Fiscal Year 2007/2008
Budget Workshop

Thursday, May 24, 2007
City Council Chambers
FY 2007/2008 Budget Workshop

 Agenda
  – Overview of FY 2007/2008 Recommended Budget
  – Fund Reviews: Twenty-Year Financial Plans
  – Review of Proposed Projects by Category
FY 2007/2008 Budget Workshop

- Agenda (cont.)
  - Review of Budget Supplements
  - Review of Proposed Fees
  - Service Level Review Process
  - Wrap Up
    - Summary of direction
    - Additional Comments/Requests from Council
Budget Overview

- **Sunnyvale on two-year budget cycle**
  - Operating resources budgeted for two years, allows detailed review of projects in second year

- **FY 2007/08 Project year, “off” year for operating**
  - Revenues, rental rates, personnel costs, utilities, fees reviewed annually
Budget Overview

- **Significant progress toward financial sustainability**
  - Budget balanced for 20 years
  - Services reflect Council priorities

- **Vulnerabilities exist**
  - Need for new library
  - Unfunded capital
  - Salary and benefit pressure
  - Threats to major revenue streams
Budget Overview

- Citywide Budget - $259.7 million
  - 6.8% below FY 2006/07 Budget
  - 5.6% above FY 2006/07 when project carryovers are excluded = $13.3 million

- Major reasons for increase:
  - $2.2 million operating
  - $9.7 million projects
  - $1.4 million SMaRT Station expenses
Budget Overview

- First Year of Projects Budget Cycle
- First fully formed 20-year capital budget
  - $838 million budgeted over 20 years
  - $600 million more than last year
  - Represents effort to identify and fully fund all needed capital and infrastructure improvements
Budget Overview

 Several major new or changed projects account for increase

- New WPCP $382 million
- SMaRT Station equipment $31 million
- Undergrounding of utilities $17 million
- Public Safety recruitment projects shown as supplements last year $76 million
Budget Assumptions

- Major revenue sources reflect specific business cycle
- Modest increases for salaries and cost of goods and services
  - Salaries based on MOUs
  - Goods and services 0% for FY 2007/08, 1.5% FY 2008/09, 2% next 8 years
  - All major components analyzed individually
Status of FY 2006/2007
Fiscal Initiatives

- Infrastructure Renovation and Replacement Plan
  - $83 million budgeted over twenty years

- Strategic Planning for Affordable Housing
  - Begun planning to maximize and leverage funding

- Update of Planning and Management System (PAMS)
Status of FY 2006/2007

Fiscal Initiatives

- **General Services Inventory Project**
  - Rental rates aligned with updated equipment replacement needs
  - Rental rates down: $300,000 savings annually in first 10 years

- **Library Facility and Programming**
  - New Library site selected; funding options being pursued
**Fee Analysis**

- Examined fees for full cost recovery
- Audit of Traffic Impact, Housing Mitigation, Park Dedication fee processes underway
- FY 2007/08 to align development fees with expenditures
Status of FY 2006/2007
Fiscal Initiatives

- Year-end Results for FY 2005/06
  - Positive financial impact of $2 million

- Traffic and Transportation Strategic Planning
  - White Paper presented to Council
  - Examination of needs and funds available

- Golf Course Vision Project
  - Identify type of customer, necessary improvements
Employee Health Care and Retiree Medical Costs

- Completed updated Actuarial valuation of Retiree Medical Liability
- Recommending plan for full funding over six years
- Progress made in containing health insurance costs for current employees
New Initiatives for FY 2007/2008

- Neighborhood Parks Planning
  - Overall review of all parks and open space assets

- Optimal Staffing Studies
  - Finance Department and Facilities Division of Parks and Recreation Department

- Going “Green” and Sustainability

- Intensive Budget Clinic
Budget Challenges – Near and Long Term

- **Fuel Related Costs**
  - Fuel costs 22% higher for Fleet Program since 2005
  - Also impacts capital projects

- **Community Recreation Fund Structural Deficit**
  - $432,000 beginning in FY 2007/08

- **Information Technology Needs**
  - Strategic direction from Staffing Study
Budget Challenges – Near and Long Term

- Unfunded Capital Projects
  - 43 Unfunded projects totaling $426 million

- Threats to Telecommunications Taxes:
  State and National Regulatory Changes

- Threats to Sales Tax: Internet Tax Moratorium

- Impact of Federal, State, County budget problems
Financial Opportunities
Yet To Be Explored

- Emergency 911 Fee
  - Fee approved in concept by Council
  - Not adopted pending legal issues and challenges
  - Staff will bring forward a recommendation after legal issues are concluded
  - Fee is projected to recover $2.5 million in dispatching costs
Financial Opportunities
Yet To Be Explored

Review of General Taxes

– Real Property Transfer Tax $1.10 per $1,000 property value, County gets half
  ▪ Can adopt own tax, County keeps $1.10
  ▪ San Jose, Palo Alto, Mountain View have own

– Utility Users Tax
  2% on Electric, Gas, Intrastate Telephone
  ▪ Can change base or rate
  ▪ Countywide average: 3.7%
Fund Reviews

- Review of Twenty-Year Financial Plans
  - Focus will be on Funds with major changes or policy issues
General Fund

- Supports essential City services
- Most of revenues from taxes
- Most affected by State actions
General Fund Revenues

- Revised estimate for FY 2006/07:
  - $118.6 million
  - Up $12 million over original estimates

- Projected FY 2007/08 revenue:
  - $125 million
  - 5.4% increase over FY 2006/07
  - $14.7 million higher than the $110.4 million projected for FY 2007/08 in the FY 2006/07 Adopted Budget

- Peak of 7 year business cycle in FY 2006/07
- Measured growth starting in FY 2007/08
Five major revenue sources generate 79% of revenue

- Property Tax 30%
- Sales Tax 26%
- Utility Users Tax/Franchise Fees 10%
- Construction-Related Revenues 8%
- Transient Occupancy Tax 5%
Property Tax

- Property Tax applied to assessed value of real and personal property
  - Prop 13 fixed rate at 1% of value
    - Increase limited to 2% per year unless sold
    - Reduced City revenue by 2/3
  - City receives 16% of each dollar

- Educational Revenue Augmentation Fund (ERAF) reduced $7 million annually
Property Tax

- Revised estimate for FY 2006/07 $35.8 million
  - Up $1.6 million
- Projected FY 2007/08 $37.2 million
  - 3.7% increase
- $18.4 million increase over 20 years in comparison to FY 2006/07 Adopted Budget
- Secured Property Tax largest segment
Property Tax

Projections for Secured Property Tax isolate residential and commercial/industrial
- Residential = 65%
- Commercial/Industrial = 35%
Property Tax

- Commercial/Industrial growth 5% FY 2007/08, then decreasing slightly
  - Stabilization of valuations
  - Modest increase from new buildings, higher occupancy
  - Planning Division projecting an average of 930,000 sq. ft. of new construction annually over the next 20 years
Property Tax

- Growth in residential 4% FY 2007/08
  - Slows to 3.5% in FY 2008/09
  - Reflects slowdown in housing market
  - Projections reflect new residential units under construction or anticipated

- 90% increase in Property Tax Admin Fee from County
Sales Tax

- City receives 1% of the 8.25% Sales Tax
- Revised estimate for FY 2006/07 $30.5M
  - Up $2M
- Projected FY 2007/08 $31.3M
  - 2.65% increase
- 20-Year Sales Tax projections up $31.6M compared to FY 2006/07 Adopted Budget
- Back to a sustainable base
- Slower growth through FY 2010/11
Sales Tax

- Projections based on four categories:
  - Business and Industry: 40.0%
  - Auto and Transportation: 17.5%
  - General Consumer Goods: 18.0%
  - Other: 24.5%

- Accounting for changes in Town Center and Town and Country
  - Closing stores during construction
  - $1 million in net new Sales Tax estimated when open
Utility Users Tax

- UUT rate is 2% of revenues on electricity, gas, and intrastate telephone usage
  - Santa Clara County average is 3.7%
  - Revised estimate for FY 2006/07 $6.3 million
  - Up 2% ($133,000)

- Projecting $6.5 million for FY 2007/08
  - 4.4% increase ($275,000)

- 20-Year UUT projections up $15 million over FY 2006/07 Adopted Budget
Utility Users Tax

- **Electricity sales - 61% of UUT**
  - 6% increase for FY 2007/08 over FY 2006/07
  - PG&E General Rate Case
  - Growth in usage due to new commercial development/lower vacancy

- **Telephone sales - 27% of UUT**
  - 2% annual increase in the first 10 years and 3% in the second ten years
    - Continued growth expected
    - Concerns around potential legislation that could impact this revenue source

- **Gas sales – 12% of UUT**
  - Based on average because of market volatility
Franchise Fees

- **Revised estimate for FY 2006/07 $5.8 million**
  - Up 2% ($100,000)
- **Projected FY 2007/08 $6 million**
  - 4.2% increase
- **Franchise Payments from:**
  - PG&E (42%)
    - Franchise Fee is 2% of gross annual receipts arising from the use, operation or possession of the franchise
  - Comcast Cable (18%)
    - Franchise Fee is 5% of gross annual revenues
  - Specialty Garbage (26%)
    - Franchise Fee set through the franchise agreement
  - SMaRT Garbage Host Fees (13%)
    - Set by SMaRT MOU
Construction-Related Revenue

- Includes Construction Tax, Building permits, Plan check and engineering fees
- Construction Tax rate is 0.54% of valuation
- FY 2006/07 up 33% due to high levels of residential and commercial development
  - Peak of seven year economic cycle
  - Numerous one-time large projects included in the revenues
- Decline beginning FY 2008/09
Transient Occupancy Tax

- **Revised estimate for FY 2006/07 $6.4M**
  - Up 4% ($268K)

- **Projected FY 2007/08 $6.8 million**
  - 7.4% increase ($470K)

- **Average occupancy and room rates up**
  - Occupancy projected at 66%
  - Room rates projected at $90

- **New tax rate**
  - 9.0% on January 1, 2007
  - 9.5% on January 1, 2009

- **Two New Hotels Expected in 2011**
Business License Tax

- Two-year Tax collection cycle
- November 2005 election increased rate over two-year period FY 2006/07 and FY 2007/08
- $1.1 million projected in FY 2007/08
- Indexed for inflation over 20-years
Real Property Sales

- Town & Country proceeds $3.5 million in FY 2006/07 and $5 million in FY 2007/08
- Downtown properties $3.7 million in FY 2010/11
- Unilever Margarine Plant $16.6 million in FY 2017/18
- Proceeds placed into Capital Improvement Projects Reserve
General Fund Expenditures

- **Total Requirements:** $133.8 million
  - Up 6.9% ($8.6 million) from FY 2006/07
  - $8.6 million increase includes:
    - $3.4 million in operational expenditures
      - $2 million operations (1.81%)
      - $1 million Transfer to Employee Benefits Fund for Employee Cost Uncertainties
      - $400,000 Liability and Property Insurance Fund, Community Recreation Fund Transfer
General Fund Expenditures

– $8.6 million increase (cont.)
  - $5.2 million in projects and project-related transfers
    - $1.8 million Downtown projects
    - $2.7 million Increase in Infrastructure Rehabilitation
Set aside for funds available to increase service levels or add new services
- FY 2006/07 beginning balance $500,000; $131,946 spent to-date
- Savings remaining from FY 2006/07 allotment rolled forward in twenty-year plan
  - FY 2007/08 available balance is $494,548
  - Recommending $48,500 be used to fund Murphy Street Enhanced Maintenance Supplement
General Fund Reserves

Three Reserves set by Fiscal Policy

- Contingencies Reserve 25%
- 20-Year RAP Reserve – Levelizes economic cycles, stabilizes services
- Reserve for Capital Improvement Projects – One-time Land Sales
General Fund Fiscal Condition

- The City has returned to long term financial stability during FY 2006/07
- Balanced over twenty years with no additional service reductions
  - Service Level Set-Aside funded at approximately $495,000
  - Capital Improvement Project Reserve increased substantially
- Improved conditions, but vulnerabilities remain
General Fund Requirements

 CURRENT RESOURCES VS. CURRENT REQUIREMENTS OVER TWENTY YEARS

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<th>Fiscal Year</th>
<th>Current Resources (in 000,000s)</th>
<th>Current Requirements (in 000,000s)</th>
<th>Difference (in 000,000s)</th>
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Housing Fund

- Comprised of revenues from housing mitigation funds and Below-Market-Rate (BMR) receipts
- Supports affordable housing & BMR programs
- Projected Housing Mitigation revenues up substantially due to increased housing development
  - $14.4 million first 10 years ($3.5M in FY 2007/08)
  - $13.4 million projected second 10 years
  - Up $27M in 20 year plan from last year’s plan
- Anticipates $300,000 contribution to Housing Trust Fund of Santa Clara County
HOME Fund

- HOME Federal Grant allocation for the provision of affordable housing units = $700,000 in FY 2007/08
  - Majority of funds allocated to two main projects
    - Acquisition and construction of affordable housing by Community Housing Development Organizations
    - HOME project for potential new affordable housing projects
CDBG Fund

- Used for affordable housing, public services, and capital projects serving targeted populations
- FY 2007/08 entitlement from Federal Government is $1.27M
- Loan repayments of $350K (Program Income)
- FY 2007/08 Budget includes:
  - $540K for operations (5,518 hours or ~3 FTE)
  - $239K for Outside Group Funding
  - $130K for special projects
  - $375K for capital projects
Park Dedication Fund

- Park dedication monies received from fees on high density residential development, used for park and open space purposes
- $12.7 million expected in the next 4 years
  - Revenue projection based on construction development cycle and known projects in pipeline
- Fee increased to $96/sq.ft. in FY 2007/08 - $4.2 million per acre
  - $81/sq. ft. FY 2006/07 - $3.5 million per acre
  - $75/sq. ft. FY 2005/06 - $3.3 million per acre
  - $55/sq. ft. FY 2004/05 - $2.4 million per acre
Park Dedication Fund

- Money appropriated to Parks & Recreation capital and infrastructure projects
  - $27.7 million in Infrastructure over 20 years
    - $6.6 million on Golf Course/Tennis Center
    - $6.2 million on Park Buildings work
    - $6.4 million on the Community Center/Senior Center
    - $4.1 million on Playground Equipment Replacement
  - $10 million in capital
    - $6 million to Plaza del Sol Phase II in FY 2007/08 and FY 2008/09
    - $2 million on Washington Pool Expansion
Public Safety Forfeiture Fund

- Funds received through drug seizures, can only be used to supplement law enforcement activities
- $1.25 million expected in reserve at the end of FY 2006/07
  - No other funds anticipated over the Long Range Financial Plan
  - Funds expected to run out in FY 2015/16
- On-going probation officer (0.5 person)
- Supplemental Police Services Equipment Acquisition
Police Services Augmentation Fund

- Accounts for two grant programs that provide money for law enforcement
  - State Supplemental Law Enforcement Services (SLES) - $260,000
  - Federal Local Law Enforcement Block Grant (LLEBG) - $10,000

- Funds Patrol Watch Commander position

- Funds have been reduced over the years
  - However, funds up in FY 2006/07
  - Flat in FY 2007/08
Employment Development Fund

- Accounts for Federal Funds and State funds for workforce development activities of NOVA
- Final FY 2006/07 WIA appropriations reduced 18% from previous year
  - Led to forced reduction of 17 positions and additional reduction of 12 positions through attrition
- Initial FY 2007/08 estimates are for another 6% reduction in WIA grant funds to NOVA
- $6 million in other supplemental funds
- Fund only budgeted one year at a time
- FY 2007/08 budget at sustainable base
Parking District Fund

- Provides for ongoing landscape and maintenance of downtown parking lots through assessment to property owners
  - Service level set by property owners
  - Continuing threat that voters will not approve future assessments
- Financial Plan assumes the District will approve two-year term assessments on an ongoing basis
- Will be reviewed once downtown development is completed
Gas Tax Fund

- Fund required by State law to account for Gas Taxes collected and allocated by the State
- Real Gas Tax revenues have not kept pace with road use and inflation
  - Gas taxes are flat at 18 cents per gallon
- Revenues projected at $2.4 million annually
- Transfer to Capital Projects Fund $1.2 million
- Transfer to Infrastructure Fund $620,000
- Operating Expenses for Pavement Operations $1.5 million
  - Substantially less than current year
  - $2.2 contributed to operations this year
Gas Tax Fund

- New revenue source reflected in the Gas Tax Fund in FY 2007/08 is allocation from State Infrastructure Bonds
  - Estimated to be $4.2 million in total
  - Currently revenues reflected over 5 years
  - Expenditures currently not programmed in 20-Year Plan pending guidelines on spending funds
  - Reflected in 20-Year RAP Reserve
Traffic Congestion Relief Program (TCRP) Fund

- State Sales Tax on gasoline to be used for local streets and roads purposes
- All funds programmed to support Street Maintenance activities
- Increase to TCRP revenues will help offset decrease in Gas Tax Fund contribution to Street Maintenance operations
  - Net twenty-year decrease to transfer to General Fund for Street Maintenance operations is $4.75 million
Transportation Development Act (TDA) Fund

- State returns ¼ of the 1% of State Sales Tax revenues for local bicycle, pedestrian projects
- FY 2007/08 revenue $81,600
- Funds will be allocated to specific projects as they are received
Youth and Neighborhood Services Fund

- Fund contains only Columbia Neighborhood Center program
- City reimbursed by Sunnyvale School District for portion of services
  - FY 2007/08 reimbursement projected at approximately $120,000
- General Fund subsidy is $335,000 for FY 2007/08 because of available fund balance
- Ongoing subsidy starting FY 2008/09 $539,000
Redevelopment Agency Fund

- **FY 2007/08 Budget reflects Town Center Redevelopment schedule**
  - ARDDOPA amended Tax Increment Agreement
    - Returns up to $4.5 million yearly to developer plus 50% of receipts above this amount
      - Change from the original value of $4.05 million
    - Project delayed, construction value $66 million more
    - Tax increment agreement ends FY 2025/26
Redevelopment Agency Fund

- Also reflects development of Town and Country
- Repayment of General Fund loan $46 million in first ten years
  - $62 million second ten years
- RDA will not be able to repay General Fund by 2028 when tax increment revenues end
  - Estimated $137 million balance remaining
- RDA unable to make 20% tax increment payments to the Low and Moderate Income Housing Fund through FY 2014/15
Redevelopment Agency Fund

- 20% Housing funds begin to flow in FY 2015/16
- Includes capital project for Town Center Site Remediation - $2 million
- Low and Moderate Income Housing Fund liability paid in FY 2027/28 and FY 2028/29
- FY 2029/30 all Property Tax goes to taxing entities
  - City gets 16%
Capital Projects Fund

- Capital projects funded by General Fund and other governmental funds
  - General, Gas Tax, Traffic Mitigation, and Traffic Impact Fees
  - Sub-funds receive transfers from funds directly responsible for projects

- $4.1 million FY 2007/08
- $84 million over 20 years
Utilities Funds Overview

- Three utility funds: Water, Wastewater, Solid Waste
- Long Term Financial Plans for Utilities updated annually
  - Operational forecasting of major expenditures
    - Cost and amount of wholesale water
    - Cost and amount of solid waste tons
    - Administrative and maintenance cost of each utility
    - State and Federal Regulations
  - Review of capital and infrastructure needs
  - Detailed review and forecasting of revenues
  - Reserve analysis
Utilities Fund

- Allows for multi-year rate management strategy
  - Review trouble points in each long range plan
  - Work to smooth the impact of large expenditure increases
  - Where applicable, apply the City’s fiscal policies such as the use of debt to finance large and long-lived capital or infrastructure projects
  - Using rates, develop a recommendation that balances each fund so that a combination of rate increases and use of reserves minimizes large swings in rates
Water Supply and Distribution Fund

- FY 2007/08 total operating costs = $21.5 million
- Purchased Water Costs = $14.3 million (67% of total operating costs)
- $50.5 million in capital and infrastructure costs over 20 years
  - Major projects include Water Line Replacement ($14.6 million) and Water Tanks ($13 million)
Water Supply and Distribution Fund

- Recommended rate increase for FY 2007/08 is 9.5%
  - SFPUC raised the wholesale rate 2.4% in FY 2006/07
  - Costs for two wholesale suppliers are increasing ~7%
  - Significant capital and infrastructure requirements
Wastewater Management Fund

- FY 2007/08 total operating costs = $16.1 million
- $458 million investment in infrastructure and capital projects over the twenty-year plan
  - Includes full replacement of WPCP
- Interfund loan repayment accelerated
- Recommended rate increase is 8.5%
  - 3% higher than last year’s recommendation
  - Significant capital and infrastructure requirements
    - Including the $330 million WPCP replacement
Solid Waste Management Fund

- FY 2007/08 total operating costs = $28.9 million
- Solid Waste collection contract down $21 million over twenty years
  - FY 2007/08 base cost down $1 million from prior projection
  - Savings from depreciation expense, workers comp, and cost savings incentive
  - 5% savings projected from contract re-bid in FY 2020/2021
- Sunnyvale’s SMaRT expense share up $41 million over twenty years
- Recommended increase is 6.5%
  - New SMaRT Station Operating Agreement
SMaRT Station Fund

- SMaRT Station shared by Palo Alto, Mountain View - MOU through 2021
  - Sunnyvale operating share ~ 46%, reflected in Solid Waste Fund
- FY 2007/08 total operating expenditures = $25.7 million
  - Up $2.5 million in FY 2007/08 (half year)
  - Up $3 million in FY 2008/09
SMaRT Station Fund

- Two major reasons for cost increases:
  - New operating contract January 2008
  - Major capital project for Materials Recovery Facility
    $14.3 million
    - New debt service $1.1 million annually for 15 years
Community Recreation Fund

- Contains the City’s recreation activities: golf courses, tennis center, classes, Community Center, Senior Center

- FY 2007/08 Recommended Budget $12.3 million
  - Direct operating expenses of $11.4 million
  - Up 1% from FY 2006/07

- Total General Fund subsidy of $4.1 million
  - Subsidy set at fixed amount and adjusted for inflation
Community Recreation Fund

- Structural Imbalance in Recommended FY 2007/08 Budget
  - $432,000 starting in FY 2007/08, increasing each year by inflation
  - Represents amount CRF needs to reduce expenditures or increase revenue each year to remain in balance
  - Can address by savings in FY 2007/08
Community Recreation Fund

- **Decline in revenue for Golf Operations driving structural imbalance**
  - Golf play has continued to decline since peaking in FY 2000/2001
    - This is a nationwide trend
  - Golf operations still the greatest single source of revenue for the Community Recreation Fund
    - Revenues cover operational costs and provide $1.3 million to support other recreation services
    - $5.2 million in Capital projects for golf in the Long Range Financial Plan now covered by Park Dedication Fund
  - Subfund established for golf activities in FY 2007/08
General Services Fund

- Used for services provided by one department to other departments
  - Fleet, Facilities, and Technology & Communication
  - Rental rates charged to benefiting programs recover operating costs and provide replacement funds for equipment
  - Ensure full cost accounting for services

- Aggregate rental rate increases reduced to 3.5% annually in the first ten years
  - 3.9% annually in FY 2006/07 Budget
  - Decrease due to equipment savings opportunities identified through physical assets inventory project
  - Savings $300,000 per year
Sunnyvale Office Center Fund

- Contains operations of Sunnyvale Officer Center at 505 W. Olive
- Purchased with variable rate debt in 2001
  - Interest assumption changed to 4.5% over remainder of plan
- Assumes continued operation over 20 years
Infrastructure Renovation and Replacement Fund

- Funds projects related to the renovation and replacement of the City’s general infrastructure

- 27 projects in FY 2007/08 totaling $5.4 million
  - Public Safety Building HVAC/Rehab $2 million
  - Community Center HVAC/Roof $1 million
  - Parks Infrastructure $815,000
  - Streets Infrastructure $930,000

- $83 million during 20 years
Employee Benefits Fund

- Cover expenditures related to employee costs
  - Leaves
  - Retirement
  - Workers’ Compensation
  - Insurance
- Additive rate charged to personnel hours
- FY 2007/08 expenditures $72.6 million
Employee Benefits Fund

- Leaves Benefit Sub-fund
- All time off, including vacation, sick leave, disability, paid time off, holidays
- Total expenditures $12.3 million
  - Increase of 2% ($200,000) over current year
Employee Benefits Fund

- **Retirement Sub-fund**
  - Safety Plan – 3% at 50
  - Miscellaneous Plan enhanced to 2.7% at 55 effective FY 2007/08
    - Pending membership approval
    - Employer contribution increased by 5.3% in anticipation of new plan
      - Funded by reduced/no salary increases for certain employee classifications starting in FY 2004/05
      - Employee pays additional 1% employee contribution
Employee Benefits Fund

- **Retirement Sub-fund**
  - City uses CalPERS employer rate which utilizes 20-year fixed amortization for first year, then 30-year fixed for remaining years
  - Fund contains Rate Uncertainty Reserve starting FY 2007/08
## Employee Benefits Fund

### CalPERS Plan Employer Rates

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<td><strong>Miscellaneous (2% @ 55)</strong></td>
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Employee Benefits Fund

- Workers’ Compensation Sub-fund
  - 38% decrease in claims since FY 2002/03
  - FY 2007/08 Budget projects one more year of reductions to 125 claims
  - 33% less leave hours since FY 2002/03
    - 10% reduction projected in FY 2007/08
  - Severity of claims ($$$) increases by 2.5% to reflect salary assumptions
  - Reserve set on actuarial analysis
Employee Benefits Fund

✦ Insurances Sub-fund
  – FY 2007/08 Budget $14.4 million for medical, dental, vision, life insurance
    ▪ 6.5% increase over FY 2006/07
  – Largest expenditure is medical insurance for employees
    ▪ Premium increase 8% yearly through 2012
    ▪ Assumed 5% increase thereafter
  – FY 2006/07 took action to contain medical contributions
Employee Benefits Fund

- Insurances Sub-fund
  - Retiree medical costs expected to increase rapidly over the next several years
    - Retiree population expected to grow 11% between FY 2006/07 and FY 2007/08
  - Liability for retiree medical $80 million
  - Budget fully funds GASB 45 liability
Liability and Property Insurance Fund

- Provides coverage for General Liability and property assets – Total Budget $1.6 million
  - City participates in California Joint Powers Risk Management Authority (CJPRMA) for Liability
    - Provides insurance over City’s Self Insurance Retention level ($500,000 per claim)
    - Rebate received annually based on pool experience
  - Self Insured for Property
- Reserves drawn down significantly after one large claim paid out in FY 2006/07
  - Reserve to be built back up to desired level over next four years
Interest on Fremont Pool Trust transferred to Community Recreation Fund

- Used to offset City’s cost to operate Fremont Pool – Operational cost is $131,385
- Earnings for the Trust cover approximately 32% of the City’s annual costs ($43,000)
- Revenues from pool operation cover approximately 37% of the total costs ($48,000)
- Remaining $40,385 of operational cost covered by the General Fund subsidy to the Community Recreation Fund
Dorolou Swirsky Youth Opportunity Fund

- Interest on trust transferred to Community Recreation Fund to support Mobile Recreation Program
Fund Reviews

Questions, Comments, Suggestions on Fund Reviews Section
8 Supplements - Two Categories:

- Service Level Enhancements
  - 2 Supplements: FY 2007/08 Request $73,350
  - Recommend funding $48,500 from General Fund Service Level Set-Aside

- Outside Group Funding
  - 6 Supplements: FY 2007/08 Request $131,227
  - Recommend total contribution $100,000
Service Level Enhancements

- **Murphy Avenue Enhanced Maintenance and Tree Lighting**
  - $48,500 for one year
  - Recommended for funding

- **Parks Ornamental Water Features**
  - $24,850 annually; 20 Year Impact: $689,350
  - Not Recommended for FY 2007/08; will be considered as part of operating budget process next year
Outside Group Funding

- Council Priorities for Funding:
  - Senior Services, Youth Services, Handicapped Services, Employment Training, Substance Abuse Services

- Council Identified Gaps
  - After-school programs for “at-risk youth,” transportation services for seniors, mental health services for households
Request for General Fund Support: CDBG Eligible Outside Groups

Housing and Human Services Commission’s Recommendation

- Sunnyvale Community Services $30,471
- Support Network for Battered Women $1,636
- EHC Lifebuilders $2,888
- Second Harvest Food Bank $280
- Cupertino Community Services $767

Total: $36,042
Requests from Outside Groups

- Case Management for Seniors $57,147
- Sunnyvale Alliance Soccer Club Fee Waiver Program $5,000
- Junior Achievement $10,740
- Leadership Sunnyvale $10,000
- Euphrat Museum of Art’s After-School Arts Program $12,298

Total: $95,185
Review of Fees and Charges

- City fees and charges for services reviewed annually
- Align fee with cost of service except:
  - Legally limited
  - Market based
  - Subsidized for public purpose
New Fees

Four new fees proposed for FY 2007/08

- Notary services
- Initiative petitions
- Business License Tax certificate reprint
- Alarm User Permit
Highlights of Non-Standard Fees

- **Park Dedication Fees**
  - Based on Fair Market Value of land
  - Increase from $81/sq. ft. to $96/sq. ft.

- **Golf Fees**
  - Based on Market Survey
  - Increase effective April 1, 2008

- **Transportation Impact Fee**
  - Established January 1, 2004 to mitigate traffic effect on new development
  - Proposed to be indexed by Cost Construction Index
  - Recommend 5% increase FY 2007/08
Service Level Review Process

- Part of comprehensive effort to reduce structural budget gap
- Council review of all City programs and services at least once every 8 years
- Provide Council earlier opportunity for preliminary policy direction
- Encourage more public participation
Service Level Review Process

- Conducted first review in April 2005
- Utility-related programs:
  - Water Supply and Distribution
  - Solid Waste Management
  - Wastewater Management
  - Utility Billing, Collection and Revenue Management
Next reviews scheduled for Development-related programs:
- Housing and Human Services
- Land Use Planning
- Construction Permitting
- Neighborhood Preservation
- Engineering Services (DPW)
Service Level Review Process

- Suspended for FY 2006/07 due to restructure of all City programs
- Restructures required Council review and approval of every program’s:
  - Performance measures
  - Performance measure priorities
  - Program expenses and products for each activity
Service Level Review Process

- Council to re-evaluate in FY 2006/07
- Considerations:
  - Current Council has reviewed all City programs through restructure process
  - Additional years needed to develop trend data
Summary

🔹 Council Direction
  – Information on Budget Appropriation Control Policy
  – Direction from Today’s Workshop
  – Additional Direction on the Budget

🔹 Next Steps
  – Budget Adoption – June 19, 2007