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**FOR IMMEDIATE RELEASE**

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## **Santa Clara County Library Authority to Charge New Library Card Fee for Non-Residents of Library District**

**SANTA CLARA COUNTY, CALIF.-** In response to dramatic reductions in State funding and an increasing demand for library services, on Thursday the Santa Clara County Library District Joint Powers Authority approved an \$80 annual library card fee for non-residents of the District, effective July 1, 2011.

Since 1988, the State has reimbursed public libraries for lending materials to non-residents of their district, and any resident of California could get a card at any public library in the state. Demands for service have increased to a point that the Santa Clara County Library District lends far more books to non-residents than District residents borrow from other libraries. At one time, the Library received over \$2 million annually to partially reimburse the cost of this service.

In the midst of an increasing deficit, the Governor's proposed budget includes the elimination of \$30.4 million in state funding for three of California's most valuable public library programs: The Public Library Foundation, the California Literacy Program and the Transaction Based Reimbursement, a cooperative system of borrowing and loaning books that has existed statewide for several decades. The State Budget for Fiscal Year 2012 eliminates all funding for public libraries, including those that are part of the Santa Clara County Library District.

"We know how popular and valuable the Santa Clara County Library District services and programs are, but we have to have the funding to continue to offer them to non-residents," said County of Santa Clara Supervisor Liz Kniss, Delegate to the Santa Clara County Library District Joint Powers Authority. "An annual fee for non-residents will extend County Library privileges to them, including access to an impressive collection of materials and resources. There will continue to be no fee for residents of the Library District."

Out of the current 356,107 Santa Clara County Library District cardholders, 202,559 are residents of the District. The remaining 153,548 or 43 percent of all cardholders do not reside in the Library District. Without the reimbursement from the State for serving non-residents of the Library District, the Santa Clara County Library District Joint Powers Authority concluded that charging an annual fee for service is justified.

To be eligible for a Santa Clara County Library District card, people must reside in one of the nine cities that belong to Santa Clara County Library District Joint Powers Authority: Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Milpitas, Monte Sereno, Morgan Hill, Saratoga or in the unincorporated areas of Santa Clara County. People living in the cities of Los Gatos, Mountain View, Palo Alto, San José, Santa Clara and Sunnyvale will continue to have access to their city libraries at no cost to them, and they will have the choice to purchase a County Library District card as a value-added service. The benefit of having a County Library card is that an individual or family may borrow up to 100 items at a time, per card from District libraries.

"Rather than cutting services to tax-paying residents, the fair choice is to charge an annual fee to non-residents who benefit from the Library District." said Melinda Cervantes, Santa Clara County Librarian.

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## Library Authority to Charge New Library Card Fee for Non-Residents-Page 2 of 2

"Everyone is welcome to visit and use materials in the Library, regardless of where they live," said Dion Bracco, Chair of the Santa Clara County Library District Joint Powers Authority. "This non-resident fee to enjoy Santa Clara County Library District services is comparable to the average of non-resident fees charged by public libraries nationwide and to what it costs the Santa Clara County Library District per capita to operate the Library."

Santa Clara County Library collection includes 1.8 million books, videos, CDs, DVDs, audiobooks, ebooks and extensive online resources that users can access from home or work.

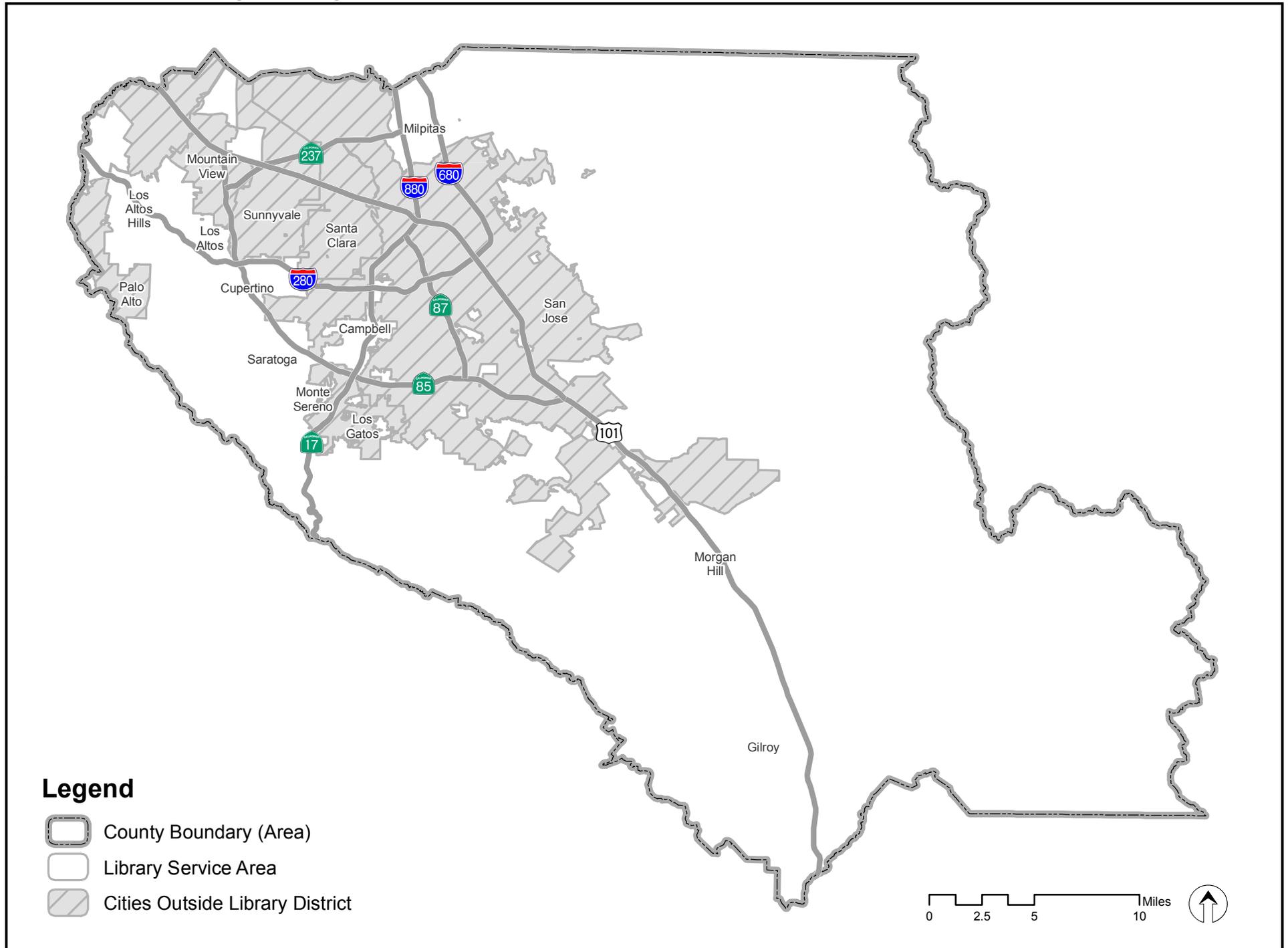
### About the Santa Clara County Library

Established by the County Board of Supervisors in 1914, the Santa Clara County Library District serves residents of Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Milpitas, Monte Sereno, Morgan Hill, Saratoga and the unincorporated area of Santa Clara County. It also includes two bookmobiles and an online library. In 2010, the Library loaned over 12 million items to 3.8 million visitors.

Santa Clara County Library is one of the top 100 libraries in the United States. For eleven years, it has ranked as one of the best in the nation for its size by *Hennen's American Public Library Ratings* which uses 15 different benchmark measures such as collections, circulation, visits and customer service. Also recognized as one of America's 2010 Star Libraries by *Library Journal* and with more than 3.8 million visits each year, Santa Clara County Library is one of the most-used public resources in the region. Visit Santa Clara County Library online at [www.santaclaracountylib.org](http://www.santaclaracountylib.org)

# # #

# Santa Clara County Library Service Area



**SANTA CLARA COUNTY LIBRARY  
NEW LIBRARY CARD FEE FOR NON-DISTRICT RESIDENTS**

**Why charge a fee?**

Since 1988, the State has reimbursed public libraries for lending materials to residents of other library jurisdictions – a nearly seamless service where any California resident could get a card at any public library in the state.

The Santa Clara County Library District lends far more books to residents of other library jurisdictions than it borrows and at one time received over \$2 million annually to reimburse the cost of this service. The FY12 Proposed State Budget eliminates all funding for public libraries and rather than cut service to our tax-paying residents, the Library's governing board approved a fee for service for non-residents of the District.

**Who is eligible to receive a free Santa Clara County Library Card?**

To be eligible for a free Santa Clara County Library District card, you must reside or own property in the unincorporated area of Santa Clara County or in one of the following nine cities: Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Milpitas, Monte Sereno, Morgan Hill or Saratoga.

The Santa Clara County Library has an extensive collection of books and other materials at eight locations throughout the District and via the Bookmobile. Everyone is welcome to visit and use materials in the Library, regardless of residency.

**What does a Non-Resident Library Card cost?**

Effective July 1, 2011, library cards are available to non-residents of the Library District for a non-refundable annual fee of \$80, valid for one year from the month of purchase. An individual card allows for borrowing up to 100 items and accessing computer services and online resources remotely. Family members may choose to share a card.

The non-resident fee charged by the Santa Clara County Library District is comparable to the average of non-resident fees charged by libraries nationwide and to what residents of the Santa Clara County Library District spends per capita to operate the Library.

### **How do I determine whether I live in the Santa Clara County Library District?**

The Assessor's Office allows residents to view basic information about properties in Santa Clara County free of charge on their website at <http://services.sccgov.org/ari/search.do>. The website includes information about Tax Rate Areas for each property. If the Tax Rate Area listing for a property listing includes "Area No. 01 (Library Services)," that property is part of the Santa Clara County Library District. Your postal mailing address is not a reliable indicator of your residence in the Tax Rate Area. If you have additional questions about your property or the Assessor's website, please call the Assessor's Office at 408-299-5500.

### **Are students who attend schools in the Library District or employees of businesses in the District eligible for a free card?**

No. Residents or property owners in the legally defined Library Services Area No. 01 are the only people who are eligible for a free card, because their property taxes already support the Santa Clara County Library District.

### **If I don't live in the Santa Clara County Library District, where can I get free library services?**

Every city in Santa Clara County offers library services to their residents. Check out the following libraries:

- Los Gatos Public Library [www.library.town.los-gatos.ca.us](http://www.library.town.los-gatos.ca.us)
- Mountain View Public Library [www.library.ci.mtnview.ca.us](http://www.library.ci.mtnview.ca.us)
- Palo Alto Public Library [www.cityofpaloalto.org/library](http://www.cityofpaloalto.org/library)
- San Jose Public Library [www.sjpl.org](http://www.sjpl.org)
- Santa Clara City Library [www.library.santaclaraca.gov](http://www.library.santaclaraca.gov)
- Sunnyvale Public Library [www.sunnyvalelibrary.org](http://www.sunnyvalelibrary.org)

### **It's worth it**

By paying the annual fee, people living outside the Santa Clara County Library District can enjoy the same borrowing privileges as District residents. For \$80, you can have access to over 1.8 million books, videos, CDs, DVDs and audio-books; online resources valued at over \$500,000 annually; downloadable audio-books, ebooks and music; and wireless, PC, online access to the internet in the library and homework assistance.

For more information call (408) 293-2326 or check the Santa Clara County Library website: [www.santaclaracountylib.org](http://www.santaclaracountylib.org)



**FY 2011/2012 Recommended Budget  
and  
Twenty Year Resource Allocation Plan**

**City Manager's  
Budget Message**

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## TABLE OF CONTENTS

|   |    |
|---|----|
| <b>Introduction</b>                                 | 1  |
| FY 2011/12 Recommended Budget Key Facts             | 2  |
| <b>Current Financial Condition</b>                  | 3  |
| Citywide Budget                                     | 3  |
| General Fund  | 5  |
| Structural Deficit                                  | 6  |
| <b>Significant Issues and Assumptions</b>           | 8  |
| Recovery Underway                                   | 8  |
| Effects of Downturn Still Being Felt                | 9  |
| Personnel Costs                                     | 10 |
| Retirement Costs                                    | 12 |
| Medical Costs                                       | 14 |
| Total Employee Compensation Costs                   | 15 |
| Utilities Rate Increases                            | 15 |
| Organizational Restructure                          | 16 |
| Service Level Reductions                            | 17 |
| Infrastructure Investment Funding                   | 17 |
| Impact of State Budget Actions                      | 17 |
| Changing the Community Recreation Fund Model        | 18 |
| <b>Major Projects</b>                               | 20 |
| Replacement of the Water Pollution Control Plant    | 20 |
| Utilities Infrastructure                            | 21 |
| Streets and Roadway Infrastructure Maintenance      | 22 |
| Calabazas Creek Bridge at Old Mt. View-Alviso Road  | 24 |
| Fair Oaks Bridge over Caltrain and Hendy Avenue     | 24 |
| Mathilda Avenue Bridge over Caltrain and Evelyn     | 25 |
| Morse Avenue Neighborhood Park Development          | 25 |
| Recruitment and Training for Sworn Officers         | 25 |
| Parks Infrastructure Projects                       | 26 |
| Civic Center/City Facilities                        | 27 |
| Financing Our Infrastructure Needs                  | 27 |
| <b>Addressing the Long Term Structural Deficit</b>  | 29 |
| FY 2011/2012 Recommended Budget Key Decision Points | 29 |

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*Honorable Mayor and Members of the City Council:*

**Introduction**

In presenting the recommended FY 2011/2012 Budget, there is reason for cautious optimism, especially given where we were just one year ago. Last year at this time, the City, like most California cities, was grappling with the effects of the housing market meltdown and subsequent global recession. Revenues had dropped precipitously and concerns of a potential double dip were strong. In the ensuing year, the recovery has taken hold with the high tech sector leading the way. In the heart of Silicon Valley, Sunnyvale has reaped the benefits with strong growth in sales tax revenues and development activity. The City's downtown has seen great progress with more soon to come with the new development team in place. The projections for recovery that were incorporated into the budget are bearing out.

On the expenditure side, there are positive developments as well. Since my arrival 2 ½ years ago, I have focused on streamlining the organization to operate effectively in this "new normal" economic environment. The final major reorganizational piece was detailed this past month and will be implemented over the next several months. I believe the City is in optimal position to take advantage of efficiencies and adapt to the fiscal realities of how we must conduct business in the future.

While there are several strong components on which to build the budget, a significant challenge persists, keeping the goal of a truly balanced budget out of reach any time soon. Sunnyvale has a structural deficit. That is, we are spending

more on an annual basis than we are taking in. The City does not have the funds to deal with its deteriorating infrastructure and service levels have been reduced in areas such as tree and road maintenance. For example, the City's Pavement Condition Index has dropped from 80 to 70.

And what is especially disconcerting, this proposed budget may not have adequately addressed future costs of compensation. Personnel costs take up 79% of all General Fund revenues, up from 62% 10 years ago. Even a small change in the salary assumptions can have a dramatic effect. For example, we have budgeted less than the historical average salary increases for our public safety personnel. The historical average increase is 4.6%; we have budgeted between 3% and 4%. To make the adjustment to the historical average appears to be a modest change. However, because of the compounding effect of a rapidly increasing salary base, the amount quickly becomes so significant that an additional \$8 million would be required annually and a total of \$194 million over 20 years just to make this one adjustment. This vulnerability needs to be recognized and addressed, not minimized or rationalized.

The continued funding of these rising personnel costs is coming through the use of the Budget Stabilization Fund reserves. Of course, reserves are one-time funds and this reserve is projected to be drawn down to \$1.6 million in 10 years. Adjusted for the contribution to fund retiree medical liabilities, this reserve was \$51.1 million 10 years ago and \$46.7 million just five years ago.

# CITY MANAGER'S MESSAGE

## FY 2011/2012 Recommended Budget

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The Budget Stabilization Fund is meant to go up and down, functioning as a shock absorber for the economic peaks and valleys. When continually drawn down, and to such a low level, the long-

term financial plan stabilizer is lost. The longer we wait to address this problem, the more severe the remedy and the more quickly it will have to take effect.

### FY 2011/2012 Recommended Budget

#### Key Facts

FY 2011/2012 General Fund Revenues: \$131M

FY 2011/2012 General Fund Expenditures/Additional Reserves: \$137.5M

FY 2011/2012 General Fund Deficit: \$6.5M

Consecutive Years of General Fund Deficits: Last 3 Years

Largest General Fund Revenue Source: Property Tax \$42M (35% of Total)

Personnel Costs as a % of General Fund Operations: 82% (\$104M)

Increase in Salaries and Benefits over FY 2010/2011: 6% (\$6M)

FY 2011/2012 Projects Budget: \$31M / 20 Year Project Budget Total: \$704M

FY 2010/2011 Budget Stabilization Fund Balance: \$35M

FY 2020/2021 Budget Stabilization Fund Balance: \$1.6M

General Fund Contingency Reserves Increases from \$23M in 2010 to \$33M in 2021

FY 2011/2012 General Fund Support for Recreation Activities: \$4.8M

Positions Eliminated/Frozen since FY 2009/2010: 54

Increase in CalPERS Pension Rates over next 3 Years: 45% (Misc) / 32% (Safety)

Increase in City Paid Pension Costs over last 10 Years: 250% (Misc) / 400% (Safety)

Increase in Medical Premiums in January 2011: 10.5%

Increase in Medical Premiums Estimated for January 2012: 10%

Over last 12 Years, City Population Increased 6% / Full Time City Employees Decreased 8% (922 to 845)

Full Time City Staffing is at its Lowest Level since 1995

# CITY MANAGER'S MESSAGE

FY 2011/2012 Recommended Budget

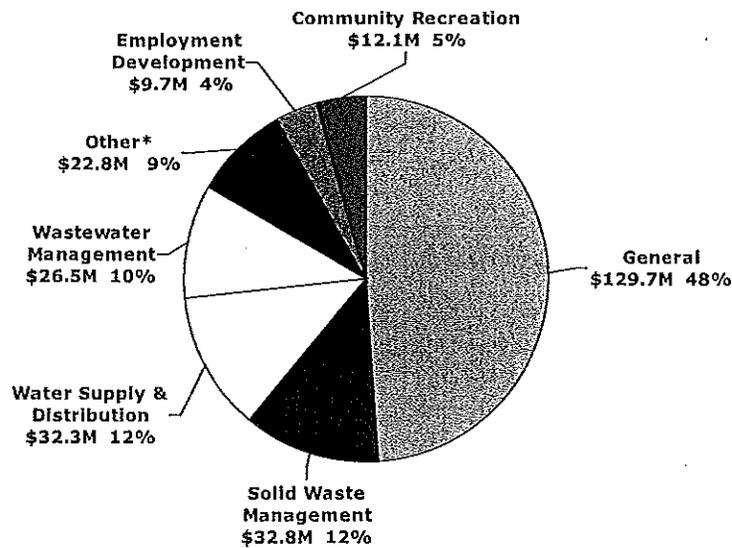
## Current Financial Condition

### ▪ Citywide Budget

The citywide recommended FY 2011/2012 Budget and 20-Year Resource Allocation Plan as presented for Council consideration totals \$265.9 million. This encompasses all City funds, the largest of which are the General Fund and the Utilities

Funds. Also included are the Capital Projects Funds and all of the Special Revenue Funds including the Redevelopment Agency Fund and Park Dedication Fund.

Figure 1: Recommended FY 2011/2012 Citywide Expenditures by Fund



Total Expenditures: \$265.9M

\* Other includes Gas Tax, Youth and Neighborhood Services, Capital, Infrastructure, Housing/CDBG, Park Dedication and Redevelopment Agency Funds.

CURRENT FINANCIAL CONDITION

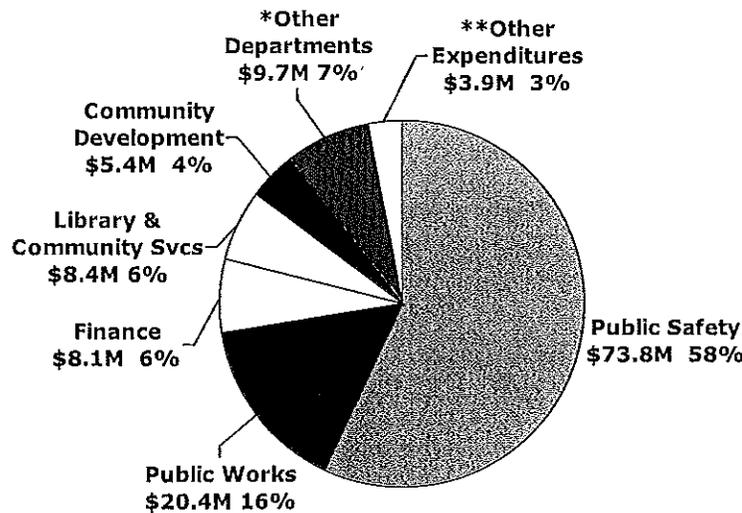
# CITY MANAGER'S MESSAGE

## FY 2011/2012 Recommended Budget

Because the citywide total combines all of these funds, a more useful way to understand the City's financial condition is to look at the General Fund, which makes up nearly half of the citywide total budget and supports many of the most visible and essential City services, such as police, fire,

road maintenance, libraries, parks and open space maintenance, land use planning, legal services and financial management. As Figure 2 shows, public safety expenditures make up more than half of the General Fund budget.

Figure 2: Recommended FY 2011/2012 General Fund Expenditures by Department



Total Expenditures: \$129.7M

\*Other Departments include the Human Resources Department (\$3.6M), the Office of the City Attorney (\$1.7M), and the Office of the City Manager (\$4.4M).

\*\*Other Expenditures include equipment, projects, lease payments, infrastructure investment, and \$500,000 in cost reductions that will be identified across all departments.

Total expenditures do not include interfund transfers, including the \$5.4M in transfers from the General Fund to support recreation activities and the Youth and Neighborhood Services Fund.

# CITY MANAGER'S MESSAGE

*FY 2011/2012 Recommended Budget*

▪ *General Fund*

The table below outlines the estimated revenues and recommended expenditures and transfers for the General Fund.

**Figure 3: Recommended General Fund Revenues and Expenditures**

|                                   | Actual<br>2009/2010 | Current<br>2010/2011 | Budget<br>2011/2012 | Plan<br>2012/2013  | Plan<br>2013/2014  |
|-----------------------------------|---------------------|----------------------|---------------------|--------------------|--------------------|
| <b>CURRENT RESOURCES:</b>         |                     |                      |                     |                    |                    |
| Property Tax                      | 43,699,859          | 41,937,637           | 42,033,969          | 43,709,279         | 45,586,327         |
| Sales Tax                         | 25,431,711          | 27,286,190           | 28,144,466          | 29,447,306         | 30,994,562         |
| Transient Occupancy Tax           | 5,578,196           | 6,430,805            | 6,689,607           | 6,975,954          | 7,367,693          |
| Utility Users Tax                 | 6,797,768           | 6,801,741            | 6,947,373           | 7,173,629          | 7,350,453          |
| Other Taxes                       | 4,030,224           | 4,499,071            | 4,735,887           | 4,975,151          | 5,009,406          |
| Franchises                        | 5,979,301           | 6,309,686            | 6,398,220           | 6,582,354          | 6,762,329          |
| Permits and Licenses              | 4,666,794           | 5,544,598            | 5,643,631           | 5,770,343          | 5,627,260          |
| Other Permits/Fees/Fines          | 4,372,161           | 4,817,448            | 4,870,304           | 5,112,346          | 5,111,727          |
| Inter-Fund Revenues               | 8,599,600           | 9,330,898            | 12,297,794          | 14,805,033         | 16,821,881         |
| In-Lieu Charges                   | 8,899,467           | 9,101,032            | 8,751,278           | 9,075,101          | 9,374,737          |
| Other                             | 8,431,389           | 4,480,377            | 4,506,650           | 4,377,213          | 7,672,693          |
| <b>Total Current Resources</b>    | <b>126,486,470</b>  | <b>126,539,482</b>   | <b>131,015,098</b>  | <b>138,003,909</b> | <b>147,679,071</b> |
| <b>CURRENT REQUIREMENTS:</b>      |                     |                      |                     |                    |                    |
| Projects & Equipment              | 4,491,330           | 4,676,387            | 601,055             | 473,437            | 2,678,581          |
| Operations - Safety Compensation  | 52,148,780          | 53,561,783           | 56,167,163          | 58,408,292         | 62,314,720         |
| Operations - Misc. Compensation   | 44,174,817          | 44,282,847           | 47,441,090          | 47,965,821         | 48,744,289         |
| Operations - Other                | 19,558,182          | 19,373,908           | 20,195,380          | 20,243,458         | 20,798,845         |
| Lease Payments                    | 4,001,530           | 3,068,322            | 3,209,761           | 3,285,881          | 4,057,176          |
| Service Level Reductions          | 0                   | 0                    | (500,000)           | (518,293)          | (540,225)          |
| Infrastructure Investment         | 0                   | 0                    | 2,550,000           | 2,550,000          | 2,550,000          |
| Transfers to Other Funds          | 7,661,880           | 9,852,800            | 6,088,768           | 6,153,385          | 6,333,037          |
| <b>Total Current Requirements</b> | <b>132,036,519</b>  | <b>134,716,047</b>   | <b>135,753,217</b>  | <b>138,561,980</b> | <b>146,936,424</b> |
| <b>RESERVES:</b>                  |                     |                      |                     |                    |                    |
| Contingencies (20%)               | 23,176,356          | 23,423,708           | 25,170,727          | 25,729,855         | 26,773,526         |
| Capital Improvement Projects      | 8,222,181           | 5,617,963            | 5,617,963           | 5,617,963          | 7,748,781          |
| <b>BUDGET STABILIZATION FUND</b>  | <b>40,847,051</b>   | <b>35,027,352</b>    | <b>28,542,214</b>   | <b>27,424,814</b>  | <b>24,992,972</b>  |

As Figure 3 indicates, total expenditures for FY 2011/2012 are expected to be \$135.8 million, up 0.8% from the revised FY 2010/2011 budget. Because certain aspects of the budget can change dramatically from year to year, notably projects and related transfers, a more precise understanding

of the comparative budget is in the operating area. The operating portion is \$123.8 million and up 5.7%, or \$6.7 million from FY 2010/2011 to FY 2011/2012. This increase is predominately due to rising employee compensation costs despite the reduction of 54 positions over the past three years.

CURRENT FINANCIAL CONDITION

# CITY MANAGER'S MESSAGE

## FY 2011/2012 Recommended Budget

Employee compensation is discussed in detail in the *Significant Factors and Assumptions* section below. In addition, the Contingencies Reserve is up by \$1.7 million since, by fiscal policy, it must be equal to 20% of the operating budget.

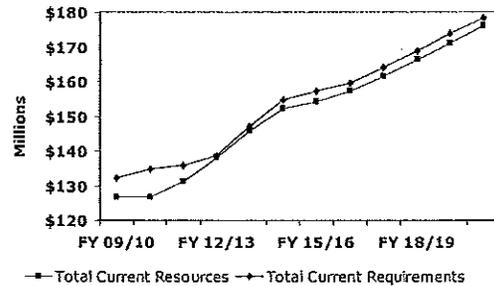
Figure 3 also shows that revenues are anticipated to be up \$4.5 million in FY 2011/2012 from the revised FY 2010/2011 estimates. This reflects the impact of the economic recovery which was budgeted last year. However, it appears the recovery is slightly stronger and occurring faster than originally estimated. In addition, \$3 million of the \$4.5 million difference is due to an increase in loan repayments from the Wastewater, Solid Waste, and Redevelopment Agency Funds. Even with the increase in revenue, total requirements including expenditures and reserves for FY 2011/2012 are greater than total resources by \$6.5 million. As a result, the Budget Stabilization Fund will again be drawn down, by \$6.5 million.

### ▪ Structural Deficit

As required by the City Charter, each fund is balanced over the 10-year planning period and all reserve requirements are met. In accordance with the City's fiscal policies, a balanced 20-year financial plan is presented for all funds. While all funds are balanced, service level reductions and a drawdown of reserves is utilized in several funds to achieve that balance. The drawdown of reserves is expected in the context of the 20-year planning period to deal with the effects of economic cycles, but it is important to note when the continued use of reserves indicates a structural deficit. This is the case with the General Fund and the Community Recreation Fund.

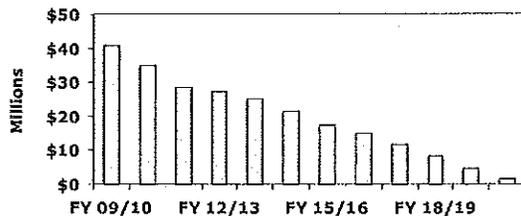
As Figure 4 indicates, the General Fund has a sustained structural deficit. At no point in the next 10 years are there more resources than requirements.

Figure 4: General Fund Resources and Requirements – 10 Year Projection



As a result of this continued structural deficit, the Budget Stabilization Fund is estimated to be drawn down to \$1.6 million by FY 2020/2021.

Figure 5: Budget Stabilization Fund – 10 Year Projection



Because the Budget Stabilization Fund is projected to be drawn down so low, significant service level reductions will be required beginning in FY 2021/2022 in order to balance the budget. Exacerbating the gap between expenditures and revenues in the latter 10 years is the completion of loan repayments from other funds. The Solid Waste Fund will make its last loan repayment in FY 2022/2023, resulting in a loss of \$4.7 million annually thereafter. Loan repayments from the Redevelopment Agency will end in FY 2027/2028 when the project area is set to expire. At that time, RDA loan repayments to the General Fund are estimated to be \$11.5 million annually. A total

# CITY MANAGER'S MESSAGE

*FY 2011/2012 Recommended Budget*

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of \$97.8 million will be required in either cost savings or increased revenue from FY 2021/2022 through FY 2030/2031. It is patently clear that the growth in expenditures cannot be supported by the projected revenue trends. The recommended FY 2011/2012 Budget and 20-year financial plan is only balanced through the use of the Budget Stabilization Fund. When this reserve runs out, severe corrective actions will be necessary.

Fortunately, Sunnyvale's long-term financial program modeling can serve us well. It gives us the time to address this issue sooner rather than later. The earlier the structural deficit is identified, the less severe the future reductions or revenue increases will have to be. For example, the recommended budget includes \$500,000 in anticipated service level reductions beginning in FY 2011/2012. If an additional \$1.75 million in ongoing reductions were implemented now, severe reductions would not be necessary until FY 2028/2029 when the RDA loan repayments are gone. Instead of needing to cut \$97.8 million in the back 10 years, only \$36 million is required. This is a considerable difference and exemplifies the benefits of taking action earlier.

In addition to the structural deficit in the General Fund, the Community Recreation Fund, which is largely dependent on the General Fund, also faces a severe structural deficit. The General Fund currently provides a net subsidy of \$3.8 million to the Community Recreation Fund annually. Last year, the Community Recreation Fund faced an additional \$600,000 structural deficit and staff has been working to close this gap. Due to the continued decline in golf revenues, the additional structural deficit has grown to \$1.4 million. Recreation staff has already implemented \$200,000 in cost savings and anticipates an additional \$200,000 in reductions through efficiencies and elimination of vacancies. For the recommended budget, the remaining \$1 million will come from

the General Fund. Half of the \$1 million will be from a variety of cost reductions in the FY 2011/2012 General Fund Budget which will be identified by all the General Fund departments on a proportionate share basis. The other half will draw from the Budget Stabilization Fund.

CURRENT FINANCIAL CONDITION

# CITY MANAGER'S MESSAGE

## FY 2011/2012 Recommended Budget

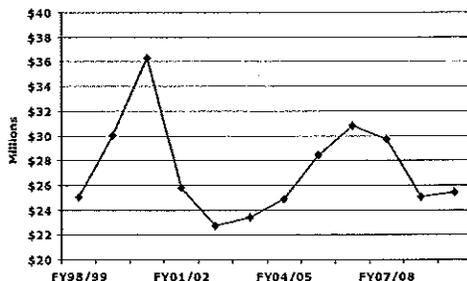
### Significant Issues and Assumptions

#### ▪ Recovery Underway

##### Sales Tax

Year-to-date data indicates that recovery from the "Great Recession" took hold in FY 2010/2011. Sales tax revenue, the second largest source of General Fund revenues, has made a strong rebound with sharp increases in the business and industry sector. While it is important to emphasize that recovery is built into the 20-year financial plan, recent sales tax receipts indicate the recovery occurred much sooner and slightly better than budgeted. As a result, total sales tax revenues for the 20-year planning period are up \$19 million over the previous budget, with the majority of this gain occurring in the first five years of the plan. While this is certainly good news, it is important to note that we are estimating \$28.1 million in sales tax revenue for FY 2011/2012 while we received \$30.9 million five years earlier in FY 2006/2007. Clearly, sales tax is a highly volatile revenue source, as evidenced by the 12-year history in Figure 6. The volatility has made long term projections challenging. For example, in the Adopted FY 2005/2006 Budget, we had projected \$32.9 million for FY 2011/2012, which is 17% higher than our current estimate.

Figure 6: Sales Tax Revenue – 12 Year History



With this level of volatility, the usefulness of the Budget Stabilization Fund cannot be over-emphasized. This reserve allows us to handle the volatility while maintaining a fairly consistent level of service. Of course, as the Budget Stabilization Fund is continually drawn down and not replenished, it is less able to handle the volatility.

Long term projections include additional sales tax revenue from the completion of the Town Center project. Additional revenue is budgeted beginning in FY 2012/2013, with the full projection of \$1.5 million recognized in FY 2014/2015.

##### Transient Occupancy Tax

Another revenue source positively impacted by the rebound in the business and industry sector is Transient Occupancy Tax (TOT) revenue. Because Sunnyvale's occupancy of hotel and motel rooms is primarily driven by business travel, this revenue source, 5.5% of General Fund revenues, has followed the Sales Tax revenue pattern. TOT revenue has seen real growth in FY 2010/2011 and is expected to finish at approximately \$6.4 million, a 16% increase over the previous year. TOT revenue is expected to grow with the economic recovery, but not more than what is already projected over the long-term financial plan. With volatility levels similar to Sales Tax revenues, TOT has also been challenging to forecast. As an example, the Adopted FY 2005/2006 Budget forecast \$7.2 million in TOT revenue for FY 2010/2011, 13% higher than the current estimate.

##### Development Related Revenue

Development related activity began to rebound late in FY 2009/2010 and has continued to grow in FY 2010/11. In fact, FY 2010/2011 is on pace to exceed its inflation-adjusted historical baseline, with expected revenues up 29% over

# CITY MANAGER'S MESSAGE

*FY 2011/2012 Recommended Budget*

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last fiscal year. Projections for FY 2011/2012 and FY 2012/2013 reflect activity above the standard baseline, as there are several significant projects in process, including continued work in the downtown, that are expected to bring in additional revenues. After FY 2012/2013, projections are adjusted to the sustainable baseline, based on historical revenues. These again are highly volatile revenues with peaks and valleys that can occur very abruptly. Dependence on this revenue over the long term should be considered "soft".

While the recovery, particularly the acceleration, is welcome news, it is important to note that recovery was already planned into the current budget. The acceleration has increased revenues in the earlier years, but, with the exception of Sales Tax, there are no additional revenues anticipated over the long-term financial plan.

## ▪ *Effects of Downturn Still Being Felt*

### **Property Tax**

While there are areas of strong revenue growth with the sustained recovery, Property Tax is not one of them. Property Tax is considered a lagging revenue because of the length of time it takes for reassessments and appeals to hit the tax rolls. With the County's current backlog of appeals for commercial properties valued at \$21 billion countywide, the City has yet to see the full impact of the recession. Some of the impact to the City began to be felt in FY 2010/2011, with non-residential assessed value down 4%. The County Tax Assessor has advised us the appeals will be completed during FY 2011/2012; accordingly, the budget assumes the City's revenue related to non-residential properties will be down another 3% next fiscal year. Because the City has historically experienced sharp increases following a reduction in assessed values, staff has programmed a full recovery to \$32.5 million by FY 2015/2016.

### **Utilities Revenue**

Although the consumption of these essential services would not seem to be impacted by the recession, a significant portion of each utility's revenues is driven by demand from businesses and other non-residential uses. As a result, the economic downturn has been one factor in utilities revenues coming in under projections and requiring rate increases in the next year.

The impact from declining revenues has been most significant in the solid waste utility. Approximately 62% of solid waste revenues come from commercial accounts who utilize larger garbage bins, subscribe to more frequent pick ups, and use construction debris removal services. With the increase in commercial vacancies over the last two years, and the corresponding drop in solid waste generation, revenues have come in below projections. This is particularly problematic because most of the expenditures are fixed. As a result, the Solid Waste Management Fund has drawn down on its rate stabilization reserve the past two years and will finish FY 2010/2011 with minimal reserves. With the recommend increase in rates, growth in the economy, and savings achieved through the extension of the solid waste collection contract, we project this reserve will be built back up beginning in FY 2011/2012.

The Water Supply and Distribution Fund also experienced revenue volatility related to the economic downturn. The negative impact is further exacerbated by two above average wet weather years combined with successful efforts by the community to conserve water. In the water fund, the distribution of revenues is more even than in solid waste, with about 27% from Commercial, 35% from Residential, and 27% from Multi-Family customers. However the downturn and wet weather have caused more of the consumption across all classes to fall into the lowest pricing tiers, reducing the revenue per unit

SIGNIFICANT ISSUES & ASSUMPTIONS

# CITY MANAGER'S MESSAGE

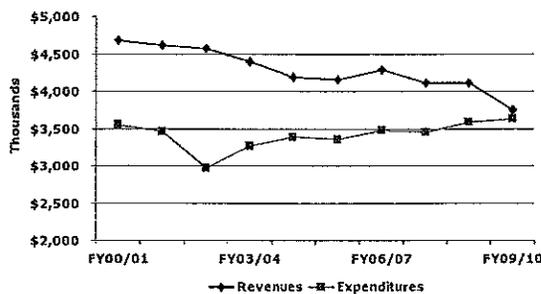
## FY 2011/2012 Recommended Budget

of water sold and forcing the drawdown of the rate stabilization reserve. In the proposed rates for FY 2011/2012, the rate structure has been adjusted to align the tiers with the cost of service. With these adjustments, it is anticipated reserves will stabilize over the next several years despite projected large increases in the cost for water.

### Golf Revenues

The downturn in the economy appears to be one factor in the continued decline of golf revenues over the last several years. Historically, the two golf courses in Sunnyvale have been a profitable operation for the City, generating well over \$1 million in net revenue at its peak. Combined in the same Community Recreation Fund with recreational services, these revenues provided significant funding for recreational programs, reducing the level of support required from the General Fund. However, as Figure 7 indicates, golf revenues have now reached a point where they are barely able to cover their own expenses let alone support other programs.

Figure 7: Golf Course Revenues and Expenditures – 10 Year History



In addition to the economy, weather also has an impact on golf revenues. The above average wet weather the last two years directly resulted in fewer rounds of golf played at both courses. The long-term downward trend however, is also influenced by the continuing deterioration of

the golf course infrastructure, including course conditions and facilities at both sites. In part, this is a result of golf profits being used to address the gap between revenues and expenditures for recreation activities, which are accounted for in the same fund with golf operations, rather than for golf infrastructure. Although the current trends indicate golf operations will have a structural deficit beginning in FY 2012/2013, with investment in the golf course infrastructure and improving operational efficiencies, this trend can be reversed. Staff has already begun this work with projects such as the construction of continuous cart paths and splitting golf and tennis operations from recreation activities into its own enterprise fund.

### Personnel Costs

The City is a service driven operation, as such, the largest component of the City's budget is employee salaries and benefits. In the General Fund, they constitute 82% of the total operating budget. For FY 2011/2012 total General Fund salaries and benefits are budgeted to be \$103.6 million. To fund this amount requires the combined total of the top five revenue sources in the General Fund: Property Tax, Sales Tax, Transient Occupancy Tax, Utility Users Tax and Franchise Fees, and Development Related Revenue. Because salaries and benefits make up so much of the budget, increases in this area have a dramatic impact on the financial condition of the City. As such, addressing the sharply-rising costs of personnel has been a key part of the plan to bring the budget back into balance over the long term.

To their credit, the City's bargaining units have come forward to address this issue. All bargaining units either took no salary increase or deferred their increase in FY 2008/2009 or FY 2009/2010. The Executive Leadership Team took no salary increase in FY 2009/2010, FY 2010/2011 and will do so again in 2011/2012. In addition, the Public

# CITY MANAGER'S MESSAGE

*FY 2011/2012 Recommended Budget*

Safety Managers Association (PSMA), as part of their Memorandum of Understanding (MOU) signed in 2010, agreed to phase in employee contributions of 3% toward retirement costs and to implement a two-tier retirement system for new employees when the Public Safety Officers Association (PSOA) adopts such a plan. The PSOA did just that when they came forward with concessions in exchange for a contract extension. The PSOA will phase in employee contributions of 3% toward retirement costs and adopted the two-tier retirement system, with the 3% @ 55 plan for new employees, effective July 2011. The Sunnyvale Management Association (SMA) also came forward with concessions in exchange for a contract extension. The SMA will take no salary increases in FY 2012/2013 and 2013/2014, contribute an additional 2% towards retirement costs, and will implement a two-tier retirement system when the other miscellaneous bargaining units adopt such a plan. Savings from these concessions total \$1.4 million in FY 2012/2013 and \$58 million over 20 years.

## Salary Assumptions

The salary assumptions built into the recommended FY 2011/2012 budget incorporate all of the current MOUs, including the recently amended MOUs for PSOA and SMA. The current MOU for the Sunnyvale Employees Association (SEA) includes a 2% salary increase in October 2011. The SMA MOU includes a 3% salary increase in July 2011. Following these salary increases there are no salary increases for any miscellaneous employee budgeted through FY 2013/2014, which aligns with the SMA MOU. Beyond that, 2% salary increases are assumed through FY 2020/2021 and 3% for the remaining 10 years of the financial plan.

For PSOA and PSMA, because the recent concessions by PSOA did not touch on salaries, the salary assumptions are based on the existing

salary survey formula as specified in the MOU. The survey uses a modified total compensation base and includes base salaries, employer paid contributions to retirement, and employer paid health benefits. Twelve agencies are surveyed and the four lowest agencies are deleted. The total compensation for the remaining eight agencies is averaged and the PSOA members are compensated 11% above that average. This salary survey formula, with minor modifications to the survey items, has been in place for decades. The history of salary increases provided as a result of the survey is shown in Figure 8.

**Figure 8: PSOA Annual Salary Increases - Historical Averages**

| PSOA Average Annual Salary Increases |       |
|--------------------------------------|-------|
| Over the last 20 years               | 4.54% |
| Over the last 15 years               | 4.85% |
| Over the last 10 years               | 4.90% |
| Over the last 5 years                | 4.56% |

Historical data shows that the salary survey has resulted in an increase every year over the past 30 years with the average falling at 4.6% on the low end. In the recommended budget, 4% salary increases have been budgeted for PSOA and PSMA members through 2015, the term of the PSOA MOU. Then 3% salary increases are budgeted through FY 2020/2021 and 4% for the remaining 10 years of the financial plan.

Although the historical data would indicate we have not budgeted enough, staff did not reflect the historical average for two reasons. First, there is a strong likelihood that in the near term, there should be limited or no salary increases in the survey agencies in the current fiscal environment. There are a few vulnerabilities with this assumption. Layoffs and furloughs are not factored into the survey formula. If a survey agency lays off several police officers and gives the remaining officers a pay increase, our survey formula will only

SIGNIFICANT ISSUES & ASSUMPTIONS

# CITY MANAGER'S MESSAGE

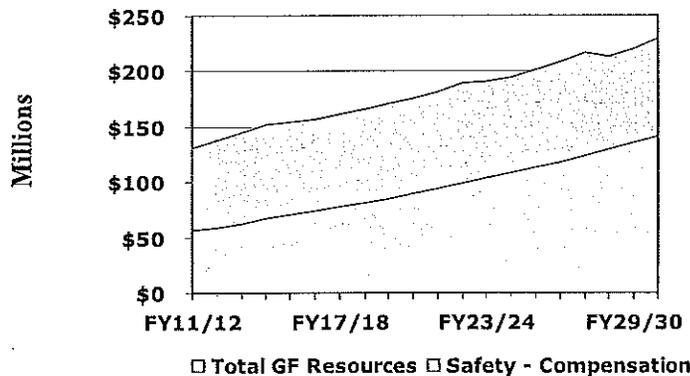
## FY 2011/2012 Recommended Budget

recognize the pay increase. In addition, if other survey agencies provide more contribution for health benefits due to a rise in medical premiums, the PSOA survey formula accounts for that by increasing the salary.

The second reason for not budgeting the historical averages for salary increases is the assumption that there will be some adjustments to the survey formula when the MOU expires in 2015. Clearly, this will require a negotiated solution. The fiscal impact of continuing to provide annual increases of 4.6% cannot be emphasized enough. The total salaries and benefits for public safety employees is

estimated to be \$56.2 million for FY 2011/2012. This represents almost 43% of all General Fund resources available. If safety salaries continue to increase 4.6% annually, by FY 2030/2031, 62% of General Fund resources will go to fund safety compensation. This cannot be sustained without reductions in other City services because the Budget Stabilization Fund is projected to go down to \$1.6 million in FY 2020/2021 and significant reductions ranging from \$3.8 million to \$17.4 million are already required to keep the Budget Stabilization Fund at zero for the back ten years of the financial plan.

Figure 9: Public Safety Salaries and Benefits as a % of General Fund Resources (with salaries increasing 4.6% annually)



Budgeting salaries, such a critical and large component of the budget, has always been challenging, but is even more so in a time of fiscal constraint. The salary assumptions in this recommended budget are based on projected policy direction just as much as on historical data. To the extent these assumptions do not hold, the City will face an even larger deficit much sooner than in 10 years. And to address this deficit, it is clear layoffs, outsourcing, and ongoing furloughs must be on the table. From FY 2009/2010 through

FY 2011/2012, 54 positions have been eliminated citywide. To date, layoffs have been avoided through attrition and vacancies. This is no longer possible without strategic reductions weighed against service-level impacts.

### Retirement Costs

The costs of public pensions and pension reform made headlines over the last year due to the size of unfunded liabilities and sharply increasing

# CITY MANAGER'S MESSAGE

## FY 2011/2012 Recommended Budget

contributions required of public agencies to fund these costs. As part of the California Public Employees Retirement System (CalPERS), Sunnyvale is faced with the same issues as all other agencies. Losses experienced in the CalPERS investment portfolio since 2000 have had a very negative effect on the City's employer contribution rates for retirement. With the recent unprecedented losses suffered in the global recession, Sunnyvale's unfunded liability has grown from \$107 million to \$148 million. The City's miscellaneous and safety plans were approximately 85% funded and are now 57% funded.

As a result of these losses, CalPERS will increase rates over the next three years to phase in the impact beginning with the FY 2011/2012 rates. While the phased approach mitigates the impact, it also comes at a cost. Agencies end up paying more in the long term as rates will have to stay high and continue to increase incrementally for the foreseeable future to make up for the fact that the necessary contributions were not made up front. Further, this plan leaves agencies more vulnerable to volatile rates in the future when investment return projections do not hit their target. This has become more likely with the CalPERS Board's recent decision to maintain the current investment earnings at 7.75%, despite the recommendation by their Chief Actuary to lower the rate to 7.50%. To ensure our retirement plans are prudently funded,

staff has worked with our consulting actuary for the last few years and developed a contribution plan that will minimize volatility in rates over the long term by addressing our unfunded actuarial liability on the front end and over a fixed 30-year period. This plan is reflected in the budget.

In addition to rate increases to make up for the investment losses, CalPERS has also increased rates as a result of their latest demographic experience study. This study, conducted every five years to identify any changes that may need to be made in actuarial assumptions used to set employer retirement contribution rates, was released last year. The study contained three main findings: longer post-retirement life expectancy; earlier retirement ages for miscellaneous members; and higher salary increases for members with high service. Changes in the actuarial assumptions to adjust for these findings resulted in higher contribution rates. The increase in rates has been implemented for FY 2011/2012.

The combined impact for all of these factors is reflected in Figure 10. The rates reflect the proposed contribution rates as developed with our consulting actuary. Included in the table, for comparison purposes, are the rates that CalPERS has provided for the same years, with the FY 2012/2013 and FY 2013/2014 rates being estimates at this point.

**Figure 10: Recommended Pension Contribution Rates v. CalPERS Rates by Retirement Plan**

|            | Miscellaneous             |                              |                             |                                |            | Safety                    |                              |                             |                                |
|------------|---------------------------|------------------------------|-----------------------------|--------------------------------|------------|---------------------------|------------------------------|-----------------------------|--------------------------------|
|            | CalPERS Contribution Rate | Cost of CalPERS Contribution | Sunnyvale Contribution Rate | Cost of Sunnyvale Contribution |            | CalPERS Contribution Rate | Cost of CalPERS Contribution | Sunnyvale Contribution Rate | Cost of Sunnyvale Contribution |
| FY 2009/10 | 15.3%                     | \$8.5M                       | 15.3%                       | \$8.5M                         | FY 2009/10 | 29.80%                    | \$9.3M                       | 29.80%                      | \$9.3M                         |
| FY 2010/11 | 16.6%                     | \$9.3M                       | 16.6%                       | \$9.3M                         | FY 2010/11 | 29.40%                    | \$9.6M                       | 29.40%                      | \$9.6M                         |
| FY 2011/12 | 19.5%                     | \$11.1M                      | 20.2%                       | \$11.5M                        | FY 2011/12 | 31.50%                    | \$10.3M                      | 34.70%                      | \$11.4M                        |
| FY 2012/13 | 20.5%                     | \$11.7M                      | 23.8%                       | \$13.6M                        | FY 2012/13 | 33.20%                    | \$11.3M                      | 36.70%                      | \$12.5M                        |
| FY 2013/14 | 23.1%                     | \$13.3M                      | 24.0%                       | \$13.8M                        | FY 2013/14 | 37.80%                    | \$13.4M                      | 38.70%                      | \$13.7M                        |

SIGNIFICANT ISSUES & ASSUMPTIONS

# CITY MANAGER'S MESSAGE

## FY 2011/2012 Recommended Budget

As you can see in Figure 10, we recommend contributing to CalPERS at a rate above what CalPERS is actually requiring us to contribute. As noted previously, taking this action puts the City in position to reduce rate volatility going forward and pay off our unfunded liability over a fixed 30-year period. Neither of these things is possible if the City opts to utilize the CalPERS rates. Over the next three years, the City will spend nearly \$5.4 million above what CalPERS is projecting will be required. However, taking this action will end up costing the City less over the long term and protects the City from some of the rate shocks that may come in the future.

It should be noted that these rates are only the employer contribution rates. The pension plans are also funded by an employee contribution rate, which is fixed. The miscellaneous plan's employee

rate is 8%, of which 1% is paid by the employee. As discussed previously, SMA has agreed to pay an additional 2% beginning in July 2012. The recommended budget projects all miscellaneous employees will do the same beginning in 2012. If the miscellaneous employees do not come to the same agreement as SMA with respect to employee contributions and a second-tier pension benefit, the General Fund will be required to make service cuts of approximately \$1.5 million annually.

The safety plan's employee rate is 11.25%. PSMA and PSOA have agreed to contribute 3%, phased in over two years. Combining the employer and employee contribution rates, the total cost of the pension plans are 46.0% of salary for safety employees and 28.2% of salary for miscellaneous employees. The dollar impact of these costs for an average employee in each bargaining unit is illustrated in Figure 11 below.

Figure 11: Average Employee Pension Cost

| PSOA                            |                 |
|---------------------------------|-----------------|
| PSO II Base Salary              | \$120,000       |
| Employee Paid PERS (3%)         | \$3,600         |
| City Paid PERS (43%)            | \$51,600        |
| <b>Total Pension Cost (46%)</b> | <b>\$55,200</b> |

| SMA                               |                 |
|-----------------------------------|-----------------|
| Average SMA Salary                | \$117,000       |
| Employee Paid PERS (3%)           | \$3,510         |
| City Paid PERS (25.2%)            | \$29,484        |
| <b>Total Pension Cost (28.2%)</b> | <b>\$32,994</b> |

### ▪ Medical Costs

Another personnel cost that is increasing more rapidly than inflation is medical insurance for active and retired employees purchased through CalPERS. Medical premiums increased 10.5% in FY 2010/2011 and are projected to increase another 10% in FY 2011/2012. The budget then assumes costs will rise 8% annually for the next five years through FY 2016/2017 and then 5% annually for the remainder of the financial plan. It is unknown at this time what impact the healthcare reforms at the federal level will have

on medical costs. In addition to the increase in medical premiums for active employees, the growing number of retirees will continue to impact the City's long term medical costs. To address this and the unfunded liability for retiree medical benefits, the City began funding a retiree medical trust fund in FY 2010/2011 with an initial one-time contribution of \$32.6 million. The City will then make annual contributions into the fund until the liability is fully satisfied. Under current actuarial assumptions, it is anticipated this will occur towards the end of the 20-year financial plan. At

# CITY MANAGER'S MESSAGE

FY 2011/2012 Recommended Budget

that time, a portion of the ongoing costs will be offset by the interest earnings on the trust funds, reducing the annual amount that the City needs to contribute going forward.

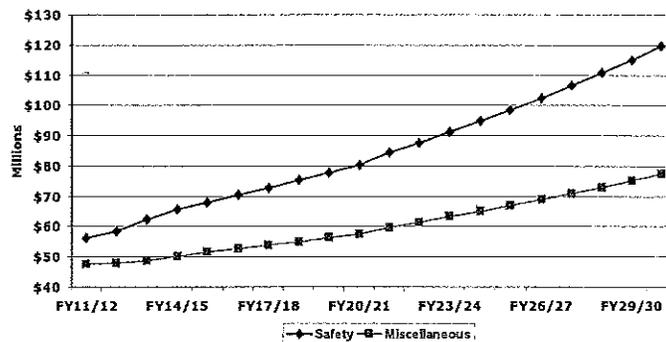
## ■ Total Employee Compensation Costs

As the previous sections on these costs detail, the elements of our employee compensation are both significant today and in the future. For FY 2011/2012, total compensation is up 9% for safety employees and 5% for miscellaneous employees. Not only does this have an impact on the budget, but this also impacts our fees for service, as all City fees that are labored based will need to be adjusted by these increases to ensure full cost

recovery. For example, planning fees, building fees, and fire safety operations permits will all need to increase between 5% and 9% to account for the increased labor costs.

This increase in employee compensation is not limited to one year. As Figure 12 below illustrates, employee costs are increasing by an average of 4.1% annually for safety employees and 2.6% annually for miscellaneous employees. This translates to average annual increases in compensation costs of \$3.3 million for the safety group and \$1.6 million for the miscellaneous group of employees. Based on current projections, the total compensation costs for a safety employee will more than double over the next 20 years.

Figure 12: Projected Personnel Cost Increases for the Next 20 Years



## ■ Utilities Rate Increases

Each year, as part of the yearly process of reviewing the financial condition of the utility enterprise funds, recommendations are made to the City Council to adopt annual changes in utility rates. Each of the utility enterprises is facing its own unique challenges. In the Solid Waste Management Fund, declining revenues have complicated rate setting. In the Wastewater Management Fund, the City is challenged with

funding the very large infrastructure requirements that include a \$335 million Water Pollution Control Plant. And in the Water Supply and Distribution Fund, large wholesale rate increases combined with needed adjustments to the City's pricing structure have added a level of complexity to this year's water rate setting. In particular, the San Francisco Public Utilities Commission (which provides about 46% of the City water) recommendation of rate increases in the range of

SIGNIFICANT ISSUES & ASSUMPTIONS

# CITY MANAGER'S MESSAGE

## FY 2011/2012 Recommended Budget

41% to 53% is especially challenging.

Despite these challenges, the recommended solid waste and wastewater rate increases are lower than what was originally projected in the FY 2010/2011 Adopted Budget for FY 2011/2012. Solid Waste rates are one percentage point lower than projected, and wastewater rates are two percentage points lower than projected. This helps to mitigate the impact of water rates that were increased nine percentage points over previous projections to fund the significant increases in wholesale rates.

**Figure 13: Comparison of Recommended Utility Rates v. Original Projection in FY 2010/2011 Budget**

| Utility     | Original Projection | Recommended FY 2011/12 | Change in Percentage Points |
|-------------|---------------------|------------------------|-----------------------------|
| Water       | 9.00%               | 18.00%                 | 9%                          |
| Wastewater  | 7.50%               | 5.50%                  | -2%                         |
| Solid Waste | 7.00%               | 6.00%                  | -1%                         |

Figure 14 compares what an average monthly bill would have looked like under the previous projections to what it will be under the revised rates. Comparisons are based on a 5/8" meter charge, 12 ccf of water use, and a 65 gallon garbage container. As is illustrated, the difference in the total average bill is only \$1.41 per month, or \$16.92 per year.

**Figure 14: Comparison of Previous to Revised Average Monthly Utility Bills**

|                     | Water   | Wastewater | Solid Waste | Total    |
|---------------------|---------|------------|-------------|----------|
| Original Projection | \$39.70 | \$31.42    | \$37.50     | \$108.62 |
| Revised             | \$42.04 | \$30.84    | \$37.15     | \$110.03 |

### Organizational Restructure

In April 2011 I unveiled the last wave of major reorganization, part of my focused efforts to streamline the organization and best position us in this new economic environment. While the transition is underway, due to the timing of the budget development process, the new organizational structures are not in the budget system. However, as much of the framework has been put in place to the extent possible. For example, the recommended budget document includes the operating budget by department with the new Utilities Department and combined Library and Community Services Department. Programs have been moved to the appropriate department sections; if the activities within a program are being split, the program has been placed with the primary department for now. In addition, the elimination of the Community Services Director and Intergovernmental Relations Officer positions has been reflected in the General Fund financial plan. Other reductions in staffing will occur, but over time on an "as the opportunity presents itself" basis. It is anticipated the program budgets and positions will be aligned as part of the development of the FY 2012/2013 two-year operating budget.

One of the reorganization efforts begun last year was the civilianization of eight sworn positions to community service officers. This will ensure the level of sworn officers "on the street" is maintained while effectively providing all public safety services for less money. It was estimated the transition would occur over two years and the recommended FY 2011/2012 Budget reflects the conversion of the final four positions. This transition is dependent on the retirement of sworn officers, which has not occurred as anticipated to date. Budget targets are still anticipated to be met, but it may require adjustments in other areas within

# CITY MANAGER'S MESSAGE

*FY 2011/2012 Recommended Budget*

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Public Safety until this transition is successfully completed.

## ▪ *Service Level Reductions*

As discussed in the *Structural Deficit* section, the General Fund 20-year financial plan includes service level reductions beginning in FY 2011/2012. The dollar amounts in this line item are set differently for the first 10 years of the financial versus the amounts set in the latter 10 years. For the first 10 years, a \$500,000 savings target has been budgeted. These savings will need to be generated by the operating programs beyond any savings and/or efficiencies that were already programmed into their FY 2011/2012 operating budget. The savings targets will be distributed proportionately based on departmental General Fund operating expenditures. The total savings target is a modest one because the General Fund is also relying on the draw down of the Budget Stabilization Fund during the first 10 years.

In the second 10 years, there will be nothing left in the Budget Stabilization Fund. As a result, the service level reductions must be increased dramatically in order to balance the budget while addressing the loss of interfund loan repayments and the continuing imbalance between revenues and expenditures.

## ▪ *Infrastructure Investment Funding*

The General Fund financial plan includes funds for investment in the City's infrastructure beginning in FY 2011/2012. The amount budgeted represents the estimated cost to the City to accelerate street repairs to return the Pavement Condition Indicator to a level of 80 over the next five years and then maintain that level going forward. These funds have not been specifically budgeted and therefore can be used for any purpose, such as reducing the target for Service Level Reductions or adding the

amount to the Budget Stabilization Fund reserve. However, this is the only amount budgeted for this purpose in the recommended budget. As discussed further in the *Major Projects* section, the City's infrastructure is deteriorating and the lack of funding to address these needs in a timely manner is a particular area of concern.

In FY 2004/2005, over \$2 million annually was budgeted in the General Fund as contributions to the Infrastructure Fund for a total of \$65 million over 20 years. During this same 20 year planning period, a total of \$70 million in infrastructure projects were budgeted, including the rehabilitation and maintenance of the civic center, corporation yard, parks facilities, and some streets related projects. Since that time, General Fund contributions have been reduced and supplanted by Park Dedication and Gas Tax and other street-specific funds for parks and street-related infrastructure projects. From FY 2004/2005 through FY 2010/2011, only \$3.9 million in General Fund contributions have been made to the Infrastructure Fund and no additional contributions have been budgeted since FY 2006/2007. Funds originally budgeted in this category were diverted to other uses and not replenished. This budget seeks to correct that course of action. While parks infrastructure and some streets maintenance are addressed by the special funding mentioned above, the reduced transfers from the General Fund have left the City's aging administrative buildings and much of the City's streets maintenance unfunded.

## ▪ *Impact of State Budget Actions*

Since coming into office in January 2011, Governor Jerry Brown has been working with legislators to resolve the massive California state budget deficit, estimated to be \$25.4 billion. To date, he has fallen short in his efforts to achieve a budget for FY 2011/2012, together with a ballot measure seeking approval of the voters

SIGNIFICANT ISSUES & ASSUMPTIONS

# CITY MANAGER'S MESSAGE

## FY 2011/2012 Recommended Budget

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for the extension of certain tax increases that are scheduled to end in June 2011. The Legislature has enacted \$12.2 billion in state budget cuts but more action, either in cuts or revenue increases, is needed to close the state budget gap in the coming months. In this current, very fluid situation, there are several issues that may impact Sunnyvale.

There are some significant impacts in the area of public safety due to certain tax increases not being extended. Under current law, the COPS/SLESF program will terminate after June 2011. The City had received \$100,000 annually in recent years that provided partial funding for a traffic enforcement public safety officer. Staff has not budgeted these funds for FY 2011/2012. There are discussions at the state level to restore this funding. If funds are not restored, one public safety officer position will be eliminated. Also scheduled to end after June 2011 is state funding for booking fees. Absent the state funding, the law provides that counties may charge fees to arresting agencies to recover costs for booking persons into county detention facilities. Based on previous fees paid, staff has budgeted \$250,000 in FY 2011/2012 for this expense. Because the future funding situation is uncertain at this time, this has only been budgeted for one year.

Funding for the Public Library Fund has been reduced significantly. The City does not budget these funds until they are received and they are utilized for supplemental library activities, so there is no budgetary impact. In addition, reimbursement for state mandates for pre-2004 mandates has again been suspended. The City has not budgeted for this reimbursement to begin again until FY 2012/2013 so there is no fiscal impact at this time.

### Elimination of RDA

By far the biggest potential impact to the City

is the Governor's proposal to eliminate all redevelopment agencies (RDAs). To date, the Governor's proposal has not garnered sufficient votes for passage, but remains a part of on-going budget negotiations. If RDAs are eliminated, the City's RDA may be in a vulnerable position in regards to the interpretation of what debt obligations will be recognized for repayment. Although the legislation does not explicitly state that agreements between the City and Agency are not legally enforceable contracts, the language does state that all debts that are not enforceable contracts shall be extinguished. The interpretation staff has received so far indicates that agreements between cities and agencies are not legally enforceable clients.

If so, Sunnyvale is in a position to lose approximately \$5.8 million in FY 2011/2012 in loan repayments to the General Fund. The loan repayments grow in future years to a high of approximately \$11.5 million in FY 2027/2028. The budget anticipates \$139.2 million in loan repayments to the General Fund over the 20-year financial plan, with \$75.1 million of the total projected in the first 10 years. Clearly, if RDAs are eliminated and the General Fund loan to the RDA is not recognized, the City's financial situation would be altered drastically. Staff continues to monitor developments related to the state budget.

### ▪ *Changing the Community Recreation Fund Model*

With the structural deficit in the Community Recreation Fund, staff has been evaluating the appropriateness of the enterprise fund model in the course of the overall review of the operations in this fund. As a result, in April 2011, Council dissolved the Community Recreation Fund due to concerns regarding its ability to support all of the services contained within the fund through user fees alone, and without support from tax dollars.

# CITY MANAGER'S MESSAGE

*FY 2011/2012 Recommended Budget*

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Moving forward, golf and tennis operations will continue to operate as a true enterprise fund, with all other recreation activities of the City, including social services such as those provided by the Senior Center, returning to the General Fund.

Because of the timing of this decision, the recommended budget still contains the Community Recreation Fund, but it is presented as two sub-funds: one containing the golf and tennis revenues and operations, and the other containing the recreation activities. With the separation of the sub-funds, the reliance of recreation activities on the profits of the golf operations is evident. Ending FY 2010/2011 reserves for golf operations is expected to be \$3.8 million while the ending reserve for recreation is anticipated to be negative \$3.8 million. To minimize the impact on the General Fund, the Golf and Tennis sub-fund will transfer enough funds into recreation to ensure the Recreation sub-fund balance is zero when it moves to the General Fund. In recognition of golf's support of recreation activities over the years, existing golf and tennis capital projects that are currently funded by Park Dedication revenues will continue to have this funding support. Any new projects will require funding from golf and tennis revenues.

Because the recreation activities will be folded into the General Fund, the structural deficit in this sub-fund has been addressed in the context of the General Fund. The golf and tennis operations sub-fund also shows a structural deficit beginning in FY 2012/2013. As discussed previously, through investment in the golf course and operational efficiencies, staff expects to resolve this deficit before it occurs. If there is a deficit, as a stand alone enterprise fund, it will be handled within this fund.

SIGNIFICANT ISSUES & ASSUMPTIONS

# CITY MANAGER'S MESSAGE

## *FY 2011/2012 Recommended Budget*

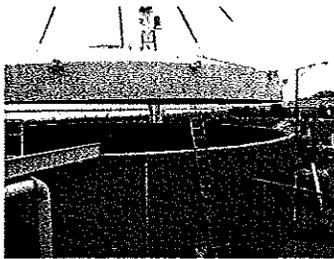
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### Major Projects

FY 2011/2012 is the first year of the projects budget cycle and the second year of the two-year operating budget cycle. All projects proposed for the 20-year planning period underwent a thorough review by Department Directors and the Director of Finance prior to being recommended to the City Manager. As a result of the project budget process this year, the recommended FY 2011/2012 Budget contains \$30.9 million in capital, infrastructure, and special projects in FY 2011/2012 and a total of \$703.6 million in projects over 20 years. Grant funds will support \$33.2 million of the project budgets. The remaining budgets are covered through fees and directly from funds such as the General Fund and Utilities Funds. There are a total of 221 funded projects and 33 unfunded projects. The unfunded projects, which consists primarily of revenue dependent, grant eligible projects and City facilities rehabilitation projects, total \$91.7 million over 20 years. It should be noted that estimates for the Civic Center rehabilitation project have not been budgeted, as options are currently being explored. Significant projects and strategic planning efforts for major components of the City's physical assets are highlighted below.

#### ▪ *Replacement of the Water Pollution Control Plant*

Infrastructure maintenance and repair has been and remains the largest issue for the City's wastewater collection and treatment system. Capital projects included in the recommended FY 2011/2012 Budget include the continued refinement of plans and funding for a new Water Pollution Control Plant and additional projects needed to manage the gap between the old and new plants.



The FY 2007/2008 Long Term Financial Plan identified the need for a new Water Pollution Control Plant. An Asset Condition Assessment of the Water Pollution Control Plant (WPCP) completed in August 2006 identified the aging and deteriorating condition of the plant and recommended that a master plan for the long-term needs of the plant be completed. In response, a project for a comprehensive Strategic Infrastructure Plan (SIP) study was funded in the FY 2007/2008 Project Budget. The purpose of this study, which is complete, was to determine

the most cost-effective alternative, including re-build or mix of rehabilitation and replacement, in order to maintain current service levels and meet future needs at the plant. In FY 2010/2011, an additional project was funded to conduct a Peer Review of the SIP to validate its findings. That project is also complete.

To plan for the recommendations anticipated from the SIP, a project was submitted in FY 2007/2008 as a "placeholder" to provide up to full replacement of the plant. As specific projects are identified, the financial impact will be netted out of the "placeholder" and reflected as a new project. The first example of this is the design work for the Primary Treatment facilities. The results of both the SIP and the subsequent Peer Review have determined that the first step in replacement of the WPCP is the construction of new Head-Works and Primary Treatment Facilities. The recommended FY 2011/2012 Budget includes a project for \$7.7 million to design new primary treatment infrastructure. It is anticipated that construction on this phase of the project will cost approximately \$50 million.

MAJOR PROJECTS

# CITY MANAGER'S MESSAGE

*FY 2011/2012 Recommended Budget*

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Work also continues on certain critical projects which were previously identified as necessary in the short-term to address the most advanced areas of deterioration and are in increasing danger for failure. These projects fall primarily into two categories 1) projects in which technology has not changed significantly since they were originally built and will therefore become part of the new plant, and 2) projects that address infrastructure that may be replaced with different technology or processes, but that will not last the interim period and therefore must be repaired or replaced.

Some of these projects were financed through the 2010 Wastewater Revenue Bonds. It is anticipated that due to their size, additional borrowing will be required to fund future projects. The recommended FY 2011/2012 Budget includes additional borrowing to fund critical short term projects as well as the large "placeholder" project.

## ▪ *Utilities Infrastructure*

The City of Sunnyvale owns, operates, and maintains a water supply and distribution system, a wastewater collection system and a solid waste management system. Each of the systems relies on significant infrastructure, much of which (primarily in the water and wastewater systems) is at or near the end of its useful life. The recommended FY 2011/2012 Budget addresses significant infrastructure issues for all three funds.

### **Water Supply and Distribution**



The water system has three pressure zones, eight wells, and over 280 miles in pipe with diameters ranging from 4 inches to 30 inches. Additionally, there are 10 potable water storage reservoirs at five different locations throughout the City with a total storage capacity of 26 million gallons. There is also one recycled water reservoir with a storage capacity of two million gallons.

The City's water supply and distribution system is aging and is in need of rehabilitation. Over the past few years, staff has been working to identify and scope projects to improve the system. As a result, \$42.2 million in capital, special and infrastructure projects are included in the 20-year financial plan.

These projects address the three primary areas of the City's distribution system: storage, pipes, and wells. Due to the age of the system, the projects are front loaded in the first 10 years of the Long-Term Financial Plan. There is already \$10 million budgeted in projects for FY 2010/2011 that will continue into the next year. In addition, \$22 million is budgeted from FY 2011/2012 through FY 2020/2021. The largest projects over the first 10 years are \$6.6 million for water line replacements, \$2.3 million for interior coating of water tanks, \$2.4 million for exterior painting of water tanks, and \$2 million for rehabilitation of the Central Water Plant Building and equipment.

In mid 2010 the City issued Water Revenue Bonds, providing \$17.8 million in funding for water projects, all of which will be spent in three years. This helps to fund these projects and spread their costs over their useful life for rate-setting purposes. No additional financing is planned in the Water Fund, with the

MAJOR PROJECTS

# CITY MANAGER'S MESSAGE

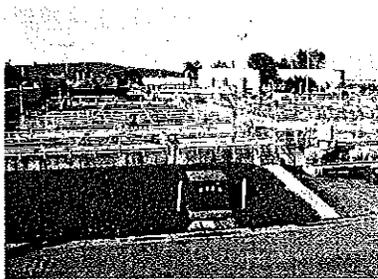
## FY 2011/2012 Recommended Budget

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remainder of the projects being funded through rate revenue.

### Wastewater Collection System

The wastewater collection system consists of approximately 610 miles of sewer and storm mains, seven pump or lift stations, and a two mile sewer force main. The system has five major sewer trunk lines that terminate at the WPCP where sewage is treated for discharge.



The City's wastewater collection systems are in need of significant rehabilitation due to their age. The recommended FY 2011/2012 Budget includes approximately \$18.7 million in the first 10 years in projects related to sewer and storm water collection and an additional \$17.4 million of fully identified projects in the second 10 years of the plan. Major projects over the first 10 years include \$10.2 million for sewer pipe improvements, \$3.8 million for rehabilitation of the Lawrence Expressway trunk line, \$3.5 million for sewer and storm pump and lift station rebuilds, and \$900,000 for trash capture devices for storm water management.

In mid 2010 the City issued Wastewater Revenue Bonds, providing \$22.6 million in funding for sewer treatment and collection projects, all of which will be spent in three years. This financing approach helps to fund these projects while spreading their costs over their useful lives for rate-setting purposes.

### Solid Waste Management System

The City's solid waste management system infrastructure is comprised of the closed Sunnyvale Landfill and the Sunnyvale Materials Recovery and Transfer Station (SMaRT Station®).

The recommended FY 2011/2012 Budget includes a variety of small projects in the short term to address primarily periodic maintenance or regulatory issues. The most significant project is a \$30 million placeholder project for the replacement of the SMaRT Station in FY 2023/2024. The current agreement between the cities of Sunnyvale, Mountain View, and Palo Alto for the use of the SMaRT Station expires in 2021. This also coincides with the estimated useful remaining life of the SMaRT Station and therefore will become a decision point as to how Sunnyvale manages its waste and recyclables. The placeholder is to insure that some funding is identified to either replace the SMaRT Station, or fund some other solution for the management of solid waste and recyclables in the City.

#### ▪ *Streets and Roadway Infrastructure Maintenance*

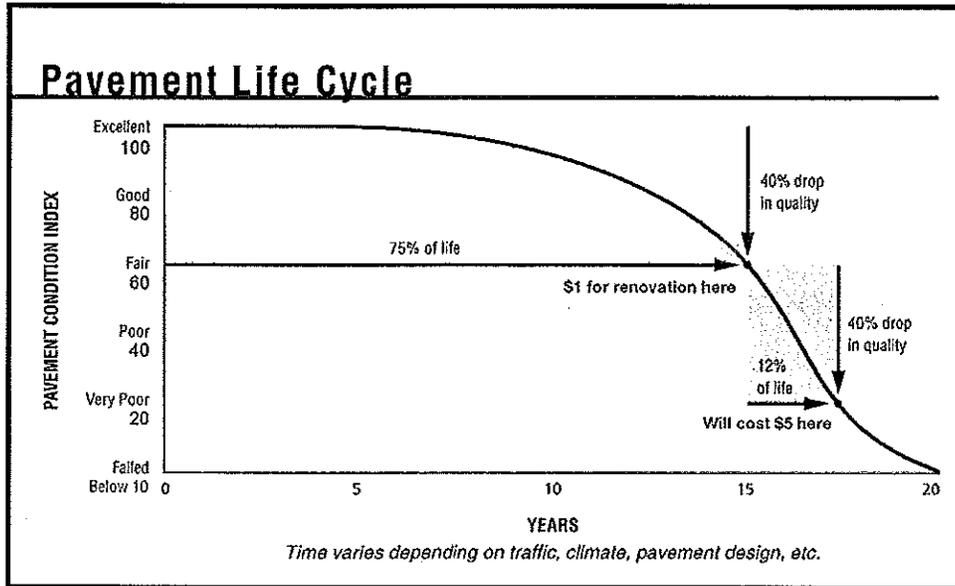
The continued maintenance of our street surfaces has been affected by the economy as much, if not more, as any program, and the impact of this on the condition of our City's streets has been significant. In 2006, the City's Pavement Condition Index (PCI) was 85, which put us firmly in the VERY GOOD category with respect to the condition of our streets. With expenditures, particularly those related to personnel, increasing at a rate greater than revenues, funds for materials were held flat or even reduced, including those necessary for streets maintenance. Factor in an increase in the cost of street maintenance materials,

# CITY MANAGER'S MESSAGE

FY 2011/2012 Recommended Budget

many of which are impacted by the price of oil, and the result was the City's streets were getting less and less maintenance on an annual basis. By 2010 this reduction in maintenance resulted in a PCI of 75; and although a PCI of 75 is still considered GOOD, it is not the optimal level from a cost-benefit perspective.

Figure 15: PCI and The Pavement Life Cycle



As you can see by Figure 15, as the PCI degrades, the cost to maintain increases significantly. The key to this chart is the change in slope as the PCI dips below 80, and even more so as it approaches 70. Analysis of the chart shows that missing the right rating by one or two years can severely impact the street condition, and the cost of improving the pavement. When a street falls below a PCI of 50 it is then no longer worth spending a lot of effort on maintaining. It is placed on the list to reconstruct. With reductions in maintenance performed due to budgetary constraints, the number of street segments falling into this category has increased. The total area of streets in this category has gone from 0.8 million SF in 2005 to 2.0 million SF in 2009. Pavement maintenance staff responds to calls for pot holes on such streets, but provide little additional maintenance until the street is reconstructed.

The City is currently seeing the impacts of its decision to not keep up with the previous service level for street maintenance. Prior to 2006, when the City's PCI was 85, annual funding for street maintenance was approximately \$3.85 million. Since then, funding for street maintenance has dropped to approximately \$3.1 million annually. As previously noted, we have seen a corresponding drop in PCI to 75, which is below the most cost effective PCI of 80. The decision to reduce total funding to the streets maintenance program saved the City \$3.8 million over the past five years; however, the deterioration of our streets will now require \$12.5 million over five years to return us to a PCI of 80. The five-year delay in maintenance will cost the City \$8.7 million above what it would have cost had we continued to fund at the \$3.85 million level annually. Continued delay and degradation to our streets will become even more expensive, as another five-year delay in maintenance will cost \$19.5 million because major overlay and reconstruction

MAJOR PROJECTS

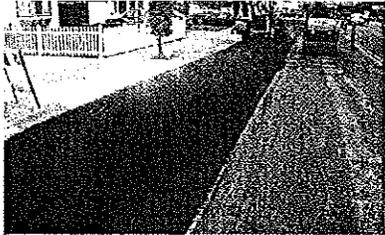
# CITY MANAGER'S MESSAGE

## FY 2011/2012 Recommended Budget

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will be required.

It is clear that the City must reconsider the level at which it funds its streets maintenance. To that end, funds have been programmed into the General Fund to reflect the planned ongoing investment, starting in FY 2011/2012, in the City's infrastructure. The amount budgeted represents the estimated cost to the



City to accelerate street repairs to return the PCI to a level of 80 over the next five years and then maintain that level going forward. Although it has not been decided if those funds will be used for that purpose, as there are a number of infrastructure needs throughout the City, the amounts listed in the *Infrastructure Investment* line item throughout the General Fund Long-Term Financial Plan reflect using the funds for additional street repairs.

### ▪ *Calabazas Creek Bridge at Old Mt. View-Alviso Road*

The Calabazas Creek Bridge, which is located on Old Mountain View Road near Highway 237, is shared by the cities of Sunnyvale and Santa Clara. The Bridge has been rated "structurally deficient" by Caltrans. The City has received a commitment of Federal Highway Bridge program funding in the amount of \$1.2 million or 88.53% of the estimated preliminary design cost for bridge replacement. The required local match for the preliminary design portion will be split between both cities. Staff will submit a proposal to obtain construction funding after preliminary design, including right-of-way certification, and environmental clearance is complete. The total project is estimated to cost \$9.9 million. Sunnyvale's share of the local match would be \$565,000. Sunnyvale will act as lead agency for construction of the project. When completed in 2014, the useful life of the new bridge is estimated to be 40 years.

### ▪ *Fair Oaks Bridge over Caltrain and Hendy Avenue*

The Fair Oaks Bridge has been rated as "structurally deficient," by Caltrans. The bridge project will improve guard rails, pedestrian access, roadway widths and clearances, deck rehabilitation, and lighting. The City has received a commitment of Federal Highway Bridge program funding in the amount of \$2.6 million or 88.53% of the estimated preliminary design cost to rehabilitate the bridge. Staff will submit a proposal to obtain construction funding after preliminary design, including right-of-way certification, and environmental clearance is complete. The total project is estimated to cost \$21.9 million. Sunnyvale's share of the local match would be \$2.5 million. When completed in 2015 the useful life of the new bridge is estimated to be 40 years.

# CITY MANAGER'S MESSAGE

FY 2011/2012 Recommended Budget

## ▪ *Mathilda Avenue Bridge over Caltrain and Evelyn*

Caltrans rated this bridge "functionally obsolete", not meeting several standards for bridge pier clearance, deceleration lane, shoulder width, and bridge railing, and pedestrian access.



City staff has successfully secured federal funds for 88.53% of this project. The project cost is currently expected to be \$25.6 million, much less than original estimates due to the favorable construction bidding climate. The City's local share is funded by Measure A funds, Traffic Mitigation fees and Gas Tax funds. The bridge improvements, currently in construction, include reconfiguring the off ramp to Evelyn Avenue to allow both east and west access to Evelyn from southbound Mathilda Avenue, new pedestrian ramps, bridge widening, streetlights, landscaping, and a reconfigured signalized intersection at California Avenue and Mathilda and a new signalized intersection at Charles Street and Evelyn Avenue. The project is scheduled for completion in January 2012.

## ▪ *Morse Avenue Neighborhood Park Development*

In light of greater than anticipated redevelopment of the Industrial-to-Residential (ITR) area into housing, development of the Morse Avenue neighborhood park began in FY 2009/2010. This project includes the closing of the Fair Oaks Industrial Park, which has been completed, and the construction of a neighborhood park on the site. The Fair Oaks Industrial Park was purchased by the City in 1990 in anticipation of future park needs for the area between State Highway 237 and U.S. Route 101 and Tasman.

This project is currently in the design phase, which is anticipated to conclude in FY 2010/2011 with Council's consideration and approval of a conceptual design. FY 2011/2012 will largely be dedicated to the removal of soil contaminants and the preparation of a clean site for construction. Currently further analysis is being performed to ascertain the true cost of anticipated clean-up efforts. Assuming those costs are not prohibitive, staff anticipates construction will commence and conclude in FY 2012/2013. This project is funded through Park Dedication Fees and operating costs for the Morse Neighborhood Park will be absorbed by existing Parks Division staff.

## ▪ *Recruitment and Training for Sworn Officers*

The Public Safety Department budgets for the recruitment, selection, and training of new public safety officers in a series of recurring Special Projects rather than in the operating budget. This methodology allows expenditures to fluctuate each year based on the number of recruitments and allows for better monitoring and tracking of costs. Current staffing and pending separations are such that staff does not plan to hire public safety officers during this fiscal year, therefore, no funding is required in this fiscal year. A total of \$53.1 million is included in the proposed budget over the 20-year period in these recurring

MAJOR PROJECTS

# CITY MANAGER'S MESSAGE

## *FY 2011/2012 Recommended Budget*

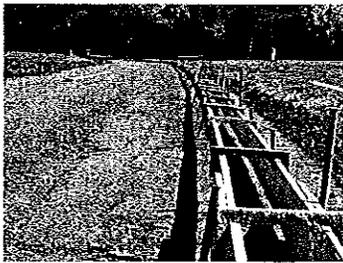
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special projects; and is adjusted each year, based on projected needs.

The Public Safety Department will continue to define the Civilianization Professional Model in FY 2011/2012. The department is following a long-term plan to reduce the number of higher cost sworn staff, through attrition, and utilize civilian professionals at a much lower cost to deliver services wherever possible. The department is currently working to revise job classifications to prepare for the civilianization of several work functions and units within the department. Staff anticipates hiring the first Civilian Professionals during the 2011/2012 fiscal year.

### ▪ *Parks Infrastructure Projects*

A total of \$36 million of parks, golf, and recreation-related capital and infrastructure projects are programmed throughout the long-term plan, including \$8.2 million in FY 2011/2012. The two major projects for FY 2011/2012 are Morse Avenue Neighborhood Park Development and Community Center Comprehensive Infrastructure. All of the projects currently programmed in the 20-year plan related to parks, golf, and recreation are funded by Park Dedication Fee revenues. The use of Park Dedication Fee revenues to fund these categories of projects has been the source of significant study, which will continue well into FY 2011/2012.



In a study session conducted in April 2011, staff advised Council of its plans to develop for Council's consideration more detailed policies related to implementation of the Park Dedication Fund revenues. Since those policies are still in the process of being developed, staff did inform Council at that time that this year's budget submittal would focus on and prioritize the rehabilitation of existing parks, golf, and recreation infrastructure. A proposal for prioritizing new capital projects to be funded by Park Dedication Fee revenue will be brought to Council with all other proposed policies for the Park Dedication Fund later in the calendar year. As such, the \$36 million programmed over the 20-year plan only reflect the existing parks, golf, and recreation infrastructure, with the exception of the Morse Park project.

One such change to the policies relating to the use of Park Dedication Fund revenues that has already been determined is that any new projects related to the City's golf courses and tennis center will be funded by revenues from the new Golf and Tennis Fund and not from Park Dedication Fee revenues. As discussed earlier in this transmittal, Golf and Tennis are now in their own enterprise fund, and revenues collected from golf and tennis services will be required to cover operations, overhead, capital, and infrastructure.

Based on projections for new fee-eligible dwelling units being built over the next 20 years, it is expected that the Park Dedication Fund will generate significant revenues over the long-term to fund a number of new capital and infrastructure projects and/or acquire land for future park development, pending Council's decision related to policies for Park Dedication Fee revenue usage. The recommended FY 2011/2012

MAJOR PROJECTS

# CITY MANAGER'S MESSAGE

*FY 2011/2012 Recommended Budget*

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Budget includes \$72 million in projected revenue available over the 20-year plan for yet to be identified projects. This revenue projection is based on the current park facility standard and the current fair market value per square foot. The revenue projection is updated annually and will adjust with changes to these factors.

## ▪ *Civic Center/City Facilities*

The long-term infrastructure needs of City facilities remain a significant issue. The entire Civic Center campus, which includes City Hall, City Hall Annex, South Annex, Library, Sunnyvale Office Center, and the Department of Public Safety building, as well as the City's Corporation Yard, are in need of significant rehabilitation or outright reconstruction. In addition to these buildings being past their useful lives, which makes them difficult and very expensive to maintain, these buildings do not meet the space needs for the City's current workforce. *Of particular concern is that no funds have been put aside for our City facilities.*

Over the past several years, the City has contracted for two major studies to assess the situation with the City's facilities and provide options for addressing these issues. Staff presented the most recent study options, which focused on the Civic Center campus, to Council in January 2011, at its strategic planning workshop. Based on the options presented, Council directed staff to pursue two options. The first option would be to move City Hall into a new downtown location, which would include exploring a financing plan that would involve selling and/or land swapping all or a portion of the existing City Hall campus. The second option to explore would be to rebuild City Hall on its existing campus, anchored by a new library financed through the issuance of bonds. As a part of this, the old library would be renovated to allow for its use by other City functions, particularly those currently housed at the South Annex and the Sunnyvale Office Center. The second option also includes the City Manager presenting other viable options.

These two options are currently being studied, and as such, there is no cost estimate for either at this point. While the construction of a new Library could be funded by a bond measure if approved by the voters, the City Hall facility reconstruction has no dedicated funds set aside at this point. Thus, pursuing either option would require selling and/or swapping City assets or setting aside funding in a reserve over a number of years, or a combination of the two. Once an option is selected and a detailed cost estimate for that option is established, the next step will be to identify the funding mechanism(s).

## ▪ *Financing Our Infrastructure Needs*

During the adoption of the FY 2010/2011 Budget, Council directed staff to explore the potential use of impact fees and other revenues, such as assessment districts and impact fees, to pay for increased service levels or facilities needs. To begin this analysis, staff contracted with an outside firm to develop a public improvement financing strategy for the City and provide recommendations for the best options to move forward with. The strategy was completed in March 2011 and determined no one solution or strategy will resolve the funding gap for the City's infrastructure needs. The recommendation advised utilizing a mix of fiscal policies, existing and new revenue sources, and exploring alternate financing arrangements. In

MAJOR PROJECTS

# CITY MANAGER'S MESSAGE

## *FY 2011/2012 Recommended Budget*

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addition, it suggests the City may have to reprioritize its infrastructure needs and levels of service to fit within revenue projections.

The strategy recommends exploring a landscape and lighting district which the City can potentially utilize in the areas of street tree services, concrete maintenance, street lighting, and traffic signal maintenance. In all of these areas, service levels have been reduced and therefore, the increase in service levels can be set to meet the special benefit analysis requirements. The report emphasizes that assessment districts require voter approval and time must be taken to develop public support for the assessments. The strategy also states that the City is well positioned to implement impact fees for police and fire. While these fees are one time and dependent on development, they would provide a source of revenue for rehabilitation of the public safety building and fire stations.

Staff is currently evaluating the recommendations and will be coming forward to Council with specific options.

# CITY MANAGER'S MESSAGE

FY 2011/2012 Recommended Budget

## Addressing the Long Term Structural Deficit

As this transmittal letter details, the City continues to grapple with an expenditure problem and the continuing structural deficit as a result. We have been aware of this problem for the last three years and begun steps to address it. So far, the steps have been modest and the size of the problem, already large, continues to grow. This is not a problem that began overnight or a result of one single factor; as such, the solution will take time and will have to come through various forms. Therefore, I continue to approach the structural deficit from different angles:

1. **Increase organizational efficiencies** – The foundation has been laid with the last piece of my re-organization and I expect to drive more efficiencies from it. We will continue to evaluate every vacancy that opens up, but as there becomes less open positions, layoffs must be on the table as well.

### FY 2011/2012 Recommended Budget Key Decision Points

**CalPERS Pension Contributions:** The recommended Budget includes higher contribution rates than what CalPERS requires in order to minimize rate volatility over the long term and address our unfunded liability. Additional Cost in the Budget: \$5.4M over 3 years.

**Public Safety Salary Assumptions:** The recommended Budget does not budget Public Safety salary increases at the historical annual average of 4.6%. Instead, 4% is budgeted through 2015, then 3% through FY 2020/2021 and 4% for the remaining 10 years of the financial plan. This is based on the assumption that there will be some adjustments to the salary survey formula when the MOU expires in 2015. Savings Assumed in the Budget: \$194M over 20 years.

**Infrastructure Investment:** The recommended Budget includes enough funding to accelerate street repairs and return the Pavement Condition Indicator to 80 over the next five years and then maintain that level going forward. Additional Cost in the Budget: \$28M over 20 years.

**Miscellaneous Employees Compensation:** The recommended Budget assumes all employees in the miscellaneous group will follow the recent SMA concessions: no salary increases for 2 years, 2% additional contribution towards retirement costs, and a two-tier retirement system for new hires. Savings Assumed in the Budget: \$74M over 20 years.

**Addressing the Structural Deficit:** Again in FY 2011/2012, a deficit is projected for the General Fund. This marks the fourth straight year this will occur. As it is in part designed, the Budget Stabilization Fund has stabilized the deficit over that period. What it was not meant to do was become an ongoing funding source. It has. Rather than funding down trends, it is projected to decrease from \$35 million at the end of FY 2010/2011 to \$28.5 million in FY 2011/2012 and down to \$1.6 million in 2021. Simply put, the fund can not be counted on as it has in the past as a stabilizer or even as a long term funding source without balancing the budget through expenditure reductions that creates the optimum cost/revenue balance.

ADDRESSING THE LONG TERM DEFICIT

# CITY MANAGER'S MESSAGE

## *FY 2011/2012 Recommended Budget*

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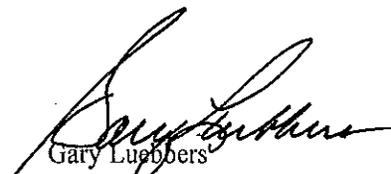
2. **Contracting out** – The proposed update to the contracting out policy will be distributed for Council review shortly. With the cost of employee compensation, this must be in the toolbox as we evaluate the delivery of City services.

3. **Revenue Enhancement** – As discussed earlier, we will develop options from the public improvement financing strategy including landscape and lighting districts and impact fees. However, if we move forward with any revenue enhancement, public support will be critical. In order to achieve this support, the expenditure side of our house must be in order.

4. **Addressing Personnel Costs with Bargaining Units** – This is the single most important component for addressing the long term structural deficit. Pension reform and adjustments to survey formulas must be part of the solution.

While these options will require effort and sacrifice from our City staff, I have no doubt we can work together as a team to be successful. Our City staff has already shown their commitment to providing all essential services in this challenging fiscal environment. I'm extremely proud of their dedication and commitment to Sunnyvale, and how each and every member of our organization stepped up when we've needed them.

Respectfully Submitted,



Gary Lubbers  
City Manager

May 5, 2011

ADDRESSING THE LONG TERM DEFICIT

CITY OF SUNNYVALE  
FY 2011/2012 BUDGET SUMMARY

**Revenue Sources:**

|   |            |
|---|------------|
| Property Tax                                | 42,033,969 |
| Refuse Collection and Disposal Service Fees | 35,431,204 |
| Water Supply and Distribution Fees          | 32,588,259 |
| Sales Tax                                   | 29,345,375 |
| Wastewater Management Service Fees          | 24,252,763 |
| Bond Proceeds                               | 10,887,780 |
| Special Assessment                          | 9,250,610  |
| Recreation Service Fees                     | 7,009,976  |
| Utility Users Tax                           | 6,947,373  |
| Transient Occupancy Tax                     | 6,689,607  |
| Franchise Fees                              | 6,398,220  |
| Permits and Licenses                        | 5,643,631  |
| Rents and Concessions                       | 4,021,645  |
| Other Fees and Services                     | 3,713,626  |
| State Highway Users Tax (Gas Tax)           | 3,671,761  |
| Other Taxes                                 | 3,534,978  |
| Workforce Investment Act Grant              | 3,285,402  |
| Park Dedication Fee                         | 2,646,270  |
| Miscellaneous Revenues                      | 2,520,178  |
| Housing Mitigation Fee                      | 1,648,020  |
| Interest Income                             | 1,629,315  |
| Federal Grants                              | 1,461,681  |
| SMaRT Station Revenues*                     | 1,247,832  |
| Fines and Forfeitures                       | 1,188,458  |
| Community Development Block Grant           | 1,070,655  |
| Traffic Impact Fee                          | 1,011,098  |
| HOME Grant                                  | 645,000    |
| Motor Vehicle License Fees                  | 519,400    |
| State Shared Revenues                       | 385,088    |
| Other Agencies Contributions                | 316,955    |
| Sense of Place Fee                          | 130,662    |

Use of Reserves

\$14,797,118

**Total Revenue Sources\*\***

\$265,923,910

\* SMaRT Station Operations Reimbursement includes the City of Mountain View and the City of Palo Alto's reimbursement for SMaRT Station operating expenditures.

\*\* Excludes internal service fund revenues.

CITY OF SUNNYVALE  
FY 2011/2012 BUDGET SUMMARY

**EXPENDITURES:**

**Operating Budget:**

|   |                   |              |
|---|-------------------|--------------|
| Office of the City Attorney   |                   | \$1,881,466  |
| Office of the City Manager  |                   | \$4,516,588  |
| Community Development Department                                    |                   |              |
| Building Safety   | 2,665,942         |              |
| Planning  | 2,294,701         |              |
| Housing and CDBG Program  | 1,176,885         |              |
| Community Development Department Management                         | 394,976           |              |
| Total Community Development Department                              | <u>6,532,504</u>  | \$6,532,504  |
| NOVA Workforce Services Department                                  |                   | \$9,658,808  |
| Finance Department  |                   |              |
| Budget Management   | 783,114           |              |
| Purchasing  | 1,273,725         |              |
| Financial Management and Analysis                                   | 1,282,493         |              |
| Accounting and Financial Services                                   | 1,722,034         |              |
| Treasury Services   | 1,096,272         |              |
| Utility Billing   | 2,099,891         |              |
| Total Finance Department  | <u>8,257,529</u>  | \$8,257,529  |
| Human Resources Department  |                   | \$3,588,016  |
| Library and Community Services Department                           |                   |              |
| Youth, Family and Child Care Resources                              | 1,018,118         |              |
| Community Services Department Management                            | 478,467           |              |
| Library   | 7,663,382         |              |
| Arts and Recreation Programs and Operation of Recreation Facilities | 8,635,242         |              |
| Total Library and Community Services Department:                    | <u>17,795,210</u> | \$17,795,210 |
| Public Safety Department  |                   |              |
| Police Services   | 24,761,162        |              |
| Fire Services   | 27,064,233        |              |
| Community Safety Services   | 3,835,410         |              |
| Personnel and Training Services                                     | 1,723,650         |              |
| Investigation Services  | 4,869,438         |              |
| Communication Services  | 3,013,021         |              |
| Public Safety Administrative Services                               | 6,617,375         |              |
| Records Management and Property Services                            | 1,917,242         |              |
| Total Public Safety Department                                      | <u>73,801,531</u> | \$73,801,531 |

CITY OF SUNNYVALE  
FY 2011/2012 BUDGET SUMMARY

**Operating Budget: (Continued)**

|  |                   |                             |
|--|-------------------|-----------------------------|
| Public Works Department  |                   |                             |
| Transportation and Traffic Services  | 2,106,581         |                             |
| Pavement, Traffic Signs and Markings, Street Sweeping, and Roadside Easement | 4,942,495         |                             |
| Street Lights  | 968,231           |                             |
| Street Tree Services   | 1,232,902         |                             |
| Concrete Maintenance   | 951,077           |                             |
| Downtown Parking Lot Maintenance   | 66,579            |                             |
| Neighborhood Parks and Open Space Management                                 | 8,323,464         |                             |
| Public Works Administration  | 748,974           |                             |
| Capital Project Maintenance  | 133,734           |                             |
| Land Development - Engineering Services                                      | 1,055,630         |                             |
| Golf Course Operations   | <u>3,614,826</u>  |                             |
| Total Public Works Department  |                   | \$24,144,493                |
|  |                   |                             |
| Utilities Department   |                   |                             |
| Water Resources  | 25,854,396        |                             |
| Storm Water Collection System  | 392,397           |                             |
| Sanitary Sewer Collection System   | 1,754,222         |                             |
| Solid Waste Management   | 29,692,767        |                             |
| Wastewater Management  | <u>12,234,681</u> |                             |
| Total Utilities Department   |                   | \$69,928,463                |
|  |                   |                             |
| Infrastructure Investment  |                   | \$2,550,000                 |
|  |                   |                             |
| Cost Savings   |                   | (\$710,000)                 |
|  |                   |                             |
| Budget Supplements   |                   | \$22,125                    |
|  |                   |                             |
| Project Operating Budget   |                   | \$56,908                    |
|  |                   |                             |
| <b>Total Operating Budget**</b>  |                   | <u><u>\$222,023,640</u></u> |

\* Solid Waste Management includes the City's share of SMaRT Station operating expenditures.

\*\* Excludes internal service fund operating budget.

CITY OF SUNNYVALE  
FY 2011/2012 BUDGET SUMMARY

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|                                  |                      |
|----------------------------------|----------------------|
| <b>Projects Budget:</b>          |                      |
| Capital Projects                 | \$8,339,203          |
| Special Projects                 | \$2,169,074          |
| Infrastructure Projects          | \$18,220,574         |
| Outside Group Funding            | \$283,100            |
| Lease Payments                   | \$2,164,165          |
| Project Administration           | \$1,886,446          |
| <b>Total Projects Budget</b>     | <u>\$33,062,563</u>  |
| <b>Other Expenditures:</b>       |                      |
| Debt Service                     | \$8,371,192          |
| Equipment                        | \$461,872            |
| Payment to Town Center Developer | \$2,004,644          |
| <b>Total Other Expenditures</b>  | <u>\$10,837,707</u>  |
| <b>Total Expenditures</b>        | <u>\$265,923,910</u> |
| <b>Total Recommended Budget</b>  | <u>\$265,923,910</u> |

**CITY OF SUNNYVALE  
 APPROPRIATIONS LIMIT  
 FY 2011/2012 Recommended Budget**

|                            | AMOUNT         | SOURCE                      |
|----------------------------|----------------|-----------------------------|
| A. LAST YEAR'S LIMIT       | \$ 158,372,179 | Prior Year                  |
| B. ADJUSTMENT FACTORS      |                |                             |
| 1. Population (0.89%)      | 1.0089         | State Department of Finance |
| 2. Inflation (2.51%)       | 1.0251         | State Department of Finance |
|                            | 1.0342         | (B1*B2)                     |
| <b>Total Adjustment %</b>  | 0.0342         | (B1*B2-1)                   |
| C. ANNUAL ADJUSTMENT       | \$ 5,420,033   | (B*A)                       |
| D. OTHER ADJUSTMENTS:      |                |                             |
| Lost Responsibility (-)    | 0              |                             |
| Transfer to private (-)    | 0              |                             |
| Transfer to fees (-)       | 0              |                             |
| Assumed Responsibility (+) | 0              |                             |
| Sub-total                  | 0              |                             |
| E. TOTAL ADJUSTMENTS       | \$ 5,420,033   | (C+D)                       |
| F. THIS YEAR'S LIMIT       | \$ 163,792,212 | (A+E)                       |

# Library and Community Services

FY 2011/2012 Operating Budget

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## Department Description

The Library and Community Services Department is a new department that merges library services with recreation, youth and family services, and community resources. The Department provides a wide range of programs, services, resources, and events to meet the personal interests, educational, and recreational pursuits of Sunnyvale residents of all ages. The Library Division offers equal access to a vast diversity of ideas, information, knowledge, and entertainment through its collection, programs, and services. The Community Services Division offers an array of active and passive, self-directed and organized recreational programming. Programs are offered in the arts, sports, fitness, and aquatics for ages and skill levels. The Department collaborates with local school districts and non-profit organizations to facilitate educational, child-care, and health-care services based at the Columbia Neighborhood Center and Sunnyvale Senior Center.

## General Information / Library Division

|  |                |
|--|----------------|
| Number of books and other library materials checked out during FY 2009/2010: | 2,379,284      |
| Number of Library patrons who visited during FY 2009/2010:                   | 796,329        |
| Number of logins to the Internet from Library PCs during FY 2009/2010:       | 204,000        |
| Size of Library's facility:  | 60,800 sq. ft. |

## Programs and Services

The Library division is organized into eight services: Borrower Services/Circulation, Library Services for Adults, Library Services for Children and Teens, Acquire Library Materials for the Public, Technology Services, Prepare Library Materials for the Public, Outreach Services, and Management, Supervisory, and Administrative Support Services.

### Borrower Services/Circulation

The Library enables customers to access and borrow library materials by checking items in/out, renewing items, shelving returned items to their proper location, and processing reserved items and materials requested from other libraries for customers. Staff encourages the timely return of materials by notifying borrowers of overdue items, sending replacement bills for items long overdue, and collecting fines/fees. Staff also keeps existing library customer accounts updated and issues library cards to new borrowers.



# Library and Community Services

## FY 2011/2012 Operating Budget

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### **Library Services for Adults**

The Library enhances the use of library materials and information resources for adults by providing one-on-one assistance locating and utilizing those resources as well as providing programming in support of community interests and educational pursuits.

### **Library Services for Children and Teens**

The Library enhances the use of library materials and information resources for children and teens by providing one-on-one assistance locating and utilizing those resources as well as providing programming in support of community interests and educational pursuits.

### **Acquire Library Materials for the Public**

The Library provides quality library collections for children, teens, and adults by selecting and acquiring new and relevant materials in a wide variety of formats in response to community interest and demand. Staff evaluates the collection areas in terms of age, relevancy, and condition. Staff also orders and receives materials, processes invoices, and monitors purchases.

### **Technology Services**

The Library maintains technology to support service delivery. Inside the Library, computers, photocopiers and other equipment provide access to library information and services. Outside the Library, services are delivered through the Library Website/catalog. The catalog allows customers to search for library materials, magazine and newspaper articles, and e-Books, as well as manage their own account, renew materials, place items on hold, request materials from other libraries, pay fines, and register for a new library card. Maintaining all systems and equipment in working order ensures continuity of services.

### **Prepare Library Materials for the Public**

The Library prepares materials for easy access and use by cataloging new materials accurately using national standards, updating the catalog to keep it current, physically processing new books, media items, periodicals and newspapers, and extending the life of repairable library materials through basic repair and rebinding.

### **Outreach Services**

The Library partners with civic groups, the local business community, City departments, and others in order to effectively inform the community about the services and resources available to them. Staff attends community events and meetings to promote Library services. In addition, staff delivers Library materials to a resident's home if that person is unable to come to the Library due to physical disability.

# Library and Community Services

## FY 2011/2012 Operating Budget

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### **Management, Supervisory, and Administrative Support Services**

The Library delivers cohesive and cost-effective operations of the Library facility, maintaining a safe and welcome environment for customers and staff. High quality customer service is provided through programs and services designed to meet community needs. Staff provides leadership and manages employees to support the overall effectiveness and efficiency of service delivery. Staff development opportunities are encouraged in pursuit of improving services. The financial condition and results of Library programs are monitored and analyzed to ensure optimal use of resources. Library policies and procedures are developed and implemented to ensure even application. Clear, timely and complete information is prepared for City management, Council, community members, and staff. Long-range plans are developed in order to meet the needs of the community. Staff explores options for grants in order to supplement services with non-City funding. Staff also works with the Board of Library Trustees and supports the division generally by answering telephones and requests from the public and staff members, facilitating communication between City departments, maintaining the operation of office equipment, notifying Facilities Services of facility-related issues, and providing page support for library operations.

### **General Information / Community Services Division**

|  |         |
|--|---------|
| Number of participant hours in Recreation related programs and services in FY 2009/10  | 717,931 |
| Number of occupancy hours in recreation facilities in FY 2009/10                       | 50,486  |
| Number of volunteer hours managed by Recreation staff                                  | 20,747  |
| Number of Senior Center memberships in FY 2009/10                                      | 2,881   |
| Number of recipients benefiting from the Recreation Fee Waiver program                 | 230     |
| Number of participant hours generated by CNC service providers in FY 2009/10           | 70,200  |
| Number of unduplicated participants the CNC served in FY 2009/10                       | 2,860   |
| Number of dollars leveraged for each \$ contributed by the City towards CNC operations | \$2.36  |
| Percent increase in number of child care slots in FY 2009/10                           | 2%      |

### **Programs and Services**

The Community Services division is organized into three programs: Arts and Recreation Programs and Operation of Recreation Facilities, Youth and Family Services, and Community Resources.

#### **Arts and Recreation Programs and Operation of Recreation Facilities**

The Arts and Recreation program provides year-round arts, recreation, health and wellness, and enrichment activities for preschool aged children through senior adults. Recreation staff schedules, operates, and rents out City owned and leased recreation facilities, including six swimming pools, a municipal tennis center, recreation building, theater, creative arts center, indoor sports center,

# Library and Community Services

## FY 2011/2012 Operating Budget

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a senior center, dance studio, three gymnastics facilities, four artist studios, 11 park buildings, 36 athletic fields, and 49 picnic areas. The program also manages the City's art in private development and art in public places programs. A fee waiver program for eligible Sunnyvale residents 17 years of age and younger is available to provide a safety net for low income families to afford to participate in Recreation classes and activities. The vision for the City's Arts and Recreation Program can be found in three sub-elements of the City's General Plan: Arts Sub-element (Cultural Element); Open Space and Recreation Sub-element, and; the Socio-Economic Sub-element.

### **Youth and Family Services**

The Youth and Family Services program is based out of the Columbia Neighborhood Center (CNC). The City of Sunnyvale operates CNC in collaboration with the Sunnyvale School District, non-profit organizations, and community businesses to provide a connected network of services and programs in the areas of community education, mental health services, health care, recreation, and youth and neighborhood safety. The philosophy behind this web of services is to provide the support that children in the service area need to develop the life skills necessary to be successful in school and beyond. CNC focuses on serving at-risk youth attending Bishop, Fairwood, Lakewood, San Miguel, and Columbia schools, as well as families with limited access to basic services residing in the Center's service area. The Center and its partners also promote a strong community through events and activities for the neighborhood.

In addition, programs and services that support the City's child care providers, families with young children, citywide youth and family issues, and the Child Care Staff Advisory Board, which acts in an advisory capacity to City staff on early care and education topics, are also based at CNC.

### **Community Resources**

Community Resources develops, maintains, and grows community partnerships and resources. Community building and civic engagement are the main areas of focus for this program. Services include point of contact to address ADA complaints from the public, coordination of the City's neighborhood association program, support to the Neighborhood Enhancement Action Team (NEAT), administration of the special events permitting process, administration of two community grant programs (one for event organizers and one for neighborhood groups), and coordination of two staff advisory committees (Advisory Committee on Accessibility, Human Relations Cultural Diversity Advisory Committee). This program coordinates the outside group funding application process and Special Agreement oversight for Silicon Valley Leadership. Additionally, Citywide special events, such as the Mayor's annual State of the City event, are included in this area.

# Library and Community Services

## FY 2011/2012 Operating Budget

### Department Budget Summary

| Library and Recreation                 |                          |                          |                          |                           |                        |
|--|--------------------------|--------------------------|--------------------------|---------------------------|------------------------|
| Fund/Program                           | 2008/09<br><i>Actual</i> | 2009/10<br><i>Budget</i> | 2009/10<br><i>Actual</i> | 2010/11<br><i>Current</i> | 2011/12<br><i>Plan</i> |
| <b>General Fund</b>                    |                          |                          |                          |                           |                        |
| Library                                | 6,968,571                | 7,056,813                | 7,050,047                | 7,394,377                 | 7,663,382              |
| Youth and Family Services              | 210,294                  | 228,107                  | 227,950                  | 245,595                   | 264,397                |
| Administration                         | 741,498                  | 757,229                  | 715,271                  | 508,780                   | 478,467                |
| <b>Youth and Neighborhood Services</b> |                          |                          |                          |                           |                        |
| Youth and Family Services              | 668,950                  | 751,178                  | 729,548                  | 741,650                   | 753,721                |
| <b>Community Recreation Fund</b>       |                          |                          |                          |                           |                        |
| Arts and Recreation Programs           | 7,960,847                | 9,031,019                | 8,045,710                | 8,418,340                 | 8,635,242              |
| Operating Savings                      | 0                        | 0                        | 0                        | 0                         | -210,000               |
| <b>TOTAL EXPENDITURES</b>              | <b>16,550,159</b>        | <b>17,824,346</b>        | <b>16,768,525</b>        | <b>17,308,742</b>         | <b>17,585,210</b>      |

### Budget Overview and Significant Changes

The Library's FY 2011/2012 budget reflects two main changes. The first is a continuation of the combined expenditure reductions/revenue enhancements implemented in FY 2009/2010. The second is an expenditure reduction in FY 2010/2011 towards the elimination of 6,100 Library Specialist III hours. This reduction was adopted by Council in the FY 2008/2009 Budget and Twenty-Year Resource Allocation Plan as part of the RFID/Automated Materials Handling project. Due to the limited number of vacant positions in the Library Specialist III classification, several alternative reductions were made in FY 2010/2011 equivalent to the elimination of 6,100 Library Specialist III hours.

Overall business continues to be strong at the Library. Comparing FY 2009/2010 to FY 2008/2009, Library attendance declined 8.6% and Library circulation declined 4.1%. This is not surprising given that the Library was closed for 2.5 weeks in FY 2009/2010 for major renovations. The impact of these renovations can be seen in FY 2010/2011, as Library circulation has surged such that the Library is tracking to circulate more materials in one year than in any previous year in its history. Staffing is 24% lower than ten years before, challenging the Library to provide more efficient and effective service with fewer staff at the same time meeting the needs of the community.

# Library and Community Services

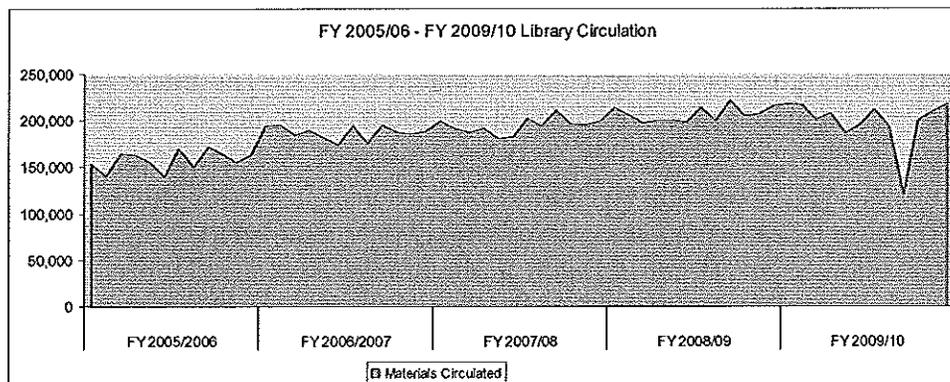
## FY 2011/2012 Operating Budget

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### Borrower Services/Circulation

Library staff and volunteers converted the entire Library collection from barcode to RFID technology in FY 2009/2010. This conversion paved the way for the installation of an automated materials handling system, including six self-checks, four automated material returns, a security gate, and an inventory control device. Checkout is faster because multiple items may be checked out at once. In addition, customers can now pay fines at the self-check machines, which is one less reason why a staff-mediated transaction might be necessary. At check-in, materials are instantly removed from a customer's account, and the customer has the option to print a receipt as proof of return. This provides for more consistency and accuracy in both patron accounts and the Library catalog.

Even though efficiencies are expected by eliminating the manual check-in processes, circulation has increased 26% over the past five years, as shown in the graph below. More items checked out means simply that more items will need to be handled. Materials are handled by staff to sort on carts and return items to the shelf primarily, but also to process items placed on hold and other exceptions. Approximately 90% of materials are returned using the automated materials handling system, and approximately 91% of checkouts now occur at the self-check machines. These efficiencies have allowed staff to keep up with rising circulation as well as continue to provide excellent customer service.



### Library Services for Adults

The Library merged the reference and circulation desk in FY 2009/2010 so that both services are available in one place. The purpose of the merger was to lessen the confusion for customers who often are sent to different desks located far apart. Circulation staff and reference librarians at this service point are cross-trained to provide seamless service. The move allows more effective use of librarians, by offering one person on the service point (as compared with the former model of two)

# Library and Community Services

## FY 2011/2012 Operating Budget

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with the other librarian deployed as a roving librarian. This roving model will be expanded in the coming fiscal years. In a large 60,000 square foot building, providing service where the customer needs it will be the Library's new focus in service. In addition the Library will continue to offer timely and relevant programming for adults.

### **Library Services for Children and Teens**

The Library spaces for children and teens will continue to be evaluated and modified to emulate retail design principles. Children's services will focus on providing programs and story times in the languages of the Sunnyvale community. Of particular focus the next two fiscal years will be programming in Mandarin, Hindi and Spanish. Children's librarians will provide story times that reflect the most current practices in children's librarianship and in particular address the literacy needs of younger children. Teens will be more actively involved in the Library by participating in a Teen Advisory Board and teen programming will be enhanced and expanded.

### **Acquire Library Materials for the Public**

The percentage of the Library budget in FY 2011/2012 allocated to the acquisition of library materials is 8.2%. This rate is on the lower end in Santa Clara County, with Palo Alto Library at 11.9%, Santa Clara County Library at almost 13.2%, Santa Clara City at 10.7% and Mountain View Library at 11.3% (as based upon the most current data available in FY 2008/2009 from the California State Library). The Library will continue to focus on acquiring current and popular collections displayed as appropriate using retail concepts. Multiple copies of bestsellers, media, and online resources will be acquired along with more traditional library materials and distribution will be determined by community needs. Whenever possible, vendor generated lists will be utilized to streamline ordering and save staff time.

### **Technology Services**

The demand for access to the internet continues to grow as does the subsequent need to assist internet users. In response in FY 2009/2010, the Library created a new Technology Center. Computers were consolidated into one centralized area. Additional computers were added and a new Wi-fi laptop area was provided. Paraprofessional staff has been trained to provide direct customer service at the technology center service point, freeing librarians to perform other tasks that better align themselves to their professional training. In addition volunteers are utilized to assist staff.

### **Prepare Library Materials for the Public**

The Library is now taking advantage of a new service, the pre-processing of materials. Library materials arrive with a minimal amount of work required by staff and are available to the customer faster than before. Staff working in this area will be redeployed and retrained for more direct customer interaction and for other duties as needed.

# Library and Community Services

## FY 2011/2012 Operating Budget

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### **Outreach Services**

The Library will continue to offer its highly popular Special Outreach Services (SOS) that delivers books to homebound Sunnyvale residents unable to come to the library. The Children's division will focus on outreach to the Hispanic population in north Sunnyvale through its partnership with the Sunnyvale Elementary School District. The Library will continue to participate in key City events as staffing allows.

### **Arts and Recreation Programs**

The Community Services Division has several projects underway and to be implemented during FY 2011/2012. The Murphy Park Building is being renovated to be able to accommodate preschool programming and will include child-scaled restrooms.

The Sunnyvale School District is leading a large project to expand the Columbia Neighborhood Center. This project will add an additional 3,500 square feet to the existing facility, double the number of offices for social services and the community health clinic, and add a fitness room to be used by both the Columbia Middle School students and the community. The expansion of CNC will allow for increased partnerships and services/programs to be offered to the youth and families that reside in the CNC service area. The project has an anticipated completion date of January 2012.

In a significant structural change, Recreation services is in the process of being taken out of the Community Recreation Fund and placed in the General Fund. This change does not diminish Recreation's mandate to offset costs to the degree possible through recreation fees, rents and concessions. Instead, the structural change reflects a realignment of resources and the creation of a true enterprise fund for the Golf and Tennis programs.

The Recreation Program is working to contract its overall budget while at the same time minimizing the impact on the public. Consequently, overall staffing levels going into FY 2011/2012 reflect a reduction of 2 FTE and 1 PTE. These positions were eliminated through attrition. Cross-training efforts have enabled a more efficient operating model. The number of temporary / casual hours has also been reduced and will continue to be closely managed for efficiency and cost-effectiveness.

Programmatically, the proposed FY 2011/2012 budget continues to support a balanced array of facilities, services and recreation and arts opportunities for all ages. On an ongoing basis, programs and services are evaluated and retooled to best meet the needs of the community, with staff taking the opportunity to achieve efficiencies and create partnerships wherever possible. Increases in contract expenses for programs such as gymnastics are also offset by higher revenue streams.

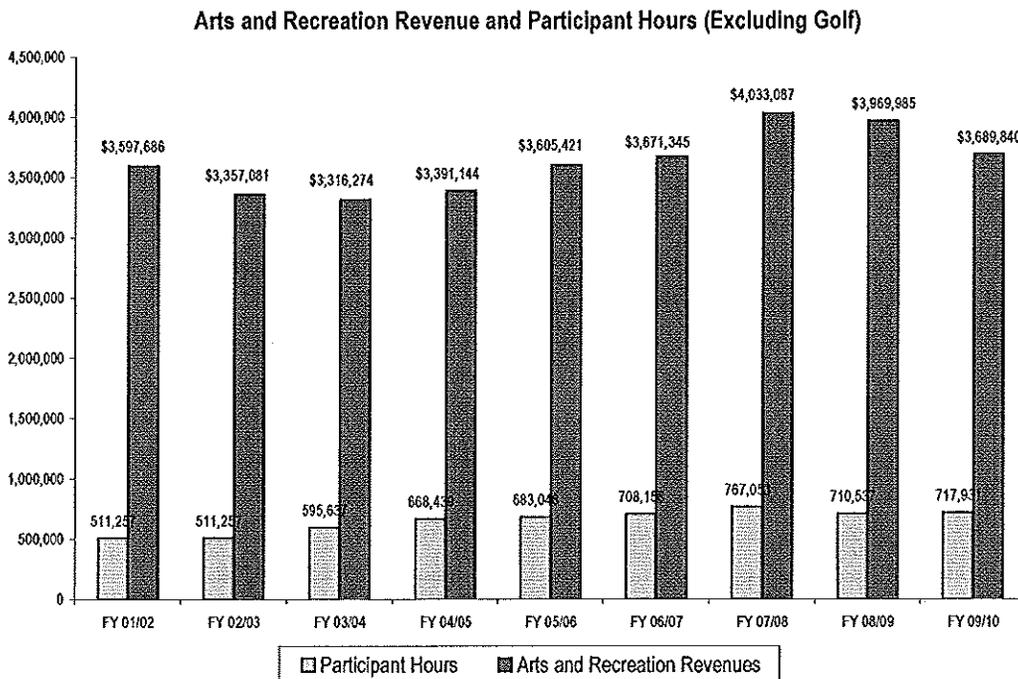
Overall revenues are not planned to be significantly higher than FY 2009/2010 actual revenues in

# Library and Community Services

## FY 2011/2012 Operating Budget

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part due to elimination of programs such as Adult Softball and Day Trippin' (a summer camp). These declines are offset by increases in revenues from special agreement groups (largely youth sports) facility use and improved revenue sharing with large contractors such as Skyhawks. Wherever possible, activities are structured to cover their costs, with programs for youth and seniors, in general, requiring the greatest amount of support from the General Fund. The proposed budget also sets aside resources for the Recreation Fee Waiver Program, which assists qualifying low-income Sunnyvale youth with the payment of recreation fees. The following graph shows trends in recreation revenues.



### Management, Supervisory, and Administrative Support Services

Management will direct staff in the best practices of the profession. Management will encourage grant seeking and partnerships with both City departments and with the community to support programming and enhance services. New opportunities for volunteers will be created to leverage their considerable skills. Student interns will be actively recruited from San Jose State School of Library and Information Studies to both provide an opportunity for them to experience working in a public library and to utilize their skills to develop new programs and services. Supervisors will practice continuous improvement within their areas. A staff innovations team will be formed to address best practices and to encourage innovation from all levels of staff.

# Library and Community Services

## FY 2011/2012 Operating Budget

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### Department Position Allocation

| Classification                                | Current<br>Authorized<br>Positions | FY 2011/12<br>Budgeted<br>Positions |
|---|------------------------------------|-------------------------------------|
| Director of Libraries                         | 1                                  | 1                                   |
| Recreation Supervisor                         | 4                                  | 4                                   |
| Superintendent of Recreation                  | 1                                  | 1                                   |
| Youth and Family Resources Manager            | 1                                  | 1                                   |
| Administrative Assistant: Library Circulation | 1                                  | 1                                   |
| Administrative Librarian                      | 2                                  | 2                                   |
| Assistant to the Director of DCS              | 1                                  | 1                                   |
| Supervising Librarian                         | 3                                  | 3                                   |
| Administrative Aide-Confidential              | 2                                  | 2                                   |
| Administrative Analyst                        | 1                                  | 1                                   |
| Program Coordinator                           | 3                                  | 3                                   |
| Librarian                                     | 11                                 | 11                                  |
| Library Assistant                             | 4                                  | 4                                   |
| Senior Library Assistant                      | 1                                  | 1                                   |
| Recreation Coordinator II                     | 15                                 | 15                                  |
| Recreation Coordinator I                      | 1                                  | 1                                   |
| Facility Attendant I                          | 2                                  | 2                                   |
| Facility Attendant II                         | 1                                  | 1                                   |
| Senior Park Utility Worker                    | 1                                  | 1                                   |
| Office Clerk                                  | 1                                  | 1                                   |
| Office Assistant                              | 1                                  | 1                                   |
| Principal Office Assistant                    | 1                                  | 1                                   |
| Senior Office Assistant                       | 8                                  | 6                                   |
| Staff Office Assistant                        | 2                                  | 2                                   |
| Part time Office Assistant                    | 4                                  | 4                                   |

# Library and Community Services

FY 2011/2012 Operating Budget

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## Department Position Allocation

| Classification                              | Current Authorized Positions | FY 2011/12 Budgeted Positions |
|---|------------------------------|-------------------------------|
| Part-Time Staff Office Assistant            | 2                            | 1                             |
| Part-time Senior Office Assistant           | 1                            | 1                             |
| Part-time Graphic Artist                    | 1                            | 1                             |
| Part-time Administrative Analyst            | 1                            | 1                             |
| Part-Time Librarian                         | 6                            | 6                             |
| Library Specialist I                        | 6                            | 6                             |
| Library Specialist III                      | 17                           | 17                            |
| <b>Library and Community Services Total</b> | <b>107</b>                   | <b>104</b>                    |

**CITY OF SUNNYVALE  
FISCAL YEAR 2011/2012  
FEE SCHEDULE**

| <b>DEPARTMENT OF LIBRARIES</b>  | <b>Fiscal Year<br/>2010/2011</b>                             | <b>Fiscal Year<br/>2011/2012</b>                             | <b>Charge<br/>Code</b> | <b>Object Level<br/>3 &amp; 4</b> | <b>Title<br/>(Obj. Lvl. 3)</b>       |
|---|--|--|------------------------|-----------------------------------|--------------------------------------|
| <b>SECTION 5.01 FINES AND FEES</b>  |  |  |                        |                                   |                                      |
| A. <u>Patron Library Card</u><br>Replacement library card   | <u>\$1.85</u>  | <u>\$2.00</u>  | 799371                 | 2105                              | Misc. Library Charges                |
| B. <u>Fines for Overdue Materials</u><br>Books, CDs, Books on CD, Magazines, etc.<br>Per Day Per Item | <u>\$0.30</u>  | <u>\$0.30</u>  | 620100                 | 1502 - 1                          | Fines-Library Overdue Mat            |
| Not to Exceed Per Item  | <u>\$10.00</u>   | <u>\$10.00</u>   | 620100                 | 1502 - 1                          | Fines-Library Overdue Mat            |
| DVDs and Videocassettes<br>Per Day Per Item   | <u>\$1.00</u>  | <u>\$1.00</u>  | 620100                 | 1502 - 1                          | Fines-Library Overdue Mat            |
| Not to Exceed Per Item  | <u>\$10.00</u>   | <u>\$10.00</u>   | 620100                 | 1502 - 1                          | Fines-Library Overdue Mat            |
| C. <u>Charges</u><br>Torn, Damaged or Missing Pages (Per Page)  | <u>\$1.75</u>  | <u>\$1.75</u>  | 799371                 | 2102                              | Lib - Lost & Damaged-Circ Desk Pymts |
| Replacement Cost for Lost or Damaged<br>Bookcover, Media Case or Pamphlet Folder                      | <u>\$1.60</u>  | <u>\$1.75</u>  | 799371                 | 2102                              | Lib - Lost & Damaged-Circ Desk Pymts |
| Replacement Cost for Lost or Damaged Item   | <u>Cost of Item as<br/>Represented in<br/>Library Record</u> | <u>Cost of Item as<br/>Represented in<br/>Library Record</u> | 799371                 | 2102                              | Lib - Lost & Damaged-Circ Desk Pymts |
| Processing Fee for Lost or Damaged<br>Paperbacks, Boardbooks, Magazines, Pamphlets                    | <u>\$5.00</u>  | <u>\$5.00</u>  | 799371                 | 2102                              | Lib - Lost & Damaged-Circ Desk Pymts |
| Processing Fee for Lost or Damaged Items<br>(Except Paperbacks, Boardbooks, Magazines, Pamphlets)     | <u>\$12.00</u>   | <u>\$12.00</u>   | 799371                 | 2102                              | Lib - Lost & Damaged-Circ Desk Pymts |
| D. <u>Internet Payments</u><br>Library Fines and Fees Collected via Internet                          | <u>As Described<br/>Above in Section<br/>5.01 A, B and C</u> | <u>As Described<br/>Above in Section<br/>5.01 A, B and C</u> | 620100                 | 1502 - 2                          | Fines & Fees-Library                 |