FY 2012/13 Budget Workshop

May 17, 2012
Without a major reset, our exceptional quality of life may go the way of an endangered species.

Resources and expenditures are not in alignment over the long term.

The continued use of reserves indicates a structural deficit.
Without a major reset, our exceptional quality of life may go the way of an endangered species.

- Letter of Transmittal - FY 2009/10 Recommended Budget

- Resources and expenditures are not in alignment over the long term.

- Letter of Transmittal - FY 2010/11 Recommended Budget

- The continued use of reserves indicates a structural deficit.

- Letter of Transmittal - FY 2011/12 Recommended Budget
“The Council actions resetting the expenditure base for the FY 2011/2012 Budget and the better than anticipated actual results for both revenues and expenditures have resulted in a notable achievement: General Fund revenues and expenditures have come into balance for the short and long term”

City Manager’s Letter of Transmittal
FY 2012/2013 Recommended Budget
BSF - Comparison

[Graph showing financial comparison between FY 12/13 Recommended and FY 11/12 Adopted, with data points for years 12/13 to 30/31 and millions of dollars on the y-axis, ranging from $0 to $50 million.]
FY 2009/10 Actions

- Initial organizational efficiency reductions
  - 15 vacant positions eliminated
  - Reduction in Library materials acquisition
  - Reduction in overtime
  - Reduction in goods and services

- No material service-level impact
FY 2010/11 Actions

- Organizational efficiency reductions continue
  - 21 vacant positions eliminated; including 5 sworn
  - Civilianization proposal approved
  - Library staff hours reduced due to RFID

- Service levels are impacted in some areas
  - Reduction in tree trimming services
  - Reduction in concrete repair services

- Employees defer salary increases
FY 2011/12 Actions

- Level 1 and Level 2 Reductions - $2.1M total
  - Close Library Thursday nights
  - Close Lakewood Pool
  - Reduce sidewalk, curb, and gutter expenditures
  - Reduce shopping cart removal activity
  - Vacant positions eliminated throughout City

- Employee compensation concessions budgeted
  - 2-2-2 for Miscellaneous
  - Two-tier, 3% contribution, survey adjustment for Safety
Compensation Concessions

Accomplished:
- PSOA and PSMA
  - 3% PERS contribution
  - Lower-tier pension for new hires
- SMA, COA, SEIU
  - 2-2-2 Plan
    - Two years of zero salary increases
    - 2% additional PERS contribution
    - Two-tier pension program
FY 2011/12 results lower than budgeted
- 3.7% budgeted increase
- 1.25% actual increase

FY 2012/13 and FY 2013/14 projections reduced from last year’s budget assumptions

$2.6 million total reduction in planned expenditures annually
Recovery Recovery

- Began in FY 2010/11
  - Sales Tax: +15%
  - Transient Occupancy Tax: +18%
  - Development-related: +40%

- Continues in FY 2011/12
  - Projected Sales Tax: +2.5%
  - Projected Transient Occupancy Tax: +11%
  - Projected Development-related: +71%
Revenue Projections

- Property Tax growth expected going forward
  - 3.5%, 5%, and 6% projected next three years

- Sales Tax and TOT: Reset base at higher level; modest growth going forward

- Development-related: Decline to historical, but higher baseline, then modest growth
Major Revenues Inter-Related

- Commercial development drives Property Tax, Sales Tax, and TOT
  - Property Tax: Higher assessed valuations
  - Sales Tax: Business-to-business transactions
    - 40% of City total; double state average
  - TOT: Hotels cater to business travelers; moves with Sales Tax

- Inter-related nature creates great opportunity, but great volatility...
Revenue Volatility - Sales Tax

Graph showing the volatility of sales tax revenue from fiscal year 95/96 to 09/10, with peaks and troughs indicating fluctuations in revenue over time.
Revenue Volatility - TOT and Development

![Graph showing revenue volatility over time, comparing TOT and Development.](chart.png)
RDA Dissolution

- RDA’s dissolved February 1, 2012
- $134M in General Fund Loan Repayments budgeted last year
  - $19M assumed to be repaid
  - $24M increased Property Tax Revenue
- Net Loss: $91M over 20 years
FY 2012/13
Recommended Budget
Citywide Expenditures by Fund

Total Expenditures $288.8M

$135.9M General Fund 47%

$33.7M Solid Waste Mgmt. 12%

$36.2M Water Supply & Distribution 13%

$30.2M Wastewater Mgmt. 10%

$24.1M Other* 8%

$3.6M Golf and Tennis 1%

$17.5M Housing/CDBG 6%

$7.6M Employment Dev. 3%

$288.8M Total Expenditures

Citywide Expenditures by Fund
General Fund Overview

Total Expenditures
$142.7M

- $74.8M-DPS - 52%
- $16.5M-LCS - 12%
- $18M-DPW - 13%
- $5.5M-CDD - 4%
- $7.8M-FIN - 5%
- $4.5M Other Exp. Transfers/Leases - 3%
- $6.8M Other Dept. - 6%

20
General Fund Operations

- $57.2M Salaries 43%
- $51.1M Benefits 39%
- $9.0M Purchased Goods and Services 7%
- $13.9M Internal Service Charges 11%

Total Operating Expenditures $131.4M
5 Key Service Level Enhancements

1. 7-year tree trimming cycle
2. Increased funding for sidewalk replacement
3. Road condition improvement program
4. Enhanced Library services
5. Organizational restructure
#1 7-Year Tree Trimming Cycle

**Annual Tree Trimming Cycle**

- **2001**: 4.2
- **2006**: 6.6
- **2010**: 12.5
- **2013**: 7.0
# Increased Funding for Sidewalk Replacement

- Prior to FY 2003/04 – Sidewalks inventoried and repaired annually
- After FY 2003/04 – 5 year backlog on permanent repairs
- Sunnyvale Works! and CDBG funding eliminated most of backlog
- Additional $248,000 annually in new funding
  - Half of amount necessary to meet demand
### #3 Road Condition Improvement Program

<table>
<thead>
<tr>
<th>Year</th>
<th>Pavement Operations</th>
<th>Slurry Seal Project</th>
<th>Pavement Rehab Project</th>
<th>Additional Investment</th>
<th>Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/10</td>
<td>$4.4M</td>
<td>$0.2M</td>
<td>$0.5M</td>
<td>$0.0M</td>
<td>$5.1M</td>
</tr>
<tr>
<td>10/11</td>
<td>$4.7M</td>
<td>$0.2M</td>
<td>$0.7M</td>
<td>$0.0M</td>
<td>$5.6M</td>
</tr>
<tr>
<td>11/12</td>
<td>$4.8M</td>
<td>$0.2M</td>
<td>$0.5M</td>
<td>$2.5M</td>
<td>$8.0M</td>
</tr>
<tr>
<td>12/13</td>
<td>$4.8M</td>
<td>$0.2M</td>
<td>$0.9M</td>
<td>$2.5M</td>
<td>$8.4M</td>
</tr>
</tbody>
</table>

Additional funding expected to return City to PCI of 80 by the end of 2014.
#4 Enhanced Library Services

- Additional $60,000 for materials acquisition
  - Current materials per capita: 2.06
  - Countywide median: 4.21
- Demand for materials at all-time high
  - 2001: 1.4 million items circulated
  - 2011: 2.5 million items circulated
- Modified restoration of Thursday night hours
# Organizational Restructure

- Creation of Environmental Services Department
- Creation of Library and Community Services Department
  - Includes recreation operations
- Reorganized Public Works Department
  - Includes golf, parks, fleet, and facilities

*More effective and efficient service provision*
Restructure gets City closer to optimal staffing levels

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Budgeted FTEs*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/03</td>
<td>1,060</td>
</tr>
<tr>
<td>2006/07</td>
<td>950</td>
</tr>
<tr>
<td>2012/13</td>
<td>839</td>
</tr>
</tbody>
</table>

With technology and efficiencies, current levels only slightly below ideal state

* Full-time employees = 1 FTE; Part-time employees = 0.5 FTE
City Council Set Aside

- $100,000 programmed annually for use at Council’s discretion
  - Unplanned projects, services, or other initiatives

- $10,000 already committed for Downtown Association

- $16,125 to sustain funding for community groups
  - $10,000 for Community Events Grant Funding
  - $6,125 for Neighborhood Grants
5 Key Long-Term Financial Actions

1. Funding plan to eliminate OPEB liability
2. Pre-funding CalPERS assessments
3. Self-sufficient golf and tennis operations
4. Compensation concessions
5. Set-aside for infrastructure
#1 Funding OPEB Liability

Projected Retiree Medical Costs

- Retiree Health Care Costs
- Annual Required OPEB Contribution
#2 Pre-Funding CalPERS Assessments

![Graph showing planned city contribution and expected CalPERS assessment over time.](image-url)
#3 Self-Sufficient Golf and Tennis

- Golf and tennis operations in enterprise fund
  - Fully self-supporting
- Existing capital funded by Park Dedication
- New capital funded by fee revenues
- Working on operational efficiencies
Budget assumes 2-2-2 plan for SEA
- Already adopted by SMA, SEIU, and COA
- $10M to $51M impact to General Fund if SEA does not agree

PSOA salary survey modification
- Assumed beginning FY 2015/2016

Continued pension reform
FY 2011/12 Budget:
- $28 million over 20 years for streets improvement
  - $12.75 million in the first five years

FY 2012/13 Recommended Budget:
- Additional $30 million
  - $1.5 million annually

Property sales
- Proceeds to Capital Improvements Reserve
- Utilized for capital and infrastructure, not operations
5 Key Commitments

1. Personnel cost containment
2. Long-term funding for infrastructure
3. Funding retiree costs for sustainability
4. Strategic moves to optimal service levels
5. Commitment to a long-term solution