

**Mayor Melinda Hamilton**  
**2010 State of the City Address**  
**July 4, 2010**

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Good morning, and thank you all very much for joining us here today. It's wonderful to be back here in Washington Park on the Fourth of July. I am honored to come before you this morning to report on the state of the City.

As you know, Sunnyvale, like the rest of the state and the nation, is still reeling from an economic crisis the likes of which haven't been seen since the Great Depression.

While we are hopeful that the worst is now behind us, what lies ahead is a new and uncharted economic landscape; one that will present us with new challenges and force us to reconsider what is "normal" in terms of the economy and the services the City provides.

Going forward, we will need to continue to take full advantage of our long-term financial planning, and make the critical adjustments necessary to ensure Sunnyvale's future financial health.

If we address these issues now, with conviction and courage, then I believe we have a very bright future ahead of us.

To understand where we're going, it's important to step back and look at where we've been, and examine what has contributed to the situation in which we find ourselves.

First, it is no surprise that the economic crisis has led to diminishing revenue for the City. Sunnyvale has lost several major retailers in recent years, including Circuit City and auto dealerships.

These losses, coupled with the overall decline in retail sales, have led to sales tax revenue in Sunnyvale dropping by more than \$5 million since 2009. We anticipate it will drop another \$2 million by the end of this year.

The continued delays in the Town Center redevelopment project mean we're missing out on an additional significant source of revenue. Revenue from commercial property tax and transient occupancy tax – paid by hotel guests in Sunnyvale – are also down considerably.

On the other side of the equation, even as our revenue has been shrinking, our expenses have continued to increase.

Those same factors that have cut so deeply into our revenue have also taken a toll on the investment portfolio of the state public employee retirement system, or PERS.

PERS, to make up for this loss in its investment income, will require Sunnyvale to pay \$4 million annually, beginning in fiscal year 2011/12.

By 2013, the most recent estimates suggest that the cost to fund the pension plan will be roughly equal to all the revenue generated from sales tax.

All of this paints a pretty grim picture. Yet through the darkness, there are unmistakable glimmers of hope.

First and foremost among these is the relatively strong financial position Sunnyvale is in, compared with other cities.

While other cities are dipping into their emergency reserves, proposing layoffs and even, in some cases, facing bankruptcy, Sunnyvale has been able to avoid all of these drastic measures.

This is thanks to our multi-year budgeting system, which lets us anticipate problems and adjust accordingly.

We did, in fact, pass a budget last week. And one of the main themes of our budget discussions this year is that our multi-year budget cycle has bought us time, but there is a very real issue around long-term financial sustainability. We have sufficient reserves to cover ourselves for a period of time, but we cannot continue our current spending habits. We must to use that time to plan for a moderate financial future.

Since we have bought ourselves this time, we must not squander this opportunity.

Over the past 15 months, the City has taken a number of steps to cut costs and improve efficiency, cutting roughly \$4 million from planned expenditures during the last fiscal year alone.

To do this, we have begun addressing our rising personnel costs by freezing non-essential vacant positions, and working with the City's bargaining units to discuss how to deal with pension plans going forward.

We are looking at improving our revenue base, by maximizing cost recovery, reevaluating parks and recreation user fees to make sure they reflect market

rates, and ensuring that we're actually collecting the fees that are included on the City's fee schedules.

In addition to these efforts, we're also working to increase efficiency through reorganization and technological improvements, such as the RFID project at the Library and the City's new Web site, both of which allow users to be more self-sufficient.

The new library book return system is a perfect example. It automates the return of books and eliminates the backlog created by having a staffer manually return each book. The new self-service checkout machines allow library patrons to check out several books at once. Both improvements free up significant staff time to allow library staff to assist patrons with more complex issues without increasing personnel costs.

The new Web site, which launched in April, is also a great example of how the City can save money while continuing to provide world-class service.

Unlike other local cities, which have spent tens of thousands of dollars to have outside companies come in and develop their new sites, Sunnyvale's new Web site was developed nearly entirely in-house, by existing staff.

There is also a significant amount of progress to report from downtown.

Despite the delays with the Town Center redevelopment project, work has not stopped entirely.

In May, we scored a major coup when Nokia agreed to lease an entire office building at Mathilda and Washington Avenues. You may have seen work on that building progressing well over the last few weeks.

Not only does Nokia's presence reinforce Sunnyvale's standing as the Heart of the Silicon Valley, it – along with the recent grand opening of the new Target store, one of only 12 to open nationwide last year – gives a major shot in the arm to the Town Center redevelopment project.

I have met with the main representative of the bank, and I am pleased to report that the city continues to have an extremely positive and productive working relationship with the bank, as evidenced by the amended development agreement recently approved by the city council.

This amended agreement put a renewed emphasis on the planned movie theatre downtown, and more favorably balanced the costs of the environmental remediation in the city's favor.

When that theatre finally opens, it will significantly increase the number of visitors to downtown Sunnyvale, which in turn will be a boon to local businesses and the City's economy, and make the area more attractive to retailers.

As someone who has been involved in this issue for more than eight years now, I believe that we are on the final downward slope toward completion of the project. It may not be completely smooth, but the momentum generated so far will carry us through.

Last month, we celebrated the grand re-opening of Historic Murphy Avenue, which if you haven't visited yet, it's absolutely gorgeous. In addition to looking beautiful, the renewed vibrancy will bring more customers out to all the wonderful shops and restaurants that call Murphy Avenue home.

We are pleased to welcome a whole host of businesses that have recently moved to Sunnyvale, or who will be here soon, including the first northern California Sprouts store, which opened in June at the old Circuit City location; cutting edge businesses like Rambus, Liquid Robotics, Atlumin Energy and the Nielsen Company; and great places to eat, such as Panera Bread, Rubio's Fresh

Mexican Grill, Pinkberry, Five Guys Burgers & Fries and Pizza My Heart.

I see a bright outlook for Sunnyvale. But we need to continue planning for that future in order to make it a reality.

To that end, we have recently undertaken an ambitious effort called *Horizon 2035: A Convergence of Climate, Land Use and Transportation*.

This project aims to develop policies and programs to help the City address land use and transportation issues, sustain our natural resources and encourage more efficient development over the next 25 years.

This process is designed to be open and collaborative between the City, and the residents and businesses that call Sunnyvale home.

We all have a vested interest in maintaining a high-quality of life in our City, both now and for generations to come.

Horizon 2035 will help shape how the City considers future development and redevelopment, sustainability, economic development, public transportation corridors, and conservation issues like energy, water and recycling.

You can have a say in those decisions, but only if you choose to get involved.

Even if climate change and land use aren't your passions, there are so many ways to get involved in our community.

The City is always in need of volunteers to help with a wide variety of projects and programs, including Hands on the Arts, State of the City, various programs at the senior center or the library, and various projects within city departments.

In fact, there's a table right back there with representatives from our Human Resources Department, who will be happy to talk with you about volunteer opportunities with the city.

You can also talk to our City Clerk's office about applying to serve on a board or commission, and help advise Council on issues like planning, public art, the Library, bicycle and pedestrian issues, heritage preservation, and more.

And if you've never attended a City Council meeting, or haven't been in a while, allow me to extend an open invitation to you.

Every member of the public has a right to speak on the issues we discuss at Council, and we welcome your comments. The more input we receive, the better able we are to truly reflect the will of the people when we set policy for the City.

Council meets most Tuesday nights at 7 p.m., and you can also watch our meetings on Comcast channel 15, or online at [Webcast.inSunnyvale.com](http://Webcast.inSunnyvale.com). The meeting schedule, agendas and staff reports are available on the city's web site as well.

However you choose to get involved, you will be doing your part to make Sunnyvale an even better place to live, work and play.

I encourage you all to find something you're passionate about, and get involved in Sunnyvale today.

Working together, with careful long-term financial planning, the patience to weather the economic storm, and an active, engaged community, we can fulfill the promise of a bright and prosperous future for Sunnyvale.