



Fiscal Year 2009/2010 Budget Workshop

Thursday, May 21, 2009

City Council Chambers



Key Elements

- ◆ **State Proposed Takeaway - \$4 million**
- ◆ **The Problem**
 - Increasing PERS Expenditures
 - \$123 million additional over 20 years
 - \$13 million structural deficit
- ◆ **The Plan**
 - Part 1 – Cost Saving Actions
 - Part 2 – Personnel Cost Containment
 - Part 3 – Budget Stabilization Fund
- ◆ **Community Investment - \$52 million**



Budget Overview

- ◆ **Citywide Budget - \$273.6 million**
 - Operating expenditures 2.28% higher than FY 2008/2009 Budget
 - Projects Budget Cycle – Alternate Year
 - 8 Budget Supplements submitted
 - 4 recommended for funding



Proposed Projects Budget

- ◆ **FY 2009/2010 Projects = \$36.9M**
- ◆ **20-Year Plan = \$719.6M**
- ◆ **208 Projects over the 20 years**
 - 128 with funding in FY 2009/2010



Budget Supplements

- ◆ **Eight Budget Supplements proposed**
- ◆ **Four recommended for funding**
 - General Fund
 - Planning Commission Training - \$6,955
 - Leadership Sunnyvale - \$6,000
 - CDBG
 - Sidewalk/Curb Ramp Acceleration - \$822,000
 - Utilities
 - Electronic Utility Bill Presentment/Payment - \$80,000



Current Economic Situation

- ◆ **California's economy in dire straits**
 - State budget shortfall
 - Ballot measures to stabilize State budget fail
 - State proposes to borrow Cities Property Tax allocation
 - Sunnyvale: \$4 million
 - Called a “loan” – 3 years with interest

The Problem

- ◆ Major revenues down, lower base for long term
- ◆ Unsustainable personnel costs
 - Significantly escalating PERS costs
 - Rising salaries

\$13 million annual structural deficit



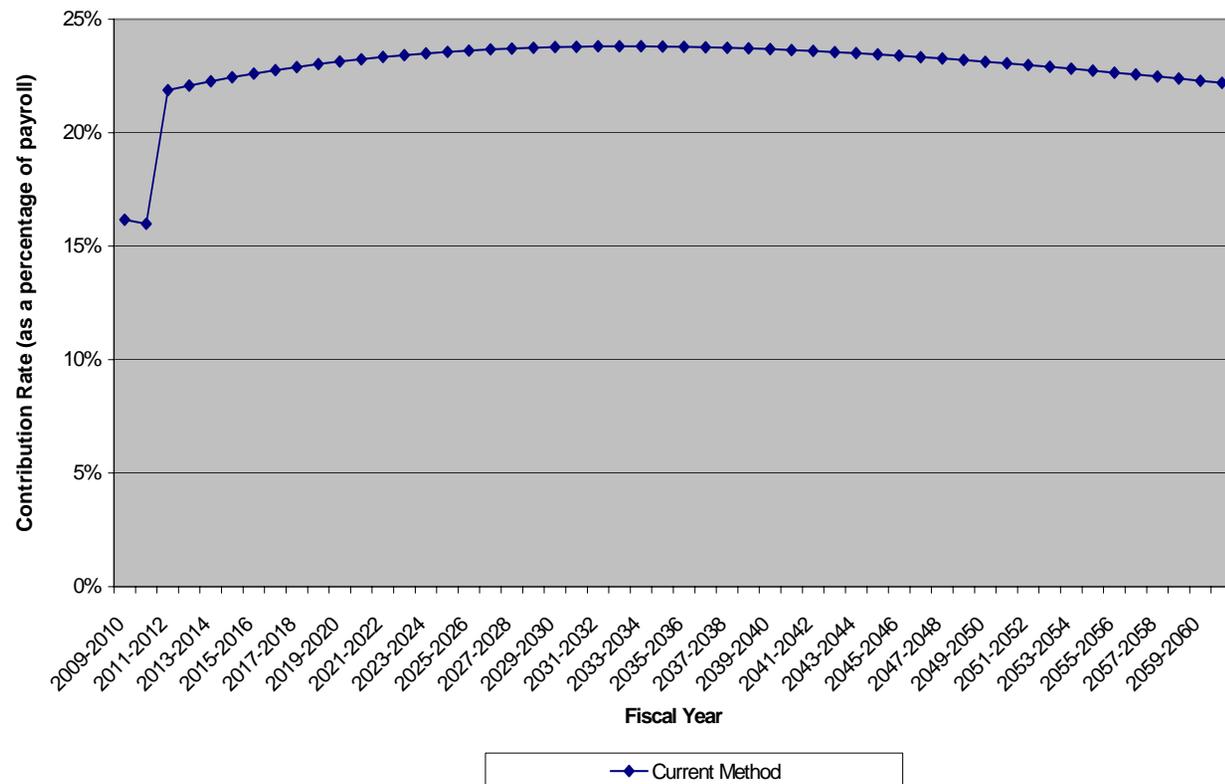
Increasing PERS Expenditures

- ◆ **Significant CalPERS losses in FY 2008/2009 will increase rates**
- ◆ **CalPERS proposal to implement increase over 3 years**
 - Will delay impact; higher rates in future
 - Phased in between FY 2011/2012 and FY 2013/2014
 - \$123 million increase over 20 years for General Fund

Increasing PERS Expenditures

Projection of Future Employer Contribution Rates

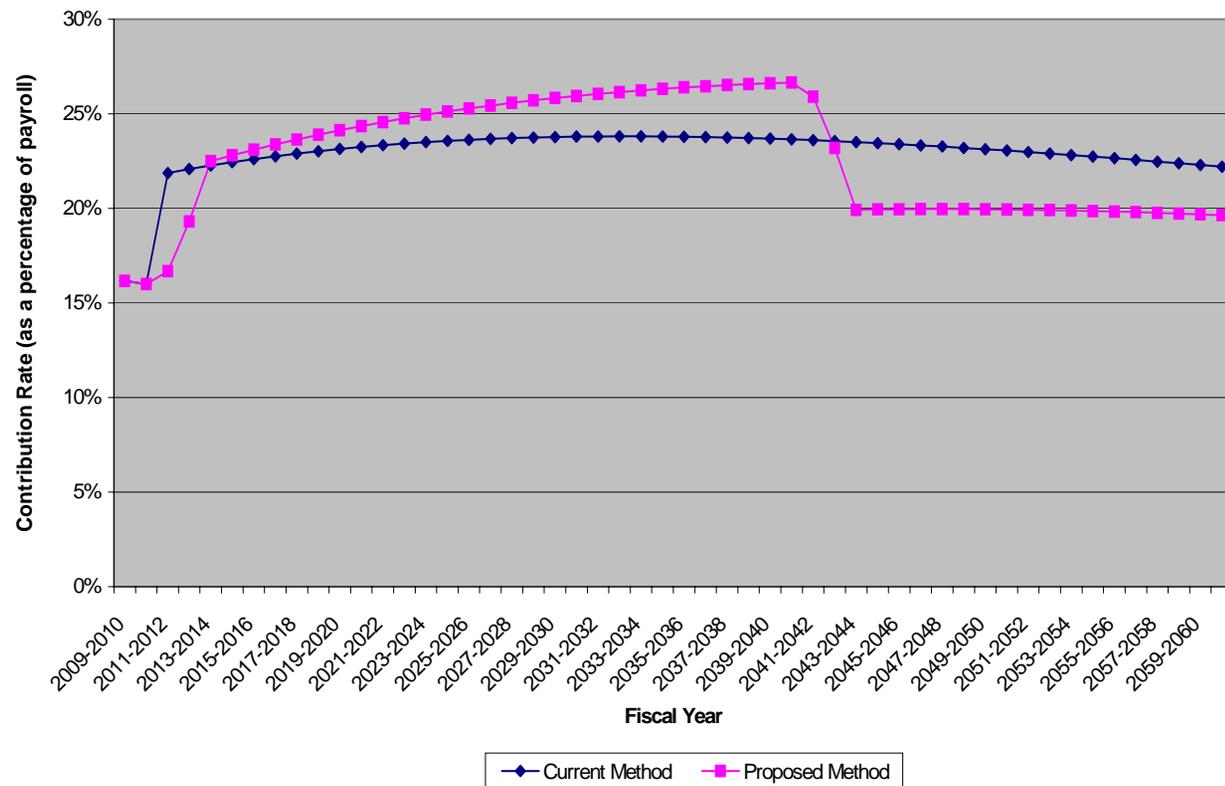
Assuming a -25% Return in FY 2008-2009 and 7.75% Thereafter
 Plan with Asset to Payroll Ratio of 7 on June 30, 2007



Increasing PERS Expenditures

Projection of Future Employer Contribution Rates

Assuming a -25% Return in FY 2008-2009 and 7.75% Thereafter
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The Plan

- ◆ **Operational Efficiencies – Cost Saving Actions**
- ◆ **Contain future personnel costs**
- ◆ **Utilize Budget Stabilization Fund**

Step 1 - Cost Saving Actions

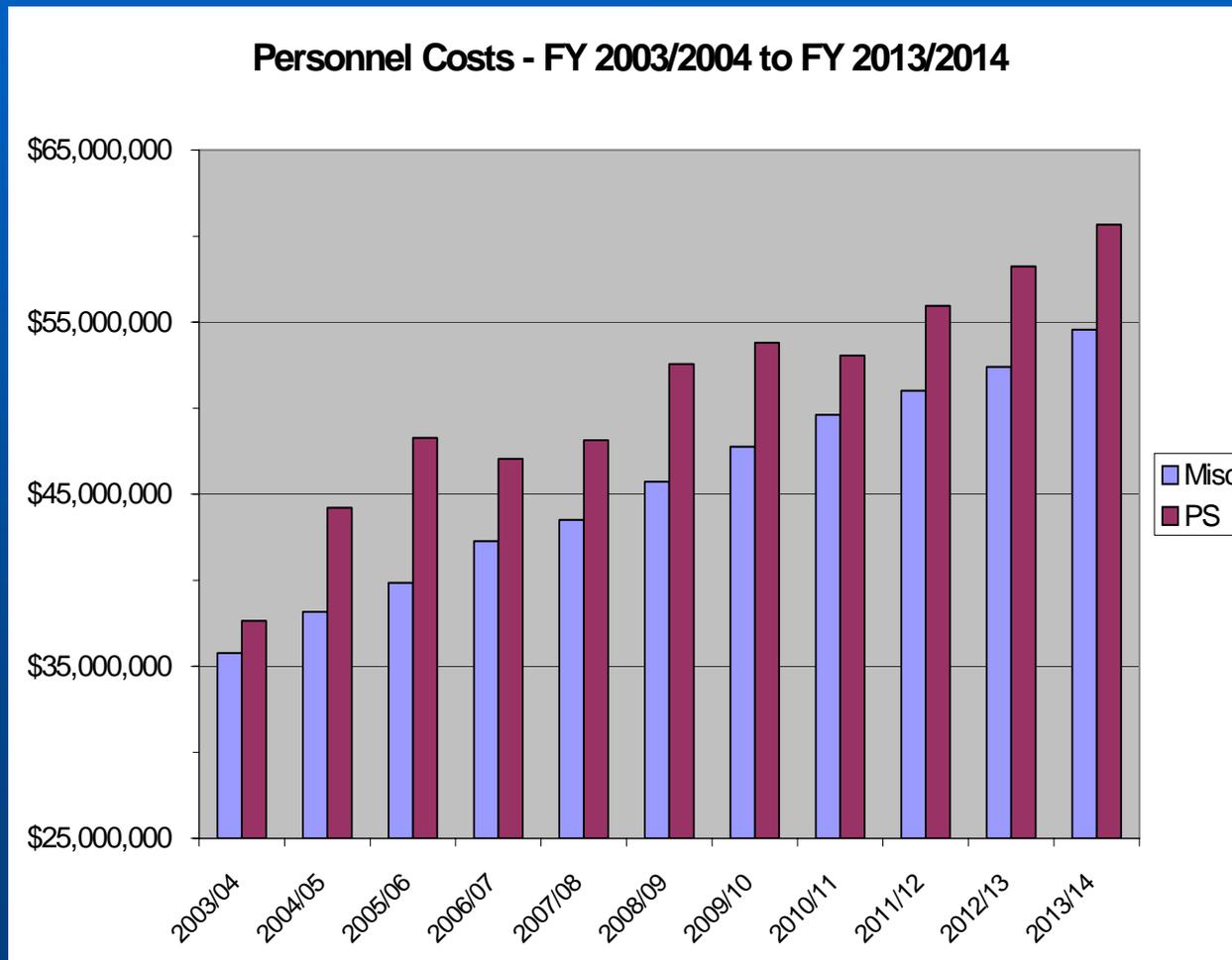
- ◆ **\$4 million annual savings with minimal impact to services**
- ◆ **Detailed in Budget – Volume I**
 - Holding vacancies - \$2.1 million
 - Reducing overtime and temps – \$1.2 million
 - Reducing goods/services/travel/training and revenue enhancements - \$700K



Step 2 - Personnel Cost Containment

- ◆ **Salaries & Benefits are 86% of General Fund**
- ◆ **Escalating personnel costs will impact service delivery**
 - **Personnel costs since FY 2003/2004**
 - **Miscellaneous – Up 33%**
 - **Safety – Up 44%**

Personnel Cost Escalation





Personnel Cost Containment

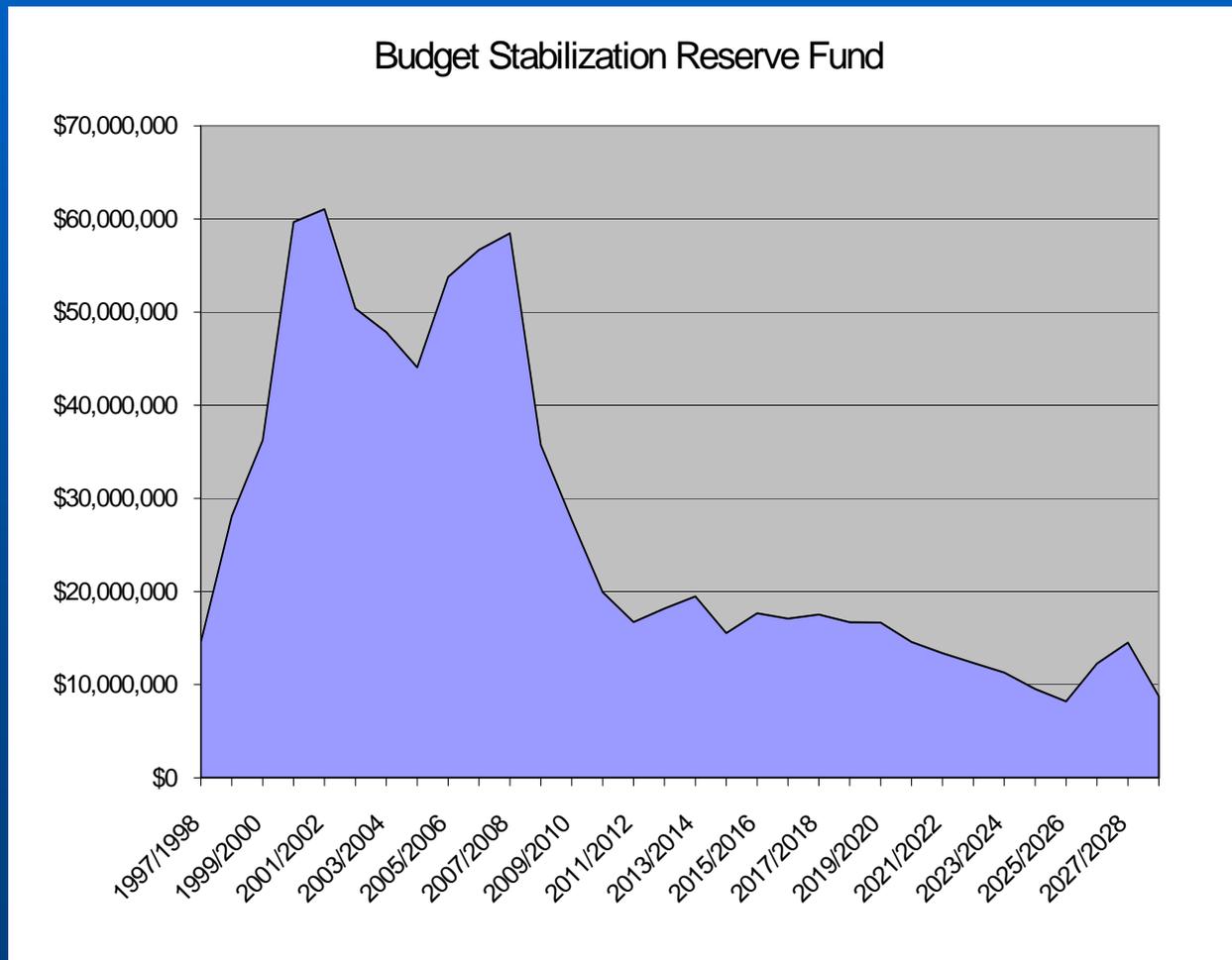
- ◆ **Extend current contracts with 0% to base salary**
- ◆ **Future years increases realigned to reflect new fiscal reality**



Step 3 - Budget Stabilization Fund

- ◆ **Plan requires draw down**
 - FY 2008/2009 balance = \$35.7 million
 - FY 2014/2015 balance = \$15.5 million
- ◆ **Stabilized in FY 2016/2017**

Budget Stabilization Fund





Community Reinvestment

- ◆ **Fiscal stabilization provides for future investment in community**
- ◆ **Total \$52 million set aside**
 - Capital and Infrastructure
 - Additional services



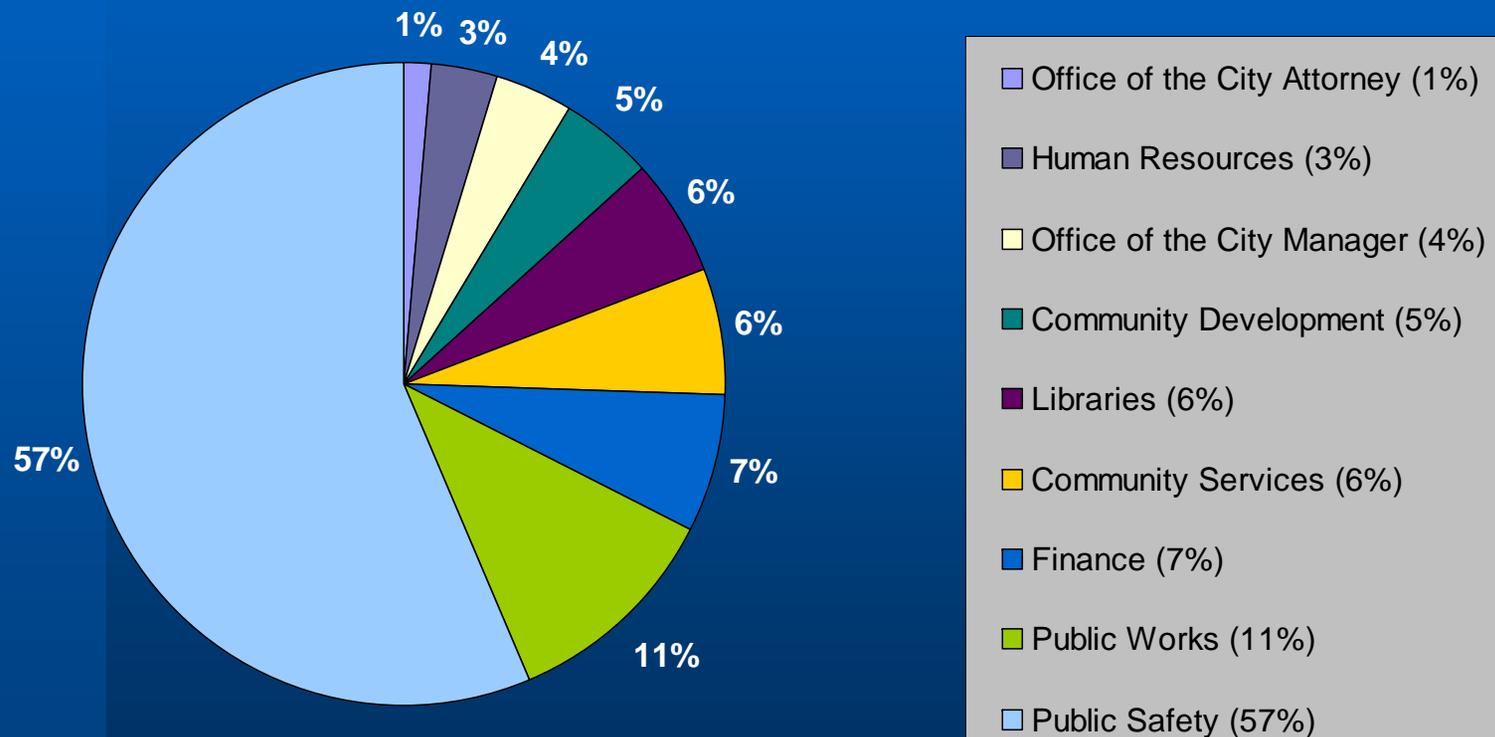
Major Fund Reviews



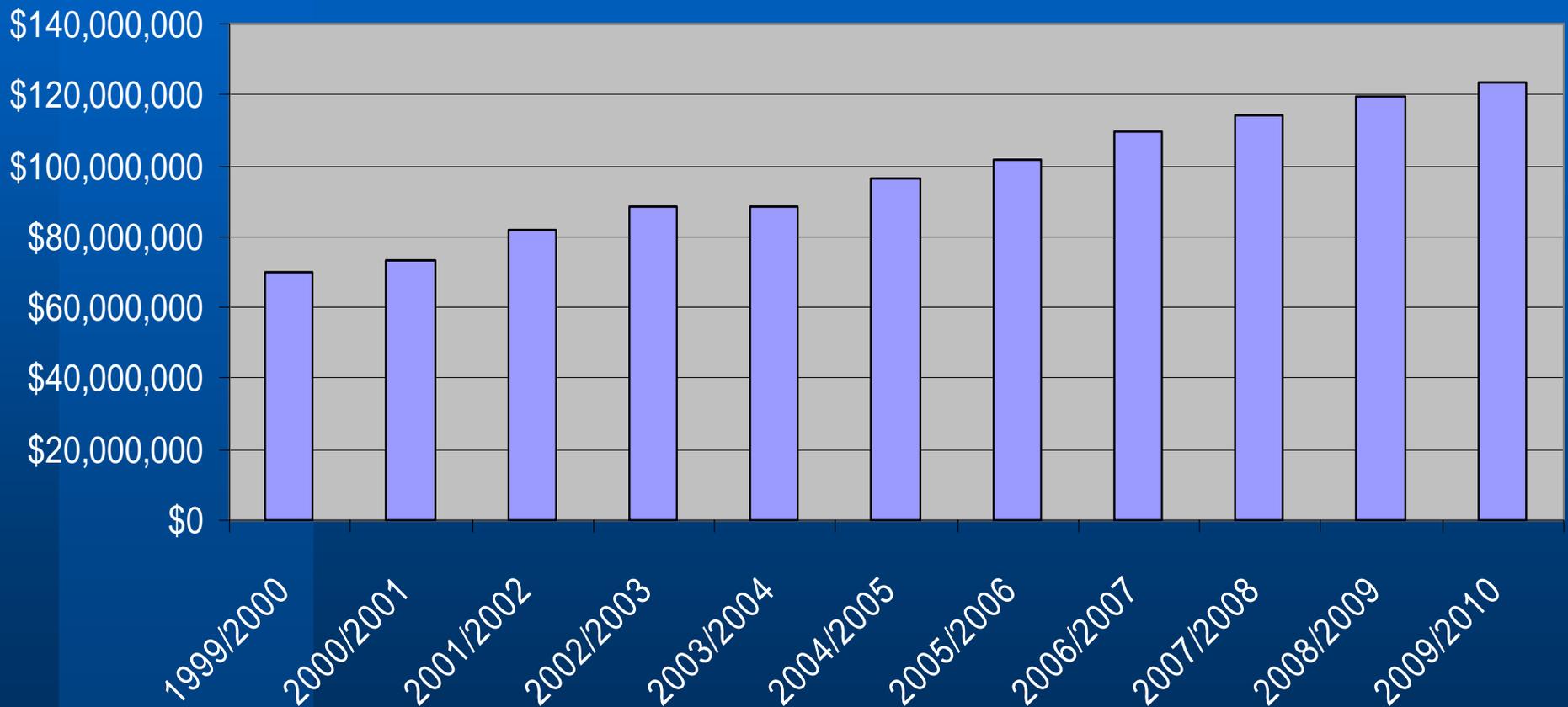
General Fund

- ◆ **FY 2009/2010 Budget is \$129.8M**
- ◆ **Operations are 3.4% higher**
 - Personnel costs up 3.6%
- ◆ **\$4M in Cost Saving Actions reflected**

General Fund Expenditures by Department



General Fund Operating Expenditures

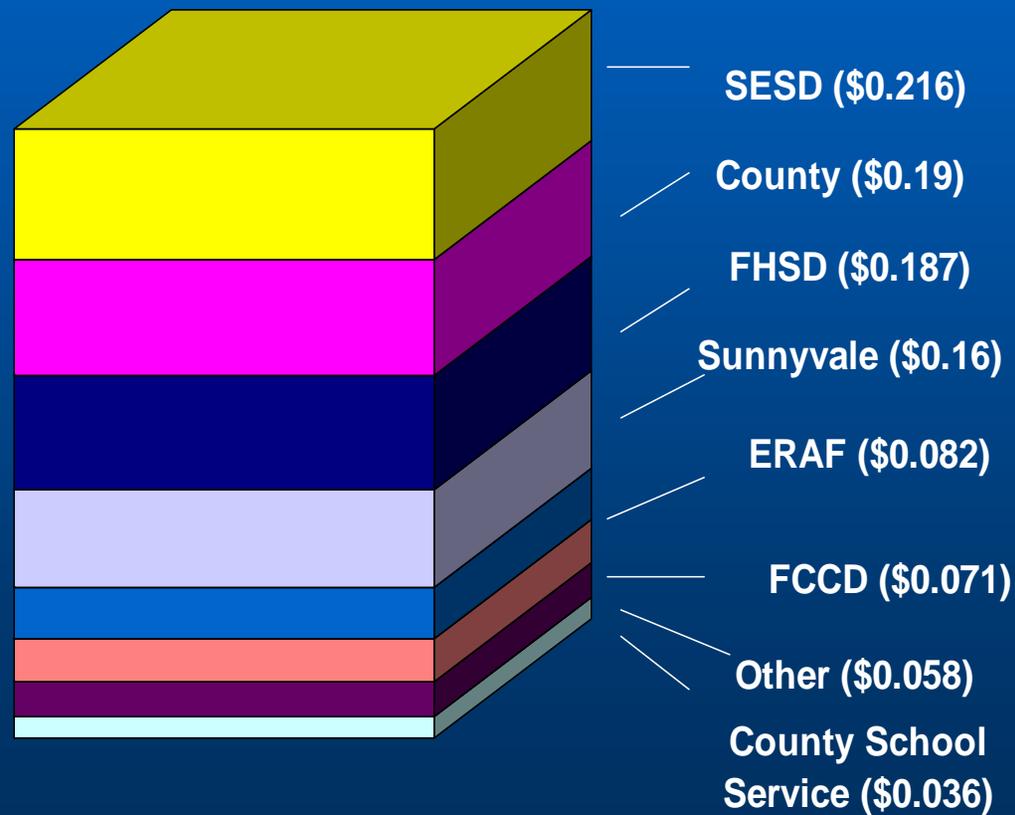




General Fund Revenues

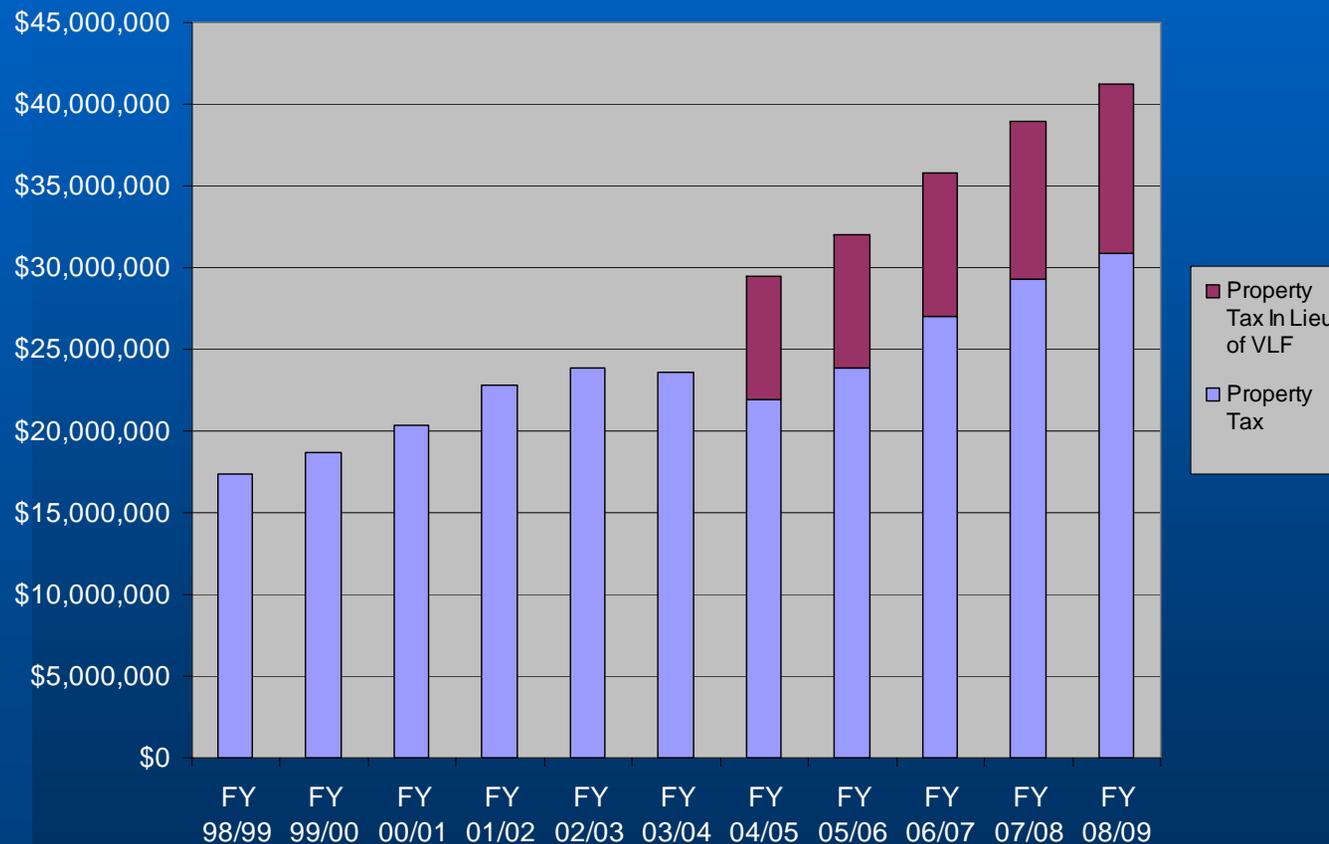
- ◆ Overall revenues for FY 2009/2010 up 0.7% from FY 2008/2009 projected
 - \$750,000 increase
 - FY 2008/2009 projected revenues down 15% from FY 2007/2008 actuals
- ◆ Five major revenues = 81% of total
 - Property Tax, Sales Tax, UUT/Franchise Fees, Transient Occupancy Tax, Construction-Related

Property Tax Breakdown Per \$1 Received





Property Tax – 11 Year History



Property Tax

- ◆ **Largest General Fund revenue**
 - \$41.8 million
 - Up 1.4% from FY 2008/2009 projected
- ◆ **Future uncertainty with deteriorating commercial market**
- ◆ **State may borrow 8% of allocation**

Sales Tax

- ◆ **Second largest source of General Fund Revenue**
- ◆ **Overall revenues held flat from FY 2008/2009 through FY 2010/2011**
 - \$26 million projected
- ◆ **15.7% reduction from FY 2006/2007**
 - Drastic impact from global recession



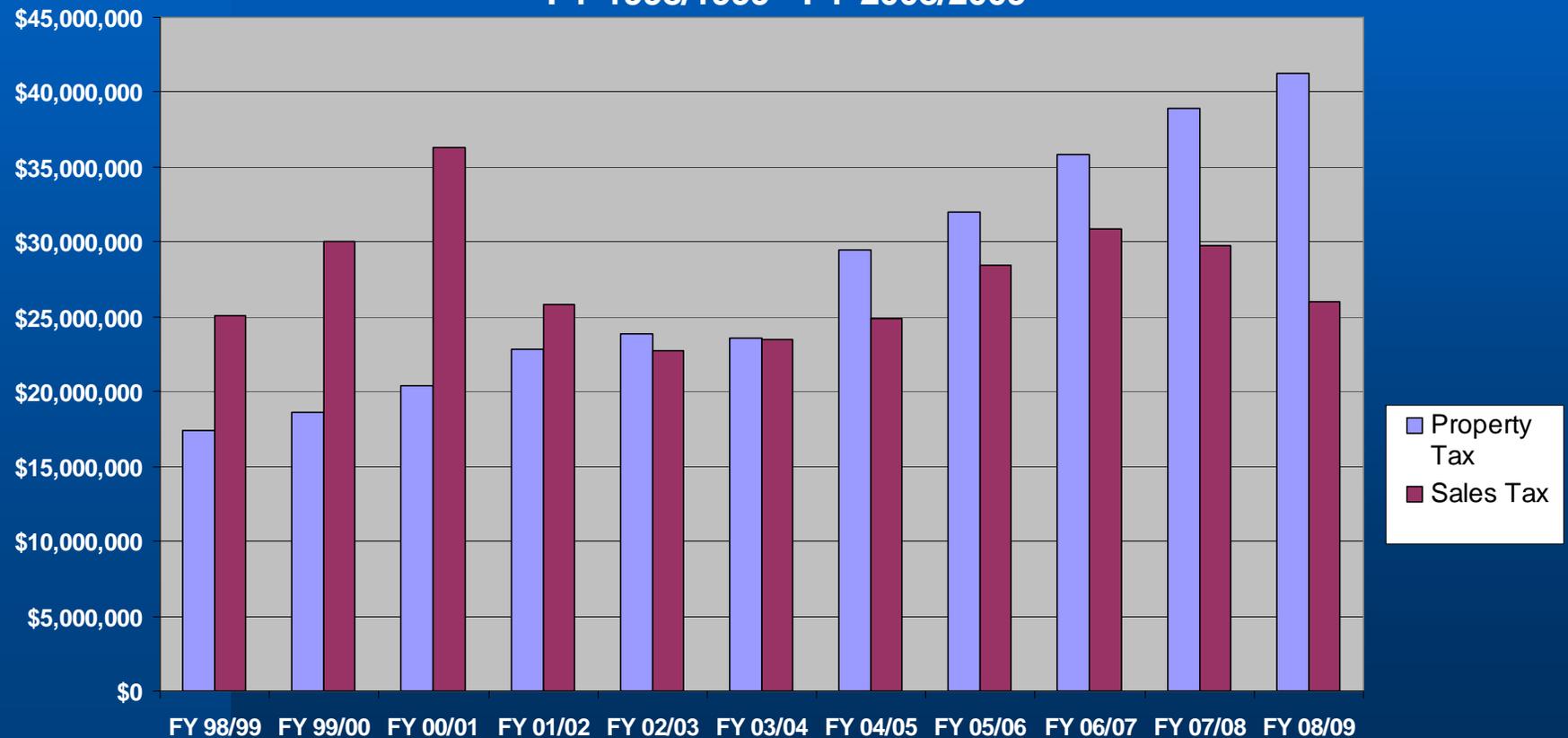
Sales Tax

- ◆ **County Sales Tax Rate = 9.25%**
 - City gets 1%
 - State gets 7%
 - VTA gets 1%
 - County gets 0.25%



Property Tax/Sales Tax Comparison

Sales and Property Tax Revenue
FY 1998/1999 - FY 2008/2009





Utility Users Tax

- ◆ **FY 2009/2010 \$7.2 million**
 - Up 2% from FY 2008/2009 projected
- ◆ **Revenue opportunity**
 - Santa Clara County average = 3.7%
 - State-wide average = 6%
 - Broader application
- ◆ **Applying County average rate would increase revenues by ~\$6 million**

Franchise Fees

- ◆ **FY 2009/2010 - \$6.2 million**
 - Up 0.8% from FY 2008/2009 projected
- ◆ **Franchise Payments from:**
 - PG&E (42%)
 - Comcast/AT&T Cable (20%)
 - Specialty Garbage (26%)
 - SMaRT Garbage Host Fees (12%)



Transient Occupancy Tax

- ◆ **\$5.8 million in FY 2009/2010**
 - Up 2.8% from FY 2008/2009 projected
 - Flat occupancy and room rates; full year at 9.5% tax rate
- ◆ **Down 21% from FY 2007/2008**
 - Severe drop in business travel

Construction-Related Revenue

- ◆ **Includes Construction Tax, building permits, plan check fees**
- ◆ **\$4.5 million in FY 2009/2010**
 - Down \$1.5 million from FY 2008/2009 projected
 - \$14 million generated in FY 2007/2008



Utilities Funds

Utilities

- ◆ **Utility rates to Council at rate hearing on June 2, 2009**
 - Recommended increases
 - Water 8.0%
 - Wastewater 7.5%
 - Solid Waste 5.5%



Water Supply & Distribution Fund

- ◆ **FY 2009/2010 total operating costs = \$20.5 million**
- ◆ **Purchased Water Costs = \$15.4 million (75% of total operating costs)**
- ◆ **Internal operations up 5% from FY 2008/2009**
- ◆ **Extensive Infrastructure projects in long-term financial plan**



Water Supply & Distribution Fund

- ◆ **FY 2009/2010 proposed rate increase is 8%**
 - Down 1% from last year's projection
 - Major factors: increase in cost of purchased water, decrease in quantity sold
 - SFPUC 15.4%
 - SCVWD 4.8%
 - 5% projected drop in volume



Water Supply & Distribution Fund

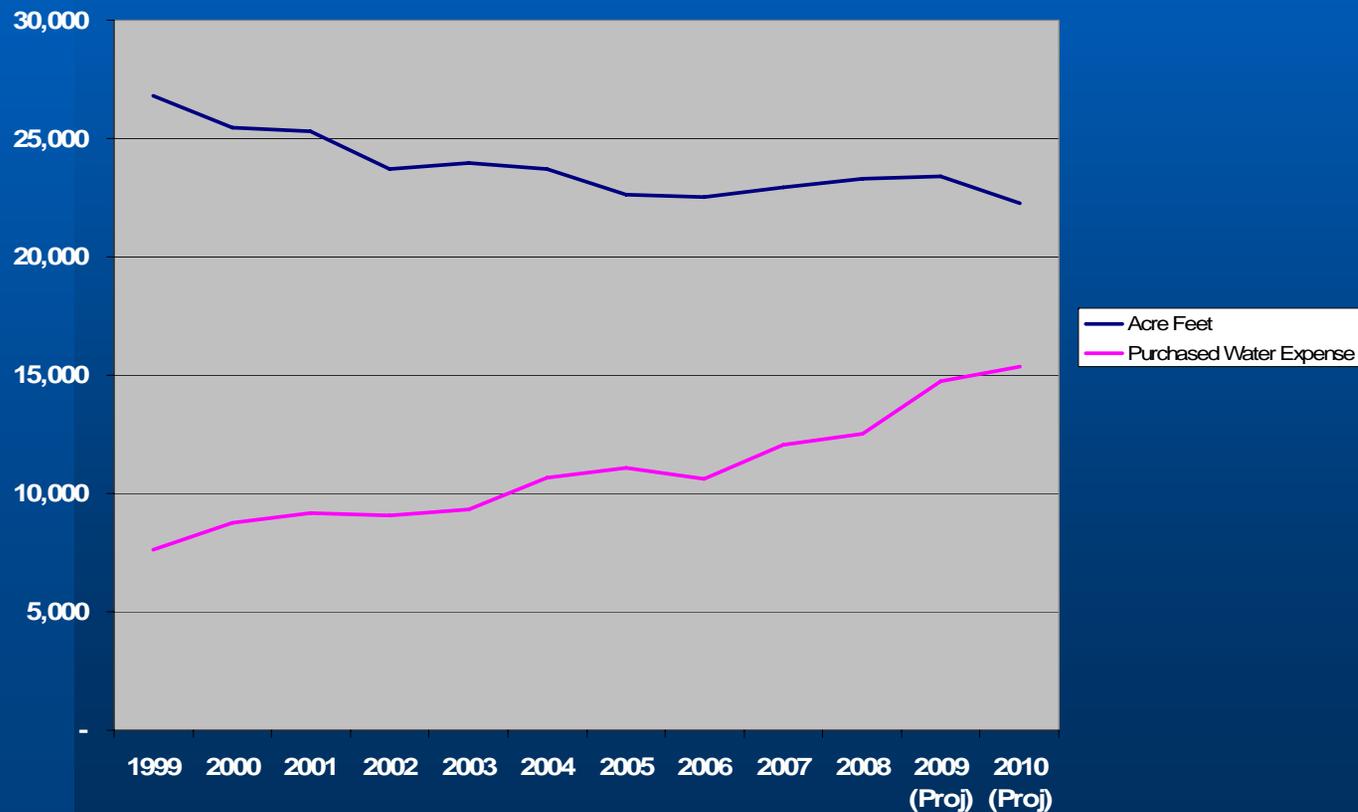
◆ FY 2009/2010 – 2010/2011 Pricing Strategy

- Adjust fixed service charge to reflect cost of service
- Review water demand patterns, refresh cost of service model
- Propose new volumetric pricing structure for FY 2010/2011



Water Supply & Distribution Fund

Purchased Water





Wastewater Management Fund

- ◆ **FY 2009/2010 total operating costs = \$13.5 million**
 - Up 4.3% from FY 2008/2009
- ◆ **Fully funds a new or rehabilitated WPCP**
- ◆ **Includes funding for critical near term projects**



Solid Waste Management Fund

- ◆ **ChoiceCollect Implementation Completed by November 2008**
- ◆ **Major operating expenses:**
 - Collection contract \$15.8 million
 - Operations \$2.3 million
 - SMaRT Expense Share \$10.7 million
- ◆ **Solid Waste collection contract down \$1 million from FY 2008/2009**
- ◆ **Revenues down \$0.8 million due to slowing economy**

SMaRT Station Fund

- ◆ **Major factors impacting costs and revenues in FY 2008/2009 and FY 2009/2010**
 - Materials Recovery Project
 - First full year of new operations contract
 - Reduction in overall tons delivered – plan anticipates ongoing tonnage will be lower



Community Recreation Fund



Community Recreation Fund

- ◆ **City's recreation activities: golf courses, tennis center, classes**
- ◆ **\$12M budget for recreation services**
- ◆ **\$3.5M net contribution from General Fund**



Community Recreation Fund

- ◆ **Will develop long-term solutions in FY 2009/2010 to address:**
 - General Fund contribution levels
 - Subsidized vs. unsubsidized recreation services
 - Program service levels



Park Dedication Fund



Park Dedication Fund

- ◆ Fee imposed on high density residential development
- ◆ \$26.6M in revenue over 20 years
- ◆ 39 projects funded based on staff prioritization
 - Evaluation of all parks related capital & infrastructure, Parks of the Future



Park Dedication Fund

- ◆ **Plaza del Sol postponed**
 - **Coordinate with Town and Country**
 - **Fees from Town and Country project anticipated to fund Plaza del Sol**
- ◆ **Fee adjustment proposed**



Major Project Efforts



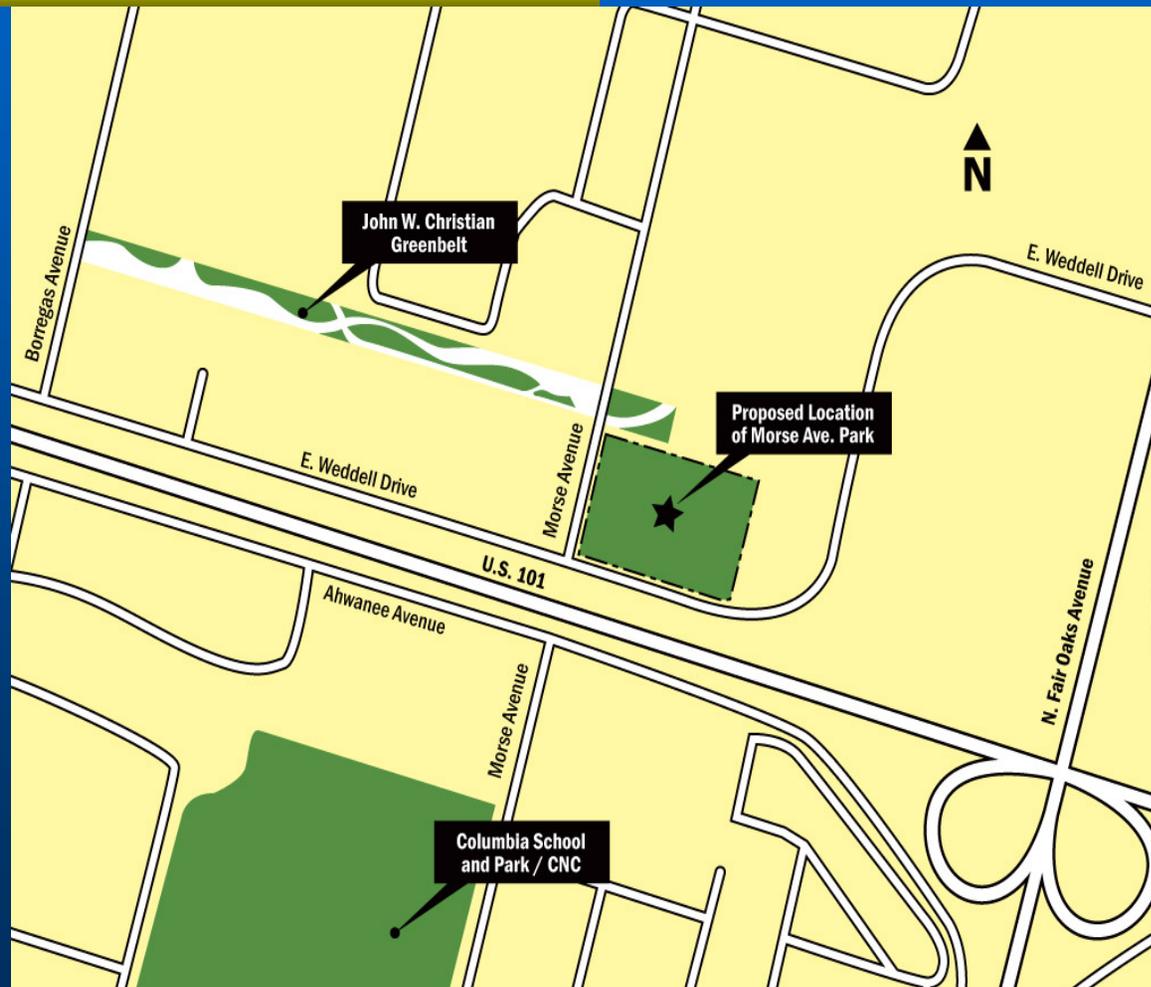
Department of Community Services



Parks of the Future

- ◆ **Comprehensive study of parks, golf, and recreation operations**
- ◆ **Results of the study and recommendations to Council in Summer 2009**
- ◆ **FY 2009/2010 Recommended Budget includes \$34.6 million in funded projects from study**
 - **Many existed prior to study**

Morse Avenue Neighborhood Park Development - \$4.1M



Continuous Cart Paths - \$825,000



Parks Playground Equipment - \$5.5M





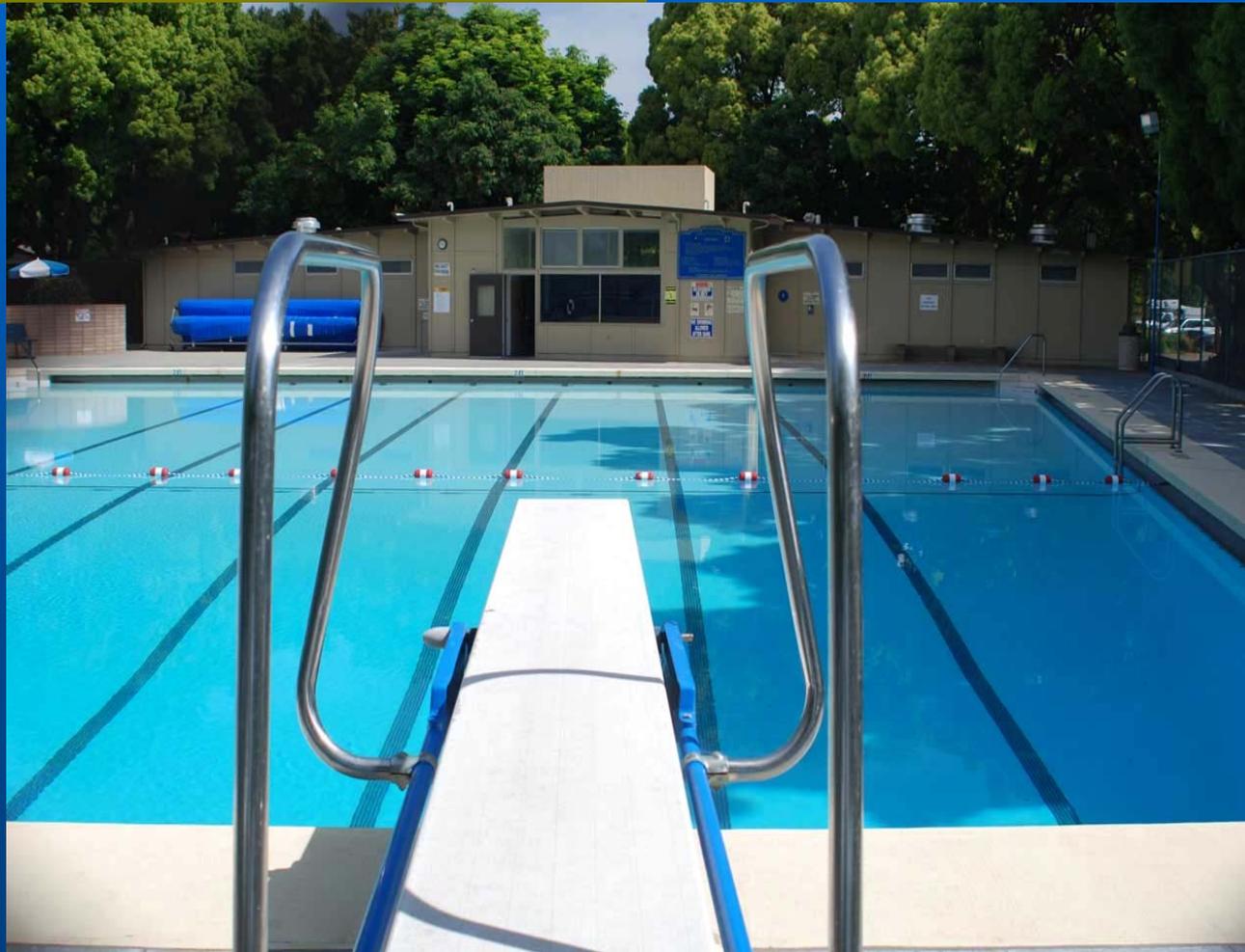
Community Center Buildings – Roof Replacement and Repair - \$1.8M



Tennis Center Rehabilitation - \$367,000



Washington Pool Renovation - \$712,000



Park Buildings Rehabilitation - \$3.9M





Department of Public Works



Sunnyvale Works!

Sunnyvale Works

Creating jobs right at home





Sunnyvale Works!

- ◆ **New and aggressive approach to investing in the community**
- ◆ **\$60 million in currently budgeted projects**
- ◆ **Highly-accelerated schedule**
- ◆ **Favorable climate to spend**
- ◆ **Bolsters Sunnyvale's economy**

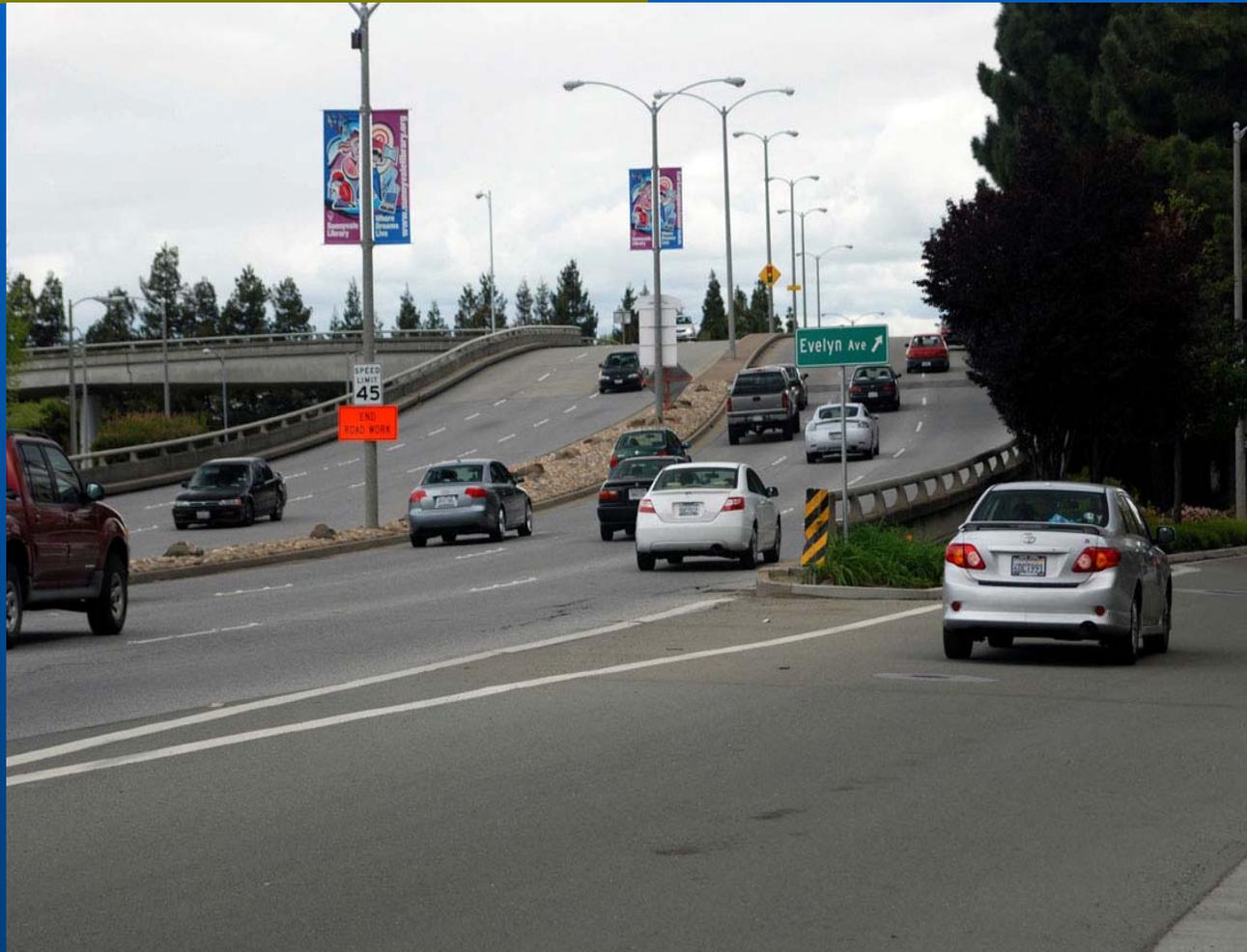
Stimulus Funding

- ◆ **American Recovery and Reinvestment Act**
 - **City actively applying for stimulus funding**
 - **Total of \$8.3 million applied for and/or received by April 2009**
 - **CDBG stimulus funds used for ADA curb cuts and sidewalk repair**

Stimulus Funding – ADA Curb Cuts



Mathilda Avenue Railroad Overpass Improvements - \$36M



Wolfe Road Caltrain Overcrossing - \$3.7M



Calabazas Creek Bridge - \$3.5M



Undergrounding Overhead Utilities - \$1.1M



Homestead Road Pavement Overlay - \$600,000



Murphy Avenue Streetscape - \$4.7M



WPCP Projects

- ◆ **Strategic Infrastructure Plan (SIP) study underway**
 - To determine if plant should be renovated or replaced
- ◆ **Current projects necessary in short-term**
 - Advanced areas of deterioration require action prior to failure

Construction of New Water Pollution Control Plant - \$380M



Rehabilitation of Digesters and Replacement of Digester Lids - \$14.9M



Primary Sedimentation Basin Renovation - \$2.6M



Air Floatation Tanks Rehabilitation - \$3.2M



Water Projects

- ◆ **\$44.2 million in projects over the 20-year planning period**
 - **Addresses three primary areas**
 - **Storage, pipes, wells**
- ◆ **Many projects in early years due to condition of infrastructure**
- ◆ **Recommending Water Infrastructure Bonds be issued in FY 2009/2010**

City-wide Water Line Replacement - \$15.9M



Refurbishment of Water Tanks @ Wright Avenue - \$4.8M



Central Water Plant Building Improvements - \$1.9M





Department of Public Safety

Major DPS Projects

- ◆ **\$63.8 million in recruitment projects over 20-year planning period**
 - **Over \$20 million in savings over previous long-term plan**

Next Steps

- ◆ **Public Hearing – June 2**
- ◆ **Budget Adoption – June 23**