FY 2013/14 Budget Workshop

May 23, 2013
“Commitment is what transforms a promise into reality”

- Abraham Lincoln
Introduction

• FY 2012/13 Budget structurally balanced
  • Five key commitments established

• FY 2013/14 Budget maintains balance
  • Significant progress on key commitments

• There is still work to do
5 Key Commitments

1. Manage our salary costs
2. Retirement cost sustainability
3. Optimum service levels
4. Funding for infrastructure
5. Commit to a long-term comprehensive solution and stay the course
Commitment #1: Manage Our Salary Costs

• Lower salary increase assumptions starting in FY 2009/10 Budget

• Non-sworn employees: 3 years of no salary increases since FY 2009/10

• Pending: Adjustments to PSOA survey
  • Contract expires in 2015
Commitment #2: Retirement Cost Sustainability

- Increase in employee contribution to pension
  - January 1, 2009: Non-sworn employees 1% of pay; sworn employees 0% of pay
  - July 1, 2013: All employees at 3% of pay

- FY 2013/14 Recommended Budget assumes full contribution by FY 2019/20

- Second-tier pension implemented
Commitment #3: Optimum Service Levels

- Strategic reorganization largely complete
- Seven positions added in this budget
  - Includes two Public Safety Officers
- Still not where we need to be
  - 5 - 7 more positions needed
  - Dependent on increased revenue
Commitment #4: Funding for Infrastructure

• FY 2011/12 Budget: $28M for streets
  • Work in progress; expecting to meet goal

• FY 2012/13 Budget: $30 million for infrastructure
  • Not appropriated for specific purposes

• Funding plan in place; need to make decision on future of administrative facilities
Commitment #5: Stay the Course

- Key commitments are interrelated
- Must stay the course to maintain sustainability
- Significant assumptions included in plan
  - Adjustment to PSOA salary survey
  - Employees paying full employee share of pension expense
Budget Overview
Citywide Expenditures by Fund

- **$139.9M** General Fund (49%)
- **$41.4M** Wastewater Management (15%)
- **$35.9M** Solid Waste Management (13%)
- **$31.6M** Water Supply & Distribution (11%)
- **$20.3M** Other (7%)
- **$7.0M** Employment Development (2%)
- **$3.5M** Golf and Tennis (1%)

**Total** $285.1 M
Citywide Expenditures by Type

- **$225.5M** Operating (79%)
- **$50.1M** Projects & Equipment (18%)
- **$9.5M** Debt Service & Other Expenses (3%)

**Total** $285.1 M
Operating Expenditures by Type

Total $225.5 M

- $134.9M Salaries & Benefits 60%
- $72.7M Purchased Goods & Services 32%
- $16.3M Internal Service Charges 7%
- $1.6M Miscellaneous Expenditures 1%
Salaries and Benefits

- Salary increases assumed in budget:
  - Non-sworn: 2% in first 10 years, 3% in final ten years
  - Sworn: 2% in FY 2013/14; 4% in FY 2014/15; 3% annually through FY 2022/23; 4% in final ten years

- PSOA salary survey major vulnerability
  - 2012 survey reduced baseline from budget
  - History suggests above average increase in future
Salaries and Benefits

- Pension costs increasing near term
  - FY 2013/14 up nearly $300,000

- Reform + City actions have impact
  - Current 20-year total = $810 million
  - Next year’s 20-year total = $780 million
    - Will maintain higher reserves for contingency

- Medical costs up as well
  - Up 11.5% over current year
  - Higher premiums and fewer vacancies
Other Citywide Expenditures

- Purchased goods and services: $72.7 million
  - Purchased water: $21.3 million
  - Solid waste contracts: $30.8 million
    - SMaRT operations, collections, landfill
- Internal service charges: $16.3 million
  - Information Technology
  - Fleet and Facility Services
General Fund Expenditures

- FY 2013/14 Budget: $146.6 million
  - $135 million for operations
    - Personnel costs: $110.4 million (82%)
  - $3.7 million for projects and equipment
  - $6.7 million for transfers
    - Includes $1.5 million infrastructure contribution
  - $1.2 million for lease payments
    - Formerly reimbursed by RDA
Pension Update

• Successful negotiation of second-tier pension
  • Miscellaneous 2% @ 60 and Safety 3% @ 55

• PEPRA creates third-tier pension
  • For new employees to CalPERS after 1/1/13
  • Miscellaneous 2% @ 62 and Safety 2% @ 50

• Other PEPRA impacts to new CalPERS members
  • Cap on pensionable earnings
  • Employees contribute half of normal cost
Pension Update

- Increased employee contribution assumed in budget
- Must be negotiated with bargaining units
- Each 1% contribution is worth nearly $1 million City-wide

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<thead>
<tr>
<th>Fiscal Year</th>
<th>Misc.</th>
<th>Safety</th>
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<tbody>
<tr>
<td>FY 2013/14</td>
<td>3%</td>
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<td>FY 2014/15</td>
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<td>FY 2015/16</td>
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<td>7%</td>
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<tr>
<td>FY 2018/19</td>
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<tr>
<td>FY 2019/20</td>
<td>8%</td>
<td>9%</td>
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Pension Update

• Sunnyvale still paying more than CalPERS requires
  • +$2.5 million in FY 2013/14

• Sunnyvale’s contribution rates incorporate:
  • Second and third pension tiers
  • Change to smoothing/amortization methodologies
  • Mortality improvements

• Early implementing smoothing and mortality changes

• Reduction in discount rate possible
New Positions

- Seven new positions included in budget
  - Department of Public Safety
    - Two Public Safety Officers + one Senior Crime Analyst
  - Information Technology Department
    - Two Technology Coordinators
  - Human Resources Department
    - One Principal Human Resources Analyst
  - Department of Public Works
    - One Civil Engineer
RDA Update

- $91 million net loss absorbed in FY 2012/13 Budget
- State Department of Finance has taken further action creating more losses
  - $11 million related to debt service
  - $13.8 million related to loan repayments made prior to dissolution
- Appeal denied; potential litigation
Development Enterprise Fund

- New fund for FY 2014/15
- All development-related activities across departments in one fund
- Better tracking of expenditures and revenues over time
- FY 2012/13 excess revenues into reserve to provide initial funding
  - Estimated to be $3.6 million
Golf and Tennis Fund

- Fund is structurally imbalanced
  - Revenues not enough to cover expenses
  - Loss of restaurant operator had large impact

- FY 2012/13 Projections
  
  | Revenue  | $3,420K |
  | Expenses | $3,746K |
  | Profit   | <$326K> |
Golf and Tennis Fund

- Requesting $300,000 from General Fund to operate through this fiscal year and next
- Comprehensive review of operations
  - Increase revenues
  - Decrease expenses
Golf and Tennis Fund

Case for Future Optimism

- Full service at Sunnyvale’s restaurants - June 2013
- Planned closure of Palo Alto course 2014
- Redevelopment of Santa Clara course
- Positive trends in golf industry
Revenue Overview
Citywide Revenues by Type

- **$120.7M** Service Fees 44%
- **$106.3M** Taxes 39%
- **$7.8M** Sale of Property 3%
- **$8.5M** Other Revenues 3%
- **$9.4M** Franchises/Rents 4%
- **$11.9M** Federal/State 4%
- **$8.0M** Fines/Licenses/Permits 3%

Total $272.6M
Citywide Service Fee Revenue

- Solid Waste Fees: $40 million
- Water Fees: $30 million
- Wastewater Fees: $20 million
- Other Service Fees: $10 million

Total Service Fee Revenue: $120.7 million
Citywide Tax Revenue

Total Tax Revenue
$106.3M

Millions

Property Tax
Sales Tax
TOT
UUT
Other Taxes
Gas Tax
# General Fund Top 5 Revenues

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>2010/11 Actual</th>
<th>2011/12 Actual</th>
<th>2012/13 Projection</th>
<th>2013/14 Projection</th>
<th>Percent Change</th>
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<tr>
<td>Property Tax</td>
<td>$42.4</td>
<td>$43.4</td>
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<td>Sales Tax</td>
<td>$29.2</td>
<td>$30.3</td>
<td>$31.0</td>
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<td>UUT/Franchise</td>
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<td>$13.2</td>
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<td>Development</td>
<td>$7.3</td>
<td>$14.0</td>
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<td>(33.3%)</td>
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<tr>
<td>TOT</td>
<td>$6.6</td>
<td>$7.8</td>
<td>$8.9</td>
<td>$8.6</td>
<td>(3.0%)</td>
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<tr>
<td>Total</td>
<td>$98.6</td>
<td>$108.7</td>
<td>$115.8</td>
<td>$112.3</td>
<td>(2.9%)</td>
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</table>
Property Tax

• FY 2012/13 exceeding expectations
  • Partially due to one-time revenues
    • Refund of administrative fee from County
    • Additional tax increment distribution

• Strong growth projected in near term
  • 5%+ annually for Secured Tax the next three years
  • Result of significant development activity
Sales Tax

• FY 2012/13 up 2.3% over previous year
  • Not as much as originally projected
• 3.9% growth projected in FY 2013/14
  • Result of strong local economy
• Modest growth thereafter
TOT, UUT, Franchises

• TOT very strong in FY 2012/13
  • Projected to be up 14% over previous year

• FY 2013/14 down slightly to reflect sustainable baseline

• Two new hotels in plan starting in FY 2014/15

• UUT and Franchises: Modest growth
Development-Related

• FY 2012/13 another very strong year
  • $13.5 million expected

• Excess revenue over original projection into reserve to fund new enterprise ($3.6 million)

• FY 2013/14: $9 million projected
General Fund Top 5 Revenues

- Property Tax
- Sales Tax
- Utility Users Tax/ Franchise Fees
- Development-Related Revenue
- Transient Occupancy Tax
Budget Stabilization Fund

- Structurally balanced and sustainable
Budget Stabilization Fund

- Small deviations from plan have large impact
Utility Rate Increases

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<tr>
<th>Utility</th>
<th>Original Projection</th>
<th>Recommended FY 2013/14</th>
<th>Change in Percentage Points</th>
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<td>Water</td>
<td>6.5%</td>
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<td>Wastewater</td>
<td>6.5%</td>
<td>6.5%</td>
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<tr>
<td>Solid Waste</td>
<td>3.0%</td>
<td>4.0%</td>
<td>1.0%</td>
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</table>

- Increases driven by
  - Purchased water costs
  - Infrastructure
  - Contract costs

- Rate report/public hearing and adoption June 11
Projects Overview
Projects Overview

• $50.1 million budgeted in FY 2013/14 for projects and project administration
  • $22 million in wastewater
  • $12 million in infrastructure
  • $2.5 million for public safety recruitment

• 247 funded projects for nearly $800 million programmed in 20-year plan
Utilities Projects
Major Projects - Water

• Rehabilitation of water distribution system ($18 million in bonds)
  • Replacement of water mains and service lines
  • Improvements for fire protection
  • Wells, tanks, and pumps

• Recycled water system
  • Maintenance and expansion
  • Improvements to water quality
Major Projects - Wastewater

- Rehabilitation of sewer collection system
- Replacement of Water Pollution Control Plant ($318 million budgeted)
  - Gap projects
  - Primaries
  - Master planning
- Issues of concern
  - Operational challenges
  - New nutrient regulations
WPCP Master Planning

- Existing conditions documentation
- Site planning
- Basis of design development
- CEQA compliance
- Design standards
- Implementation plan
- Regulatory compliance
  Additional coordination
- Recycled water feasibility study
- Zero waste strategic plan
Major Projects - Solid Waste

• Replacement of SMaRT Station in 2021 ($30 million budgeted)
• Planning with other jurisdictions
• Design and construction in 2020 - 2022
Parks Projects
Park Dedication Projects

- Increase in standard to 5 acres/1,000 population in July 2014
- $153 million in fee revenue over 20 years
- Many new projects proposed for more complete renovations of parks
- Continued funding for infrastructure capital replacement
- Funds set aside for park acquisition and improvement
Park Dedication Projects

Top 10 Largest Projects:

1) Community Center Grounds - $8.3M ...(FY 2031/32)
2) Ortega Park - $7.1M ...(FY 2020/21)
3) Washington Pool $6.6M ...(FY 2016/17)
4) Fair Oaks Park $6.1M ...(FY 2015/16)
5) Raynor Park $6.1M ...(FY 2026/27)
6) Ponderosa Park $5.4M ...(FY 2029/30)
7) Lakewood Park $5.1M ...(FY 2013/14)
8) Las Palmas Park $5.0M ...(FY 2023/24)
9) De Anza Park $4.7 ...(FY 2027/28)
10) Park Building Rehabilitation $4.7M ...(various)
Park Dedication Projects

Set Aside for Land Acquisition

• Plan A - Budget assumes 20% of revenue for land acquisition and improvement
  • $30.6M set aside

• Plan B – 40% set aside until $20M then 10%
  • $31.4M set aside
  • $20M is reached in year 8
## Park Dedication Projects

### Set Aside for Land Acquisition – Plan B 40%

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### Other Plan B Differences

- **Community Center Grounds Renovation & Enhancement**
  - **FY 2031/32** - $8,315K → 50%
Staff Recommendation

✓ Approve Plan A – 20% set aside

✓ Advance funding for Orchard Heritage Park by one year 2015/16 to 2014/15

✓ Move funding for bicycle trails from unfunded to funded $300 total
Other Major Projects
Calabazas Creek Bridge
Fair Oaks Bridge
Branch Library
Public Safety Recruitment

- $54 million in projects over 20 years
  - $2.5 million in FY 2013/14
  - $2.2 million in FY 2014/15

- 11 recruits currently in process

- Another 9 expected to start training process in FY 2013/14

- Recruitment to “on the street” takes 18 mos.

- Timeline set to match expected attrition
Budget Supplements
Budget Supplements

• **Recommended for funding – General Fund**
  - Neighborhood Grants: $6,125
  - Community Event Grants: $10,000
  - Leadership Sunnyvale: $6,000
    • Contingent on meeting success metric
  - Solar Array System: $15,000
  - Dispute Resolution Services: $20,000

• **Recommended for funding – Utilities**
  - Power Purchase Agreements for Alternative Energy Allocation: $50,000
    • Equally split amongst utility funds
Budget Supplements

- Recommended contingent on grant funding
  - Pilot Bicycle Boulevard Project: $60,000
  - Protecting Burrowing Owl Habitats: $25,000
  - Greenhouse Gas Inventory: $30,000
  - Community Solar Program: $20,000

- Other recommendations
  - Ecodistrict Feasibility and Incentives: Defer
  - Community Animal Farm at Landfill: No action required; included in budget
Other Items
Council Set Aside

- $100,000 flat amount annually
- $30,925 remaining in current fiscal year
- Much of FY 2013/14 amount earmarked
  - $40,000 for Care Management
  - $21,000 for Council retreat
Outside Group Funding

• General Fund support is flat $100,000 annually
• $500,000 over 20-years to inflate
• Could absorb if Council set aside dropped to $75,000 annually