



# Fiscal Outlook Presentation

*February 1, 2013*



# Background

- ✦ Severe economic downturn began in 2008
  - ✦ Revenues dropped significantly
  - ✦ Poor investment returns at CalPERS impacted City's pension expense
- ✦ No plan for funding deteriorating infrastructure
- ✦ Organizational structure not optimizing resources



# Development of a Plan

- ✦ Key actions to re-establish sustainability
  - ✦ Organizational restructure
  - ✦ Compensation concessions
  - ✦ Temporary service reductions
  - ✦ Infrastructure funding plan
  - ✦ Pension and retiree healthcare (OPEB) funding plan
- ✦ Developed and implemented from FY 2009/10 through FY 2011/12



# Results of the Plan

- ✦ Operational efficiency established
  - ✦ 2008: 926 FTE budgeted      2013: 839 FTE budgeted
- ✦ Budget structurally balanced
- ✦ Services restored
  - ✦ Tree trimming, street rehabilitation, Library hours, infrastructure
- ✦ Improved funding status of pension and OPEB
- ✦ Aaa Issuer Credit Rating confirmed



# What's Left to Do?

- ✦ Infrastructure plan not complete
  - ✦ Accelerated street rehabilitation plan in place
  - ✦ Additional set aside established FY 2012/13
    - ✦ \$30 million over 20 years
    - ✦ Not appropriated to specific purpose
- ✦ Unfunded pension and OPEB liabilities
  - ✦ Still significant despite additional contributions
- ✦ Continue to manage compensation growth within confines of what is in 20-year plan

# FY 2012/13 Update - Revenue



## ✦ Property Tax

- ✦ FY 2012/13 projection: +3.5%
- ✦ On track; 40% of revenue received Y-T-D
- ✦ Reduction in administrative fee City pays to County
  - ✦ ~\$250,000 annually
- ✦ Outstanding appeals

# FY 2012/13 Update - Revenue



## ✦ Sales Tax

- ✦ FY 2012/13 projection: +5%
- ✦ 1<sup>st</sup> Quarter revenues strong
  - ✦ Not necessarily an indicator of future revenue
  - ✦ Offset by recent State Board of Equalization decision
    - ✦ \$300K reallocated from City to County pool
- ✦ On track based on Y-T-D revenue

# FY 2012/13 Update - Revenue



✦ Development-related and TOT tracking to exceed estimates

	Original FY 12/13 Projection	Current Year-to-Date	Final FY 11/12	FY 11/12 Year-to-Date
Development	\$9M	\$7M	\$14M	\$6.7M
TOT	\$7.4M	\$3.75M	\$7.8M	\$3.25M

# FY 2012/13 General Fund Operations



<u>Department</u>	<u>Budget</u>	<u>Y-T-D Exp.</u>	<u>% of Budget</u>
CDD	\$5,460,359	\$2,811,435	51.5%
FIN	\$7,838,181	\$3,809,080	48.6%
HR	\$3,425,064	\$1,652,233	48.2%
LCS	\$16,488,233	\$7,918,125	48.0%
OCA	\$1,644,884	\$863,815	52.5%
OCM	\$3,786,747	\$1,782,875	47.1%
DPS	\$73,711,625	\$38,098,605	51.7%
DPW	\$19,987,167	\$10,200,078	51.0%
<b>Total</b>	<b>\$132,342,260</b>	<b>\$67,136,246</b>	<b>50.7%</b>

51.8% of the fiscal year has elapsed



# FY 12/13 Expenditures

- ✦ Total General Fund operations tracking towards modest savings this year
- ✦ \$1.2 million debt service not reimbursed
  - ✦ General Fund will have to pay remaining \$12.2 million over next 10 years
  - ✦ RDA Dissolution Process – Worst case has occurred



# What's on the Horizon?

- ✦ Revenue outlook positive
  - ✦ Projections refined over next few months
- ✦ Supplemental Law Enforcement funding stable
- ✦ Pension reform act (PEPRA) and additional employee contribution
  - ✦ Yet to be incorporated in budget
- ✦ CalPERS changes
  - ✦ Actuarial adjustments and accounting changes
  - ✦ Increased costs and more volatility



# Pressures Going Forward

- ✦ Downtown development
  - ✦ Additional Sales Tax budgeted 2010 – 2013: \$3.5M, Actual: \$0
  - ✦ Another \$1.5 million for 2014 – 2016 will be delayed
    - ✦ First incremental Sales Tax now expected in 2015
- ✦ PSOA salary survey assumptions
- ✦ Decisions on City infrastructure
- ✦ Service levels

# State Budget Update



- ✦ Released FY 2013/14 budget 1/10/13

- ✦ Legislative Analyst's Office:

*"The state has reached a point where its underlying expenditures and revenues are roughly in balance."*

- ✦ Reduces risk of takeaways from cities

# FY 2013/14 Recommended Budget



- ✦ Focus on capital and infrastructure projects
- ✦ Major infrastructure work in the utilities
  - ✦ WPCP Master Planning underway
    - ✦ Will inform project schedule and funding
    - ✦ Adjustments to plan expected as project develops
- ✦ Park Dedication Fee-funded projects
  - ✦ Recommendations for Council consideration

# Sunnyvale “Shines”



- ✦ Recent positive news highlighted by Moody’s outlook for Sunnyvale
  - “The City will continue to maintain an exceptionally strong fiscal profile”
  - “Very sound long-term fiscal policies”
  - “Exceptionally healthy reserves”
  - “Economically outperforming the state and nation”