FY 2005/2006 Budget Workshop

◆ Agenda
  – Overview of FY 2005/2006 Recommended Budget
  – Review of Twenty Year Financial Plans by Fund
  – Review of City Projects by Category
    ▪ Funded and Unfunded Projects
Budget Process

- Projects Budget year
- Second year of two-year Operating Budget
- Revenues, Personnel Costs, Enterprise activities reviewed annually
Budget Process

- New Budget Service Review Process
  - Review one-eighth of all operating programs annually
  - Utilities and Utility Billing Programs reviewed by Council on April 2, 2005
Budget Process

- Public Hearing on June 7, 2005
- Budget Adoption on June 21, 2005
Budget Overview

- **Citywide Budget** - $227 million
  - 14% **below** Revised FY 2004/2005 Budget
  - Due to project budget carryover

- **Operating Budget** - $170 million
  - 6% **higher** than Revised FY 2004/2005 Operating Budget
Budget Overview

6% Increase in Operations = $10 million:
- Salary costs: $1 million
- Retirement costs: $4 million
- Medical costs: $1.4 million
- Refuse Collection contract: $1 million
- Salary savings transferred to enhanced retirement reserve: $2.6 million
Budget Overview

- “Bare Bones” Budget
  - Reflects FY 2003/2004 service reductions
- Reserves levels reduced to minimum required by City policy
- Limited flexibility to deal with unplanned expenses
Economic Assumptions

- Moderate recovery from economic downturn but several risks that could threaten recovery
  - Impact of rising interest rates and high energy costs on spending
  - Continued high vacancy rates in commercial and industrial properties
  - Continuing State fiscal issues
State Budget

- Governor’s Proposed Budget
  - Issued in January
  - Effects on local government:
    - 2\textsuperscript{nd} year of ERAF $2.1 million
    - Mandated Costs – Reimbursement moved from 5 years to 15 years $500,000
    - Booking Fee Reimbursement eliminated $90,000
Governor’s May Revise Budget
- Released on May 13, 2005
- State revenues higher than originally estimated by $4 billion
- Effects on local government
  - Restores Prop 42 transportation funds in FY 2005/06 $560,000
  - Repays half of Vehicle License Fee loan
Revenue Assumptions

- Recovery already budgeted
  - FY 2004/05 was start of upturn
- Business cycles for major revenues reviewed
  - 8 year cycle maintained in most cases
    - High and low points in the cycle moderated for some revenues
Revenue Assumptions

- Fees reviewed and increased where necessary to cover costs
  - 3% inflation factor used in general
  - Detailed review of cost recovery methodology for all fees to be conducted during FY 2005/06
# Expenditure Assumptions

## Salary Increase Assumptions

<table>
<thead>
<tr>
<th>Labor Unit</th>
<th>2005/06</th>
<th>2006/07</th>
<th>2007/08 to 2014/15</th>
<th>2015/16 to 2024/25</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEA/Conf</td>
<td>0.00%</td>
<td>1.00%</td>
<td>3.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>PSOA</td>
<td>3.00%</td>
<td>1.00%</td>
<td>3.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>COA</td>
<td>0.00%</td>
<td>1.00%</td>
<td>3.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>SEIU</td>
<td>0.00%</td>
<td>1.00%</td>
<td>3.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>MGMT</td>
<td>0.00%</td>
<td>1.00%</td>
<td>3.00%</td>
<td>4.00%</td>
</tr>
</tbody>
</table>
Expenditure Assumptions

- **Employee Benefit Costs** are up 10.6% from FY 2004/05
  - 1.6% more than the increase of 9% budgeted last year due to increase in retirement costs

- **Rental Rates** are up 2.1% from FY 2004/05
  - 1.7% less than budgeted last year due to reductions in equipment and reserves and extended replacement schedules
Projects Budget

- $20 million budgeted for FY 2005/06
- Reflects “Bare Bones” approach
  - Majority of projects to maintain city’s existing infrastructure
- Full twenty years budgeted
- Unfunded projects list developed
  - Represents substantial future unfunded liabilities to the City
Financial Successes

- **Long Range Infrastructure Plan**
  - Preliminary estimates for full twenty years
  - Update of inventory and costs will be completed in late 2005

- **Affordable Housing**
  - Increased funds in RDA’s Low and Moderate Income Housing Fund
  - $14 million of Housing Mitigation and HOME funds budgeted over twenty years
Financial Successes

- Sunnyvale’s Planning and Management System
  - Long range financial planning is key
  - Performance budget structure under review
  - Update of all administrative polices
Fiscal Pressures

- Library Facility and Programming
- Community Recreation Subsidy
- Employee Costs
- Unfunded Projects
- Civic Center Replacement or Renovation
- Investment in the Organization
- Open Space
Fiscal Strategies

- Fiscal Strategies proposed in last year’s budget to address structural deficit
- Key to improving City’s financial position to meet challenges ahead
- Recommendation to continue focusing on the fiscal strategies
Fiscal Strategies Themes

- Don’t Make Matters Worse
  - Demand Management and Long-Term Planning

- Continue to Emphasize Efficiency of Operations

- Investigate New and Increased Revenue Sources

- Reduce or Eliminate Services or Modify Service Levels
  - Preserve essential core services but establish appropriate level
Fiscal Strategies Update

- 3 Pronged Approach for pursuing strategies:
  - Continuous improvement within the organization
    - Staff continues to pursue
    - Cost Savings Strategies (Appendix B)
Fiscal Strategies Update

- **Service Level Reductions**
  - $2.2 million proposed
  - Deferred last year, not included in FY 2005/06 Recommended Budget
  - To be brought back to Council with the Mid-Year Review
Fiscal Strategies Update

Revenue Enhancements included in Budget

- Additional Sales Tax revenue from Town Center Mall Development
  $1 million
- SMaRT Station Rent  $334,000
- Water Pollution Control Plant Rent
  $297,000
Fiscal Strategies Update

- Revenue Enhancements to be pursued (not included in Budget)
  - Emergency 911 Fee – Council provided direction to implement pending resolution of legal issues $2 million
  - Transient Occupancy Tax $900,000
  - Business License Tax $750k - $1 million
  - Other Revenue Sources
Fiscal Strategies Update

- Land Banking Policy and Sale of Excess City Land
  - Several properties identified
  - Recommendation to be made pending results of Open Space and Fiscal Sub-Element revisions
  - Potential one-time revenues from land sales not included in Budget
Budget Overview

- Questions, Comments, Suggestions on Budget Overview Section
Fund Reviews

♦ Review of Twenty Year Financial Plans by Fund
  – Major Changes in Revenues, Expenditures, and Reserves from FY 2004/05 Budget
  – All Funds and Sub-funds will be reviewed in this section
General Fund Summary

- FY 2005/06 Budget - $106 million
  - Reflects FY 2003/04 service reductions
- Structural Imbalance in first ten years of plan balanced through:
  - Use of Reserves
  - Use of Other Funding Sources
  - Fiscal Strategies - $1.1 million needed
General Fund Revenues

- Overall Revenues up 0.73% from estimated FY 2004/05 actual
  - $685K increase
- FY 2004/05 actual up $6.2M from FY 2003/04
Sales Tax shows modest growth

- Projections based on four categories
- Forecast for FY 2005/06 $700K higher than last year based on actual receipts for current year
- New additions and identifiable losses are included
- Eight year business cycle appears to be holding
General Fund Revenues

- Property Tax revenues down $200K in current year
  - Substantial declines in Commercial, Industrial, and Unsecured valuations
  - Tempered by robust Residential growth
  - Budget projects decline has ended for Commercial and Industrial property for FY 2005/06
General Fund Revenues

- Transient Occupancy Tax revenue up 5% in FY 2004/05
- Projections for FY 2005/06 up 5%
- Several changes in properties are reflected in forecast
  - Closing of Woodfin Suites, Best Western
  - Redevelopment of Sheraton Four Points
- Eight year business cycle used
General Fund Revenues

- Construction-Related revenue includes Construction Tax, building permits
- 6% higher than budgeted last year due to high levels of residential development
- FY 2005/06 forecast 5.4% for permits and licenses, 34% for Construction Tax
  - Effects of Downtown Mall Redevelopment
- Rolling eight year economic cycle
General Fund Revenues

- Vehicle License Fees
  - Reflects new allocation method of remaining VLF monies
  - FY 2004/2005 forecast $3.4M
  - VLF Loan Receivable Financing reflected
    - City received $2.1 M
    - Interest earnings $100K
  - FY 2005/2006 budget is $700K
General Fund Revenues

- Interfund Revenues up 26% in FY 2005/2006
  - Repayment from Redevelopment Agency $1 M higher than FY 2004/2005
  - Loan repayments moved up whenever possible
General Fund Revenues

- Rents and Concessions
  - Water Pollution Control Plant land rent is new revenue ($297K)

- Library Audiovisual (DVD) fee
  - Revenue projected at $300K, will be $100K
  - Library operating program reduced to achieve same fiscal impact
General Fund Revenues

- **Real Property Sale**
  - FY 2005/2006 Budget reflects $550,000 new revenue from property sale
  - Property at 388 Charles St. rented at below market rate
  - Transferred to Housing Mitigation Fund
  - Proceeds placed in Land Acquisition Reserve
General Fund Expenditures

- Total Expenditures: $106 million
- Operating Budget: $103 million
  - Increase of 4.7% over FY 2004/05
  - Excluding Retirement costs, Increase is 1.8%
    - Salary Increase for PSOA
    - Increases in health insurance and workers compensation costs
Changes in Operating Budget:
- Reduced Public Safety Recruitment efforts for FY 2004/05 and FY 2005/06
  - $1.5m and $2.5m in savings
- Additional funds for City elections
  - $170,000 added
Changes in Operating Budget:

- Gas Tax funds supporting larger portion of Pavement Operations Program than budgeted, reducing General Fund expenses
  - Reduction of $1.9 million for General Fund
General Fund Expenditures

- Changes in Projects:
  - Downtown Area Maintenance Project
    - Began FY 1997/98
    - FY 2004/05 Budget: $132,793
    - Provides additional street cleaning, landscaping services and special events clean up for historic Murphy
    - Council direction in the FY 2003/2004 Budget was to fund for two more years (FY 2003/04 and FY 2004/05) with future costs funded through a business improvement district
General Fund Expenditures

- Contribution to Infrastructure Fund reduced based on updated projects schedule and use of Park Dedication Funds for park related projects
General Fund Reserves

- 5% Service Level Stabilization Reserve eliminated
- Non-Recurring Events Reserve eliminated
- Land Acquisition Reserve balance eliminated and proceeds from sale of property to Housing Mitigation Fund added
General Fund Fiscal Condition

- **Budget Gap for first 7 years**
- **Fiscal Strategies (Expenditures)**
  - $1.1 million starting FY 2006/07 for 7 years
Housing Fund

- Accounts for Housing Mitigation revenues, Below Market Rate (BMR) receipts and federal HOME grant
- Expands affordable housing in the City
- Three Sub-funds:
  - Housing Mitigation
  - Other Grant Supported
  - HOME Grant
Housing Fund

- Housing Mitigation Sub-fund
  - Accounts for fees imposed on high intensity industrial development
  - Property Acquisition in FY 2005/06 (388 Charles St.) from General Fund
    - Planned to be sold in FY 2009/10
    - Rental income and maintenance costs are included
  - FY 05/06 Reserve $6.7M vs $5.1M projected last year
Housing Fund

- **Other Grant Supported Housing Sub-fund**
  - Primarily accounts for Below Market Rate (BMR) activities
  - No Major Changes

- **HOME Sub-fund**
  - Budget 1 year per City Policy
  - FY 2005/06 allocation: $747,978
  - Down 3.75% from FY 2004/05
Community Development Block Grant (CDBG) Fund

- Accounts for federal CDBG Grant and loan repayments
- 2 Sub-funds
  - CDBG Sub-fund accounts for annual allocation from HUD
  - CDBG Revolving Loan Sub-fund accounts for loan repayments (program income)
CDBG Sub-fund

- Budget 1 year per City Policy
- FY 2005/06 CDBG grant $1,418,817
  - Down 9.4% from FY 2004/05
  - Operating expense reduced by same %
- Outside Group Funding is 22% higher than last year due to higher program income
Community Development Block Grant (CDBG) Fund

- CDBG Revolving Loan Sub-fund
  - Housing Loan Repayments up by 67%
    - $5M through FY 2014/15 vs $3M last year
  - Housing Acquisition and Rehab Loans
    Current Portfolio of $18M
    - Many deferred for short term (5 years) or long term (30 years)
  - Reserves
    - $1.4M in First 10 Years of the Plan
    - $3.8M by FY 2024/25 vs $0 last year
Park Dedication Fund

- Fees imposed on high density residential development
- $10 million expected in the next 3 years
  - Fee increase to $75/s.f. in July 2005
  - Revenue projection based on construction development cycle
Park Dedication Fund

- Strategic review of funding sources identified Park Dedication monies for parks related projects
- Reduces General Fund & Community Recreation Fund support
  - $8 M in first 10 years; $12M in second 10 years
Asset Forfeiture Fund

- Accounts for monies from drug and other law enforcement activities
- No new monies anticipated in the plan
- Use limited to one time expenses for law enforcement services
- Reserves projected to be depleted in FY 2014/15
Police Services
Augmentation Fund

- Accounts for Supplemental Law Enforcement Services (SLES) and Local Law Enforcement Block Grant (LLEBG)
- Funding has declined and reserves will be depleted during FY 2005/06
- Funds support patrol watch commander
  - If grants go away, position will be eliminated
Employment Development Fund

- Accounts for grants for workforce development activities
- FY 2005/06 budget $10,150,000
  - Budget 1 Year per City Policy
- Primary funding source is Workforce Investment Act (WIA)
- Supplement with other Federal, State and grant applications
Parking District Fund

- Provides on-going maintenance of downtown parking lots funded by assessments
- New operating expense
  - Insurance for the Mozart/Plaza del Sol underground parking structure ($45K/yr)
- Service level set by the property owners
  - Current assessment insufficient to maintain service level
  - Reserves used to support operations
Gas Tax Fund

- Accounts for gas taxes allocated by the State and spent on maintenance and capital related to public streets and highways
- Revenue projections show modest growth
- Fiscal Strategy – Allocate more Gas Tax funds to Pavement Operations
  - Relieves General Fund in the first 10 years
  - 10% increase over last year
  - Reduces reserves to approximately $100,000 compared to about $300,000 last year
State Traffic Congestion Relief Program (TCRP) was passed in the State’s FY 2000 Budget.
- Used for the preservation, maintenance and rehabilitation of local street and road systems

Proposition 42 Transportation Funding for TCRP was approved in March 2002
- Permanently shifts sales tax on gasoline to the State’s Transportation Investment Fund
- Payment to cities was suspended in FY 2003/04 and FY 2004/05 due to State budget crisis
Traffic Congestion Relief Fund

- Proposition 42 monies expected in FY 2005/06 per the Governor’s May Revised Budget
  - Expect approximately $560K in FY 2005/06
- Budgeted ongoing Prop 42 monies of $600K/yr starting in FY 2007/08
- Deferred payments for FY 2003/04 and FY 2004/05 projected to start in FY 2007/08
  - Payment spread over 15 years @ 0% interest
- Supports Pavement Operations
  - Relieves General Fund monies
Transportation Development Act Fund

- Administered by the State through Metropolitan Transportation Commission
- Use restricted for pedestrian and bicycle facilities and bicycle safety education programs
- $80,000 annual funding anticipated
Youth and Neighborhood Services Fund

- Columbia Neighborhood Center revenues and expenditures
  - Partnership with School District and Counties
- School District reimburses portion of operating costs: $93,455 for FY 2005/06
Youth and Neighborhood Services Fund

- Activities include: health center, recreation activities, juvenile diversion programs
- No major changes
- Facility Expansion Project defunded 2 years ago ($675K)
Assumes Agency approves amendment of tax increment cap

- Reach $118 million cap in FY 2014/15
- $19 million low and moderate housing liability deferred to FY2027/28
- 20% Housing Fund starting in FY 2016/17 (~$2M/yr)
Redevelopment Agency Fund

- Town Center Redevelopment
  - Open in Fall 2007
  - $4 million additional property taxes
  - Return to developer up to $4.05 million, plus 50% of any receipts above this
  - Developer to construct public streets and parking
  - Project ends in FY 2026/27
Redevelopment Agency Fund

- **4 new Downtown projects**
  - Downtown Wayfinding System ($300K in FY 2005/06 and FY 2006/07)
  - Directional Signs to Downtown ($100K in FY 2007/08)
  - Murphy Ave Enhancements Phase I ($350K in FY 2005/06 and FY 2006/07)
  - Downtown Block 2 Completion ($695K in FY 2006/07)

- **Debt Service**
  - Accelerated repayment of the Parking Facility COP (Full repayment in FY 2016/17)
Patent Library Fund

- SCI3 Program to move to Cogswell College during FY 2005/06
- Council approved up to $53,000 from the General Fund to assist in transition
- Financial Plan reflects the phase out of operations by end of FY 2005/06
Capital Projects Fund

- Accounts for capital projects in governmental funds
- 4 Sub-funds
  - General Assets – No major changes
  - Gas Tax
  - Traffic Mitigation
  - Traffic Impact Fees
Gas Tax Sub-fund
- Funds streets and transportation projects
- Leverage Federal, State and County grants
- Major Projects:
  - Borregas Avenue Bicycle Corridor ($1.4M)
  - Roadway Rehabilitation on Various Streets ($1.3M)
  - Transportation Grant Matching Funds ($165K/year ongoing)
Capital Projects Fund

- Traffic Mitigation Sub-fund
  - No new revenues beyond FY 2007/08
  - Funds $5.5 M in projects between FY 2005/06 to FY 2014/15
  - Reserves depleted in FY 2014/15
  - Replaced by Traffic Impact Fees Sub-Fund
Capital Projects Fund

Traffic Impact Fees Sub-fund

- Transportation Strategic Program adopted on Nov 11, 2003
- Began collecting fees on Jan 1, 2004
- Revenues based on construction development cycle
  - $8.5M from FY 2004/05 to FY 2014/15
  - $9.9M from FY 15/16 to FY 2024/25
- Funds projects identified in the Land Use and Transportation Element of the General Plan
Water Supply and Distribution Fund

- FY 2005/2006 total operating costs = $19.3 Million
- Purchased Water Costs = $11.8 Million (61% of total operating costs)
- Current and new capital and infrastructure projects = $39.7 million over 20 years.
- FY 2005/2006 Adopted rate increase is 4.5%, half a percent lower than the rate projected last year for FY 2005/2006.
FY 2005/2006 Total Operating Costs = $29.8 million.

Solid Waste Collection Contract up $1 million from previous projection.
- total contract costs = $15.8 million or 53% of operating costs
Solid Waste Management Fund

- SMaRT Station is a joint venture between three cities, Sunnyvale, Mountain View and Palo Alto.
- Share of operations costs is defined by the SMaRT Station Memorandum of Understanding and is based on tons delivered to the facility.
Solid Waste Management Fund

- Sunnyvale’s SMaRT Station Expense Share and cost of landfill disposal = $7.8 million or 26% of total fund operating costs.
- SMaRT Station Materials Recovery Equipment Replacement project to save the fund $11 Million through FY 2021.
- FY 2005/2006 Adopted rate increase is 5.5% one percent higher than projected.
Wastewater Management Fund

- **FY 2005/2006 Total Operating Costs = $16.8 million.**
- **$73.8 million investment in infrastructure over the 20 year plan.**
- **$7.5 million investment in capital over the 20 year plan.**
- **FY 2005/2006 Adopted rate increase is 5.5%, half a percent higher than projected last year.**
## Residential Rate Comparison

### Projected Average Monthly Residential Utility Bill
(FY 2005/2006)

<table>
<thead>
<tr>
<th>Community</th>
<th>Average Monthly Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Altos Hills</td>
<td>$162.30</td>
</tr>
<tr>
<td>Los Altos</td>
<td>116.27</td>
</tr>
<tr>
<td>Cupertino</td>
<td>110.42</td>
</tr>
<tr>
<td>Palo Alto</td>
<td>106.07</td>
</tr>
<tr>
<td>San Jose</td>
<td>101.78</td>
</tr>
<tr>
<td>Mountain View</td>
<td>89.57</td>
</tr>
<tr>
<td><strong>Sunnyvale</strong></td>
<td><strong>72.42</strong></td>
</tr>
<tr>
<td>Milpitas</td>
<td>72.32</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>67.26</td>
</tr>
<tr>
<td><strong>Average (All Cities)</strong></td>
<td><strong>99.93</strong></td>
</tr>
<tr>
<td><strong>Average (Excluding Sunnyvale)</strong></td>
<td><strong>103.37</strong></td>
</tr>
</tbody>
</table>
## Commercial Rate Comparison

<table>
<thead>
<tr>
<th>Community</th>
<th>Water (ccf)</th>
<th>Sewer (ccf)</th>
<th>Garbage**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Altos Hills</td>
<td>2.95</td>
<td>47.53*</td>
<td>221.21</td>
</tr>
<tr>
<td>Los Altos</td>
<td>1.92</td>
<td>31.30*</td>
<td>217.69</td>
</tr>
<tr>
<td>San Jose</td>
<td>1.99</td>
<td>1.81</td>
<td>150.00</td>
</tr>
<tr>
<td>Cupertino</td>
<td>1.99</td>
<td>1.62</td>
<td>166.86</td>
</tr>
<tr>
<td>Palo Alto</td>
<td>4.03</td>
<td>4.17</td>
<td>243.10</td>
</tr>
<tr>
<td>Mountain View</td>
<td>2.69</td>
<td>2.47</td>
<td>191.85</td>
</tr>
<tr>
<td>Milpitas</td>
<td>2.95</td>
<td>1.91</td>
<td>146.67</td>
</tr>
<tr>
<td><strong>Sunnyvale</strong></td>
<td><strong>2.05</strong></td>
<td><strong>2.04</strong></td>
<td><strong>199.88</strong></td>
</tr>
<tr>
<td>Santa Clara</td>
<td>1.74</td>
<td>1.00</td>
<td>145.38</td>
</tr>
<tr>
<td>Average of all cities</td>
<td>2.48</td>
<td>2.15</td>
<td>186.96</td>
</tr>
<tr>
<td>Avg excl Sunnyvale</td>
<td>2.53</td>
<td>2.16</td>
<td>185.35</td>
</tr>
</tbody>
</table>

*Cities charge flat monthly rate

**Comparison based on 3 cubic yard bin picked up one time per week.*
Community Recreation Fund

- Contains the City’s recreation activities: golf courses, tennis center, classes
- Changing golf market place has lead to declining revenues
  - Long term projections have been decreased by $500,000 annually
  - Reduces financial support for subsidized recreation services
Community Recreation Fund

Council has reviewed several issues that staff is continuing to address:

- Senior Lunch Program
  - $25,000 added to FY2005/06 budget while short and long term solutions developed

- Fee Waiver Program
  - FY 2004/05 - $76,000 added for one year to cover demand and increased admin costs
Community Recreation Fund

- Interest earnings of $11,000 transferred from Dorolou Swirsksky Youth Opportunity Fund
  - Used for fee waiver program and youth recreation programs

- Funding for Infrastructure projects moved to Park Dedication Fund based on review of funding sources
  - $6.2 million over twenty years
Community Recreation Fund

- General Fund subsidy held to previous level of $3.2 million annually
- Structural Imbalance
  - $650,000 starting in FY 2006/07 is budgeted as Fiscal Strategies to balance the Fund
- Staff reviewing several Fiscal Strategies and will bring to Council during FY 2005/06
General Services Fund

- Provides support services to programs within the City
- Funding recovered through rental rates charged to benefiting program operating budgets
- Rental rate may include cost of replacement for depreciable equipment as well as operations
General Services Fund

8 Sub-Funds:
- Fleet Services
- Facilities Management
- Sunnyvale Office Center
- Technology and Communication Services
- Sewer Equipment
- Public Safety Equipment
- Parks and Recreation Equipment
- Project Management
General Services Fund

- Aggregate rental rate increase 2.1%
  - Reflects decrease from last year: 3.8% forecast last year for FY 2005/06

- Savings identified through:
  - Reductions in equipment inventory
  - Changing replacement schedules
  - Analysis of reserve levels and reducing where appropriate
Fleet Services Sub-fund

- Significant rise in fuel costs
  - Increase of $137,000 for FY 2005/06

Facilities Mgmt Services Sub-fund

- Significant increase in electricity costs in recent years
  - $200,000 increase in FY 2003/04
General Services Fund

Facilities Mgmt Services Sub-fund (cont.)

- Total rental rate reduced by 1% ($33,343) due to decrease in rental for furniture replacement
- Interfund loan repayment schedule accelerated
- Reserves reduced based on historical expenditures for equipment replacement
  - $980,000 over the twenty years
General Services Fund

- Sunnyvale Office Center Sub-fund
  - Sunnyvale Office Center (SOC) purchased with variable rate Certificates of Participation (COPs)
  - Because the property is impacted by the land banking policies and the new civic center plans are on hold, SOC is shown operating for entire 20-year planning period
  - Interest rate for COPs increased for FY 2005/06
General Services Fund

- Technology and Communication Services Sub-fund
  - Technology equipment costs reduced 10%
    - continued decline in hardware acquisition costs
    - anticipated reductions in equipment levels
    - extended replacement schedules
  - General Fund loan repayment schedule accelerated
General Services Fund

- **Sewer Equipment Sub-fund**
  - Rental rate decreased based on reducing equipment and extending equipment replacement schedule

- **Public Safety Equipment Sub-fund**
  - No major changes
  - Detailed inventory of all equipment to be conducted in FY 2005/06
  - General Fund loan repayment schedule accelerated
General Services Fund

- Parks and Recreation Equipment Sub-fund
  - No major changes

- Project Management Sub-fund
  - No major changes
Infrastructure Fund

- Funds renovation and replacement of City’s physical infrastructure
- 3 Sub-funds:
  - General
  - Community Recreation
  - Multi-Funded Assets
Infrastructure Fund

- Projects reviewed and replacement schedules revised during budget process
- Long Range Infrastructure Plan will be updated in FY 2005/06 and reflected in FY 2006/07
Infrastructure Fund

- 67 projects in the 20 year plan ($60M)
  - 21 projects in FY 05/06
  - 15 new projects over the plan period
- Parks related projects are funded by Park Dedication Fees
  - Reduced contributions from the General Fund and Community Recreation Fund
Employee Benefits Fund

- Mechanism to cover expenditures related to employee related costs
- Additive rate charged to staff salaries wherever personnel hours are budgeted
- 4 Sub-funds: Leaves Benefit, Retirement Benefits, Workers’ Compensation, and Insurance and Other Benefits
Employee Benefits Fund

- Total expenditures up $5.2 million from FY 2004/05 = 10.6% increase

- Significant fiscal issues
  - Retirement costs
  - Workers Compensation Costs
  - Retiree Medical Costs
Employee Benefits Fund

Leaves Sub-fund

- Higher vacation leave accruals estimated for next three years due to delay in retirements
- Reserve for unused leave eliminated since budget reflects all earned leave and therefore redundant
Employee Benefits Fund

- **Retirement Benefits Sub-fund**
  - Significant Increases in employer rate over last several years:

<table>
<thead>
<tr>
<th>CalPERS Plan Employer Rate</th>
<th>FY 2003/04 (actual)</th>
<th>FY 2004/05 (actual)</th>
<th>FY 2005/06 (actual)</th>
<th>FY 2006/07 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Safety</strong> (3% @ 50)</td>
<td>16.9%</td>
<td>29.6%</td>
<td>32.9%</td>
<td>32.5%</td>
</tr>
<tr>
<td><strong>Miscellaneous</strong> (2% @ 55)</td>
<td>0.6%</td>
<td>6.6%</td>
<td>11.4%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>
Employee Benefits Fund

- Retirement Sub-fund (cont.)
  - Impact of changes in employer rate from last year’s budget = $20 million over the 20-year financial plan
  - Benefit increase for miscellaneous employees: from 2%@55 to 2.7% @55 effective FY 2007/08
    - Funded through salary savings, transferred from various operating programs. $2.6 million for FY 2005/06
Employee Benefits Fund

- Workers’ Compensation Sub-fund
  - Sharply rising costs in recent years
  - Staff is focusing on controllables:
    - Injury prevention training
    - Increased usage of light duty program
    - Better management and follow-up
  - Goal is to reduce costs by 25% in FY 2005/06 and additional 25% over next 5 years for a total of 50% ($1.3M)
Insurance/Other Benefits Sub-fund

- Medical insurance premiums up 14.9% for 2005, as budgeted
- Due to new SEA MOU, City’s share of health premiums increased
  - Funded through budgeted salary savings - $562K for FY 2005/06
Employee Benefits Fund

- Insurance/Other Benefits Sub-fund
  - Retiree medical costs expected to increase substantially
    - Number of retirees expected to grow by 23% in next four years
    - Current additive rates cannot fully fund over long term – additional $2.2M budgeted annually in last ten years
Liability and Property Insurance Fund

- City participates in risk pool administered by California Joint Powers Risk Management Authority
- Funded through transfers from dependent funds
- No major changes
Fiduciary Funds

- Maintains principal and expends interest for specific purposes
- 2 Funds:
  - Fremont Trust
  - Dorolou Swirsky Youth Opportunity Fund
Fiduciary Funds

- Fremont Pool Trust Fund (principal $813,533)
  - Interest transferred to the Community Recreation Fund for Fremont Pool operations
  - $1M interest projected over the 20 year plan
    - Offsets ~27% of Fremont Pool operations cost
Fiduciary Funds

- Dorolou Swirsky Youth Opportunity Fund (Principal $526,635)
  - Interest transferred to the Community Recreation Fund
    - 1/3 for summer recreational equipment
    - 2/3 for Mobile Recreation Program or equivalent City Programs ($536K over 20 years)
Fund Reviews

- Questions, Comments, Suggestions on Fund Reviews Section
Projects Budget Review Process

- Projects proposed for funding are reviewed extensively by the Projects Review Committee and City Manager based on 13 criteria
  - E.g. Impact on public health and safety, legal requirements, and public support
Projects Budget Review Process

- Budget includes City Manager’s recommendations for funded and unfunded projects
- City Council provide final direction on project funding decisions
344 projects recommended

- $20 million for FY 2005/06
- $145 million in first 10 years
- $114 million in the second 10 years
- 85 new projects
## FY 2005/06 Projects Budget

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Projects</td>
<td>$4,900,418</td>
</tr>
<tr>
<td>Special Projects</td>
<td>$7,808,035</td>
</tr>
<tr>
<td>Infrastructure Projects</td>
<td>$7,105,093</td>
</tr>
<tr>
<td>Outside Group Funding</td>
<td>$553,934</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,367,480</strong></td>
</tr>
</tbody>
</table>
Unfunded Projects Budget

- 62 Unfunded Projects
  - $49 million in the first 10 years
    - $13.8 million for Corporation Yard Master Plan
  - $394 million in the second 10 years
    - $213 million for Civic Center Redevelopment
    - $100 million for VTP 2030 Local Streets and County Roads project
### Outside Group Funding Recommended

**General Fund Supported Only**

<table>
<thead>
<tr>
<th>Outside Groups</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005 Request</th>
<th>HHSC Recommended</th>
<th>Staff Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CDBG</td>
<td>GENERAL</td>
<td>CDBG</td>
</tr>
<tr>
<td>Sunnyvale Comm Svcs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>98,339</td>
<td>65,552</td>
<td>65,552</td>
</tr>
<tr>
<td>Euphrat Art Program</td>
<td>12,298</td>
<td>12,298</td>
<td>12,298</td>
<td>12,300</td>
<td>12,298</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Family &amp; Child Services</td>
<td>0</td>
<td>0</td>
<td>30,000</td>
<td>30,000</td>
<td>31,100</td>
<td>21,100</td>
<td>21,100</td>
</tr>
<tr>
<td>Junior Achievement</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>11,165</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Leadership Sunnyvale</td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
<td>7,000</td>
<td>10,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Live Oak/Adult Services</td>
<td>44,881</td>
<td>30,000</td>
<td>28,000</td>
<td></td>
<td>29,400</td>
<td>19,400</td>
<td>19,400</td>
</tr>
<tr>
<td>Bill Wilson Center</td>
<td>15,227</td>
<td>15,227</td>
<td>15,000</td>
<td>16,750</td>
<td>32,000</td>
<td>17,000</td>
<td>17,000</td>
</tr>
<tr>
<td>India Comm Center</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25,000</td>
<td>8,792</td>
<td>8,792</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>81,000</td>
<td>85,000</td>
<td>118,000</td>
<td>124,000</td>
<td>97,458</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>