, and obtained authorization to operate their businesses based upon the availability of shared parking. Most have no private parking available. Nonetheless, it is possible that owners would not approve of the assessment and, as a result, funds would not be available for continued operation of the District. In such an event, the question would be how the City would fund the District. There is no question that the cost to the merchants for publicly provided parking is far below that which would have been the case had they had to acquire the necessary land, make the required improvements, maintain the improvements, and pay property taxes on the improvements. These are costs that anywhere else in the City the private sector must bear without public assistance. It would therefore be necessary for staff to explore other potential revenue raising possibilities in the event

that the assessment would not be approved. Certainly one of the alternatives is paid parking.

Finally, the Parking District Fund includes a major capital project that was approved by Council in FY 2001/2002. This project provides for construction of a 250-space underground public parking facility constructed in conjunction with the Mozart Development Corporation project in Downtown. Parking District property previously used as surface parking was sold to Mozart, who agreed to construct replacement parking for the District in a structure beneath the future Downtown Plaza Park. This capital project reflects that transaction. \$117,700 from this transaction also remains available in a reserve to be used for future downtown improvements.

Youth and Neighborhood Services Fund

The Youth and Neighborhood Services Fund accounts for the revenues and ongoing operating program expenditures associated with the management and maintenance of the Columbia Neighborhood Center. The Columbia Neighborhood Center was developed to meet the health, social, recreational, and education needs of North Sunnyvale residents through a coordinated network of services. The development of the Columbia Neighborhood Center was a collaborative effort between the City, the Sunnyvale School District, Advanced Micro Devices, and numerous community agencies that began in the fall of 1994. In FY 1996/1997, Council invested \$500,000 as seed funding for the development of the Columbia Neighborhood Center. This was essentially the City's share of the Advanced Micro Devices contribution to Columbia Neighborhood Center. When this Fund was established, it carried with it a commitment to maintain this \$500,000 to generate interest to help offset ongoing operating program expenditures. Also included in the ongoing fund balance were contributions made to the City in the amount of \$6,658 on behalf of former employees which bring the current endowment total to \$506,658.

At this time, only the operating program expenditures and Columbia Neighborhood Center related projects are in this fund along with the associated program revenues. As outlined in the partnership agreement with the Sunnyvale School District, a portion of the operating program expenditures are reimbursed for the youth services provided at the Columbia Middle School site.

Operating expenses for the Columbia Neighborhood Center in the recommended FY 2002/2003 Budget are 11.9% over the prior year. Proposed services have increased in the area of community outreach to heighten public awareness of services provided by the Center; costs include 180 additional contract hours and funds for printing and postage for new marketing materials. As a result of these increased costs, the Transfer from the General Fund is approximately \$438,000 greater over the first ten years of the planning period than was projected last year, and \$718,000 higher in the second ten years.

The outcome and budget structure for this program has undergone changes following a performance audit conducted during FY 2000/2001. Changes to outcome measures at the program level were approved by Council in FY 2001/2002 and are incorporated in this recommended FY 2002/2003 Budget.

In FY 2001/2002, funds in the amount of \$175,000 were appropriated for a capital project to expand the Columbia Neighborhood Center Facility. During FY 2000/2001, the findings from the Columbia Neighborhood Center Replication Study were released, which verified that the Columbia Neighborhood Center service area is the community's greatest need. The current facility houses multi-disciplinary services in limited office space, thus compromising safety, quality of care, customer comfort, efficiency of service delivery, and confidentiality. Additional space will enable a reorganization of the current space to provide health services and the new space (approximately 2,900 square feet) will house existing and expanded social and recreational services. New space will further enable the Columbia Neighborhood Center to house new partnering agencies, thus leveraging additional needed services for the community. An additional \$222,726 has been appropriated to this project in FY 2002/2003. These amounts represent the City's contribution towards the expansion cost, estimated at approximately \$1 million. Also included are additional annual project operating expenditures in the amount of \$35,066, along with additional revenues from the cost-sharing agreement with the Sunnyvale School District.

Although this project is included in the recommended FY 2002/2003 Budget, it is dependent on external financial support. The Sunnyvale School District has informally committed to participating in the project and Advanced Micro Devices has approved a grant in the amount of \$50,000. Additional sources of funds will need to be secured to make up the remaining costs. No action on this project will occur until grants and cost sharing and reimbursement agreements are secured in writing.

The expansion of the Columbia Neighborhood Center will enable the current Council approved service levels to improve. Since services are dependent on the in-kind support of community organizations, and cannot be defined until the completion of the expansion, the service levels (specifically, health care, after-school programs, and social services) are not available at this time.

Redevelopment Agency Fund

The Redevelopment Agency is a separate governmental and legal entity from the City. However, the Agency is a component unit of the City for which the City is financially responsible. Further, due to certain agreements between the Redevelopment Agency and the City, the General Fund of the City is inextricably tied to the financial condition of the Redevelopment Agency. As a result, the Redevelopment Agency Fund is traditionally covered as a part of this Transmittal Letter.

At the close of FY 2000/2001 the Redevelopment Agency had an outstanding loan due to the City General Fund of approximately \$37.9 million. This is largely the result of the Redevelopment Agency's inability to raise sufficient tax increment revenue to repay the City for annual lease payments made by the City for the downtown parking structure. The original financial plan established by the City Council in the mid-1970s was turned upside down with the passage of Proposition 13, which stripped the agency of approximately two-thirds of its property tax increment. Since that time, the State has enacted several laws that placed further restrictions on redevelopment agencies. These include capping the time period for collection of tax increment for each redevelopment project area; for Sunnyvale's project area, the cap year is currently 2025. More important was the establishment of revenue limits for

redevelopment agencies, referred to as property tax increment caps. The revenue limit/increment cap for the Sunnyvale Redevelopment Agency is \$118 million, effectively making it impossible for the City to ever fully recover its loan.

In previous financial plans, the downtown area was represented as it existed, without any of the new development either underway or anticipated. In this case, the Agency reached its increment cap just before the time limit was reached in 2025. However, the recommended FY 2001/2002 Budget contained several significant changes to our long-term assumptions. First, the incremental property tax revenue increased by \$1.2 million in FY 2003/2004 to reflect the projected completion of the 460,000 square foot Mozart office project. Second, as a result of including the increased taxes from the Mozart project, the property tax increment cap of \$118 million is reached just after FY 2018/2019.

Given these assumptions, the nature of the Redevelopment Agency Fund Long-Term Financial Plan has changed. First, the increased speed at which we reach our cap forces us to set aside funds for the Agency's debt obligations which are due after FY 2018/2019 when tax increment ceases. This is done by assuring adequate balances in the *20 Year RAP Reserve* line item until the last year of debt service payments (FY 2022/2023). Second, a new expenditure line item has been added: *Downtown Increased Tax Benefit*. It is assumed that any increase to property tax revenues in the downtown can be used for two purposes beyond payment of debt service: repayment to the City on the outstanding loan or downtown projects. For the financial plan the repayment to the City was held constant at the level previously planned, and the debt service payments were maintained for the required time period. The *20-Year RAP Reserve* was then balanced to zero in FY 2022/2023 to reflect the completion of the Fund's debt service obligations. Finally, any remaining funds were shown in the *Downtown Increased Tax Benefit* expenditure line item on a level annual basis. This line item reflects the potential additional tax increment funds that the City has available for downtown projects or repayment to the City.

In FY 2001/2002 Council approved a capital project for improvements to the Downtown area, to be funded by an advance of \$1.5 million from the General Fund to the Redevelopment Agency Fund. This advance was based on the expectation of the new tax increment from the Mozart project, which would allow us to realize additional funds for the project area through a Tax Allocation Bond financing. The current financial plan shows a repayment of this advance over a four-year period beginning in FY 2003/2004, the year that the City currently anticipates the Mozart property tax to begin. Following that repayment, the Downtown Increased Tax Benefit line-item begins at approximately \$500,000 annually. Staff is working with our investment advisor to refine these projections and develop a financing plan.

It is important to note that no further development activity has yet been anticipated in the financial plan. To the extent that the Town Center Mall is redeveloped and development occurs on the north of Washington block, more tax increment will be produced for the Agency, which will cause the City to reach its revenue limit earlier. To address the issue of the property tax increment cap, the City is currently in the process of evaluating the feasibility of amending the Redevelopment Plan to increase the revenue limit.

For FY 2002/2003, the Redevelopment Agency is projected to make a repayment to the City in the amount of \$1,089,160. No new special or capital projects have been programmed in the Redevelopment Agency Fund.

It is important to emphasize that in spite of the outstanding General Fund loan, the downtown redevelopment project instituted by the City in the mid-1970s has more than paid for itself. This is because any new incremental Sales Tax generated goes directly to the General Fund but is not credited against the outstanding loan. If credit were given for the sales tax increment, even at its current level, there would be no outstanding loan.

CAPITAL PROJECT FUNDS

Capital Projects Funds are used for major capital acquisition, construction activities, and renovation or replacement of fixed assets. The City currently operates two of these funds: the Capital Projects Fund and the Infrastructure Renovation and Replacement Fund.

Capital Projects Fund

The Capital Projects Fund was established in FY 1997/1998 to account for capital projects that are funded by the General Fund and other governmental funds or that are funded by multiple sources. The Capital Projects Fund is divided into distinct sub-funds that receive direct transfers from the funds that are responsible for the particular projects. Each sub-fund records revenues, interest earnings, transfers and expenses separately. At its establishment, four sub-funds were created: the General Assets sub-fund, the Sewer Assets sub-fund, the Water Assets sub-fund, and the Refuse Assets sub-fund. The FY 2000/2001 Budget expanded the use of this Fund with the addition of the Gas Tax sub-fund and the Measure B sub-fund. The FY 2001/2002 Budget also includes an expansion of this Fund with the addition of the Traffic Mitigation sub-fund. As we move toward our goal of reporting and accounting for all applicable City capital-related activities in this fund, it has become apparent that this fund will continue to grow.

Major project efforts included in the Capital Projects Fund are discussed throughout this Transmittal Letter under their applicable funding source. The table below is an overview of expenditures by sub-fund for FY 2002/2003.

<i>Capital Projects Fund - Project Expenditures by Sub-fund</i>	
Sub-fund	2002/2003 Recommended Budget
General Fund Assets	\$ 9,315,160
Wastewater Management	788,303
Water Distribution	419,103
Gas Tax	2,500,000
Measure B	897,040
TOTAL	\$ 13,919,606

Infrastructure Renovation and Replacement Fund

The Infrastructure Renovation and Replacement Fund was introduced with the FY 1996/1997 Budget and Ten-Year Resource Allocation Plan. It has grown with each subsequent year as staff identifies projects to address the City's need to fund the renovation and replacement of its extensive physical infrastructure. This growth will continue until staff completes the Long-Range Infrastructure Plan (LRIP).

Similar to the Capital Projects Fund, this fund is divided into distinct sub-funds that receive direct transfers from the funds that are responsible for the particular infrastructure projects. Each sub-fund records revenues, interest earnings, transfers and expenses separately. The sub-funds are General, Wastewater, Water, Solid Waste, Community Recreation, and General Services.

Major projects contained in this fund are described throughout the Transmittal Letter. The following table contains expenditures by sub-fund for FY 2002/2003.

Infrastructure Fund - Project Expenditures by Sub-fund	
Sub-fund	2002/2003 Recommended Budget
General Fund Assets	\$ 2,472,418
Wastewater Management	2,266,669
Water Distribution	712,203
Solid Waste Management	91,869
Community Recreation	52,644
General Services	26,741
TOTAL	\$5,622,544

It should be noted that information on each of the projects is available in the *Volume II Projects Budget*.

INTERNAL SERVICE FUNDS

The City utilizes internal service funds to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City. There are two such funds that operate on a cost reimbursement basis: the General Services Fund and the Employee Benefits and Insurance Fund. Both of these funds play an important role in the overall ability of the City to conduct business. Sunnyvale's full cost accounting methodology results in all of the costs of these funds being charged back to user activities on a rental rate or additive rate basis. Therefore, the total expenditures of these two funds are not added to the overall budget.

Beginning in FY 2002/2003, the City has created two additional internal service funds. One of the new funds accounts for activities associated with the Sunnyvale Office Center, an office complex located at 505 W. Olive purchased last year to provide

potential expansion opportunities for the Civic Center complex. The other new fund has been created to separate property and liability insurance costs from the Employee Benefits and Insurance Fund.

General Services Fund

The General Services Fund provides a wide range of important support services to programs within the City. These services range from fleet, to building maintenance, to technology and communication services. Funding for these services is recovered through rental rates charged to benefiting program operating budgets. The rental rates may include not only the cost of operations, but also the cost of replacement for depreciable equipment. This assures the availability of funds to replace equipment at the most cost-effective time.

There are a number of sub-funds within the General Services Fund in order to recognize distinct support service functions and establish appropriate rental rates for each. These include:

- **Fleet Services:** The Fleet Services program reflects the cost of ownership of City vehicles and equipment. A primary objective of Fleet Services is to provide rental rates that are competitive with those offered in the private sector.
- **Building Services:** The Building Services program reflects the cost of maintaining City facilities, free standing furniture, modular furniture, and building equipment.
- **Technology Services:** The Technology Services program reflects the cost of ownership of the City's computing equipment. Eight factors contribute to the total user charge: central computer maintenance, desktop maintenance, software maintenance, training, development of equipment specifications and/or applications, project maintenance, administrative and support services, and equipment replacement costs.
- **Communication Services:** The Communication Services program reflects the cost of ownership of City communication and office equipment. Five equipment categories are included: communication equipment, office equipment, mail services, print shop services, and telecommunication franchise (all KSUN related equipment).
- **Sewer Equipment:** The Sewer General Services program has responsibility for all equipment at the Water Pollution Control Plant and all equipment for the wastewater collection system. These rental rates are applied exclusively to the Wastewater Management Fund.
- **Public Safety Equipment:** The Public Safety Department has responsibility for the General Services program that manages all fire and police service equipment. All rental rates are applied exclusively to the General Fund.
- **Parks and Recreation Equipment:** The Parks and Recreation Department has responsibility for the General Services program that manages all leisure services

equipment. All rental rates are applied exclusively to the Community Recreation Fund.

Aggregate rental rate increases for General Services Fund activities are projected at 6.3% for FY 2002/2003 and 5.6% for FY 2003/2004 through FY 2004/2005. They then vary from 5% to 2% over the remaining years of the financial plan, with the higher rates occurring in the first ten years. As a result, rentals to user departments would be above the budgetary inflationary factor by 3.3% for FY 2002/2003 and then be above by various amounts over the next nine years of the financial plan.

Rental rates continue to grow at a higher rate than the basic elements of the budget primarily due to increases in two operating programs, Building Services and Technology Services.

The Building Services program is projecting a 4.7% increase in rental rates for FY 2002/2003, followed by 8.2% in FY 2003/2004 and 2004/2005. Increases then moderate for the remainder of the planning period. The primary reason for these increases is the expanded space being occupied by City staff in the Sunnyvale Office Center due to our efforts to partially address the office space shortage. As discussed earlier in the *Future Fiscal Issues* section of this Transmittal Letter, in FY 2002/2003 staff will begin occupying all vacant space in the Office Center. An additional \$297,306 has been included in the recommended FY 2002/2003 Budget to enable the Building Services program to make all required lease payments for the expanded space. It is anticipated that when the Sunnyvale Office Space is no longer available, these lease funds will be used for renting outside space as necessary. The General Fund expenditure line-item for *Public Facilities Space Issues* has been reduced by a corresponding amount to cover the increased rental rates for General Fund programs. Non-General Fund programs have also been charged for the increased space.

Additionally, the Building Service program budget includes an increase of \$55,000 in FY 2002/2003 due to projected utility rate increases from PG&E for gas and electric and for approved City water and wastewater services.

The recommended FY 2002/2003 Budget includes the first year of implementation of the Building Service program's outcome budget structure, which was approved by Council during this current year.

The Technology Services program also has rental rates that have increased substantially more than the budgetary inflation factor. An increase of 14% is projected for FY 2002/2003, followed by 8.5% for FY 2003/2004 through FY 2007/2008. These large increases are due to two main factors within the operating program. First, the costs for licensing and support of the City's various software systems have risen by approximately \$188,000 due to the increasing number of systems in use and their complexity. Further, many of the City's older legacy systems were developed in-house and therefore had no licensing and software support costs. Second, the recommended FY 2002/2003 Budget includes the reclassification of two lower level positions to reflect the higher technical requirements of the current environment. As discussed earlier in this Transmittal Letter in the section on *Fiscal Strategies*, technology is making up a growing percentage of the City budget. The City is committed to ensuring that these technology investments are focused on those

areas that have a significant return on investment in the areas of efficiency and customer service.

Employee Benefits and Insurance Fund

The Employee Benefits and Insurance Fund receives its revenue from direct service programs by way of additive rates applied to staff salaries. Expenditures are for payment of pension costs, employee insurance plans, workers’ compensation costs, and all leave time including accrual of outstanding leave benefits. To better track and analyze expenditures, the Fund has been separated into four sub-funds for FY 2002/2003. The four sub-funds are: Leaves and Benefits, Retirement Benefits, Workers’ Compensation and Insurance and Other Benefits. Liability and property insurance and administration, previously a part of the Employee Benefits and Insurance Fund, has been broken out into its own fund because these costs are not related to salary expenditures, but rather are recovered on claims experience and building space usage.

Incorporated into the recommended FY 2002/2003 Budget and Long-Term Financial Plan are significant increases in employee benefit costs. For FY 2002/2003 total expenditures in the combined fund are up by \$4 million over the current budget. The major causes of this increase are:

- **PERS Costs:** Sunnyvale contributes to two California Public Employees Retirement System (CalPERS) plans for and on behalf of its employees: Safety (3% @ 50 Plan) and Miscellaneous (2% @ 55 Plan). Current rates for FY 2002/2003 are shown below:

CalPERS Plan	Employee Rate	Employer Rate
Safety (3% @ 50)	11.25%	7.73%
Miscellaneous (2% @ 55)	7.00%	0.00%

These rates are applied against employee salaries (PERSable earnings) in order to calculate the dollar amounts the City must contribute. The City is responsible for both the employer and employee share.

It is important to note that these rates were set by CalPERS using actuarial analysis that is two years old. In the last year, substantial losses in the CalPERS investment portfolio have occurred, resulting from the dramatic decline in the stock market. The actuarial valuation that the current rates are based on is for the period ending June 30, 2000. Underlying actuarial assumptions from CalPERS are that earnings will be 8¼% annually. In FY 2000/2001, the CalPERS portfolio experienced a real 7% decline in earnings, for a net negative position of 15¼%. So far in FY 2001/2002, current forecasts anticipate a 0% change by the end of the year, which means that the loss has been limited to 8¼%. Combined with the prior year loss, assets over the two year period have lost 23% of their FY 1999/2000 base value. This will mean significant rate increases in the near term for all jurisdictions. As a result, staff has incorporated increasing rates into the Long-Term Financial Plan for this sub-fund. These estimates were developed in conjunction with our Consulting Actuary from Aon Consulting who calculated

changes in assets and liabilities up through June 2002 based on current results and then projected rates based on CalPERS underlying actuarial assumptions.

For Miscellaneous employees, expenditures were calculated with the above rates for FY 2002/2003, but an 18% increase has been incorporated for FY 2003/2004.

With the increase in the Public Safety retirement plan from 2% @ 50 to 3% @ 50 last year, which represents a 50% increase in the value of the retirement benefits for Public Safety members, and the extraordinary losses in CalPERS assets, significant increases were required for the Safety retirement costs. Staff has budgeted an increase of almost 60% in the cost for Public Safety PERS for FY 2002/2003 compared to the current budget, followed by an increase of nearly 23% the following year.

- **Medical Insurance:** Staff has discussed the rising costs of medical insurance and the impact to the City with the CalPERS Health Benefits Services Division staff to gain insight into the immediate and near term trends they project for medical costs. CalPERS staff indicated that calendar year 2003 rates will be significantly higher than current rates, with an increase in the 20- 25% range. A major factor is increasing hospital costs, which have been increasingly difficult for HMO's to hold down. CalPERS will be looking at ways to curtail costs in the future years, but still anticipate increases in the low teens for the next three to four years, with high single digit increases for the foreseeable future. These significant increases are a troubling trend with no easy solutions for cost containment at this time. Because the new rates will not go into effect until January 2003, staff has increased the cost of medical insurance by 13% for FY 2002/2003 and 15% for FY 2003/2004, and reflected the projections mentioned above for the first ten years of the planning period.
- **Workers' Compensation Claims:** In past years, the budget for workers' compensation claims has utilized an historical average. However, with the rapidly increasing costs of claims, the average is no longer effective in setting rates, and actual expenditures have exceeded estimates for the last few years. Therefore, the FY 2002/2003 budget reflects the actual cost of claims at this time, resulting in an increase of more than 40% over current budget. Staff is working aggressively to moderate this trend. I have convened an interdepartmental task force to develop and implement steps to moderate and contain workers' compensation claims. In anticipation of the results of this effort, the Long-Term Financial Plan does not continue the sharp ascent in costs, but rather, forecasts more incremental cost increases in the out years.

Reserves in the Employee Benefits and Insurance Fund have been set at amounts recently established by actuarial studies. The reserve levels are as follows:

Reserve Item	FY 2001/2002 Year-End Amount
Workers' Compensation	\$ 14,379,861
Vacation Leave	7,586,163
Post Employment Medical Benefits	11,935,086
PERS Retirement Benefits	1,294,804
Liability and Property*	1,019,358
Total Employee Benefits Fund Reserves	\$ 36,215,273

*Liability and Property have been separated into a new fund for FY 2002/2003.

A November 2000 actuarial study by Bickmore and Associates estimated the City's needs for reserve levels in both liability and workers' compensation. Aon Consulting, a firm that specializes in public sector employee benefits, estimated the requirement for post employment medical benefits. The vacation leave reserve and post employment medical reserve must grow annually over the Long-Term Financial Plan with the budgetary inflation factor.

Finally, a current employee benefits-related court case may have a potential adverse financial impact on the California cities. *Cargill, et al. v. Metropolitan Water District* is a class action lawsuit brought by a group of private sector "temporary agencies." The plaintiffs claim that employees who work for public agencies and are designated as temporary employees or consultants are truly "regular employees." They further claim that this misclassification has resulted in loss of compensation, benefits and other employment rights. The crux of the argument is whether these employees should be members of the CalPERS retirement system. CalPERS decided to intervene in this litigation given its involvement. On February 2, 2001 a trial court held a hearing on the limited issue of CalPERS membership and found that all "common law employees" of the Metropolitan Water District must be enrolled in CalPERS. The court flatly rejected the District's claim that an employee must be directly paid by a public agency employer to qualify for CalPERS membership. However, the court failed to address issues such as the inclusion of part-time employees, the calculation of service credit or the calculation of final salary. An appeals court upheld the trial court opinion. However, the California Supreme Court has agreed to review this decision. The potential dollar impact on the City of Sunnyvale is large, but also unknown. Even if only certain segments of our workforce suddenly qualify as CalPERS members, retroactivity could result in a substantial financial impact on our Long-Term Financial Plans.

Liability and Property Insurance Fund

This is a new fund for FY 2002/2003, set up to separate out liability and property insurance costs from the Employee Benefits and Insurance Fund. Separating these costs into its own fund provides better accountability of expenditures and allows the City to recover costs based on usage rather than on salary expenditures. Liability and Property Insurance for FY 2002/2003 is up 16% from the current budget then

moderately increases over the Long-Term Financial Plan.

Sunnyvale Office Center Fund

This new fund has been established in the recommended FY 2002/2003 Budget to account for the activities of the Sunnyvale Office Center located at 505 W. Olive Avenue, across from the main City Hall. The Sunnyvale Office Center was purchased in April 2001 by the issuance of variable rate Certificates of Participation (COPs) to provide expansion opportunities for the Civic Center Complex. Activities included in this fund include maintenance and operations of the office facility and debt service. For FY 2002/2003 a capital project has been established in the amount of \$41,000 to provide funds for repairs as necessary to the facility. Revenues to this fund consist of rental from outside tenants and City operations, and interest on reserves. Since the fund is new for FY 2002/2003, a portion of the proceeds of the COPs was transferred in from the Capital Projects Fund, where they had originally been deposited. It is projected that the existing office buildings will be operated and leased through FY 2005/2006, when a long-term solution to the City's office space problem could be in place. If this is not the case, future financial plans will show additional years of operation.

CONCLUSION

As your City Manager, I am honored to have the opportunity to present to you my recommendations for the FY 2002/2003 Budget, the Ten-Year Resource Allocation Plan, and 20-year financial forecast.

Sunnyvale's emphasis on results-oriented service delivery and long-range financial planning have served the community well. The short-term fiscal outlook for the City reflects the current economic downturn, with revenues significantly reduced from their recent high points. However, due to the strength of our planning and management systems, service levels have been maintained and expanded with the Budget Supplements that have been recommended.

I am pleased to report that again, all Long-Term Financial Plans are balanced to the twentieth year. The overall operating budget for FY 2002/2003 is 5.31% above the current year budget, and the General Fund/Gas Tax Fund operating budget is 6.41% above the current year budget. This budget proposal reflects the off year for the City's project budget and so contains very few new projects. I am recommending \$29,381,466 in capital and special projects in the coming fiscal year, as well as a total of \$111 million over the ten-year planning period. These efforts are spread across the City's many and varied funds and have been made possible, in large part, because of special funding available for streets, transportation and parks, as well as a wastewater bond issuance.

Two overarching fiscal issues have been identified that could impact our fiscal security. These are the economic condition of Sunnyvale, the Silicon Valley region, and the State of California; and the State budget situation. We are committed to maintaining

our sound and responsible fiscal position and addressing these issues so that the City will continue to provide outstanding services to our residents and ratepayers.

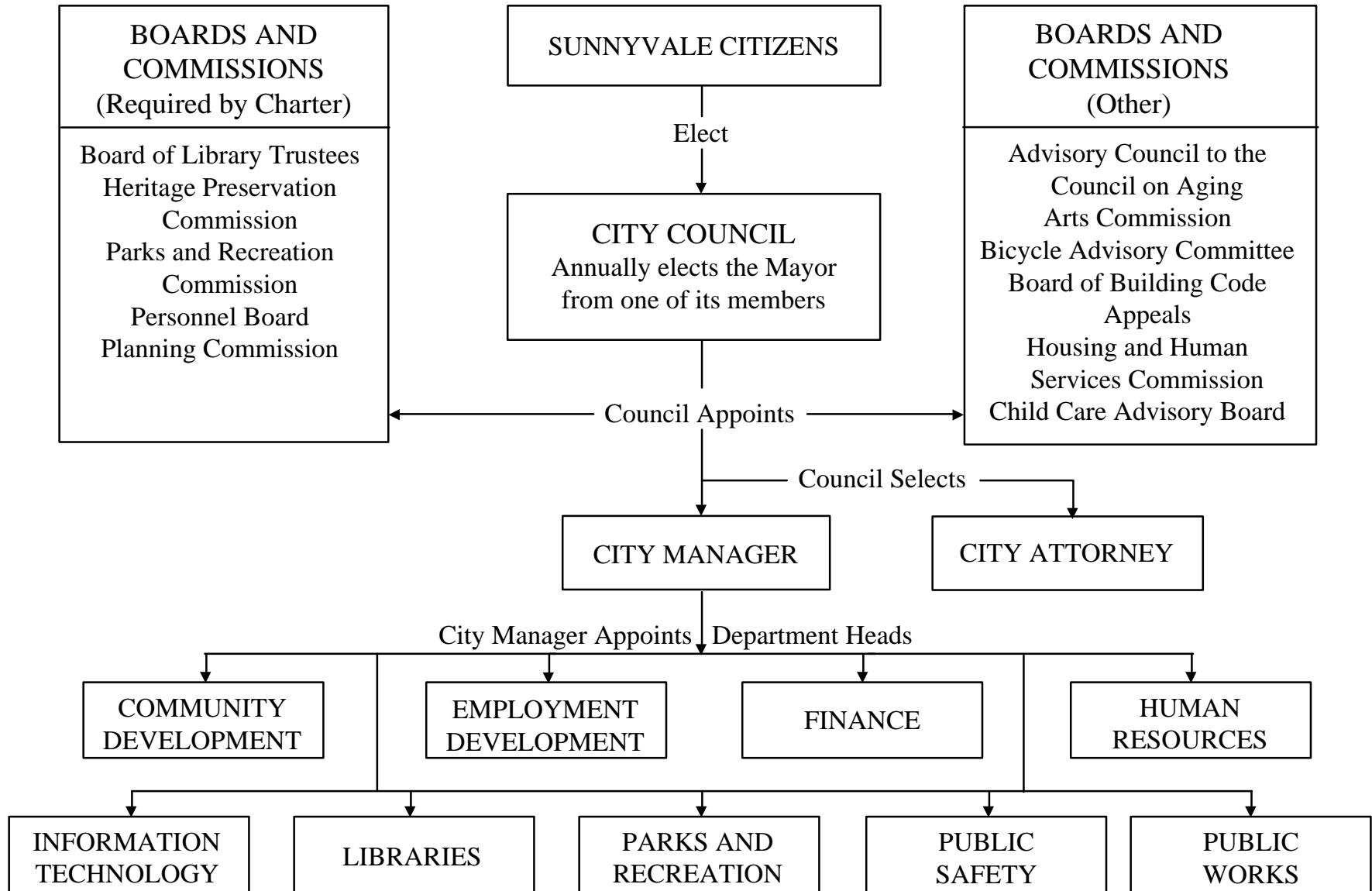
The City's approach to budgeting and long-term financial planning is complex, and highly valued in this organization and in our community. In preparing the recommended FY 2002/2003 Budget and Ten-Year Resource Allocation Plan, I am fortunate to have had the support and assistance of exceptional staff who continually go beyond the call of duty. In particular, I would like to thank the talented and dedicated budget team led by Mary Bradley, Director of Finance and Grace Kim, Finance Manager. These team members include Cheryl Waldrip and Kurtis Mock along with the assistance of Ryan Minniear, Tim Kirby, Peter Gonda, Nasi Raissian, and Bob Merrill.

Respectfully Submitted,

By: /s/ROBERT S. LASALA
Robert S. LaSala
City Manager

May 7, 2002

CITY OF SUNNYVALE ORGANIZATION CHART



City of Sunnyvale
DIRECTORY OF CITY OFFICIALS
July 1, 2002

Frederik Fowler
Mayor

Julia Miller
Vice-Mayor
John Howe
Councilmember
Tim Risch
Councilmember

Jack Walker
Councilmember
Manuel Valerio
Councilmember
Patricia Vorreiter
Councilmember

Robert S. LaSala
City Manager

Irwin Bakin
Director of Public Safety
Mary J. Bradley
Director of Finance
Amy Chan
Assistant City Manager
Mike Curran
Director of Employment Development
Mark Gregersen
Director of Human Resources

Shawn Hernandez
Director of Information Technology
Victoria Johnson
Director of Libraries
Robert Paternoster
Director Of Community Development
Charles Schwabe
Deputy City Manager
Marvin Rose
Director of Public Works
Robert Walker
Director of Parks and Recreation

Valerie J. Armento
City Attorney

CITIZENS' GUIDE TO THE SUNNYVALE MANAGEMENT SYSTEM

Planning and Management System (PAMS)

The system was designed to integrate the policymaking, service delivery, fiscal control and evaluation activities of the City into one strategic management blueprint. Comprised of three major components - General Plan, Service Delivery and Personnel/Program Evaluation - PAMS provides the City a more structured process of managing services, assigning responsibility and ensuring accountability.

General Plan

The General Plan is a long-term planning document that provides the City a framework for action, as well as the direction in which to focus that action. General Plan Elements are areas in which the City has elected to administer and manage the delivery of services to its citizens and customers. The seven General Plan Elements are Transportation, Community Development, Environmental Management, Public Safety, Socio-Economic, Cultural, and Planning and Management. Elements are then divided into sub-elements.

Service Delivery

The service delivery component of PAMS is the area in which the role of the program manager becomes essential. Program managers are ultimately responsible for meeting the service levels set by the Council and reflected in the Operating Budget. Achievement of the desired program results contributes to the accomplishment of the sub-element goal to which the operating program is related. A service delivery plan is composed of specific activities which personnel perform to accomplish output (measured in production units). Activity production units constitute the direct delivery of services.

Ten-Year Resource Allocation Plan and Twenty-Year Financial Planning

The Ten-year Resource Allocation Plan is the backbone of the City's financial planning process. For operating expenditures, ten planning years are projected at assumed inflation and salary rates off the last year in which a detailed operating budget is presented. For capital expenditures, projects are planned out over the entire ten-year horizon. For revenues, each major source has unique drivers that affect projections. This long-range planning gives the Council a tool in which it can project revenues, operating requirements and capital spending. It allows the cost of any policy decision to be measured in terms of long-range expenditure requirements, thereby raising "red flags" in areas where financial conditions may be unacceptable in the future. The Ten-year Resource Allocation Plan has helped the City establish a pay-as-you-go philosophy, allowing money to be set aside in reserve funds for future service expansion or capital projects. Twenty-Year Financial Planning is an extension of this process. This twenty-year plan serves several purposes. It is a planning tool useful in projecting where the City is heading financially. It is less for the accuracy that might exist in forecasting revenues and expenditures and more for understanding the trend and effects of the City's actions on its financial health.

Two-Year Operating and Projects Budget

Although the City reviews its budget on an annual basis, it prepares a detailed Operating Budget covering two years every other year. This means that operating budgets are not modified during the second year of the two-year budget. The two-year cycle for operating and projects do not coincide so staff focuses on one side of the budget each year. The Projects Budget is comprised of "non-operating efforts". Capital Improvements/Special Projects is probably the most crucial area in which the City must allocate and administer. This is where developments of the City's infrastructure as well as its major internal operating activities are managed. The Projects portion of the Resource Allocation Plan is segregated into four categories: Capital, Special, Infrastructure and Outside Group Funding. Within each category, projects are divided by type: General, Housing, Parks, Sanitary Sewer, Solid Waste, Storm Drain, Street and Traffic Signal, Water and Community Development Block Grant (CDBG) Projects.

Types of Expenditures

There are four major types of expenditures in the City's spending plan: operating, equipment, capital improvements and debt service. Operating expenditures are related to a program's base budget and include such items as general supplies, personnel costs and equipment rental. Major equipment expenses like computer hardware or city cars are provided for separately under a general services program to allow for compatibility and coordination. Capital improvements are expenditures, which affect the economic vitality and quality of life in the community. A good example would be construction of a park or resurfacing a city street. Debt service allows an improvement to proceed earlier, when it is needed rather than being delayed until funds are accumulated in the City's treasury. It is used like a credit card - buying something today and paying for it over time. Debt service may be used to finance, for example, a new community center building.

Cost Accounting

A method of accounting, which provides for all the elements of cost incurred to accomplish a purpose, to carry on an activity or to complete a unit of work. By using this financial technique, the City is able to assess the true cost of providing a service. The City's internal users of information management, fleet and equipment, and buildings are assessed rental rates through their programs for the use and eventual replacement of such services and equipment. Employee benefits such as leave usage, retirement and insurances are also recovered by charging the programs that use personnel services. The City also uses an allocation system to distribute administrative costs to those activities that provide a service.

Basis of Budgeting

Basis of budgeting refers to the method used for recognizing revenues and expenditures in the budget. For the City of Sunnyvale, the basis of budgeting is the same basis used for accounting. The modified accrual basis is followed in the governmental and agency funds (for example, the General Fund and special revenue funds such as the Park Dedication Fund). Under this basis, revenues are recognized when they become susceptible to accrual, that is, when they are both measurable and available. Measurable means that the amount of the transaction can be

determined. Available means expected to be collected within the next two months for property taxes and next twelve months for all other revenues. Intergovernmental revenues (primarily grants) which are received as reimbursement for specific purposes or projects, are recognized based upon when the related expenditures are recorded. Intergovernmental revenues which are virtually unrestricted as to purpose and revocable only for failure to meet prescribed compliance requirements are reflected as revenues at the time of receipt or earlier if availability criterion are met.

The accrual basis is used in the proprietary fund types (for example, Enterprise Funds and Internal Service Funds). Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The Comprehensive Annual Financial Report (CAFR) is prepared according to the “generally accepted accounting principles” (GAAP). The City prepares its budget in accordance with GAAP with the following exceptions:

- Loans requiring the use of current resources need to be budgeted as expenditures; in the CAFR, the disbursement of loans are treated as balance sheet items.
- Appropriated budgets are not always needed for all of the City’s funds. For example, a budget is not appropriated for the advance refunding of bonds since the resulting bond proceeds are deposited into escrow accounts and are considered restricted assets.
- Principal payments on long-term debt within the Enterprise Funds are applied to the outstanding liability in the CAFR while such items are treated as expenses in the budget.
- Capital outlay within the Enterprise Funds and Internal Service Funds are capitalized as fixed assets in the CAFR in contrast to being treated as expenses in the budget.
- The budget does not record depreciation expenses.
- The GAAP requires the reporting of investments at fair value. Since the City’s policy is to hold investments to maturity, the changes in fair value are not reflected in the budget.

The CAFR shows fund expenditures and revenues on both a GAAP and Budget basis for comparison purposes.

Budgetary Policy and Control

The City follows the provisions of its Planning and Management System, which is enacted as legislative policy when the annual budget is adopted. These provisions involve the City management, employees, the public, boards and commissions and the City Council at various times during the year culminating in the establishment of new or revised General Plan goals and objectives. The budget must implement the policies contained in the General Plan, and therefore, must be consistent therewith in all respects. The City follows these procedures, contained in the Planning and Management System, in establishing the budgetary data reflected in its financial statements:

1. During January of each year, a City Council workshop is held to discuss important fiscal issues, which may have short-term or long-term effects, on how the City provides and maintains services to its citizens and customers.
2. During May of each year, the City Manager submits to the City Council, a recommended budget for the fiscal year commencing July 1. The City Charter requires that the City Council receive the City Manager's budget no later than thirty-five days prior to June 30.
3. The City Manager's recommended budget include budgets for equipment, operating costs, debt service costs, and capital, infrastructure and special projects for the ensuing year. The recommended budget also contains detailed long-term financial plans with projections for expenditures, revenues and reserves for an additional nineteen years.
4. During May of each year the City Council holds a workshop on the budget. The workshop is open to the public.
5. During June of each year the City Council holds a public hearing, legally required by the City Charter, where the public may submit written or oral comments regarding the entire budget or portions thereof.

6. Prior to June 30 of each year, the budget as modified by the City Council, is legally enacted by adoption of a budget resolution. Financial control is placed by the City Council at the program level.
7. The City Manager is authorized to transfer budgeted amounts within programs, and to appropriate funds from each fund's Twenty-Year Resource Allocation Plan reserve account. Any revisions, which exceed a fund's reserve account, must be approved by City Council.
8. Budgets are legally adopted for all Governmental funds except for the Special Assessment Debt Service Fund. The Special Assessment Debt Service Fund does not have an adopted budget because the City is only required to make Debt Service payments in the event of property owner's default. Budgets are also legally adopted for all Proprietary Funds. Formal budgets are employed as a management control device for all funds in which a budget has been adopted. However, it serves as the primary means of spending control for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.
9. Budgets can be modified during the fiscal year if the need arises due to legislative mandate, City Council or City Manager directive or unanticipated change in service level. Budget Modifications must be approved by City Council and cover one fiscal year only. This allows management to focus on changes to the base budget during the next budget process.

Citizen Participation

Citizens have an opportunity to participate in the Resource Allocation Planning Process through avenues such as Council-appointed boards and commissions, study sessions and public hearings. Each fall, various boards and commissions examine changing conditions and prepare documents for Council consideration; citizens may attend study sessions dealing with upcoming Council issues; and, of course, every Tuesday at City Council meetings, citizens are given an opportunity to speak on an item during the public hearing period. In addition, staff and Council work together to prepare issues for the annual budget workshop which is also geared toward citizen involvement.

FISCAL POLICIES

The Fiscal Sub-Element of the General Plan includes the following guiding fiscal policies for the City's Budget and Resource Allocation Plan.

Accounting Principles

Maintain accounting systems and financial management practices in conformance with Generally Accepted Accounting Principles.

Capital Improvement Design

Design capital improvements to assure cost efficiency and to accomplish City goals and policies.

Capital Improvement Funding

Use all available funding sources to finance capital improvement projects consistent with City priorities.

Capital Improvements Maintenance and Replacement

Provide for optimal maintenance of capital improvements and schedule equipment for future replacement at the most cost-effective time.

Debt Limits

Limit use of debt so as not to place a burden on the fiscal resources of the City and its taxpayers.

Enterprise Funds

Fully account for and apportion all costs, fees, and General Fund transfers associated with enterprise funds.

FISCAL POLICIES

General Fund Surplus

Plan the effective use of surplus funds in order to accelerate service programming or reduce taxes.

Intergovernmental Funds

Recognize in long-range planning the lack of stability inherent in intergovernmental funds and reduce reliance on intergovernmental assistance.

Internal Controls

Maintain financial integrity and provide assurance that adequate internal controls are in place.

Land Acquisition

Acquire land to meet City goals in the most cost efficient and timely manner.

Performance Budget System

Maintain and refine the Performance Budget System to assure its use for multi-year planning, full-cost accounting and budget monitoring.

Purchasing Practices

Maintain a purchasing system in conformance with generally accepted purchasing practices.

Reserves

Provide a prudent level of reserves for future unexpected expenses and revenue declines; to accumulate funds to support future planned capital improvements; and to level high and low expenditure years in the Ten-Year Resource Allocation Plan.

Resource Allocation

Allocate resources in direct relation to general plan goals.

FISCAL POLICIES

Revenue Base

Maintain a diversified and stable revenue base for the City.

Revenue Collection

Develop and maintain an aggressive revenue collection program to assure that monies due the City are received in a timely fashion.

***Revenue Forecasting and
Monitoring***

Develop and maintain a revenue monitoring system to assist in trend analysis and revenue forecasting.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Sunnyvale
California**

For the Biennium Beginning

July 1, 2001

Timothy Brown

President

Jeffrey R. Eason

Executive Director

**CITY OF SUNNYVALE
ADOPTED FY 2002/2003 BUDGET SUMMARY**

Revenue Sources:

Sales Tax	\$ 27,418,302
Refuse Collection and Disposal Service Fees	24,283,150
Property Tax	24,004,033
Reserves	23,053,989
Water Supply and Distribution Service Fees	18,076,594
Wastewater Management Service Fees	15,126,396
SMaRT Station Operations Reimbursement*	11,385,674
State Shared Revenues	9,130,545
Interest Income	8,281,484
Recreation Service Fees	7,487,943
Transient Occupancy Tax	6,904,275
Franchises Fees	6,591,253
Utility Users Tax	6,019,940
Workplace Improvement Act Grant	5,344,111
Rents and Concessions	3,649,278
Permits and Licenses	3,492,305
Miscellaneous Revenues	2,592,825
State Highway Users Tax (Gas Tax)	2,563,123
Federal Grants	2,040,503
Other Taxes	2,029,337
Other Fees and Services	2,004,436
Other Agencies Contributions	2,002,697
Community Development Block Grant	1,364,000
Santa Clara County Measure A/B Pavement Management Program	997,040
SMaRT Station Revenues	763,102
Fines and Forfeitures	706,916
HOME Program Grant	617,000
State Traffic Congestion Relief Program (AB 2928)	460,180

Total Revenues Sources**

\$ 218,390,431

* SMaRT Station Operations Reimbursement includes the City of Mountain View and the City Palo Alto's reimbursement for SMaRT Station operating expenditures.

** Excludes internal service fund revenues.

**CITY OF SUNNYVALE
ADOPTED FY 2002/2003 BUDGET SUMMARY**

Expenditures:

Operating Budget by General Plan Element:

Land Use and Transportation Element:			
Transportation Operations	\$	2,321,232	
Pavement Operations		3,638,713	
Total Land Use and Transportation Element		5,959,945	\$ 5,959,945
Community Development Element:			
Neighborhood Parks and Open Space Management	\$	5,613,086	
Roadside and Median Right-of-Way Services		4,533,600	
Development Services		3,256,388	
Housing and Human Services		671,290	
Neighborhood Preservation		621,411	
Sunnyvale Baylands Park		768,196	
Community Planning		741,922	
Economic Prosperity		724,108	
Parking District Landscaping		102,260	
Public Parking Lot Maintenance		86,517	
Total Community Development Element:		17,118,778	\$ 17,118,778
Environmental Management Element:			
Refuse Collection and Disposal*	\$	25,848,306	
Water Supply and Distribution		14,494,945	
Wastewater Management		10,971,216	
SMaRT Station Operations**		10,354,891	
Engineering Services		853,381	
Public Works Support Services		512,790	
Total Environmental Management Element		63,035,529	\$ 63,035,529

* Refuse Collection and Disposal includes the City's share of SMaRT Station operating expenditures.

** SMaRT Station Operations includes the City of Mountain View and the City of Palo Alto's share of SMaRT Station operating expenditures.

**CITY OF SUNNYVALE
ADOPTED FY 2002/2003 BUDGET SUMMARY**

Operating Budget by General Plan Element (Continued):

Public Safety Element:			
Police Services	\$	21,523,011	
Fire Services		16,253,010	
Public Safety Administrative and Technical Services		9,011,636	
Animal Control		703,175	
Emergency Preparedness		374,694	
Total Public Safety Department		<u> </u>	\$ 47,865,526
Socio-Economic Element:			
Employment Development Department	\$	10,577,869	
Columbia Neighborhood Center		664,274	
Total Socio-Economic Element		<u> </u>	\$ 11,242,143
Cultural Element:			
Leisure Services for Non-Dependent Populations	\$	3,975,728	
Leisure Services for Dependent Populations		3,564,546	
Library Collection Management		3,266,455	
Leisure Services		2,727,409	
Library Programs and Services		1,729,451	
Library Learning Environment		918,113	
Parks and Recreation Management		571,737	
Sunnyvale Center for Innovation, Invention, and Ideas - SC[i]3		429,960	
Total Cultural Element		<u> </u>	\$ 17,183,399

**CITY OF SUNNYVALE
ADOPTED FY 2002/2003 BUDGET SUMMARY**

Operating Budget by General Plan Element (Continued):

Planning and Management Element:		
Utility Business Management	\$ 1,659,260	
Human Resources Department	1,518,091	
Procurement Management	1,387,727	
Office of the City Attorney	1,279,105	
Financial Management and Analysis	1,224,513	
External Relations	739,510	
Accounting and Financial Reporting	736,577	
Organizational Effectiveness	661,454	
Treasury/Cash Management	641,257	
Budget Management	592,213	
Council Policy Assistance and Support	572,987	
Executive Management	504,329	
Official Records and Elections	363,079	
City Council	312,846	
Compensation Management	261,712	
Child Care Services	162,891	
Total Planning and Management Element:	12,617,551	\$ 12,617,551
Project Operating Budget		1,859
Total Operating Budget***		\$ 175,024,730

*** Excludes internal service fund operating budget.

**CITY OF SUNNYVALE
ADOPTED FY 2002/2003 BUDGET SUMMARY**

Projects Budget:

Capital Projects	\$ 17,306,827
Special Projects	8,150,555
Infrastructure Projects	5,622,545
Lease Payments	1,215,678
Project Administration	784,119
Outside Group Funding	362,950

Total Projects Budget

\$ 33,442,674

Other Expenditures:

Debt Service	\$ 6,978,839
Public Facilities (City) Space Issues	1,239,674
Fiscal Uncertainties	889,514
Paramedic Services Set-Aside	515,000
Equipment	300,000

Total Other Expenditures

\$ 9,923,027

Total Adopted Budget

\$ 218,390,431

SUMMARY OF BUDGETED PERSONNEL HOURS

Purpose: This report provides additional FTE (Full-Time Employee) information, illustrating personnel hours by classification on a city-wide basis. The City of Sunnyvale budgets by work hours, not by position. This enables staff to determine the cost of providing a service. Below is an estimate of FTEs using the following calculations:

- Management Staff: 1850 hours equals one FTE
- Non-Management Staff: 1800 hours equals one FTE
- Public Safety Officers: 1910 hours equals one FTE

Full-Time Employees Estimate (City-Wide)
Fiscal Year Comparison

<i>Fiscal Year</i>	<i>Actual</i> 2000/2001	<i>Current</i> 2001/2002	<i>Budget</i> 2002/2003	<i>Budget</i> 2003/2004
Management	82.7	102.6	116.7	115.7
Non-Management	578.1	666.4	713.7	715.8
Public Safety Officers	235.9	241.8	243.0	240.9
Total	896.7	1010.8	1073.4	1072.4

The variance between 2001/2002 Current and 2000/2001 Actual is primarily due to unfilled vacancies.

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
0000 Non Job Code Hours				
Work Hours - Regular	5,151.20	0.00	0.00	0.00
Work Hours - Regular Part-Time	379.60	0.00	0.00	0.00
Work Hours - Casual/Seasonal	211.00	0.00	0.00	0.00
Work Hours - Contract Personnel	324,670.97	281,892.60	191,113.00	190,358.00
Work Hours - Overtime - Comp Time Earned	3.50	0.00	0.00	0.00
Work Hours - Overtime - Regular	1,572.30	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	156.50	0.00	0.00	0.00
0010 City Manager				
Work Hours - Regular	1,784.00	1,860.00	1,850.00	1,850.00
0011 City Attorney				
Work Hours - Regular	1,812.00	1,860.00	1,850.00	1,850.00
0012 Senior Assistant City Attorney				
Work Hours - Regular	895.00	1,860.00	1,850.00	1,850.00
0013 Assistant City Attorney				
Work Hours - Regular	1,114.00	1,860.00	1,850.00	1,850.00
0014 Deputy City Attorney				
Work Hours - Regular	1,804.00	1,860.00	1,850.00	1,850.00
0110 Assistant City Manager				
Work Hours - Regular	1,661.00	1,860.00	1,850.00	1,850.00
0115 Deputy City Manager				
Work Hours - Regular	1,892.60	1,860.00	1,850.00	1,850.00
0120 Director of Community Developm				
Work Hours - Regular	1,755.50	1,840.00	1,840.00	1,840.00
0130 Director of Finance				
Work Hours - Regular	1,784.00	1,706.00	1,850.00	1,850.00
0140 Director of Employment Develop				
Work Hours - Regular	1,715.00	1,785.00	1,850.00	1,850.00
0145 Director of Human Resources				
Work Hours - Regular	290.20	1,860.00	1,850.00	1,850.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
0155 Director of Libraries Work Hours - Regular	1,723.50	1,860.00	1,830.00	1,830.00
0160 Director of Parks and Recreati Work Hours - Regular	1,647.00	1,860.00	1,850.00	1,850.00
0170 Director of Public Safety Work Hours - Regular	1,890.00	1,810.00	1,810.00	1,810.00
0180 Director of Public Works Work Hours - Regular	1,844.00	1,860.00	1,850.00	1,850.00
0190 Director of Information Techno Work Hours - Regular	1,794.00	1,860.00	1,800.00	1,800.00
0200 Special Projects II Work Hours - Regular	377.00	1,825.00	0.00	0.00
0202 Housing Officer Work Hours - Regular	1,262.00	0.00	1,800.00	1,800.00
0203 City Clerk Work Hours - Regular	0.00	0.00	1,850.00	1,850.00
0204 Neighborhood Preservation Mana Work Hours - Regular	0.00	0.00	1,850.00	1,850.00
0205 Assistant Director of Public W Work Hours - Regular	317.00	1,860.00	1,900.00	1,900.00
0206 Assistant City Engineer Work Hours - Regular	1,638.00	1,860.00	1,700.00	1,700.00
0210 Superintendent of Building Ins Work Hours - Regular	1,937.00	1,860.00	1,850.00	1,850.00
0212 Superintendent of Building Mai Work Hours - Regular	1,537.50	1,860.00	1,850.00	1,850.00
0215 Community Relations Officer				
0221 Superint of Golf				

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
0222 Superintendent of Parks Work Hours - Regular	1,734.00	1,856.00	1,846.00	1,846.00
0223 Superintendent of Trees and La Work Hours - Regular	1,749.20	1,544.00	1,562.00	1,562.00
0230 Planning Officer Work Hours - Regular	1,763.50	1,860.00	1,850.00	1,850.00
0235 Public Safety Captain I Work Hours - Regular	4,934.00	11,220.00	11,290.00	9,440.00
Work Hours - Light Duty	483.50	0.00	0.00	0.00
0240 Public Safety Commander				
0255 Special Projects I Work Hours - Regular	1,513.00	0.00	0.00	0.00
0256 Superintendent of Cultural Art Work Hours - Regular	1,668.50	1,800.00	1,850.00	1,850.00
0257 Leisure Services Manager Work Hours - Regular	1,751.00	1,860.00	1,850.00	1,850.00
0258 Assistant To Dir Of Parks/Rec Work Hours - Regular	1,099.00	0.00	3,700.00	3,700.00
0260 Economic Development Manager Work Hours - Regular	1,753.00	1,814.00	1,814.00	1,814.00
0261 Housing and Neighborhood Prese				
0270 Superintendent of Field Servic Work Hours - Regular	866.00	1,770.00	1,640.00	1,640.00
Work Hours - Overtime - Regular	8.00	0.00	0.00	0.00
0275 Solid Waste Program Manager Work Hours - Regular	1,675.70	1,814.00	1,850.00	1,850.00
0278 Management Analyst Work Hours - Regular	10,020.50	9,783.00	18,500.00	18,500.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
0280 Risk and Insurance Manager Work Hours - Regular	1,512.00	1,860.00	1,850.00	1,850.00
0290 Transportation and Traffic Man Work Hours - Regular	276.00	1,790.00	1,850.00	1,850.00
0295 Environmental Division Manager Work Hours - Regular	1,746.00	1,860.00	1,860.00	1,860.00
0300 Administrative Assistant Work Hours - Regular	4,957.50	16,148.00	7,260.00	7,260.00
0301 Employment Training Manager Work Hours - Regular	9,022.00	1,777.00	7,400.00	7,400.00
0304 Operations Officer (DED)				
0305 Administrative Librarian Work Hours - Regular	5,146.30	5,458.00	3,659.00	3,659.00
0306 Supervising Accountant				
0307 Administrative Services Manage Work Hours - Regular	629.70	7,250.00	1,850.00	1,850.00
0310 Supervising Librarian Work Hours - Regular	6,924.70	9,354.00	7,710.00	7,710.00
0315 Revenue Systems Supervisor Work Hours - Regular	1,457.50	1,860.00	1,850.00	1,850.00
0320 Assistant to the City Manager Work Hours - Regular	1,641.00	3,410.00	1,850.00	1,850.00
0322 Senior Management Analyst Work Hours - Regular	4,682.30	5,870.00	12,970.00	13,070.00
0324 Mgr, Bureau Of Tech Services Work Hours - Regular	40.00	0.00	1,800.00	1,800.00
0325 Operations Manager Work Hours - Regular	3,445.50	3,520.00	3,650.00	3,650.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
0326 Recycling Supervisor Work Hours - Regular	1,782.00	1,860.00	1,850.00	1,850.00
0327 Golf Operations Supervisor Work Hours - Regular	2,116.00	3,720.00	3,700.00	3,700.00
0330 Parks Supervisor Work Hours - Regular	5,058.50	5,580.00	14,620.00	14,620.00
0331 Manager, Information Technolog Work Hours - Regular	1,808.00	1,860.00	1,850.00	1,850.00
0332 Mgr, Applications Development Work Hours - Regular	0.00	1,860.00	1,850.00	1,850.00
0333 Technical Support Manager Work Hours - Regular	0.00	1,860.00	1,850.00	1,850.00
0336 Human Resources Officer				
0337 Human Resources Supervisor Work Hours - Regular	3,380.50	3,720.00	3,900.00	3,900.00
0340 Public Safety Captain II Work Hours - Regular	7,430.00	9,350.00	9,410.00	9,410.00
0345 Urban Landscape Supervisor Work Hours - Regular	3,399.00	3,340.60	3,483.00	3,483.00
0350 Public Works Supervisor Work Hours - Regular	4,584.00	5,840.00	5,387.00	5,387.00
0365 Finance Manager Work Hours - Regular	6,396.00	7,226.00	7,400.00	7,400.00
0375 Program Quality and Operations Work Hours - Regular	3,579.50	1,800.00	3,700.00	3,700.00
0380 Fleet Manager Work Hours - Regular	1,914.00	1,860.00	1,850.00	1,850.00
0388 City Property Manager/Senior A Work Hours - Regular	1,645.50	0.00	1,850.00	1,850.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
0390 WPCP Supervisor				
Work Hours - Regular	1,122.50	1,965.00	1,965.00	1,965.00
0394 Manager, Data Systems and Netw				
Work Hours - Regular	324.00	0.00	0.00	0.00
0395 WPCP Maintenance and Facility				
Work Hours - Regular	1,733.00	1,860.00	1,860.00	1,860.00
0396 WPCP Operations Manager				
Work Hours - Regular	1,704.00	1,860.00	1,940.00	1,940.00
0397 Communications Systems Manager				
0900 Management Intern				
Work Hours - Regular	0.00	0.00	1,850.00	1,850.00
1000 Accountant				
Work Hours - Regular	9,264.20	7,073.00	10,800.00	10,800.00
Work Hours - Overtime - Regular	230.50	60.00	142.00	142.00
Work Hours - Overtime - Comp Time Earned	68.00	0.00	0.00	0.00
1001 Accountant-Confidential				
Work Hours - Regular	1,774.50	0.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	83.60	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	6.50	0.00	0.00	0.00
1010 Senior Accountant				
Work Hours - Regular	1,828.40	1,840.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	86.40	100.00	0.00	0.00
1060 Paralegal				
Work Hours - Regular	1,804.00	1,814.00	1,800.00	1,800.00
Work Hours - Overtime - Comp Time Earned	8.00	0.00	0.00	0.00
1100 Administrative Aide				
Work Hours - Regular	16,415.40	22,649.00	23,369.00	23,369.00
Work Hours - Overtime - Regular	551.20	140.00	235.00	235.00
Work Hours - Overtime - Comp Time Earned	470.70	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
1101 Administrative Aide-Confidenti				
Work Hours - Regular	6,720.20	3,624.00	9,550.00	9,550.00
Work Hours - Overtime - Regular	96.00	0.00	75.00	75.00
Work Hours - Overtime - Comp Time Earned	102.50	0.00	0.00	0.00
1130 Public Safety Records Coordina				
Work Hours - Regular	1,797.00	1,814.00	1,765.00	1,765.00
Work Hours - Overtime - Regular	10.80	50.00	35.00	35.00
Work Hours - Overtime - Comp Time Earned	4.50	0.00	0.00	0.00
1140 Senior Buyer				
Work Hours - Regular	1,837.00	1,825.00	1,800.00	1,800.00
1160 Employment Training Program Co				
Work Hours - Regular	12,880.50	7,610.00	18,022.00	18,022.00
Work Hours - Overtime - Regular	76.00	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	206.00	0.00	0.00	0.00
1200 Associate Planner				
Work Hours - Regular	9,313.50	11,900.00	11,900.00	11,900.00
Work Hours - Overtime - Regular	444.10	150.00	154.00	154.00
Work Hours - Overtime - Comp Time Earned	171.00	0.00	0.00	0.00
1250 Administrative Analyst				
Work Hours - Regular	4,834.80	8,984.00	16,303.00	16,218.00
Work Hours - Overtime - Regular	126.50	0.00	40.00	40.00
Work Hours - Overtime - Comp Time Earned	183.20	0.00	26.00	26.00
1251 Assistant Planner				
Work Hours - Regular	2,123.00	1,806.00	1,806.00	1,806.00
Work Hours - Overtime - Regular	119.00	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	42.00	0.00	0.00	0.00
1260 Senior Planner				
Work Hours - Regular	660.00	1,806.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	0.00	65.00	25.00	25.00
Work Hours - Overtime - Comp Time Earned	33.00	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
1300 Senior Environmental Chemist				
Work Hours - Regular	3,285.30	3,681.00	3,381.00	3,381.00
Work Hours - Overtime - Regular	7.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	40.00	0.00	0.00	0.00
1345 Solid Waste Contract Administr				
Work Hours - Regular	622.50	0.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	15.00	0.00	40.00	40.00
Work Hours - Overtime - Comp Time Earned	4.00	0.00	0.00	0.00
1349 Senior Industrial Waste Inspec				
Work Hours - Regular	1,800.60	1,715.00	1,715.00	1,715.00
Work Hours - Overtime - Comp Time Earned	48.40	0.00	0.00	0.00
1350 Industrial Waste Inspector				
Work Hours - Regular	4,686.60	7,145.00	7,125.00	7,125.00
Work Hours - Overtime - Regular	-1.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	76.50	0.00	0.00	0.00
1351 Environmental Chemist II				
Work Hours - Regular	1,724.40	10,236.00	10,184.00	10,184.00
Work Hours - Overtime - Regular	4.00	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	17.50	0.00	0.00	0.00
1400 Civil Engineer				
Work Hours - Regular	3,435.00	3,648.00	3,935.00	3,935.00
Work Hours - Overtime - Regular	234.50	230.00	5.00	5.00
1410 Engineering Assistant II				
Work Hours - Regular	1,025.00	0.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	6.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	75.80	0.00	0.00	0.00
1426 Software Applications Leader				
Work Hours - Regular	1,849.00	1,814.00	1,850.00	1,850.00
Work Hours - Overtime - Regular	4.50	0.00	100.00	100.00
Work Hours - Overtime - Comp Time Earned	31.00	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
1450 Human Resources Analyst				
Work Hours - Regular	5,195.70	7,256.00	7,200.00	7,200.00
Work Hours - Overtime - Regular	10.90	80.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	208.70	0.00	0.00	0.00
1500 Engineering Assistant I				
Work Hours - Regular	1,857.50	1,904.00	175.00	175.00
Work Hours - Overtime - Regular	5.00	66.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	102.50	0.00	0.00	0.00
1600 Librarian				
Work Hours - Regular	21,260.30	23,568.00	25,328.00	25,328.00
Work Hours - Overtime - Regular	29.60	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	184.60	0.00	0.00	0.00
1695 Urban Design Planner				
1700 Principal Planner				
Work Hours - Regular	3,060.50	3,630.00	3,619.00	3,619.00
Work Hours - Overtime - Regular	182.00	270.00	307.00	307.00
Work Hours - Overtime - Comp Time Earned	26.00	0.00	0.00	0.00
1775 Human Resources Technician				
Work Hours - Regular	6,220.80	5,442.00	5,400.00	5,400.00
Work Hours - Overtime - Regular	116.80	70.00	50.00	50.00
Work Hours - Overtime - Comp Time Earned	110.30	0.00	0.00	0.00
1800 Senior Engineer				
Work Hours - Regular	5,037.50	7,341.00	5,495.00	5,495.00
Work Hours - Overtime - Regular	345.00	682.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	326.50	0.00	0.00	0.00
1840 Environmental Engineering Coor				
Work Hours - Regular	1,472.00	1,814.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	0.00	0.00	50.00	50.00
Work Hours - Overtime - Comp Time Earned	6.00	0.00	0.00	0.00
1850 Senior Construction Inspector/				
Work Hours - Regular	1,781.00	1,889.00	1,775.00	1,775.00
Work Hours - Overtime - Regular	511.00	276.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
1860 Senior Traffic Engineer				
Work Hours - Regular	725.00	1,830.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	45.00	100.00	100.00	100.00
1861 Transportation Planner				
Work Hours - Regular	1,087.50	3,620.00	1,750.00	1,750.00
Work Hours - Overtime - Regular	10.50	230.00	140.00	140.00
Work Hours - Overtime - Comp Time Earned	72.50	0.00	0.00	0.00
1875 Sr Transportation Planner				
Work Hours - Regular	1,410.50	0.00	1,750.00	1,750.00
Work Hours - Overtime - Regular	165.00	0.00	110.00	110.00
1950 Traffic Engineer				
Work Hours - Regular	2,895.00	3,307.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	975.00	315.00	375.00	375.00
2000 Buyer				
Work Hours - Regular	3,574.50	5,290.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	114.00	10.00	30.00	30.00
Work Hours - Overtime - Comp Time Earned	41.00	30.00	0.00	0.00
2100 Library Assistant				
Work Hours - Regular	4,938.90	1,636.00	7,140.00	7,140.00
Work Hours - Overtime - Regular	8.30	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	62.60	0.00	0.00	0.00
2115 Permit Technician				
Work Hours - Regular	1,633.00	0.00	0.00	0.00
Work Hours - Overtime - Regular	186.50	0.00	0.00	0.00
2120 Technical Support Specialist				
Work Hours - Regular	1,758.80	1,815.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	153.90	135.00	135.00	135.00
Work Hours - Overtime - Comp Time Earned	27.40	0.00	0.00	0.00
2145 Senior Community Services Offi				
Work Hours - Regular	0.00	1,814.00	5,260.00	5,260.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
2150 Community Services Officer				
Work Hours - Regular	10,022.40	16,304.00	7,326.00	7,326.00
Work Hours - Overtime - Regular	234.00	0.00	50.00	50.00
Work Hours - Overtime - Comp Time Earned	203.50	0.00	0.00	0.00
2200 Programmer Analyst				
Work Hours - Regular	819.50	1,814.00	1,800.00	1,800.00
2201 Senior Programmer Analyst				
Work Hours - Regular	4,635.50	9,711.00	9,000.00	9,000.00
Work Hours - Overtime - Regular	5.30	50.00	125.00	125.00
Work Hours - Overtime - Comp Time Earned	36.30	0.00	0.00	0.00
2202 Principal Programmer Analyst				
Work Hours - Regular	1,620.50	0.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	100.40	100.00	100.00	100.00
2203 Senior Programmer Analyst-Conf				
Work Hours - Regular	1,870.90	1,814.00	1,875.00	1,875.00
Work Hours - Overtime - Regular	18.20	0.00	25.00	25.00
Work Hours - Overtime - Comp Time Earned	8.20	0.00	0.00	0.00
2300 Leisure Services Coordinator I				
Work Hours - Regular	10,462.10	20,048.00	26,975.00	26,975.00
Work Hours - Overtime - Regular	109.00	543.00	238.00	238.00
Work Hours - Overtime - Comp Time Earned	239.10	8.00	63.00	63.00
2310 Senior Leisure Services Coordi				
Work Hours - Regular	6,791.00	9,070.00	0.00	0.00
Work Hours - Overtime - Regular	29.00	36.00	6.00	6.00
Work Hours - Overtime - Comp Time Earned	78.90	10.00	10.00	10.00
2345 Senior Neighborhood Preservati				
Work Hours - Regular	1,916.00	3,455.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	8.00	75.00	75.00	75.00
Work Hours - Overtime - Comp Time Earned	27.50	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
2349 Neighborhood Preservation Spec				
Work Hours - Regular	3,465.30	7,240.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	44.50	136.00	100.00	100.00
Work Hours - Overtime - Comp Time Earned	69.50	0.00	0.00	0.00
2351 Leisure Services Coordinator I				
Work Hours - Regular	7,736.20	8.00	0.00	0.00
Work Hours - Overtime - Regular	16.80	86.00	30.00	30.00
Work Hours - Overtime - Comp Time Earned	124.10	0.00	0.00	0.00
2400 Senior Library Assistant				
Work Hours - Regular	2,713.60	3,558.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	2.10	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	50.80	0.00	0.00	0.00
2450 Information Technology Coordin				
Work Hours - Regular	8,286.20	10,894.00	12,600.00	12,600.00
Work Hours - Overtime - Regular	267.20	250.00	680.00	680.00
Work Hours - Overtime - Comp Time Earned	427.70	85.00	114.00	114.00
2500 Employment Development Aide				
Work Hours - Regular	49,244.80	69,932.00	70,640.00	70,640.00
Work Hours - Overtime - Regular	144.90	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	456.50	0.00	0.00	0.00
2550 Workforce Development Analyst				
Work Hours - Regular	280.00	0.00	3,600.00	3,600.00
2650 Ed Information Systems Analyst				
Work Hours - Regular	3,707.00	1,640.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	289.60	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	40.40	0.00	0.00	0.00
2925 Housing Loan Specialist				
Work Hours - Regular	1,731.50	1,825.00	1,749.00	1,749.00
Work Hours - Overtime - Regular	177.50	30.00	100.00	100.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
3000 Public Safety Officer in Train				
Work Hours - Regular	16,998.80	17,777.00	17,777.00	17,777.00
Work Hours - Light Duty	867.90	0.00	0.00	0.00
Work Hours - Overtime - Regular	288.40	460.00	460.00	460.00
3001 Public Safety Officer II				
Work Hours - Regular	275,233.60	289,411.00	297,717.00	297,717.00
Work Hours - Light Duty	1,708.10	0.00	0.00	0.00
Work Hours - Overtime - Regular	54,608.20	29,680.00	33,479.00	33,479.00
Work Hours - Overtime - Comp Time Earned	2,251.50	0.00	0.00	0.00
3002 Public Safety Officer I				
Work Hours - Regular	10,547.50	29,888.00	17,936.00	17,936.00
Work Hours - Light Duty	32.00	0.00	0.00	0.00
Work Hours - Overtime - Regular	516.50	1,560.00	581.00	581.00
3010 PSO-Police Services (budget on				
3020 PSO-Fire Services (budget only				
3030 PSO-Police/Support Services (b				
3050 PSO-Community Services (budget				
4000 Building Inspector/Coordinator				
Work Hours - Regular	6,833.00	9,010.00	7,400.00	7,400.00
Work Hours - Overtime - Regular	41.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	82.50	0.00	0.00	0.00
4070 Computer Systems Specialist				
Work Hours - Regular	5,505.00	3,628.00	5,400.00	5,400.00
Work Hours - Overtime - Regular	94.60	190.00	190.00	190.00
Work Hours - Overtime - Comp Time Earned	151.60	0.00	0.00	0.00
4080 Plan Check Coordinator				
Work Hours - Regular	1,793.00	0.00	2,025.00	2,025.00
Work Hours - Overtime - Regular	241.50	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
4100 Water System Operator				
Work Hours - Regular	1,510.00	1,719.00	1,865.00	1,865.00
Work Hours - Overtime - Regular	456.50	130.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	72.00	0.00	0.00	0.00
4125 Latent Print Examiner				
Work Hours - Regular	0.00	1,814.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	0.00	50.00	50.00	50.00
4150 Senior Crime Analyst				
Work Hours - Regular	1,834.00	1,814.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	26.00	0.00	30.00	30.00
Work Hours - Overtime - Comp Time Earned	37.20	0.00	0.00	0.00
4200 Traffic Engineering Assistant				
Work Hours - Regular	0.00	310.00	30.00	30.00
4201 Traffic Engineering Assistant				
Work Hours - Regular	1,419.50	3,590.00	3,570.00	3,570.00
Work Hours - Overtime - Regular	148.00	190.00	260.00	260.00
Work Hours - Overtime - Comp Time Earned	10.00	0.00	0.00	0.00
4325 Senior Housing Rehabilitation Sp				
Work Hours - Regular	1,148.00	1,806.00	1,700.00	1,700.00
Work Hours - Overtime - Regular	4.50	105.00	40.00	40.00
Work Hours - Overtime - Comp Time Earned	4.00	0.00	0.00	0.00
4400 Housing Rehabilitation Specialis				
Work Hours - Regular	995.50	0.00	0.00	0.00
Work Hours - Overtime - Regular	201.50	30.00	0.00	0.00
4420 Hazardous Materials Coordinato				
Work Hours - Regular	1,830.70	1,814.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	2.00	150.00	150.00	150.00
4450 Hazardous Materials Inspector				
Work Hours - Regular	3,971.40	5,682.00	5,682.00	5,682.00
Work Hours - Overtime - Regular	49.00	60.00	210.00	210.00
Work Hours - Overtime - Comp Time Earned	4.50	0.00	0.00	0.00
4451 Plan Check/Fire Protection Eng				

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
4480 Fire Protection Engineer				
Work Hours - Regular	5,853.50	7,910.00	6,963.00	6,963.00
Work Hours - Overtime - Regular	447.10	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	163.40	0.00	0.00	0.00
4500 Public Safety Dispatcher				
Work Hours - Regular	23,181.70	24,360.00	23,683.00	23,683.00
Work Hours - Overtime - Regular	2,013.40	460.00	560.00	560.00
Work Hours - Overtime - Comp Time Earned	985.60	0.00	0.00	0.00
4525 Public Safety Dispatcher-In-Tr				
Work Hours - Regular	625.50	0.00	0.00	0.00
Work Hours - Overtime - Regular	5.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	12.50	0.00	0.00	0.00
4550 Senior Public Safety Dispatche				
Work Hours - Regular	6,716.00	9,064.00	12,966.00	12,966.00
Work Hours - Overtime - Regular	451.70	320.00	510.00	510.00
Work Hours - Overtime - Comp Time Earned	215.00	0.00	0.00	0.00
4600 Communications Technician				
4601 Public Safety Lieutenant				
Work Hours - Regular	77,826.50	83,618.00	86,333.00	82,705.00
Work Hours - Light Duty	173.50	0.00	0.00	0.00
Work Hours - Overtime - Regular	14,459.20	9,376.00	9,464.00	9,246.00
Work Hours - Overtime - Comp Time Earned	592.10	0.00	0.00	0.00
4610 Public Safety Lieutenant (Poli				
4620 Public Safety Lieutenant (Fire				
Work Hours - Regular	0.00	0.00	295.00	295.00
4630 Public Safety Lieutenant (Admi				
4650 Public Works Construction Insp				
Work Hours - Regular	5,263.50	4,630.00	7,170.00	7,170.00
Work Hours - Overtime - Regular	340.40	180.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	141.50	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
4700 Senior Building Inspector/Coor				
Work Hours - Regular	3,586.00	5,763.00	3,650.00	3,650.00
Work Hours - Overtime - Regular	97.00	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	8.00	0.00	0.00	0.00
4800 Solid Waste Specialist				
Work Hours - Regular	1,358.50	1,814.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	79.50	0.00	80.00	80.00
Work Hours - Overtime - Comp Time Earned	45.00	0.00	0.00	0.00
4805 Plan Checker II				
Work Hours - Regular	245.00	0.00	2,000.00	2,000.00
Work Hours - Overtime - Comp Time Earned	10.00	0.00	0.00	0.00
4825 Network Engineer				
Work Hours - Regular	3,606.50	3,628.00	5,400.00	5,400.00
Work Hours - Overtime - Regular	221.40	100.00	100.00	100.00
Work Hours - Overtime - Comp Time Earned	41.00	0.00	0.00	0.00
4855 Plan Checker I				
Work Hours - Regular	252.50	0.00	2,100.00	2,100.00
Work Hours - Overtime - Regular	18.00	0.00	0.00	0.00
4875 Plan Check Engineer				
Work Hours - Regular	1,737.00	2,260.00	2,050.00	2,050.00
Work Hours - Overtime - Regular	25.70	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	100.30	0.00	0.00	0.00
4900 Environmental Chemist I				
Work Hours - Regular	7,431.80	0.00	0.00	0.00
Work Hours - Overtime - Regular	75.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	88.50	0.00	0.00	0.00
4950 Laboratory/Field Technician				
Work Hours - Regular	6,817.20	7,326.00	8,903.00	8,903.00
Work Hours - Overtime - Regular	10.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	106.20	0.00	0.00	0.00
4955 Crime Analyst				

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
5025 Golf Course Equipment Mechanic				
Work Hours - Regular	1,765.00	0.00	1,814.00	1,814.00
Work Hours - Overtime - Regular	35.00	125.00	125.00	125.00
5050 Equipment Mechanic				
Work Hours - Regular	14,864.50	18,140.00	17,037.00	17,037.00
Work Hours - Overtime - Regular	808.20	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	361.50	0.00	0.00	0.00
5100 Equipment Operator				
Work Hours - Regular	15,109.50	18,157.00	20,260.00	20,260.00
Work Hours - Overtime - Regular	845.80	250.00	90.00	90.00
Work Hours - Overtime - Comp Time Earned	351.20	0.00	0.00	0.00
5150 Lead Equipment Mechanic				
Work Hours - Regular	3,085.50	3,858.00	3,426.00	3,426.00
Work Hours - Overtime - Regular	100.50	120.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	101.00	0.00	0.00	0.00
5200 Maintenance Craftworker				
Work Hours - Regular	2,980.50	3,541.00	5,614.00	5,614.00
Work Hours - Overtime - Regular	391.70	179.00	135.00	135.00
Work Hours - Overtime - Comp Time Earned	2.00	0.00	0.00	0.00
5250 Maintenance Leader				
5350 Parks Leader				
Work Hours - Regular	14,777.20	16,398.00	16,398.00	16,398.00
Work Hours - Overtime - Regular	234.00	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	116.00	0.00	0.00	0.00
5400 Plant Mechanic				
Work Hours - Regular	8,839.50	11,332.00	11,282.00	11,282.00
Work Hours - Overtime - Regular	48.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	178.30	0.00	0.00	0.00
5425 Senior Plant Mechanic				
Work Hours - Regular	1,793.00	1,814.00	1,814.00	1,814.00
Work Hours - Overtime - Regular	126.20	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	91.80	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
5430 Water Conservation Coordinator				
Work Hours - Regular	1,591.50	0.00	1,865.00	1,865.00
Work Hours - Overtime - Comp Time Earned	84.00	0.00	0.00	0.00
5431 Recycled Water Coordinator				
Work Hours - Regular	0.00	0.00	1,806.00	1,806.00
5450 Print Shop Operator				
Work Hours - Regular	773.00	1,814.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	7.00	16.00	16.00	16.00
5500 Public Works Leader				
Work Hours - Regular	13,781.50	16,042.00	14,299.00	14,299.00
Work Hours - Overtime - Regular	1,754.40	664.00	705.00	705.00
Work Hours - Overtime - Comp Time Earned	767.60	0.00	0.00	0.00
5550 Recycling Coordinator				
5600 Senior Park Utility Worker				
Work Hours - Regular	19,279.50	37,747.35	33,002.35	33,002.35
Work Hours - Overtime - Regular	985.50	132.00	77.00	77.00
Work Hours - Overtime - Comp Time Earned	277.10	0.00	15.00	15.00
5610 Senior Building Utility Worker				
Work Hours - Regular	3,292.50	2,604.00	0.00	0.00
Work Hours - Overtime - Regular	89.00	110.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	137.00	0.00	0.00	0.00
5650 Senior Public Works Leader				
Work Hours - Regular	11,163.00	12,746.00	14,399.00	14,399.00
Work Hours - Overtime - Regular	1,297.90	325.00	175.00	175.00
Work Hours - Overtime - Comp Time Earned	396.60	0.00	0.00	0.00
5651 Senior Building Services Leade				
Work Hours - Regular	2,909.80	3,673.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	391.50	600.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	171.80	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
5700 Senior Utility Worker				
Work Hours - Regular	22,325.00	26,802.00	20,176.00	20,176.00
Work Hours - Overtime - Regular	2,288.60	1,407.00	715.00	715.00
Work Hours - Overtime - Comp Time Earned	1,100.70	0.00	0.00	0.00
5750 Senior WPCP Operator				
Work Hours - Regular	8,771.10	300.00	377.00	377.00
Work Hours - Overtime - Regular	940.80	0.00	70.00	70.00
Work Hours - Overtime - Comp Time Earned	241.70	0.00	0.00	0.00
5751 Senior WPCP Operator-(C) Certi				
Work Hours - Regular	0.00	8,872.00	9,106.00	9,106.00
Work Hours - Overtime - Regular	0.00	766.00	925.00	925.00
5840 Water Meter Repair Leader				
Work Hours - Regular	0.00	1,810.00	175.00	175.00
5880 Water Meter Repair Worker				
Work Hours - Regular	2,926.00	3,628.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	334.70	0.00	0.00	0.00
5885 Water Meter Shop Leader				
Work Hours - Regular	1,814.50	0.00	1,690.00	1,690.00
Work Hours - Overtime - Regular	684.90	0.00	0.00	0.00
5900 WPCP Operator				
Work Hours - Regular	29,904.40	2,237.00	1,323.00	1,323.00
Work Hours - Overtime - Regular	1,210.60	60.00	230.00	230.00
Work Hours - Overtime - Comp Time Earned	615.40	0.00	0.00	0.00
5901 WPCP Operator-Certified				
Work Hours - Regular	0.00	30,021.00	29,384.00	29,384.00
Work Hours - Overtime - Regular	0.00	591.00	1,015.00	1,015.00
6000 Administrative Secretary				
Work Hours - Regular	6,714.50	9,236.00	5,400.00	5,400.00
Work Hours - Overtime - Regular	27.70	177.00	100.00	100.00
Work Hours - Overtime - Comp Time Earned	85.40	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
6050 Public Safety Records Speciali				
Work Hours - Regular	3,566.80	0.00	0.00	0.00
Work Hours - Overtime - Regular	88.90	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	26.60	0.00	0.00	0.00
6051 Public Safety Records Speciali				
Work Hours - Regular	15,285.30	25,191.00	24,655.00	24,655.00
Work Hours - Overtime - Regular	1,566.70	389.00	405.00	405.00
Work Hours - Overtime - Comp Time Earned	523.50	0.00	0.00	0.00
6052 Public Safety Records Senior S				
Work Hours - Regular	7,182.10	7,124.00	7,135.00	7,135.00
Work Hours - Overtime - Regular	1,274.90	255.00	265.00	265.00
Work Hours - Overtime - Comp Time Earned	22.80	0.00	0.00	0.00
6100 Legal Secretary				
Work Hours - Regular	72.00	1,814.00	1,800.00	1,800.00
6150 Meter Reader				
Work Hours - Regular	5,317.50	5,498.00	5,400.00	5,400.00
Work Hours - Overtime - Regular	380.00	506.00	575.00	575.00
6200 Office Assistant				
Work Hours - Regular	1,737.50	4,016.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	0.00	10.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	2.00	0.00	0.00	0.00
6250 Office Clerk				
Work Hours - Regular	7,606.80	17,546.00	10,800.00	10,800.00
Work Hours - Overtime - Regular	0.00	20.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	77.00	0.00	0.00	0.00
6255 Assistant Professional - Level				
Work Hours - Regular	0.00	1,814.00	1,814.00	1,814.00
6300 Principal Office Assistant				
Work Hours - Regular	15,855.50	16,258.00	17,177.00	17,177.00
Work Hours - Overtime - Regular	777.90	436.00	230.00	230.00
Work Hours - Overtime - Comp Time Earned	390.00	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
6301 Principal Office Assistant-Con				
Work Hours - Regular	1,871.70	0.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	9.50	0.00	111.00	111.00
Work Hours - Overtime - Comp Time Earned	20.40	0.00	0.00	0.00
6350 Public Safety Property Clerk				
Work Hours - Regular	3,684.70	3,676.00	3,676.00	3,676.00
Work Hours - Overtime - Regular	2.00	160.00	160.00	160.00
Work Hours - Overtime - Comp Time Earned	42.20	0.00	0.00	0.00
6400 Secretary				
Work Hours - Regular	3,320.50	5,445.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	6.00	20.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	54.00	0.00	0.00	0.00
6410 Executive Assistant				
Work Hours - Regular	3,447.20	1,816.00	3,560.00	3,560.00
Work Hours - Overtime - Regular	0.00	20.00	30.00	30.00
Work Hours - Overtime - Comp Time Earned	23.00	0.00	6.00	6.00
6430 Secretary to the City Council				
Work Hours - Regular	0.00	1,816.00	0.00	0.00
Work Hours - Overtime - Regular	0.00	20.00	0.00	0.00
6450 Senior Meter Reader				
Work Hours - Regular	1,804.00	1,824.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	0.50	35.00	100.00	100.00
6500 Senior Office Assistant				
Work Hours - Regular	39,175.40	43,092.00	63,596.00	63,596.00
Work Hours - Overtime - Regular	459.40	225.00	377.00	377.00
Work Hours - Overtime - Comp Time Earned	532.30	30.00	31.50	31.50
6501 Senior Office Assistant-Confid				
Work Hours - Regular	4,303.70	1,814.00	3,900.00	3,900.00
Work Hours - Overtime - Regular	46.90	0.00	25.00	25.00
Work Hours - Overtime - Comp Time Earned	70.90	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
6550 Senior Secretary				
Work Hours - Regular	7,841.30	9,527.00	5,400.00	5,400.00
Work Hours - Overtime - Regular	0.00	60.00	25.00	25.00
Work Hours - Overtime - Comp Time Earned	85.50	0.00	0.00	0.00
6600 Senior Storekeeper				
Work Hours - Regular	1,921.00	1,724.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	168.50	10.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	23.00	30.00	0.00	0.00
6650 Staff Office Assistant				
Work Hours - Regular	26,575.80	44,447.00	37,720.00	39,070.00
Work Hours - Overtime - Regular	405.00	120.00	10.00	10.00
Work Hours - Overtime - Comp Time Earned	229.90	20.00	40.00	40.00
6651 Staff Office Assistant-Confide				
Work Hours - Regular	1,773.80	1,814.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	1.00	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	0.80	0.00	0.00	0.00
6675 Customer Service Representativ				
Work Hours - Regular	4,877.90	7,507.00	10,800.00	10,800.00
Work Hours - Overtime - Regular	21.80	90.00	90.00	90.00
Work Hours - Overtime - Comp Time Earned	18.20	0.00	0.00	0.00
6680 Assistant Professional - Level				
Work Hours - Regular	0.00	3,628.00	3,628.00	3,628.00
6700 Storekeeper				
Work Hours - Regular	1,937.00	3,446.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	128.50	80.00	15.00	15.00
Work Hours - Overtime - Comp Time Earned	1.00	10.00	0.00	0.00
6750 Assistant Buyer				
Work Hours - Regular	0.00	0.00	1,800.00	1,800.00
Work Hours - Overtime - Regular	0.00	0.00	20.00	20.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
6800 Accounting Technician				
Work Hours - Regular	10,343.10	10,661.00	12,600.00	12,600.00
Work Hours - Overtime - Regular	283.70	30.00	60.00	60.00
Work Hours - Overtime - Comp Time Earned	141.60	100.00	0.00	0.00
6850 Senior Accounting Technician				
Work Hours - Regular	8,114.00	5,595.00	3,600.00	3,600.00
Work Hours - Overtime - Regular	301.60	147.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	79.60	0.00	0.00	0.00
7100 Equipment Mechanic-In-Training				
Work Hours - Regular	706.50	1,814.00	0.00	0.00
Work Hours - Overtime - Regular	86.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	53.00	0.00	0.00	0.00
7200 Gardener				
Work Hours - Regular	4,142.00	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	2.00	0.00	0.00	0.00
7300 Greenskeeper				
Work Hours - Regular	1,834.00	1,814.00	1,814.00	1,814.00
Work Hours - Overtime - Regular	22.00	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	55.00	0.00	0.00	0.00
7301 Senior Greenskeeper				
Work Hours - Regular	1,817.00	1,814.00	1,814.00	1,814.00
Work Hours - Overtime - Regular	58.50	0.00	0.00	0.00
7320 Senior Parks Leader				
Work Hours - Regular	6,823.00	7,256.00	7,256.00	7,256.00
Work Hours - Overtime - Regular	62.00	0.00	5.00	5.00
Work Hours - Overtime - Comp Time Earned	72.50	0.00	0.00	0.00
7325 Groundswoker				
Work Hours - Regular	25,586.80	24,343.15	33,254.45	33,254.45
Work Hours - Overtime - Regular	1,428.60	0.00	35.00	35.00
Work Hours - Overtime - Comp Time Earned	302.50	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
7400 Maintenance Worker				
Work Hours - Regular	6,224.40	5,612.00	16,338.00	16,338.00
Work Hours - Overtime - Regular	27.00	75.00	150.00	150.00
Work Hours - Overtime - Comp Time Earned	22.20	0.00	0.00	0.00
7500 Press Operator				
Work Hours - Regular	1,867.00	1,814.00	1,850.00	1,850.00
Work Hours - Overtime - Regular	38.50	0.00	0.00	0.00
7600 Parks Worker I				
Work Hours - Regular	3,847.50	190.00	7,500.00	7,500.00
Work Hours - Overtime - Regular	82.50	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	64.00	0.00	0.00	0.00
7650 Parks Worker II				
Work Hours - Regular	20,633.00	35,152.00	42,300.00	42,300.00
Work Hours - Overtime - Regular	172.50	896.00	896.00	896.00
Work Hours - Overtime - Comp Time Earned	227.50	0.00	0.00	0.00
7675 Parks Worker III				
Work Hours - Regular	13,529.50	7,297.00	12,640.00	12,640.00
Work Hours - Overtime - Regular	302.00	0.00	0.00	0.00
Work Hours - Overtime - Comp Time Earned	100.00	0.00	0.00	0.00
7800 Utility Worker				
Work Hours - Regular	68,644.40	73,985.00	70,042.00	70,042.00
Work Hours - Overtime - Regular	4,455.20	750.00	409.00	409.00
Work Hours - Overtime - Comp Time Earned	1,838.20	0.00	5.00	5.00
7900 WPCP Operator In Training				
Work Hours - Regular	2,158.80	3,062.00	3,578.00	3,578.00
Work Hours - Overtime - Regular	66.00	177.00	80.00	80.00
Work Hours - Overtime - Comp Time Earned	52.00	0.00	0.00	0.00
8102 Part-Time Office Assistant				
Work Hours - Regular Part-Time	2,388.50	2,541.00	13,982.00	13,782.00
8103 Part-Time Staff Office Assista				
Work Hours - Regular Part-Time	3,870.20	1,370.00	11,312.00	12,692.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
8104 Part-Time Senior Office Assist				
Work Hours - Regular Part-Time	1,440.00	5,544.00	2,650.00	2,650.00
8105 Part-Time Principal Office Ass				
Work Hours - Regular Part-Time	2,813.80	7,495.00	3,149.00	3,149.00
8301 Custodian				
Work Hours - Regular	40.00	0.00	0.00	0.00
Work Hours - Regular Part-Time	3,189.00	4,840.00	1,700.00	3,100.00
Work Hours - Overtime - Part-Time	63.00	0.00	0.00	0.00
8303 Building Services Worker				
Work Hours - Regular Part-Time	947.50	1,340.00	0.00	0.00
8400 Part-Time Librarian				
Work Hours - Regular	-2.00	0.00	0.00	0.00
Work Hours - Regular Part-Time	6,561.70	8,413.00	8,413.00	8,413.00
8402 Library Specialist I				
Work Hours - Regular Part-Time	7,297.50	8,081.00	11,081.00	11,081.00
8404 Library Specialist III				
Work Hours - Regular Part-Time	27,555.90	29,173.00	30,673.00	30,673.00
Work Hours - Overtime - Part-Time	3.80	0.00	0.00	0.00
8405 Library Specialist III - Bookm				
Work Hours - Regular Part-Time	562.50	1,140.00	1,140.00	1,140.00
8406 Part Time Shop Staff - Level 2				
Work Hours - Regular Part-Time	0.00	2,184.00	2,184.00	2,184.00
8500 Part-Time Administrative Aide				
Work Hours - Regular Part-Time	0.00	1,250.00	0.00	0.00
8510 Accountant Part-Time				
8600 Nuisance Vehicle Inspector				
Work Hours - Regular Part-Time	2,215.20	2,496.00	2,496.00	2,496.00
8901 WPCP Technical Worker I				
8903 WPCP Technical Worker III				
Work Hours - Regular Part-Time	86.00	0.00	0.00	0.00

Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
9009 Casual Crime Prevention Assist Work Hours - Casual/Seasonal	1,464.60	3,100.00	2,950.00	2,950.00
9010 Casual Crossing Guard Work Hours - Casual/Seasonal	12,357.10	24,000.00	24,000.00	24,000.00
9014 WPCP Lab Technician Work Hours - Casual/Seasonal	0.00	507.00	488.00	488.00
9015 Laborer				
9017 Intern 2 Work Hours - Casual/Seasonal	0.00	500.00	0.00	0.00
9018 Intern 3 Work Hours - Casual/Seasonal	0.00	900.00	1,050.00	1,050.00
9022 Casual Librarian Work Hours - Casual/Seasonal	3,881.70	0.00	0.00	0.00
9023 Capital Project Assistant Work Hours - Casual/Seasonal	1,006.50	810.00	810.00	810.00
9024 Grant Assistant Work Hours - Casual/Seasonal	1.00	1,319.00	0.00	0.00
9030 Casual Library Clerk I Work Hours - Casual/Seasonal	9,224.90	13,086.00	0.00	0.00
9250 Casual Public Safety Cadet Work Hours - Casual/Seasonal	2,605.70	0.00	0.00	0.00
9299 Nova Youth Worker Work Hours - Casual/Seasonal	6,891.70	3,234.00	0.00	0.00
9450 Recreation Leader Work Hours - Casual/Seasonal	0.00	315.00	0.00	0.00
9650 Recreation Specialist Work Hours - Casual/Seasonal	39.80	1,138.00	0.00	0.00
9700 Casual Library Clerk IV Work Hours - Casual/Seasonal	4,863.30	0.00	0.00	0.00

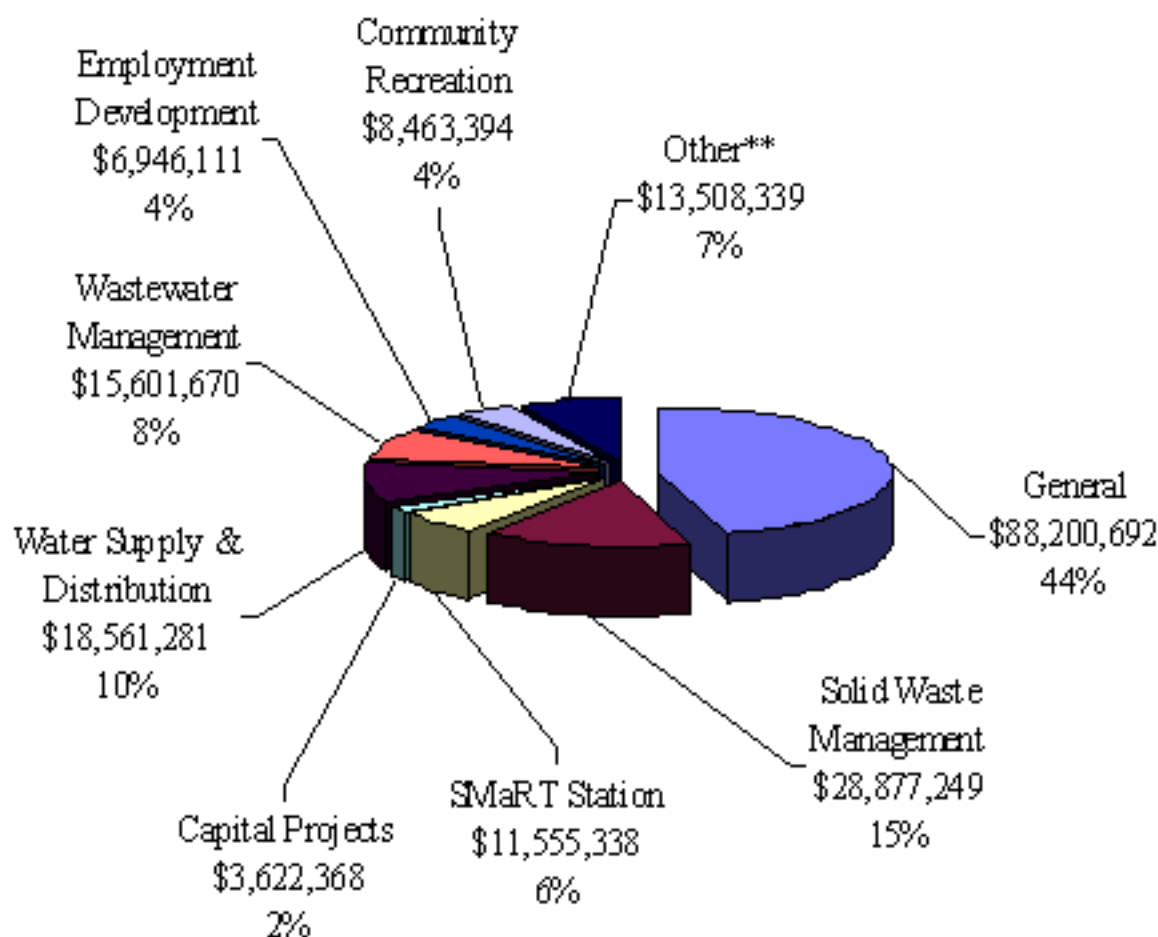
Summary of Budgeted Personnel Hours City-Wide

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
9800 Casual Library Clerk II				
Work Hours - Casual/Seasonal	303.30	0.00	13,086.00	13,086.00
9857 Recreation Official/Instructor				
Work Hours - Casual/Seasonal	449.00	0.00	0.00	0.00
9862 Recreation Instructor/Official				
Work Hours - Casual/Seasonal	35.00	162.00	0.00	0.00
9980 Casual Management				
Work Hours - Casual/Seasonal	4,325.90	400.00	2,995.00	2,995.00
9981 Casual Professional				
Work Hours - Regular	3.00	0.00	0.00	0.00
Work Hours - Casual/Seasonal	2,604.10	300.00	2,640.00	2,640.00
9982 Casual Paraprofessional				
Work Hours - Casual/Seasonal	168.80	500.00	0.00	0.00
9983 Casual Technical				
Work Hours - Casual/Seasonal	2,333.00	4,759.00	5,789.00	5,789.00
9986 Casual Clerical				
Work Hours - Casual/Seasonal	244.10	500.00	900.00	900.00
9988 Seasonal Clerical				
9991 Seasonal Professional				
Work Hours - Casual/Seasonal	328.50	633.00	0.00	0.00
9992 Seasonal Service Maintenance				
9994 Seasonal Technical				
Work Hours - Casual/Seasonal	857.50	0.00	0.00	0.00
Work Hours - Overtime - Casual/Seasonal	1.50	0.00	0.00	0.00
9995 Seasonal Unskilled Laborer				
Work Hours - Casual/Seasonal	4,514.50	200.00	200.00	200.00
Work Hours - Overtime - Casual/Seasonal	244.50	0.00	0.00	0.00
9996 Seasonal Executive				
Work Hours - Casual/Seasonal	0.00	585.00	0.00	0.00

**Summary of Budgeted Personnel Hours
City-Wide**

	<u>2000/2001 Actual</u>	<u>2001/2002 Current</u>	<u>2002/2003 Budget</u>	<u>2003/2004 Budget</u>
9997 Part Time Prof I				
9998 Part Time Prof II				
9999 Part Time Prof III				
Total Personnel Hours - City-Wide	<u><u>1,999,084.17</u></u>	<u><u>2,133,332.70</u></u>	<u><u>2,155,981.30</u></u>	<u><u>2,153,475.30</u></u>

Graph 1.1 Revenues by Fund - All Funds*



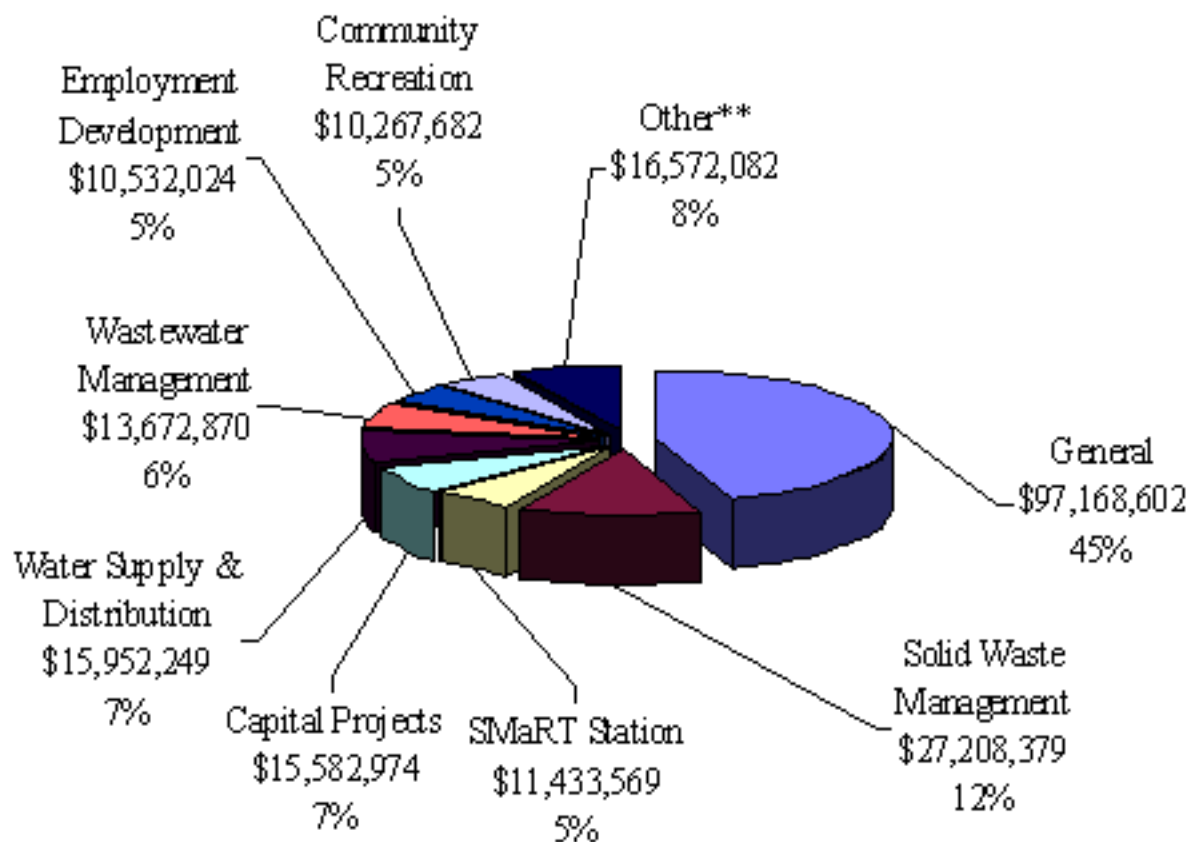
Total Revenues

\$195,336,442

*Excludes internal service fund charges.

**Other includes Community Development Block Grant, Housing, Gas Tax, Redevelopment Agency, Patent Library, and Youth and Neighborhood Services.

Graph 1.2 Expenditures by Fund - All Funds*



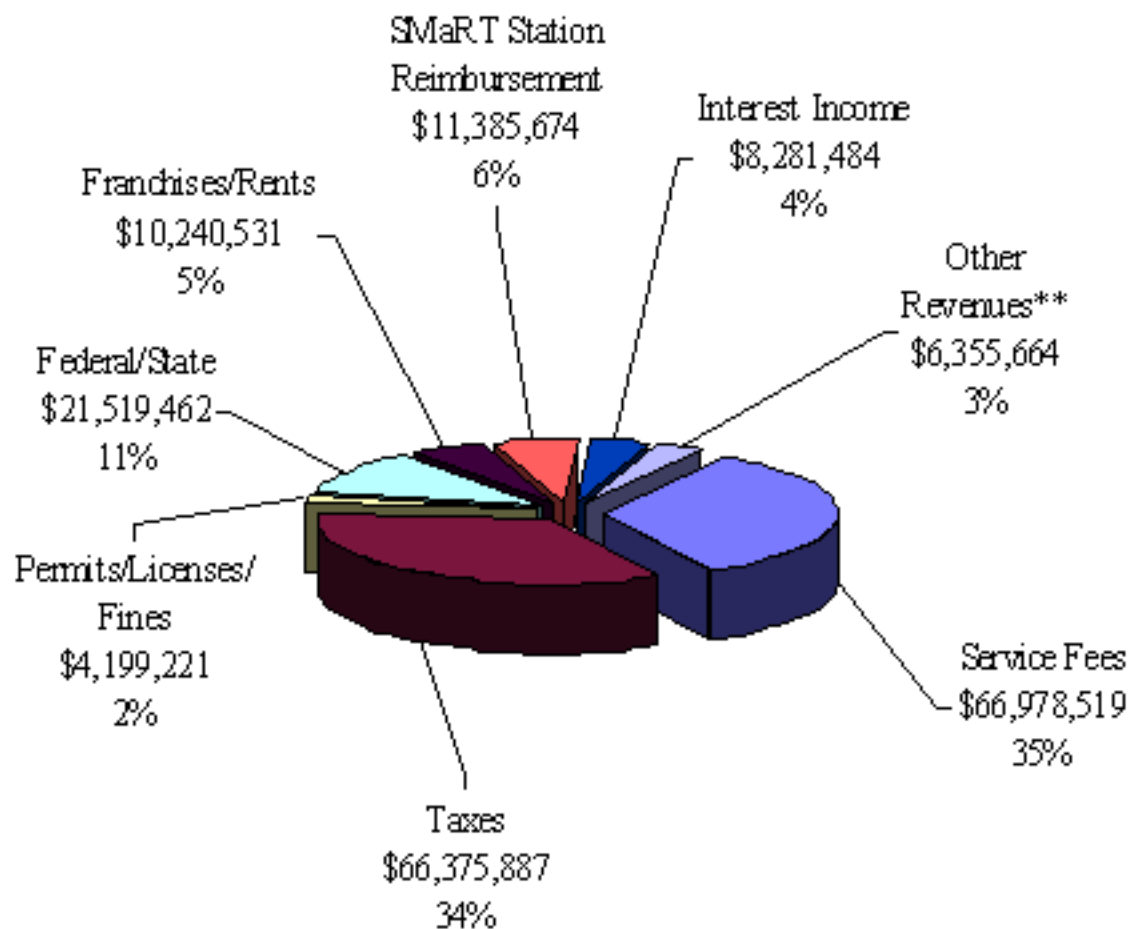
Total Expenditures

\$218,390,431

*Excludes internal service fund operating budgets.

**Other includes Community Development Block Grant, Housing, Gas Tax, Redevelopment Agency, Patent Library, and Youth and Neighborhood Services.

Graph 1.3 Revenues By Source - All Funds*



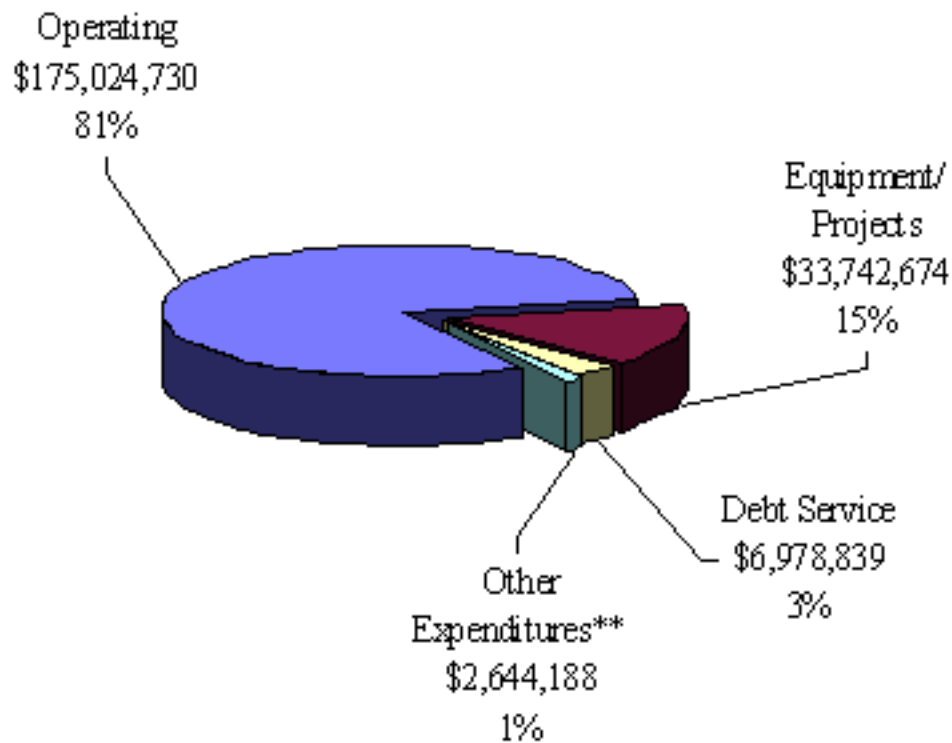
Total Revenues

\$195,336,442

*Excludes internal service fund charges.

**Other Revenues includes Miscellaneous Revenues, Santa Clara County Measure A/B Pavement Management Program, SMaRT Station Revenues, and Contributions.

Graph 1.4 Expenditures by Type - All Funds*



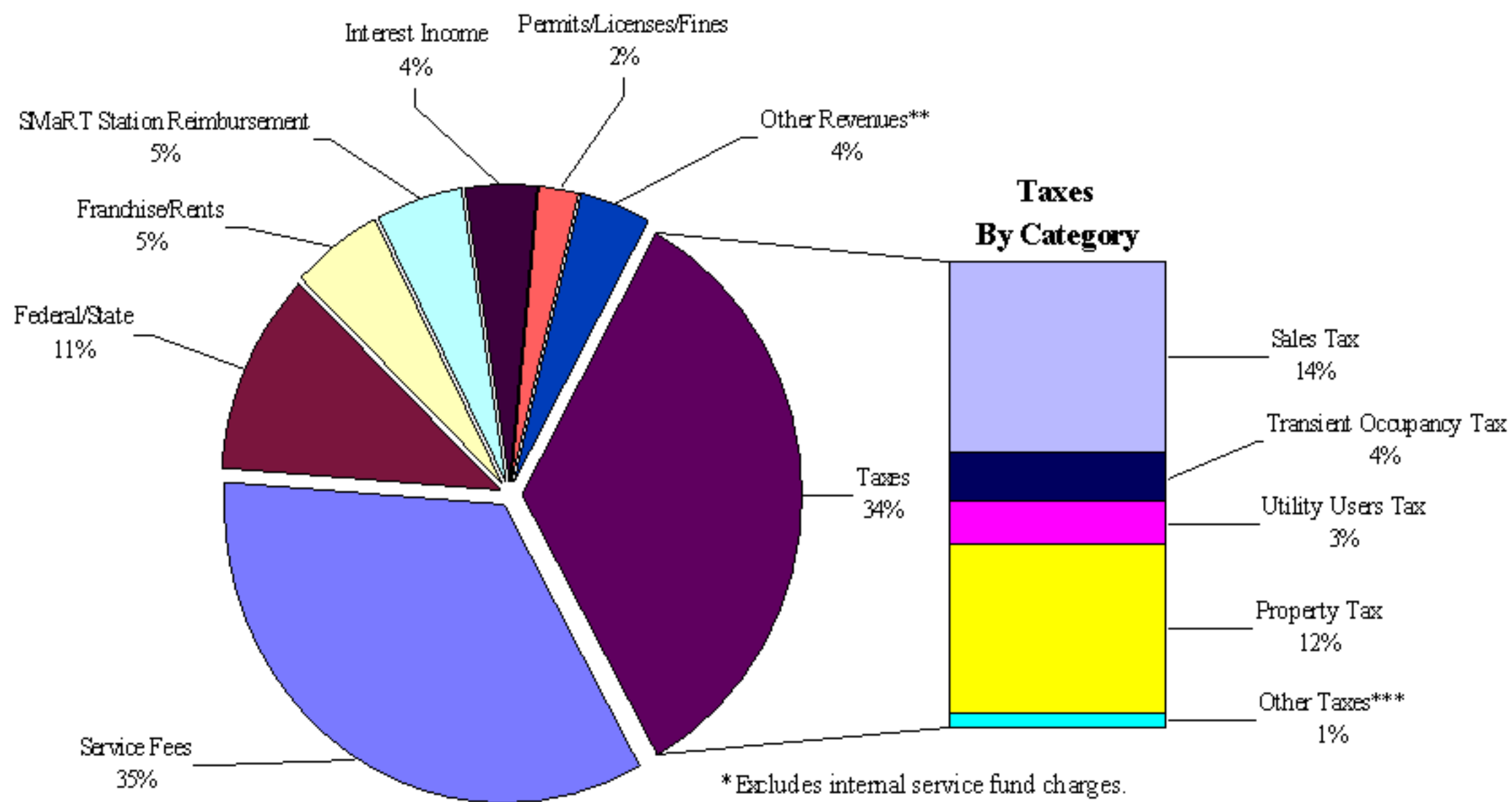
Total Expenditures

\$218,390,431

*Excludes internal service fund operating budgets.

**Other Expenditures includes the General Fund's line-items Fiscal Uncertainties, Paramedic Services Set-Aside and Public Facilities (City) Space Issues.

Graph 1.5 Revenues by Source - Taxes by Category*



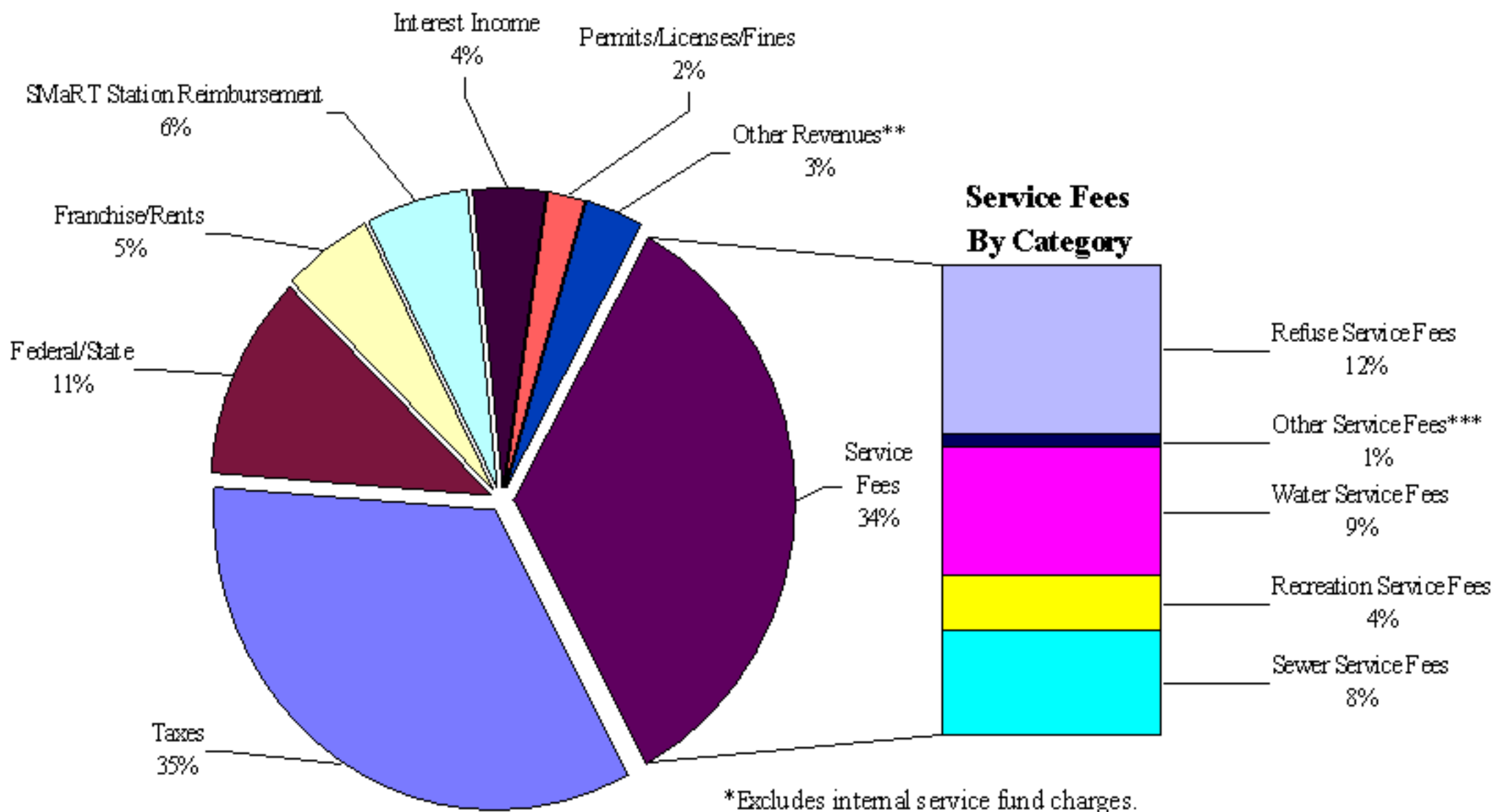
Total Revenues
\$195,336,442

* Excludes internal service fund charges.

** Other Revenues includes Miscellaneous Revenues, Santa Clara County Measure A/B Pavement Management Program, SMART Station Revenues, and Contributions.

*** Other Taxes includes Construction, Real Property Transfer, and Business License Taxes.

Graph 1.6 Revenues by Source - Service Fees by Category*



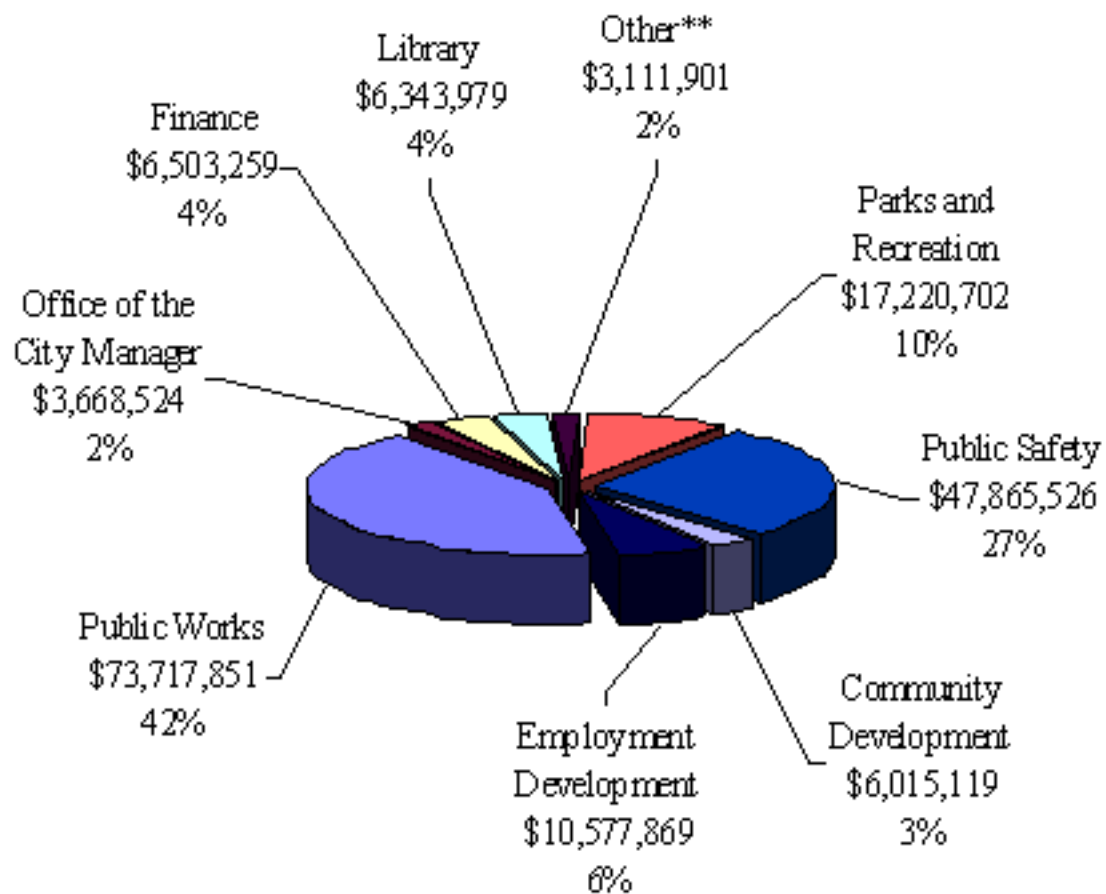
Total Revenues
\$195,336,442

*Excludes internal service fund charges.

**Other Revenues includes Miscellaneous Revenues, Santa Clara County Measure A/B Pavement Management Program, SMART Station Revenues, and Contributions.

*** Other Service Fees includes Patent Library, Community Development, Library,

Graph 1.7 Operating Expenditures by Department - All Funds*



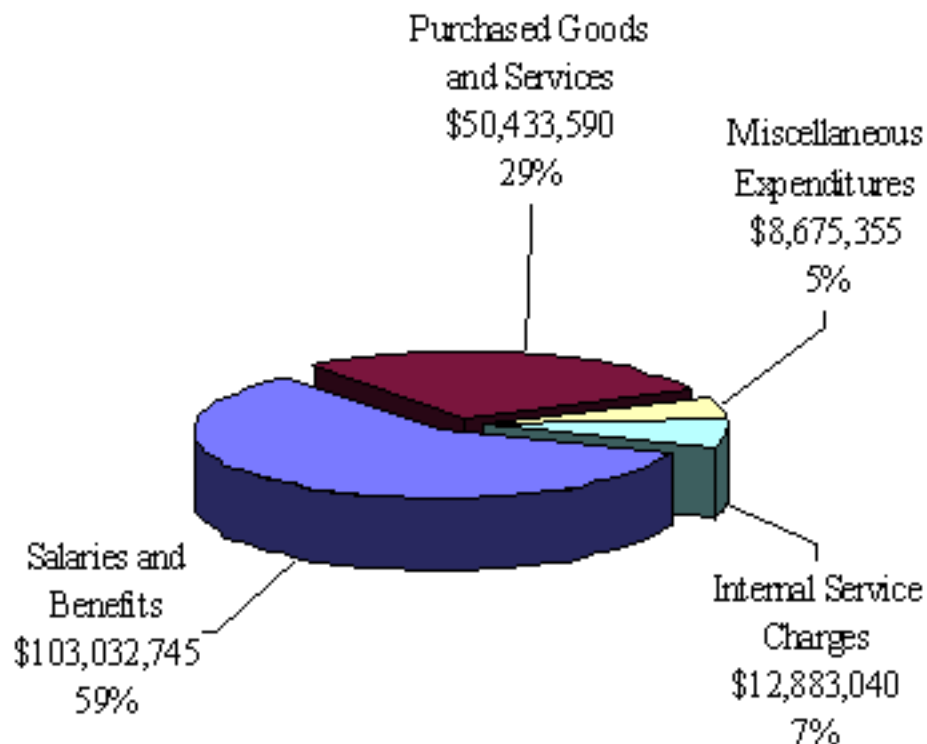
Total Expenditures

\$175,024,730

*Excludes internal service fund operating budgets. Budget Supplements are included in the respective Departments.

**Other includes Office of the City Attorney, City Council, Human Resources Department, and Project Operating Costs.

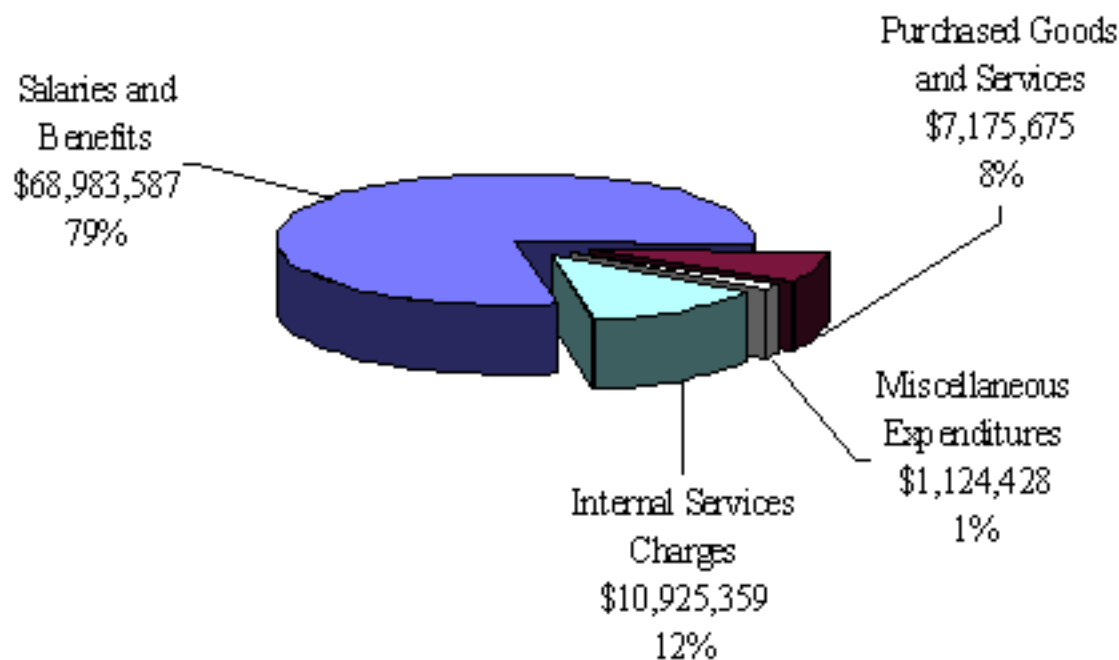
Graph 1.8 Operating Expenditures by Character - All Funds*



Total Expenditures
\$175,024,730

*Excludes internal service fund operating budgets.

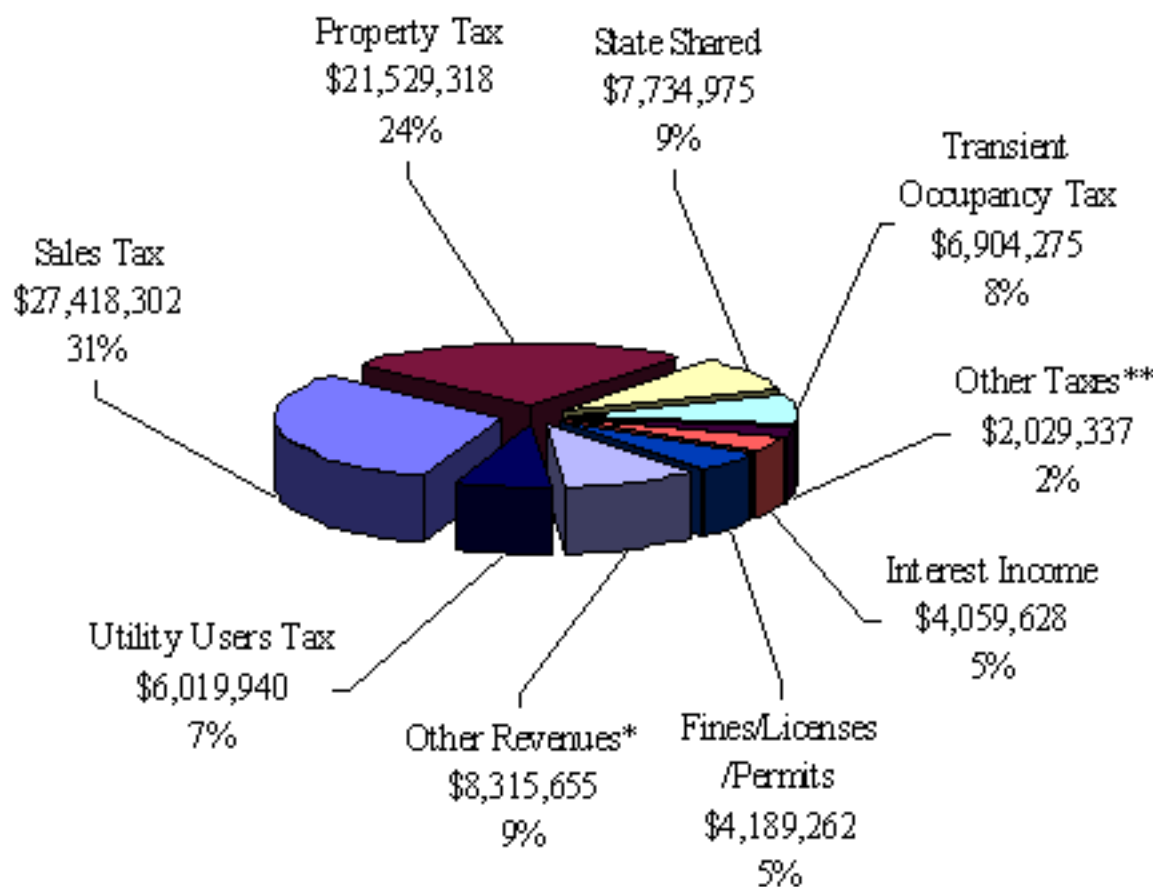
Graph 2.1 Operating Expenditures by Character - General Fund*



Total Expenditures
\$88,209,049

*Includes Budget Supplements and Project Operating Costs.

Graph 2.2 Revenues by Source - General Fund



Total Revenues

\$88,200,692

*Other Revenues includes Interfund Revenues, Franchises Fees, Rents and Concessions, Miscellaneous Revenues, and Service Fees.

**Other Taxes includes Construction, Real Property Transfer, and Business License Taxes.