



Fiscal Year 2008/2009 Budget Workshop

Friday, May 23, 2008

City Council Chambers



FY 2008/2009 Budget Workshop

◆ Agenda

– Overview of FY 2008/2009 Recommended Budget

- Budget Process
- Summary of City's fiscal condition
- Budget Supplements
- Challenges and Opportunities
- Budgetary Assumptions
- Budgetary Changes



FY 2008/2009 Budget Workshop

◆ Agenda

- Fund Reviews: 20-Year Financial Plans
- Review of Operating Programs
- Review of Capital Project Changes
- Review of Fee Schedule
- Conclusion
- Questions and Comments



Budget Overview

- ◆ **Citywide Budget - \$305 million**
 - 4.81% above FY 2007/2008 Budget of \$291 million
 - 5.36% above FY 2007/2008 Budget excluding Employment Development Grant Programs



Budget Overview

- ◆ **Operating budget is \$187.1 million for FY 2008/2009**
 - Up 5.83% from FY 2007/2008 budget of \$176.7 million
 - Increase primarily due to escalating personnel costs



Budget Process

- ◆ **20-Year RAP and Long Term Financial Plan**
- ◆ **2-Year Operating and Projects Budget with Alternating Focus**
 - On-Year for Operating Budget
 - Off-Year for Projects Budget
- ◆ **Revenues, Personnel Costs, Enterprise activities reviewed annually**



Budget Process

- ◆ **Study Issues/Budget Issues
Workshop: January 25, 2008**
- ◆ **Budget Prioritization Process**
- ◆ **Budget Workshop**
- ◆ **Public Hearing: June 3, 2008**
- ◆ **Budget Adoption: June 10, 2008**



Budget Prioritization Process

- ◆ **Budget priority setting tool used for FY 2008/2009 budget cycle**
 - Identify service and project priority
 - Determine relative funding priorities on citywide basis
- ◆ **All activities and projects ranked, including unfunded projects**
- ◆ **Not process to reduce budget or modify service levels**



City's Fiscal Condition

- ◆ **City's long-term outlook is stable and sustainable**
 - Funded reserves maintained
 - Base services supported by base revenues (no “structural deficit”)
 - Priority services included in base budget
 - Continued discipline in long-term planning



City's Fiscal Condition

- ◆ **City's long-term outlook is stable and sustainable (cont'd)**
 - Revenue base is diversified
 - Identified opportunities for efficiencies and revenue enhancements
- ◆ **Biggest liability is unfunded Capital Improvement projects**
 - Not practical to fund out of operating revenues



Key Initiatives - Current

- ◆ Neighborhood Parks Planning
- ◆ Optimal Staffing Studies
- ◆ Affordable Housing Strategy
- ◆ Going “Green”/Sustainability
- ◆ Intensive Budget Clinic
- ◆ Strategic Planning for Public Facilities



Key Initiatives - Current

- ◆ **Mathilda/237/Mary Avenue Transportation Improvements**
- ◆ **Downtown Revitalization**



Key Initiatives – FY 2008/2009

- ◆ **Economic Development Strategy**
- ◆ **Library Facility Needs**
- ◆ **Review of Construction-Related Fees**
- ◆ **10-Year Trend Information**



Budget Supplements

- ◆ 19 budget supplements submitted
- ◆ Used budget priority setting tool to make funding recommendations
 - 12 proposed for funding
 - \$2.2 million
 - One-time \$1.6 million
 - Ongoing \$629,000



Budget Supplements

FY 2008/2009 Budget Supplements

Budget Supp. No.	Description	Fund	One-Time	On-Going	20-Year Impact	City Manager's Recomm.
1.	Environmental Sustainability	General	X	X	\$1,639,995	Yes
2.	Online Posting of FPPC Forms	General		X	\$439,038	Yes
3.	Community Event Funding Support	General	X		\$30,000	Yes
4.	Building and Planning Fee Incentives for Solar Panels and Green Buildings	General		X	\$832,672	No
5.	Automated Materials Handling System for Returned Library Materials	General	X	X	(\$2,533,023)	Yes
6.	Elimination of Library's Reserve Fee	General		X	\$333,069	Yes
7.	Care Management Program at the Sunnyvale Senior Center	General		X	\$1,847,071	Yes
8.	Funding for Additional Law Enforcement Efforts	General	X		\$50,000	No



Budget Supplements

FY 2008/2009 Budget Supplements

Budget Supp. No.	Description	Fund	One-Time	On-Going	20-Year Impact	City Manager's Recomm.
9.	Marketing Campaign to Encourage Bicycling	Capital Projects	X		\$85,000	No
10.	Greenhouse Gas Emissions Reduction Projects	General, General Services, Wastewater	X	X	(\$491,160)	Yes
11.	Mathilda/Caltrain Bridge Parking Lot Access	Gas Tax	X		\$50,000	Yes
12.	Landscape/Sidewalk Improvements South Side of Hendy Avenue	Gas Tax	X		\$150,000	No
13.	Comprehensive Bridge and Levee Report	Gas Tax, Wastewater	X		\$200,000	Yes
14.	Complete Sidewalk Repairs and Install Curb Ramps	General		X	\$16,041,103	No
15.	Outside Group Funding Request from Silicon Valley Leadership	General	X		\$8,000	Yes



Budget Supplements

FY 2008/2009 Budget Supplements

Budget Supp. No.	Description	Fund	One-Time	On-Going	20-Year Impact	City Manager's Recomm.
16.	Council Meeting Minutes	General		X	\$204,506	Yes
17.	Purchase, Implementation and Maintenance of Electronic Records Management System	General	X	X	\$2,346,908	Yes
18.	Junior Achievement of Silicon Valley for K-12 Work Readiness and Economics Education	General	X		\$10,740	No
19.	Santa Clara Valley Blind Center Funding Request	General	X		\$45,000	No



Budget Challenges

- ◆ **Petroleum related costs**
 - Fuel for vehicles
 - Street repair and reconstruction
- ◆ **Employee-related costs**
 - Medical insurance
 - Salaries



Budget Challenges

- ◆ **Unfunded capital projects**
 - 45 projects, \$437 million
 - Place into broad categories, identify those with potential revenue sources
 - Some difficult to fund with basic resources
- ◆ **Infrastructure renovation and replacement**



Budget Opportunities

- ◆ **Successful pursuit of cost saving strategies**
 - Optimal staffing studies
 - Continuous improvement
- ◆ **Explore alternative service delivery**
 - Outsourcing possibilities identified in Public Works



Budget Opportunities

- ◆ **Improvements to ongoing revenue base**
 - Transient Occupancy Tax increase
 - Business License Tax increase
 - Ongoing revenue audits
- ◆ **Emergency 911 access fee**
 - Approved in concept in 2004
 - Held pending ongoing court challenges
 - Would cover \$2.8 million dispatch costs



Budget Opportunities

- ◆ **Review of local, city-controlled taxes**
- ◆ **Certain tax rates below county/state average**
 - Real Property Transfer Tax
 - Utility Users Tax
 - Construction Tax
 - Vote required
- ◆ **Franchise Fees limited by franchise agreements**



Budgetary Assumptions

◆ Economic Slowdown

- Bay area better than state or nation

◆ State Budget Impact

- May Revise no major changes
- 10% cuts in SLES and Booking fees
- Could consider LAO proposal to cut public safety dollars - \$1.8 M



Budgetary Inflation Assumptions

◆ Goods and services inflation

- FY 2008/2009 0%
- FY 2009/2010 1.5%
- Next eight years 2%
- Second ten years 3%



Budgetary Inflation Assumptions

- ◆ **Salary costs based on MOUs**
 - SEA, SEIU under negotiation
 - SMA to be negotiated
 - Continued high medical benefit costs
- ◆ **PERS Rates**
 - Up 1% for Safety
 - Down .6% for Miscellaneous
- ◆ **Medical insurance up 8%**
 - No change in assumption from last year



Salary Sensitivity Table

1% Salary Adjustment - Fiscal Impact

	# of Positions	Salaries	Benefits	Total
SEA	504	\$284,369	\$121,885	\$406,254
PSOA	210	\$239,062	\$152,393	\$391,454
MGMT	103	\$111,225	\$48,847	\$160,072
CONF	29	\$20,727	\$9,021	\$29,747
SEIU	58	\$14,870	\$5,599	\$20,469
COA	20	\$14,635	\$6,427	\$21,063
Casual/Seasonal	NA	\$21,951	\$41	\$21,992
Total	924	\$706,838	\$344,213	\$1,051,052



Budgetary Inflation Assumptions

- ◆ Revenue projections based on individual characteristics
- ◆ Fees aligned to cost of service except legally limited, market based or subsidized
- ◆ All budget assumptions based on existing service levels



Budgetary Changes

- ◆ **FY 2006/2007 actual costs used as baseline**
- ◆ **Minor changes in most programs**
- ◆ **Program notes highlight noteworthy information**



Budgetary Changes

- ◆ **Areas with significant program changes in FY 2008/2009**
 - Risk Management program moved to Human Resources Department
 - Information Technology Department fully restructured
 - Economic Development program placeholder pending Economic Development Strategy



Budgetary Changes

- ◆ **Areas with significant program changes in FY 2008/2009**
 - Development-related activities budgeted at baseline plus project to reflect construction cycle
- ◆ **Two new citywide performance measures**
 - Timeliness of RTC submission
 - Timeliness of Study Issue completion



Budgetary Changes

- ◆ **Community Condition Indicators centralized**
- ◆ **Additional historical information**
 - FY 2006/2007 Budget and Actual
- ◆ **New report on expenditures by type included with each program**
 - Budget by activity, not by line-item
- ◆ **Includes service/priority rankings**



Budgetary Changes

◆ Change in Outside Group Funding process

- Human Service groups included in CDBG process
- General Fund requests considered as budget supplements
- \$100,000 formerly allocated from General Fund now rolled into Service Level Set-Aside



Budget Overview

- ◆ Questions, Comments, Suggestions on Budget Overview Section



Fund Reviews

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



General Fund

- ◆ Includes basic City services and general government support functions
- ◆ Impacted by economic conditions and State legislature actions
- ◆ Works in tandem with Gas Tax Fund



General Fund Revenues

- ◆ **Overall revenues for FY 2008/2009 down 5.3% from FY 2007/2008 projected**
 - \$7 million decrease
 - \$5 million second payment re: sale of Town and Country received in FY 2007/2008
 - Also reflects slower growth for major revenues and declining development-related revenues



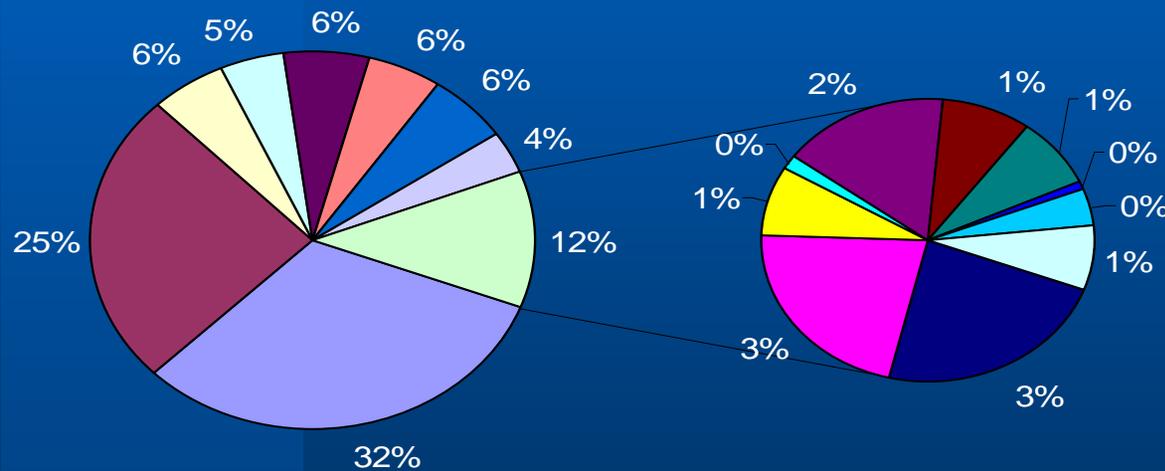
General Fund Revenues

◆ Five major revenue sources generate approximately 80% of revenue

- Property Tax 32%
- Sales Tax 25%
- Utility Users Tax/Franchise Fees 11%
- Transient Occupancy Tax 5%
- Construction-Related Revenues 8%



General Fund Revenues



- Property Tax
- Sales Tax
- UUT
- Franchises
- TOT
- Permits and Licenses
- Inter-Fund Revenues
- Service Fees
- Interest
- Other Taxes
- Business License Tax
- Miscellaneous
- Rents and Concessions
- Prop. 172 Sales Tax
- Fines and Forfeitures
- Federal and Intergovernmental
- Repayment from Town Center Developer
- State Shared



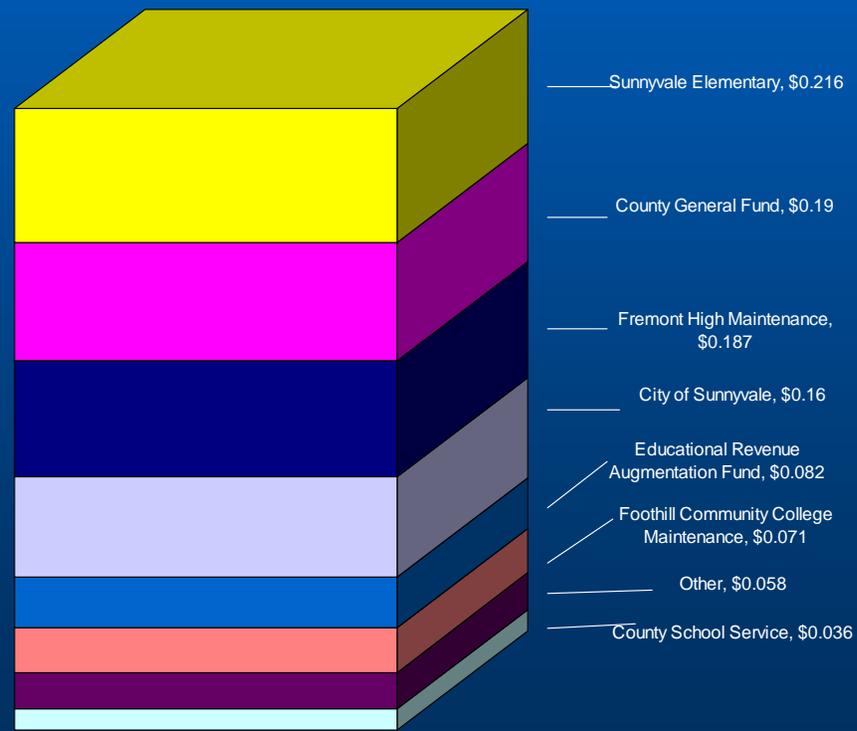
Property Tax

- ◆ **Largest General Fund revenue**
 - \$40 million
 - Addition of VLF In-Lieu
 - \$0.16 of each dollar goes to Sunnyvale
 - 32% of budget
- ◆ **Overall revenues for FY 2008/2009 up 3.3% from FY 2007/2008 projected**
 - \$1.3 million increase



Property Tax Distribution

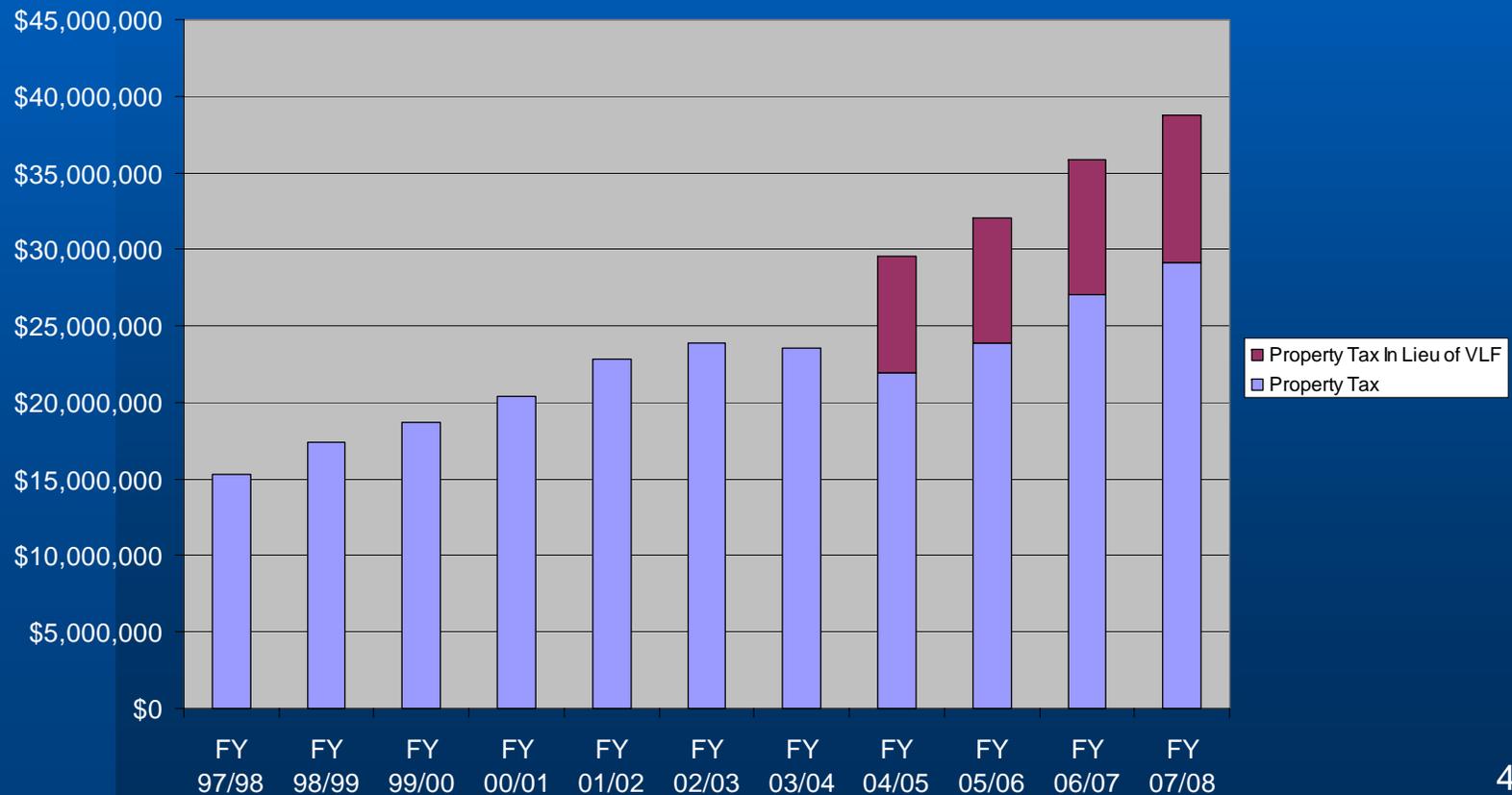
Property Tax Breakdown





Property Tax

Property Tax Revenues
FY 1997-1998 to FY 2007/2008





Property Tax

- ◆ Projections isolate residential and commercial/industrial
- ◆ Commercial/Industrial growth slowing after several strong years
- ◆ Residential growth held flat at approximately 5%
- ◆ Property tax lags economic cycle by 1 year



Sales Tax

- ◆ **Second largest source of General Fund Revenue - \$31.7 million**
- ◆ **County Sales Tax Rate = 8.25%**
 - City gets 1%
 - State gets 6%
 - VTA gets 1%
 - County gets .25%



Sales Tax

- ◆ **Overall revenues for FY 2008/2009 up 1% from FY 2007/2008 projected**
 - \$300,000 increase
 - Reflects slowing economy and impact of downtown construction, particularly pending closure of Target



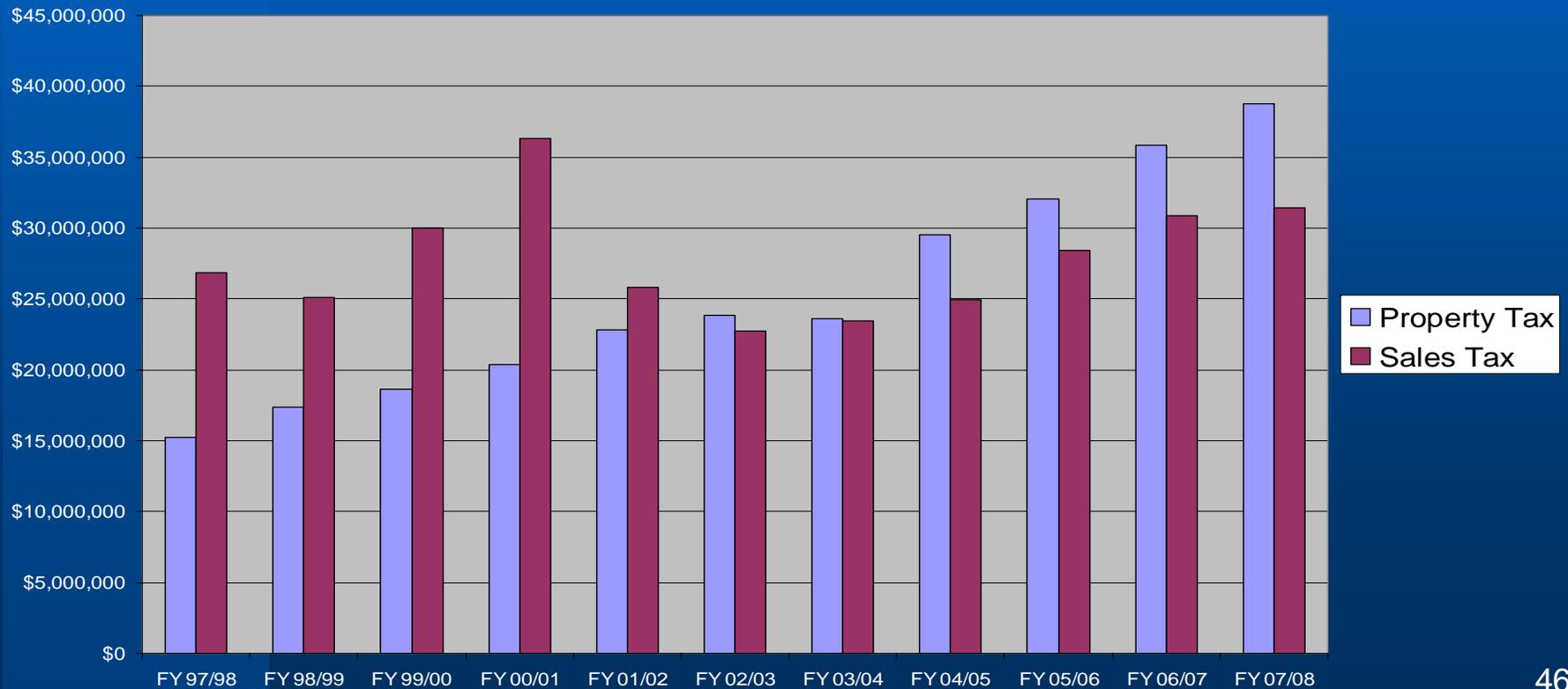
Sales Tax

- ◆ FY 2007/2008 actual will be 1.8% higher than last year's total revenue (\$541,000)
- ◆ Projections based on four categories
- ◆ Seven-year business cycle



Property Tax/Sales Tax Comparison

Sales and Property Tax Revenue FY 1997/1998 - FY 2007/2008





Utility Users Tax

- ◆ **FY 2008/2009 \$7.1 million**
 - Up 1.6% from FY 2007/2008 actual
 - \$108K increase
- ◆ **UUT is 2% applied to electricity, gas, and intrastate telephone**
 - Santa Clara County average = 3.7%
 - San Mateo County average = 5.8%
 - Can also apply to water and sewer usage



Utility Users Tax

- ◆ **FY 2007/2008 actual revenues will be up 7.9% over last year's receipts**
 - Telecom UUT and UUT audit findings contributed to this increase
 - Audit findings are one-time revenues and not considered in sustainable baseline



Utility Users Tax

- ◆ **Electricity sales - 58% of UUT**
 - 3.0% increase projected for FY 2008/2009
- ◆ **Telephone sales - 28% of UUT**
 - 2% annual increase due to competitive telephone market
- ◆ **Gas sales – 14% of UUT**
 - Based on average because of market volatility



Franchise Fees

- ◆ **FY 2008/2009 - \$6.1 million**
 - Up 3.6% from FY 2007/2008 projected
 - \$209K increase
- ◆ **Franchise Payments from:**
 - PG&E (40%)
 - Comcast/AT&T Cable (19%)
 - Specialty Garbage (26%)
 - SMaRT Garbage Host Fees (14%)



Transient Occupancy Tax

- ◆ **\$7.5 million in FY 2008/2009**
 - Up 1.2% from FY 2007/2008 projected
 - \$86,000 increase
 - Reflects current slowdown in economy
- ◆ **FY 2007/2008 projected revenue up 14% over FY 2006/2007 receipts**



Transient Occupancy Tax

- ◆ Average occupancy rate down slightly
- ◆ Average nightly room rate up
- ◆ Project revenues based on categories of hotel, occupancy, average room rates
- ◆ New tax rate pending
 - 9.5% on January 1, 2009



Construction-Related Revenue

- ◆ Includes Construction Tax, building permits, plan check fees
- ◆ FY 2008/2009 \$10 million
 - Down approximately \$3.5M from FY 2007/2008 projected



Construction-Related Revenue

- ◆ **Current year (FY 2007/2008) peak of current development cycle**
 - Projected revenues up \$4.5M over original projections (49%)
 - Increase driven by several large-scale projects
- ◆ **Projections based on rolling seven-year economic cycle**



Other Revenue Highlights

◆ Interfund Revenues

- Reflects loans or other payments from other funds to General Fund
- FY 2008/2009 up 36% over FY 2007/2008 projected
 - Result of decreased loan repayment from RDA in FY 2007/2008 compared to original budget



Other Revenue Highlights

◆ Business License Tax

- Rate increase phased in during FY 2006/2007 and FY 2007/2008
- Expected to generate \$1.1M in FY 2007/2008

◆ Interest Income

- Impact of State actions on City's cash flow reduces available investment funds
- Interest rates have continued to decline



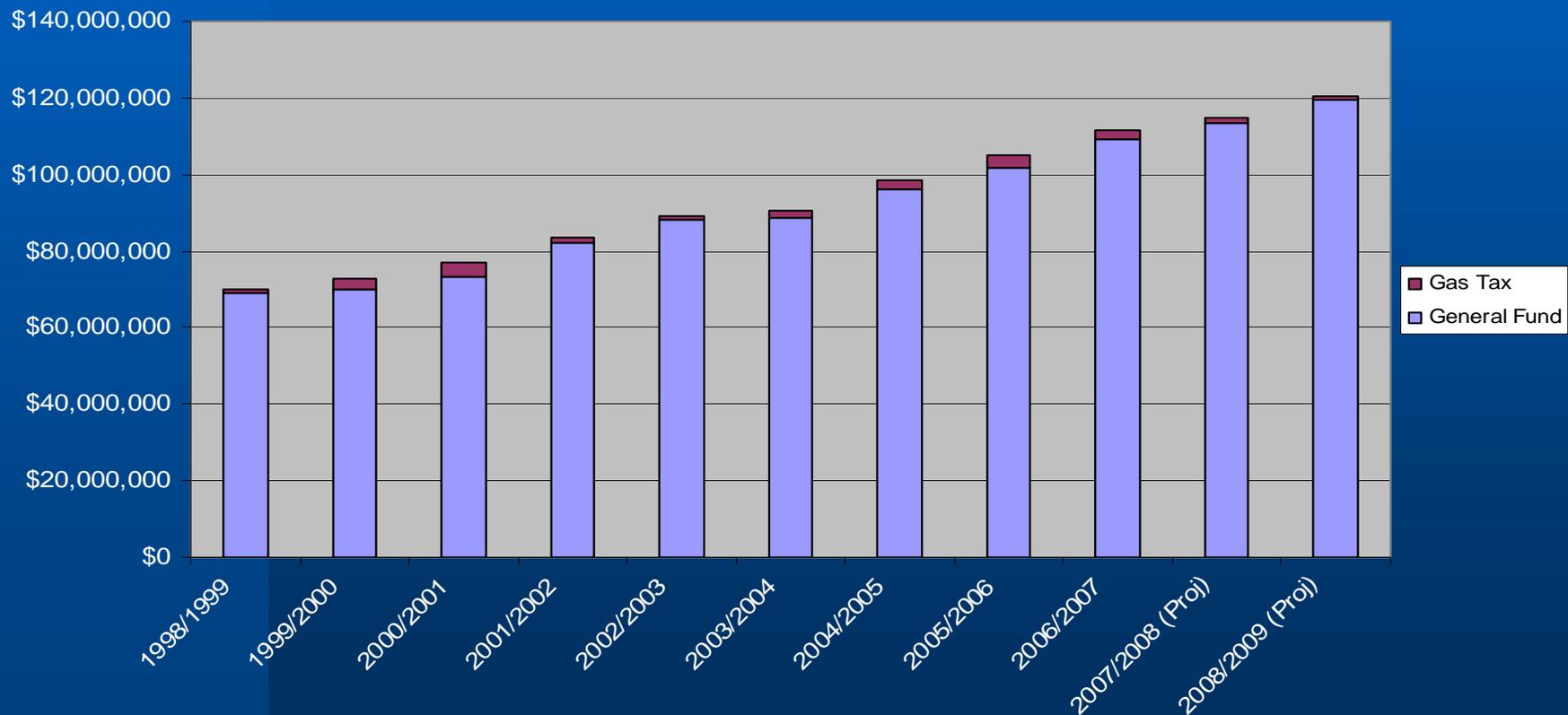
General Fund Expenditures

- ◆ **Total Expenditures: \$148.0 million**
 - Up 9.15% over FY 2007/2008 revised budget
- ◆ **Operating Budget: \$119.3 million**
 - Increase of 5.22% over FY 2007/2008
 - Personnel costs 80% of Operations
 - Public Safety 58% of total

General Fund/Gas Tax Fund Operating Expenditures



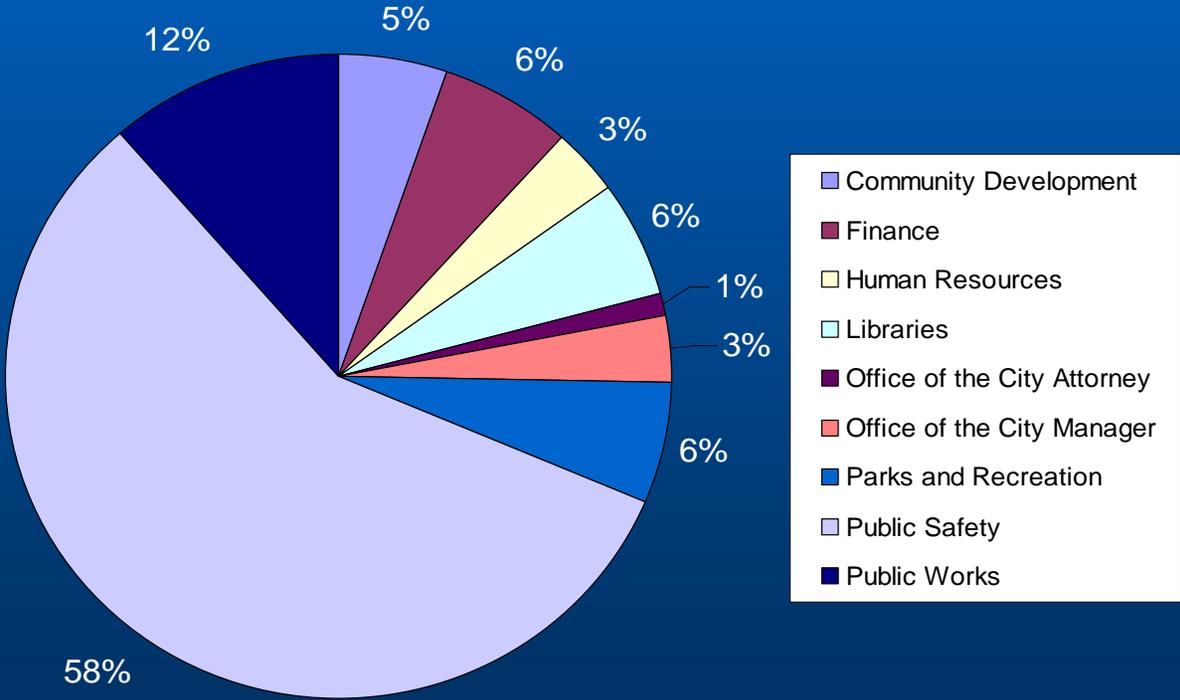
General Fund/Gas Tax Fund Operating Expenditures
FY 1998/1999 to FY 2008/2009





General Fund Expenditures

General Fund Operating Expenditures by Department





General Fund Expenditures

- ◆ **Budget Supplements \$1.9 million**
- ◆ **Transfers to Other Funds up 168%**
 - Principal reason is \$10.2 million transfer to Employee Benefits Fund for retiree medical cost liability
- ◆ **Decrease in Transfers to Projects Funds**
 - Transfer to Infrastructure Fund not needed



General Fund Expenditures

◆ \$5.3 million in Budgeted Projects

– 7 new special projects proposed (\$1 million)

- Peery Park Specific Plan \$300,000
- Lawrence Station Transit Village \$300,000
- New Residential Heritage Districts \$98,500
- Archive Permit Records – Construction \$30,000
- Archive Permit Records – Planning \$10,000
- Land Use Planning Supp. Resources \$24,479
- Construction Permitting Supp. Resources \$220,640



General Fund Expenditures

◆ \$5.3 million in Budgeted Projects (cont'd)

- One change in Capital Projects
 - Extension of Murphy Avenue enhanced maintenance (\$35,000)
- \$465,400 in Project Administration Charges



Service Level Set-Aside

- ◆ **Balance of Set-Aside starting FY 2007/2008 \$494,548**
 - Minus one-time expenditures of \$473,395
 - \$100,000 OGF added to Set-Aside
- ◆ **Beginning FY 2008/2009 balance of Service Level Set-Aside \$610,351**



Service Level Set-Aside

- ◆ **Recommended Budget appropriates entire amount plus additional \$524,545**
 - Funds nine Budget Supplements and Photovoltaic Panels at Fire Station #2
 - \$524,545 “loaned” from General Fund
 - Available balance in FY 2008/2009= \$0
- ◆ **FY 2009/2010 beginning balance is \$342,504**
 - Based on ongoing cost of FY 2008/2009 Budget Supplements and loan repayments



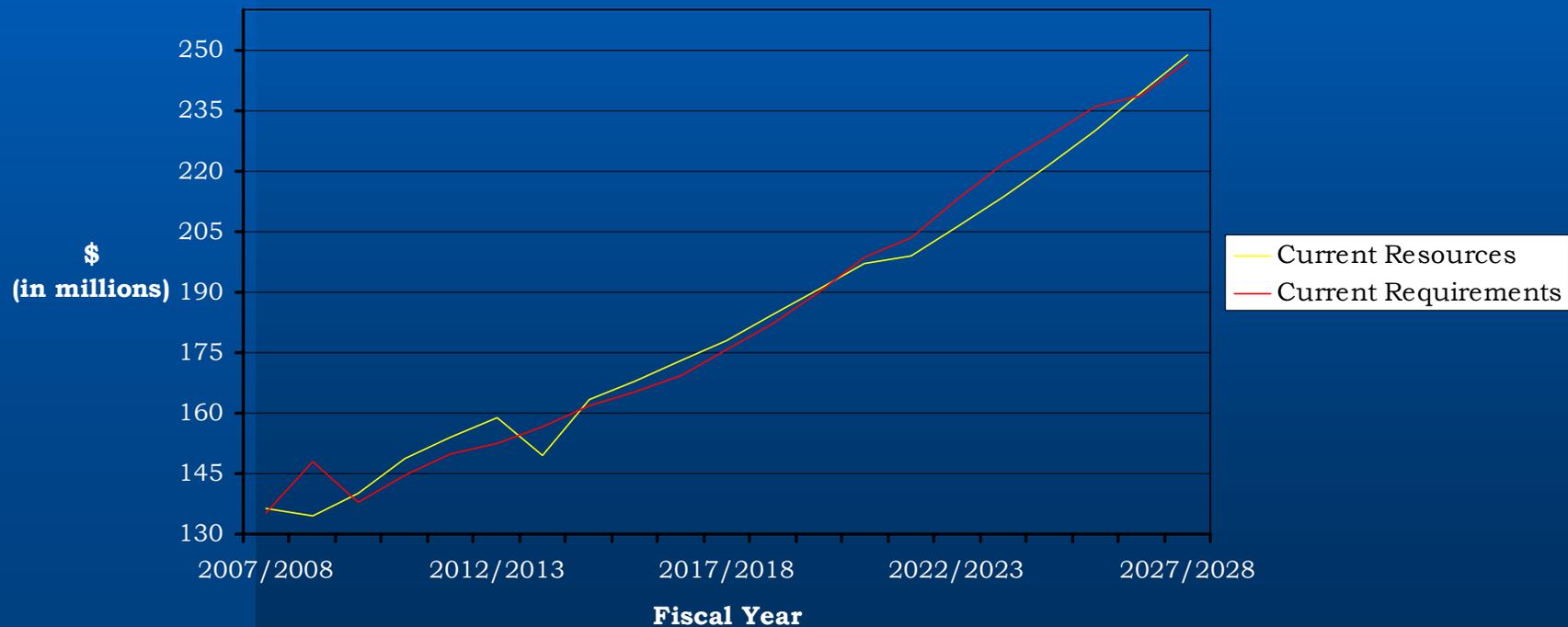
General Fund Reserves

- ◆ All reserves funded
- ◆ 20% Contingencies Reserve maintained
- ◆ Reserve for Capital Improvement Projects \$7 million
- ◆ 20-Year Resource Allocation Plan (RAP) Reserve \$43.3 million



Resources/Requirements

**Current Resources- Current Requirements
FY 2007-2008 through FY 2027/2028**



Recurring Revenues/ Expenditures



Recurring Revenues and Expenditures FY 2008/2009 to FY 2027/2028

Total Current Resources	\$3,712,253,260
Total Non-Recurring Resources	\$14,597,411
Total Recurring Resources	\$3,697,655,849
Total Current Requirements	\$3,729,858,312
Total Non-Recurring Requirements	\$34,119,021
Total Recurring Requirements	\$3,695,739,291
Recurring Resources -	
Recurring Requirements	\$1,916,558



General Fund Reserve History

	2002/03	2003/04	2004/05	2005/06	2006/07
Contingencies	\$18.2m	\$18.1m	\$19.3m	\$20.3m	\$21.9m
Service Level					
Stabilization	\$4.6m	\$4.5	\$4.9m	\$0	\$0
Non Recurring					
Events	\$1.0m	\$0.7m	\$0.2m	\$0	\$0
Land Acquisition	\$3.0m	\$3.0m	\$0	\$0	\$0
Cap Improvement					
Projects	\$0	\$0	\$0	\$0.6m	\$4.1m
20 Year RAP	\$50.4m	\$47.8m	\$48.9m	\$53.8m	\$56.7m
Total	\$77.2m	\$74.1m	\$73.3m	\$74.7m	\$82.7m
Service Level					
Set-Aside	\$0	\$0	\$0	\$0	\$500,000



General Fund Fiscal Condition

- ◆ **Returned to long-term financial stability: balanced over 20 years**
 - Fully funded reserves
 - No structural gap or service reductions
 - Revitalized downtown
- ◆ **Challenges remaining**
 - Increasing “cost of doing business”
- ◆ **Maintain discipline and live within our means**



Special Revenue Funds

- ◆ **Account for specific revenue sources**
 - Legally restricted
 - Earmarked for particular function



Special Revenue Funds

◆ 13 Special Revenue Funds

- Housing Fund
- HOME Fund
- Comm. Development Block Grant
- Park Dedication Fund
- Asset Forfeiture Fund
- Police Services Augmentation Fund
- Employment Development Fund



Special Revenue Funds

- ◆ **13 Special Revenue Funds (cont'd)**
 - Parking District Fund
 - Gas Tax Fund
 - Traffic Congestion Relief Fund
 - Transportation Development Act Fund
 - Youth and Neighborhood Services Fund
 - Redevelopment Agency Fund



Special Revenue Funds

◆ Highlight issues/changes in five funds:

- Gas Tax Fund
- Community Development Block Grant
- Employment Development Fund
- Park Dedication Fund
- Redevelopment Agency

Community Development Block Grant



CDBG Entitlement Ten-Year History

Fiscal Year	Grant Amount	Percent Reduction/ Increase	15% Human Services Allocation
2008/2009	\$1,223,636	-3.5%	\$183,545
2007/2008	\$1,268,078	-0.3%	\$190,212
2006/2007	\$1,271,752	-10.4%	\$190,763
2005/2006	\$1,418,817	-5.7%	\$212,823
2004/2005	\$1,504,000	-2.8%	\$225,600
2003/2004	\$1,548,000	13.5%	\$232,200
2002/2003	\$1,364,000	-1.8%	\$204,600
2001/2002	\$1,389,000	3.2%	\$208,350
2000/2001	\$1,346,000	-0.1	\$201,900
1999/2000	\$1,347,000		\$202,050



Park Dedication Fund

- ◆ **Imposed on high density residential development**
- ◆ **Legal requirements:**
 - Used for “developing new or rehabilitating existing neighborhood or community park or recreational facilities”
 - Must be committed or spent within five year period or have Fee Mitigation Act findings



Park Dedication Fund

- ◆ **Fee calculated on average fair market value of land per square foot annually**
 - Fee maintained at \$96/s.f. for FY 2008/2009
- ◆ **Revenue projection based on construction development cycle**
 - \$11.8 million first ten years
 - \$10.5 million second ten years



Employment Development Fund

- ◆ **\$6.9 million in budgeted expenditures in FY 2008/2009**
- ◆ **NOVA grant funding down significantly over past two years**
 - Permanent staff reduction effective June 2008
- ◆ **FY 2008/2009 budget 15% down from FY 2007/2008**
 - Based on conservative estimate of grant resources for the year



Gas Tax Fund

- ◆ Revenue projections flat from FY 2007/2008 to FY 2008/2009
- ◆ Gas Tax revenues have not kept pace with road usage or inflation
- ◆ \$1million budgeted for street maintenance operating expenses



Gas Tax Fund

- ◆ **\$1.3 million budgeted as transfers to support projects**
- ◆ **Recommend 2 budget supplements:**
 - Mathilda/Caltrain Bridge Parking Lot Access (\$50,000)
 - Comprehensive Bridge and Levee Report (\$150,000 Gas Tax, \$50,000 Wastewater Fund)



Redevelopment Agency Fund

- ◆ **Several significant improvements to financial condition**
- ◆ **General Fund loan repayments increased**
 - \$98 million first ten years
 - \$123 million second ten years
 - Ending balance \$44 million
- ◆ **Start of 20% Housing funds moved to FY 2012/2013**



Redevelopment Agency Fund

◆ Reflects Town Center Redevelopment

- Opening scheduled FY 2009/2010
- Return to developer up to \$4.5 million, plus 50% of any receipts above this
- Developer payment runs through General Fund Loan repayment



Capital Projects Funds

- ◆ Account for major capital acquisition, construction, renovation, or replacement of General City fixed assets
- ◆ Two Capital Projects Funds
 - Capital Projects Fund
 - Infrastructure Renovation and Replacement Fund



Capital Projects Funds

- ◆ **\$39.5 million in FY 2008/2009**
- ◆ **Major project is Mathilda Avenue Overpass (\$29.3 million)**
- ◆ **Two new sub-funds established in response to legal restrictions**
 - Sense of Place
 - State Infrastructure Bonds



Infrastructure Renovation and Replacement Fund

- ◆ Accounts for Rehabilitation of non-utility assets
- ◆ Revenues transferred from benefiting funds
- ◆ Does not include projects funded primarily from outside grant sources
- ◆ \$1.7 million in FY 2008/2009
- ◆ Projects deferred pending parks and building studies



Enterprise Funds

- ◆ **Accounts for programs that are fully or partially self-supporting through user charges or fees**
- ◆ **Includes Water, Wastewater and Solid Waste utilities and Community Recreation Fund**



Enterprise Funds

- ◆ **Water and Wastewater rates to Council at rate hearing on June 3, 2008**
 - Recommended increases
 - Water 10%
 - Wastewater 8.5%



Water Supply & Distribution Fund

- ◆ FY 2008/2009 total operating costs = \$19.1 million
- ◆ Purchased Water Costs = \$14.1 million (74% of total operating costs)
- ◆ Internal operations up .4% from FY 2007/2008
- ◆ Extensive Infrastructure projects in long-term financial plan



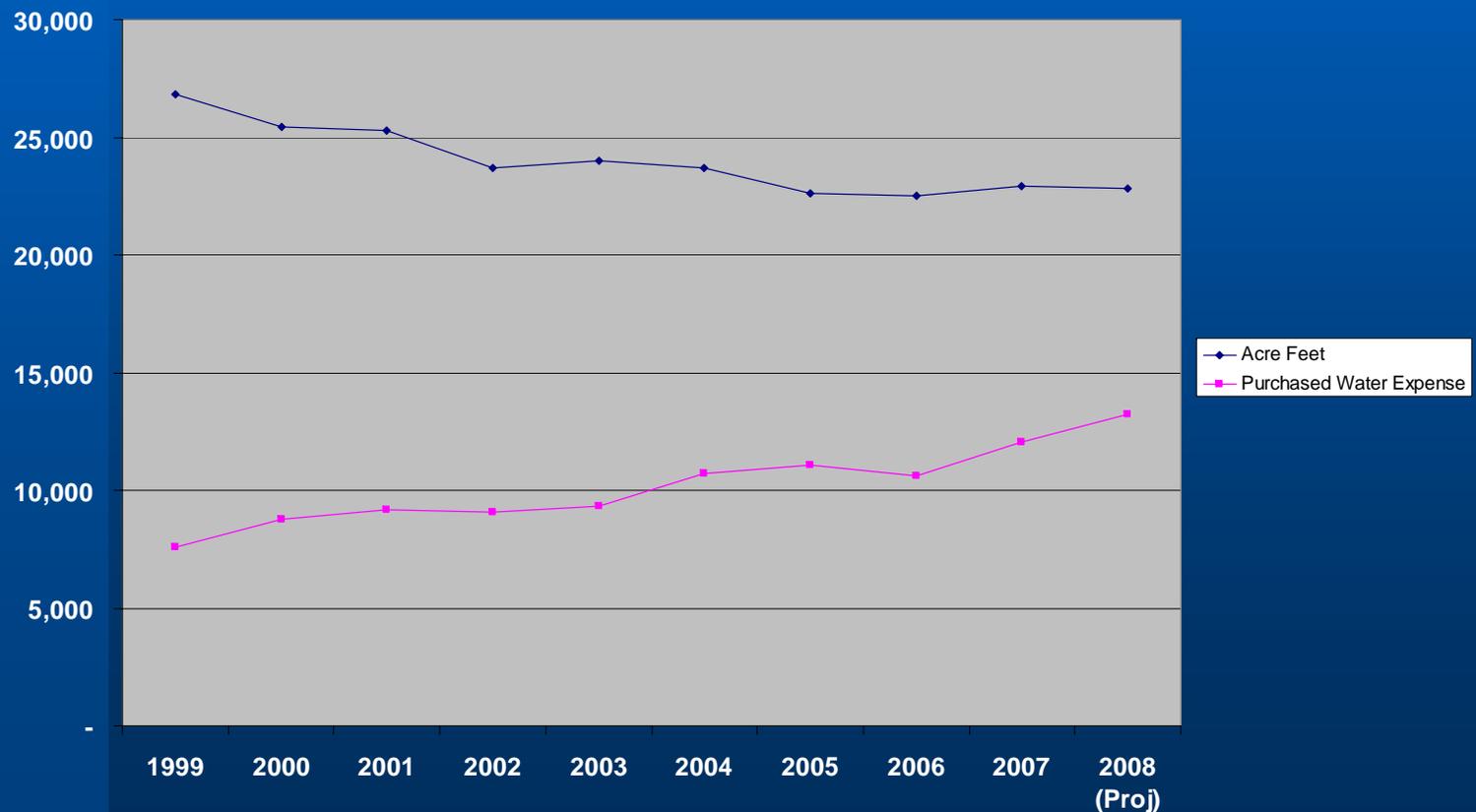
Water Supply & Distribution Fund

- ◆ **FY 2008/2009 proposed rate increase is 10%**
 - Up 1% from last year's projection
 - Major factor is increase in cost of purchased water
 - SFPUC 8.3%
 - SCVWD 7.8%



Water Supply & Distribution Fund

Purchased Water





Wastewater Management Fund

- ◆ **FY 2008/2009 total operating costs = \$13.5 million**
 - Up 11% from FY 2007/2008
- ◆ **Plan includes funding for critical – near term infrastructure and capital projects**
- ◆ **Plan also fully funds a new or rehabilitated Water Pollution Control Plant.**
- ◆ **FY 2008/2009 recommended rate increase is 8.5%, as projected last year**



Solid Waste Management Fund

- ◆ Rates will be brought forward with ChoiceCollect Implementation
- ◆ Major operating expenses:
 - Collection contract \$16.8 million
 - Operation \$2.2 million
 - SMaRT Expense Share \$9.6 million
- ◆ Solid Waste collection contract up \$1.16 million from FY 2007/2008



SMaRT Station Fund

- ◆ **Impact of new contract reflected**
 - Net increased costs after revenues = \$5,975,342
- ◆ **Major factors impacting costs and revenues in FY 2007/2008 and FY 2008/2009**
 - Materials Recovery Project
 - Change in Contractors



SMaRT Station Fund

Summary of Change in SMaRT Station Expense

	Change from 2006/2007 to 2009/2010
Increased Revenue Distributions to the Three Cities⁽¹⁾	\$1,733,009
Inflation Increase in Disposal fees (3 yrs)	\$615,653
Change in Contract Costs resulting from Competitive RFP process	\$1,001,322
Inflation and Tonnage Increase in Host Fees (3 yrs)	\$91,484
Inflation Increase in other Operating Expenses (3 yrs)	\$988,236
New Contract Labor Standards Approved by City Council (2006 dollars)	\$1,545,638
Total Change	\$5,975,342



Community Recreation Fund

- ◆ **Contains the City's recreation activities: golf courses, tennis center, classes**
- ◆ **Recommended FY 2008/2009 Budget**
 - \$12.5 million recreation services/programs
 - \$4.2 million transfer from General Fund
 - General Fund contribution set at FY 2006/2007 baseline level plus inflation



Community Recreation Fund

- ◆ **Golf revenues continue to decline**
 - **Twenty-Year Plan provides ~\$6 million less green fee revenue than previously planned**
 - **Revenue from golf operations still provides significant direct net profit to support other recreation services**
 - **\$1.1million in FY 2008/2009**
 - **Does not include infrastructure rehabilitation**
 - **Covered by the Park Dedication Fund**



General Services Fund

- ◆ **Used for services provided by one department to other departments**
 - Fleet, Facilities, and Technology & Communication
 - Recovers operating costs and replacement of equipment
- ◆ **Aggregate rental rate increase is 4% in FY 2008/2009 and 3.4% during the remainder of the first 10 years**
 - Rental rates charged to benefiting programs



General Services Fund

- ◆ **Significant changes/issues include:**
 - Operational challenges for Fleet Services resulting from increased fuel prices
 - \$270,000 budget modification in FY 2007/2008
 - 64% increase since FY 2004/2005
 - Major restructure of Technology and Communication Services programs
 - Better identify services and align with results



General Services Fund

- ◆ **Equipment-only accounts for Recreation and Wastewater equipment moved into the Community Recreation Fund and the Wastewater Fund**
- ◆ **Sub-fund for DPS equipment still exists**



Employee Benefits Fund

- ◆ **Mechanism to cover expenditures related to employee costs**
 - Leaves
 - Retirement
 - Workers' Compensation
 - Insurance
- ◆ **Additive rate charged to staff salaries wherever personnel hours are budgeted**



Employee Benefits Fund

- ◆ **Total expenditures for FY 2008/2009 up 7.8% over FY 2007/2008**
 - Does not include lump sum transfers for funding of retiree medical benefits
 - Primarily the result of increases in medical costs



Employee Benefits Fund

◆ Retirement

- \$26.1 million budgeted expenditures for FY 2008/2009
- Miscellaneous employees transitioned to enhanced retirement formula (2.7% @ 55%) on 7/1/2007
- Employer contribution rates for FY 2008/2009:
 - Safety: 30% (up 1% from FY 2007/2008)
 - Misc: 16.1% (down 0.6% from FY 2007/2008)



Employee Benefits Fund

CalPERS Plan Employer Rate	2005/2006 (actual)	2006/2007 (actual)	2007/2008 (actual)	2008/2009 (budgeted)
Safety (3% @ 50)	32.9%	28.6%	29.0%	30.0%
Miscellaneous (2.7% @ 55)	11.4%	11.4%	16.7%	16.1%



Employee Benefits Fund

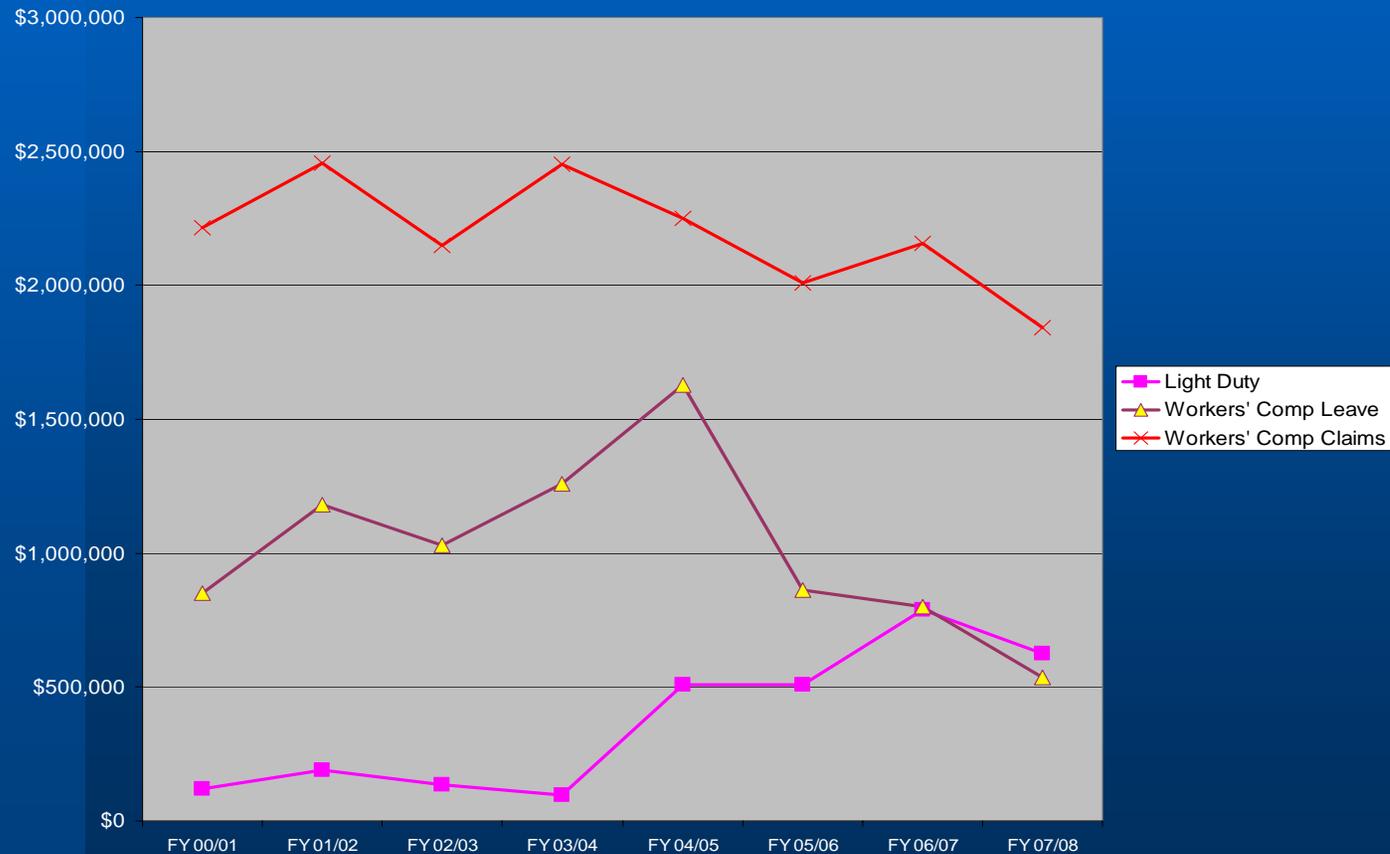
◆ Workers' Compensation

- Expenditures \$3.4 million FY 2008/2009
- Ongoing effort to reduce claims
 - 39% reduction since FY 2002/2003
 - Estimating reduction in claims of 2% per year through FY 2011/2012 and 1% per year through FY 2016/2017
- Cost per claim projected to increase 2.5% annually



Employee Benefits Fund

Light Duty/Workers' Comp Expenditures





Employee Benefits Fund

◆ Insurances

- \$16 million expenditures budgeted in FY 2008/2009
 - Medical insurance for active employees (\$7.3 million) and retirees (\$4.6 million) largest expense
 - Increases in medical insurance expected to be 8% through CY 2012 and 5% thereafter



Employee Benefits Fund

◆ Insurances

- Significant deposit in OPEB (retiree medical) Trust
 - \$17 million budgeted FY 2007/2008
 - \$10 million budgeted FY 2008/2009
 - Initial contribution allows City to have retiree medical liability fully satisfied by FY 2016/2017



Fiduciary Funds

◆ Dorolou P. Swirsky Youth Opportunity Fund

- Current Endowment Reserve of \$551,910
- Interest earnings transferred to Community Recreation Fund to support Mobile Recreation Program



Fiduciary Funds

◆ Fremont Pool Endowment Fund

- Current Endowment Reserve of \$895,047
- Interest earnings transferred to Community Recreation Fund to offset Fremont Pool operational expenditures



Fund Reviews

- ◆ Questions, Comments, Suggestions on Fund Reviews Section



Review of Operating Programs

- ◆ Review of Base Budget by Program



Projects Budget

- ◆ **\$73.7 million budgeted for FY 2008/2009 = 109 projects**
 - Several large projects
 - Mathilda Avenue Overpass - \$29 million
 - Plaza del Sol Phase II - \$4 million
 - Underground overhead utilities - \$3.7 million
 - Town Center Remediation - \$4 million



Projects Budget

◆ Seven projects new this year:

- Housing Mitigation Fund
 - Senior Housing at Fair Oaks and Garland - \$5 million
- Employment Development Fund
 - Rapid Response LMI Study - \$107,224
 - Careers in Science, Tech, Eng. Math - \$264,492
- General Fund
 - Archive records – Planning \$10,000
 - Archive records – Construction \$30,000
 - Set-Aside Budget – Construction - \$220,640
 - Set-Aside Budget – Planning - \$24,479



Projects Budget

- ◆ **\$820 million budgeted over twenty years**
 - 347 projects recommended
 - Largest include:
 - Replacement of WPCP (\$380 million)
 - Officer Recruitment/Training (\$79 million)
 - Underground Utilities (\$23 million)
 - SMaRT Equipment Replacement ((\$41 million)
 - Mathilda Overpass (\$29 million)
 - Sewer Pipe Replacement (\$29 million)



Projects Budget

- ◆ **Unfunded projects list refined**
 - \$437 million over twenty years
 - 45 projects
 - Will be reviewed during Projects Budget process and put into broad categories
 - Potential grant funding
 - Those requiring new resources



Review of Fee Schedule

- ◆ **Adjustments to align with cost of service**
 - All cost recovery except those legally limited, market based, or subsidized by policy
- ◆ **Does not include utility rates**
- ◆ **Public Hearing on June 3, 2008**



Review of Fee Schedule

- ◆ **Eight new fees proposed**
 - City Manager: 2 new special event application permits
 - Community Development: Land Use Permit re-noticing fee



Review of Fee Schedule

◆ Eight new fees proposed (cont'd)

– Public Safety

- Extraordinary/Excessive Public Safety Response Fee
- Fire safety operations permit – Carnivals and fairs
- Fire inspection service fee for apartment buildings, hotels, and high rises
- Animal control inspection fee
- Parking violation fine for parking in zero emissions space



Thank you
