Santa Clara County Libraries
Comparative Collection & Square Footage Data
Prepared April 24, 2012

Materials Expenditures Per Capita

Library	FY 2009/10 Materials expenditures per capita	FY 2008/09 Materials expenditures per capita	FY 2007/08 Materials expenditures per capita	FY 2006/07 Materials expenditures per capita	FY 2005/06 Materials expenditures per capita
Palo Alto	$11.87	$11.75	$13.26	$10.87	$10.33
Santa Clara County	$11.02	$10.54	$10.50	$9.76	$8.89
Mountain View	$6.57	$7.28	$6.50	$6.44	$5.07
Los Gatos	$6.12	$5.74	$4.90	$5.96	$6.33
Santa Clara	$6.02	$6.53	$6.50	$5.97	$7.23
Sunnyvale	$4.46	$5.14	$5.11	$5.14	$5.48

Materials Per Child

Library	FY 2009/10 Materials Per Child	FY 2008/09 Materials Per Child	FY 2007/08 Materials Per Child	FY 2006/07 Materials Per Child	FY 2005/06 Materials Per Child
Mountain View	10.92	10.77	10.29	9.96	9.93
Santa Clara County	8.5	8.16	8.05	7.92	7.81
Palo Alto	7.47	8.08	7.51	7.25	6.93
Santa Clara	7.01	7.08	7.13	6.81	6.85
Los Gatos	5.83	5.78	5.73	5.84	6.37
Sunnyvale	3.20	3.61	2.81	3.81	3.71

Print Materials Per Capita

Library	FY 2009/10 Print Materials per capita	FY 2008/09 Print Materials per capita	FY 2007/08 Print Materials per capita	FY 2006/07 Print Materials per capita	FY 2005/06 Print Materials per capita
Palo Alto	3.78	3.82	3.81	3.83	3.84
Los Gatos	3.63	3.79	4.14	4.16	3.85
Mountain View	3.5	3.5	3.42	3.34	3.9
Santa Clara County	3.37	3.31	3.31	3.27	3.31
Santa Clara	3.21	3.22	3.21	3.14	3.11
Statewide Mean	1.93	1.97	1.95	2	2.15
Sunnyvale	1.62	1.82	1.93	1.95	2.22

Total Materials Available Per Capita

Library	FY 2009/10 Total Materials Available Per Capita	FY 2008/09 Total Materials Available Per Capita	FY 2007/08 Total Materials Available Per Capita	FY 2006/07 Total Materials Available Per Capita	FY 2005/06 Total Materials Available Per Capita
Los Gatos	4.62	4.68	5.03	5.06	5.11
Palo Alto	4.42	4.54	4.43	4.39	4.24
Mountain View	4.33	4.3	4.03	3.91	4.25
Santa Clara County	4.21	4.11	4.08	4.01	3.99
Santa Clara	3.59	3.68	3.61	3.55	3.6
Statewide Mean	2.16	2.19	2.16	2.2	2.17
Sunnyvale	2.06	2.27	2.38	2.38	2.67

Note: Council accepted 4 items per capita in the collection as a goal for the Library of the Future on Jan 23, 2007.

Square Footage Per Capita

Library	FY 2009/10 Square Footage Per Capita	FY 2008/09 Square Footage Per Capita	FY 2007/08 Square Footage Per Capita	FY 2006/07 Square Footage Per Capita	FY 2005/06 Square Footage Per Capita
Palo Alto	0.83	0.84	0.85	0.82	0.83
San Jose	0.81	0.83	0.83	0.8	0.79
Mountain View	0.79	0.8	0.81	0.82	0.83
Santa Clara	0.73	0.75	0.76	0.77	0.79
Santa Clara County	0.6	0.61	0.51	0.52	0.5
Los Gatos	0.45	0.46	0.46	0.48	0.48
Sunnyvale	0.43	0.44	0.44	0.45	0.46

Note: Council accepted 0.75 to 1 square foot per capita as a goal for the Library of the Future on Jan 23, 2007.

Square Footage Per Capita - Update Since FY 2009/10

Library	Planned or Realized Square Footage Per Capita	Notes
Palo Alto	1.38	89,654 Square Foot of Library Space is being built in Palo Alto now
Gilroy	1.11	54,659 Square Foot Library Opens in April 2012
Los Gatos	1.01	30,000 Square Foot Library Opened in February 2012
Milpitas	0.89	60,000 Square Foot Library Opened in January 2009
Santa Clara	0.88	16,000 Square Foot Branch Library Planned for Late 2013 Opening

Sunnyvale Library Collection Budget Erosion

Fiscal Year	Adopted Operating Budget for Books & Media	U.S. Average Inflation Rate	Hypothetical Growth of FY 2001/02 Collection Budget by Standard Inflation Rates	Amount of Budget Erosion
FY 2001/02	$505,013	2.83%	$519,304.87	$14,291.87
FY 2002/03	$521,696	1.59%	$527,561.82	$5,865.82
FY 2003/04	$547,113	2.27%	$539,537.47	($7,575.53)
FY 2004/05	$537,184	2.68%	$553,997.07	$16,813.07
FY 2005/06	$517,099	3.39%	$572,777.57	$55,678.57
FY 2006/07	$538,234	3.24%	$591,335.57	$53,101.57
FY 2007/08	$539,747	2.85%	$608,188.63	$68,441.63
FY 2008/09	$558,234	3.85%	$631,603.89	$73,369.89
FY 2009/10	$558,234	-0.34%	$629,456.44	$71,222.44
FY 2010/11	$526,132	1.64%	$639,779.53	$113,647.53
FY 2011/12	$545,558	3.16%	$659,996.56	$114,438.56
FY 2012/13	$545,558		$659,996.56	$114,438.56

Note: Augmenting the FY 2012/13 collection budget by $114,438 allows the Library to purchase approximately 4,401 additional items (based on $20 per item + $6 processing per item).
At this expenditure level, total materials available per capita would be expected to rise from the 2.06 total items available per capita currently to 2.09. To rise to the 4 items available per capita Council indicated as a desirable goal on January 23, 2007, significant funds would be required for an opening day collection as well as additional funds on an ongoing basis.

Honorable Mayor and Members of the City Council:

Introduction

As I look ahead to a new fiscal year, it is with confidence and optimism. We have made steady progress building a solid financial foundation. Last year, with the adoption of the FY 2011/2012 Budget, the City Council made significant strides in addressing the long-term structural deficit. I presented two sets of recommended cost savings as part of the recommended FY 2011/2012 Budget and Council adopted both sets, resulting in savings of approximately $2.1 million annually. Furthermore, the recommended FY 2011/2012 Budget contained aggressive personnel cost containment assumptions including two-tier retirement systems, wage freezes, and adjustments to salary surveys. Council adopted these assumptions as well. With the approval of the FY 2011/2012 Budget, considerable progress was made in resetting the expenditure base.

Recent revenues results are also having a positive impact on the City's financial condition. We began to see recovery from the global recession in 2010 with a rebound in late FY 2010/2011 that has continued to accelerate through FY 2011/2012. Silicon Valley, and Sunnyvale in particular, has reaped the benefits of the high tech recovery through increased sales tax revenue and development activity. In fact, development activity is poised to end FY 2011/2012 at or near record high levels. Growth has been so strong that the long-term revenue base has been adjusted upward for sales tax, development-related revenue, and transient occupancy tax in this recommended FY 2012/2013 Budget.

On the expenditure side, budgetary pressures felt in neighboring cities have impacted salary survey results, leading to smaller salary increases than budgeted for FY 2010/2011 and FY 2011/2012. Salary surveys are the basis for wage adjustments for the Public Safety Officers Association (PSOA) and the Communication Officers Association (COA). Because of the size of the PSOA wage base, adjustments to the budgeted salary increases have a significant impact on the City's General Fund expenditures. Savings are realized immediately and over the long term with the lower base, provided the survey results do not come in higher than budgeted in future years. Due to continued financial constraints in surrounding jurisdictions, the budgeted salary increases for PSOA have been adjusted downward for the next two years. In total, the actual survey results and adjustments for the next two years reduced budgeted expenditures by $62 million for the 20-year financial plan.

A Balanced Budget Over the Long Term

The Council actions resetting the expenditure base for the FY 2011/2012 Budget and the better than anticipated actual results for both revenues and expenditures have resulted in a notable achievement: General Fund revenues and expenditures have come into balance for the short and long term. Using the current forecast, the General Fund's Budget Stabilization Fund reserve ends with approximately $9.7 million in the last year of the 20-year financial plan and between

$36 million to $49 million over the first 10 years. Furthermore, these reserve levels are after providing additional funding to restore several service levels: $475,000 annually for the duration of the 20-year plan to reinstate a seven-year tree trimming cycle; $248,000 annually for the duration of the 20-year plan toward sidewalk repairs to reduce the backlog; $1.5 million set-aside annually for rehabilitation and maintenance of the City's facilities; and $100,000 annually for unanticipated needs that may occur during the year.

...General Fund revenues and expenditures have come into balance for the short and long term.

Although there are caveats and vulnerabilities underlying this balanced state, I do not want to minimize this considerable accomplishment, which is the result of several years of hard work and the commitment of the Council and our employees.

Standard & Poor's recently affirmed the City's "Issuer Credit Rating" of AAA, the highest rating possible.

And these efforts have not gone unrecognized. Standard & Poor's recently affirmed the City's "Issuer Credit Rating" of AAA, the highest rating possible. The rating reflects their view of the City's very strong financial position and strong management policies and practices.

Standard & Poor's also gave the City a stable outlook, noting that the City's strong management practices will result in a balanced budget and maintenance of reserves in the future.

Setting the Financial Foundation

The foundation for resetting the expenditure base began when I arrived during the depths of the global recession 3 ½ years ago. It was clear the long-term structural deficit did not spring up overnight or result from a single factor – in this case the recession; therefore the solution would also take time and come through various forms. A good illustration of this is an effort I began upon my arrival to look critically at how services were provided and realign the organization across the City to take advantage of efficiencies and more readily adapt to changing fiscal realities. This multi-year effort, now complete, provided the opportunities for the cost savings proposals that were adopted as part of the FY 2010/2011 and FY 2011/2012 Budget. In both years, the cost savings were developed with a strategic focus and several of them took advantage of organizational efficiencies, resulting in minimal service level impact to the community.

A Sustainable Plan for Retiree Medical Costs

Another piece of the foundation is the funding plan for retiree medical costs. With rising medical costs and a growing number of retirees, the funding of retiree medical costs over the long term is a fiscal concern. In the past, the City, like the majority of other governmental entities, paid retiree medical costs as they came due and did not set aside funds as the benefit was earned. This resulted in an unfunded liability. To address the unfunded liability and create a sustainable long-term plan for retiree medical costs, the City began funding a retiree medical trust fund in FY 2010/2011 with an initial one-time contribution of $32.6 million. We are now making annual contributions to the trust until the liability is fully satisfied. Under current actuarial assumptions, it is anticipated this will occur in FY 2030/2031. At that time, a portion

The City's unfunded liability for retiree medical is $79 million. Under the current funding plan, it will be paid off by FY 2030/2031.

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. As a result, this funding plan provides another layer in the foundation for long-term fiscal sustainability. The initial $32.6 million contribution came from one-time savings due to better than expected results in the General Fund and the Employee Benefits Fund; this provides much greater and longer lasting benefits than many other uses of the funds could. Therefore, as one-time, unanticipated funds materialize in the future, I will recommend additional contributions to this trust.

As these layers of the financial foundation illustrate, actions and solutions are interrelated and built upon each other so that the end result is more long lasting and better able to adapt to future events and uncertainties.

But Our Work is Not Done

Certainly we realize, uncertainties are inevitable. In this recommended budget there are several uncertainties and vulnerabilities that can quickly throw the long-term financial plan out of balance if we don't pay attention to the budget or we make decisions without full realization of the long-term impact.

Revenue Volatility

A sizeable portion of the improved financial condition is due to the strong recovery in several of the major General Fund revenues. As noted earlier, the sustainable revenue base has been adjusted upward for sales tax, development-related revenue and transient occupancy tax. A continuing concern and vulnerability is the high volatility levels for sales tax and development-related revenues. We have experienced year to year variances as high as 54% from these revenue sources. This has certainly made long-term revenue projections challenging. This recommended budget reflects the recent recovery and anticipated activity in the next few years and then moderated growth thereafter. We believe we have a sustainable revenue base reflected in this budget. Unfortunately, the revenue volatility is largely out of our control; therefore, it is critical that with our vulnerability to these cycles we are diligent in monitoring for shifts in cycles and react accordingly in making necessary adjustments to our long-term plan.

Development Related Revenues	
2008:	$14.0 M
2010:	$5.2 M
2012:	$12.5 M

State Budget Actions – RDA Loss

In late December 2011, the worst case scenario was realized when the State Supreme Court ruled that the dissolution of redevelopment agencies (RDAs) was constitutional, and a voluntary payment program to continue RDAs was not. With that, $6 million annually in loan repayments to the General Fund, $134 million over the 20-year plan, is in jeopardy. RDAs were legally dissolved on February 1, 2012 and the City elected to be the Successor Agency, overseeing the wind down of the RDA. With the lack of clarity in the dissolution legislation, there are several clean up bills that the State legislature is considering. Two of the bills would allow one of the General Fund loans to be repaid, recovering approximately $40 million of the $134 million budgeted. Because the outcome of these bills is not known at this time, we have budgeted for the loss of most of these loan repayments in this recommended budget. Reimbursements for debt service payments and loan repayments through January 31, 2012, which have been approved by the Oversight Board of the Successor Agency, have been retained. In addition, the City will receive additional property

tax revenue from the redistribution of the former property tax increment so a net loss of $91 million has been absorbed into this 20-year financial plan.

As part of the City's multi-year efforts to tackle the long-term structural deficit, we had previously identified the loss of this revenue stream when the RDA project area was scheduled to end in FY 2027/2028. Although the progress we have made in laying down a financial foundation allows us to absorb this loss much earlier, the loss still has a significant impact in what might have been. Instead of the results of our efforts going toward filling this hole, I would have been able to present a budget with an optimal level of services. It is a sad commentary that the State's inability to balance its budget continues to harm and hinder our community. And even more ominous, despite all of the State's actions and takeaways, it is still no closer to structural balance. Should there be a positive result from current legislation, I will present a plan to absorb that revenue into our 20-year plan in the context of enhanced services and capital infrastructure management, and addressing unfunded liabilities.

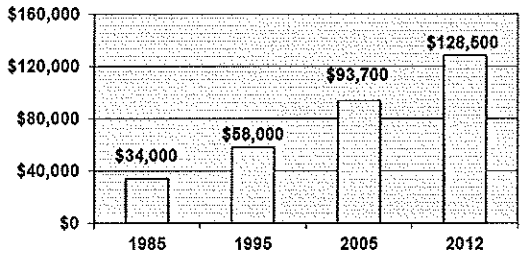
...the State's inability to balance its budget continues to harm and hinder our community.

Personnel Cost Assumptions Must Hold

The most crucial elements on the expenditure side are the personnel cost assumptions that have carried over in this recommended budget. The adopted FY 2011/2012 Budget assumed all miscellaneous bargaining units would agree to no salary increases for two years, contribute an additional 2% toward pension costs and implement a lower tier retirement formula for new hires. To date, all bargaining units except the Sunnyvale Employees Association (SEA) have agreed to these concessions. SEA is the largest bargaining unit and their approval is necessary to move forward on a two-tier retirement system for non-safety employees. If SEA does not agree in full to these concessions, an additional $10 million to $51 million (if none of the elements are agreed to and SEA receives salary increases) would need to be added back into the General Fund 20-year financial plan.

The budgeted concessions from SEA save the General Fund $51 million over 20 years.

Figure 1 - Average Annual Salary - PSO II



The personnel cost assumptions also anticipate adjustments to the public safety salary survey. The historical average salary increases have been 4.6%; we have budgeted between 3% and 4% over the 20-year financial plan after the current contract ends in 2015. As noted earlier, survey results have produced lower than budgeted increases for FY 2010/2011 and FY 2011/2012. Without adjustments to the salary survey formula, the historical data indicate a strong likelihood that salary increases for public safety sworn personnel will be greater than 4.6% in the near future to make up for the low years. This could have a serious impact on the City's balanced state. Even adjusting the current salary assumptions to the historical average would require a total of $194 million over 20 years because of the compounding effect of a rapidly increasing salary base.

More than any single factor in this budget, a decision to change a salary assumption has far reaching and long-term implications. With personnel costs taking up 82% of General Fund operations, a salary change has the largest impact on operations immediately and over the long term with the compounding effect. The compounding also extends to other areas. For example, because pensions are based on salaries, an increase in salaries impacts the cost of pensions. Even though salary assumptions are such a critical piece of our financial foundation and least impacted by factors outside our control, they are the most uncertain element to the plan.

...a decision to change a salary assumption has far reaching and long-term implications.

Future Retirement Costs Continue to Contain Uncertainties

Retirement costs represent another vulnerability that can impact the City's long-term financial condition. With all of the current public and media scrutiny on public retirement plans and pension reform, one might well overlook the steps Sunnyvale has taken to address rising pension costs and move toward a sustainable model. A lower retirement formula has been implemented for new public safety hires, the majority of the other bargaining units have agreed to a second tier for non-safety new hires, and the majority of bargaining units have agreed to additional employee contributions for their pension costs. In addition, with the City's long-range planning model, we have endeavored to ensure our retirement plans are prudently funded and contribution rate volatility is minimized over the long term. To this end, the City has contributed more to CalPERS than required over the past several years, based on rates developed with our consulting actuary designed to pay down our unfunded actuarial liability over a fixed period. Over the last two years, we have contributed $2.3 million more than required. This has served us well, particularly this year. The CalPERS Board recently adopted a lower rate of return for their investment earnings, from 7.75% to 7.5%. This will cause employer contribution rates to increase beginning FY 2013/2014. Because CalPERS investments performed better than expected for the last two years and we have been funding our plans at a higher rate than required, the impact of the investment rate change will be absorbed within our current long-term funding plan. This is absolutely indicative of our success in developing a realistic and stable funding plan.

Still, the funding plan is based on what we know now and reasonable projections based on complex data analysis, and there are several uncertainties that can impact this plan. Although the CalPERS board reduced the rate of return to 7.5%, the chief actuary's recommendation was 7.25%. This indicates there is some likelihood investment returns will not hit the current target in any given year and when it does not, greater employer rate volatility will result. The chief actuary has also stated that mortality factors and funding schedules for unfunded liabilities are currently being reviewed. The chief actuary indicates that adjustments in these areas will increase employers' costs. With these uncertainties ahead, I feel it is prudent to continue our current methodology and budget to fund more than the CalPERS required rate. For FY 2012/2013, it will mean we contribute $3.9

The City has budgeted $30.7 M in pension costs for FY 2012/2013, CalPERS only requires $26.8 M

million more than required. This provides us some cushion if we have to deal with rate increases and gives us a more realistic assessment of what the retirement benefits we provide cost the City.

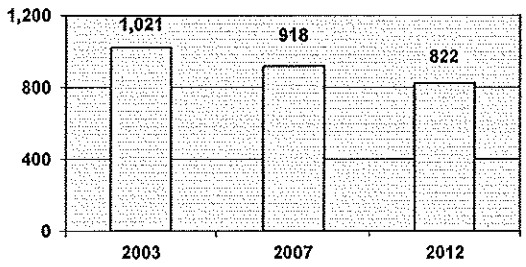
We must also continue to examine pension costs and benefits with our bargaining units at every opportunity. We have made a good start, but it is imperative the City continue to work toward employees paying the full employee contribution as set by CalPERS. This is one of the points of the Governor's Twelve Point Pension Reform proposal introduced in October 2011 and endorsed by the CC in 2012. While the outcome of the reform proposal is not known at this time, the City needs to continue to act on pension reform and any ideas that will move us toward a sustainable model.

Optimal Service Levels – Not There Yet

The other area of vulnerability on the expenditure side is service levels. While we have done everything we can to minimize the impact on service levels as expenditures were reduced to address the structural deficit, there has been deterioration in certain areas dating back to FY 2003/2004. These areas include: staffing level reductions, including going from 1,021 full-time employees in 2003 to 918 in 2007 and now 822 in 2012, decline of the pavement condition index (PCI), elimination of the tree trimming cycle, growth in the sidewalk repair backlog, and funding to rehabilitate and maintain the City's facilities and infrastructure severely reduced. I am pleased to say that several of these areas are being addressed. In the adopted FY 2011/2012 Budget, funds were programmed to bring the PCI from 75 to 80 over the next several years and then maintain that level. In this recommended budget, a new revenue source, from an additional fee on vehicle registrations, has allowed me to restore a seven-year tree trimming cycle and increase funding for sidewalk repairs.

Tree Trimming Cycle	
2001:	4.2 years
2006:	6.6 years
2010:	12.5 years
2013:	7 years

Figure 2 - Full-Time Budgeted City Employees



The recommended FY 2012/2013 Budget also includes funding for an increase in Library materials acquisition and to extend hours on Thursday nights. The erosion of collection development dollars over the last several years has contributed to Sunnyvale providing only 2.06 materials per capita, below the statewide median of 2.16 materials available and the lowest in Santa Clara County. A $60,000 increase in materials acquisition will address the Library's most significant service delivery shortfall.

Finally, this recommended budget sets aside $1.5 million annually for City infrastructure needs. This is not the City's first attempt to develop a long-term financial plan to fund infrastructure needs. Past attempts were not successful. Only by maintaining a disciplined approach to long-term planning will it succeed this time around.

While considerable progress has been made in reaching an optimal level of services provided by the City, we are not there yet. However, decisions on additional services or increased service levels must consider the long-term sustainability and

balance within the constraints of our revenue base. To that end, I am always looking at strategically increasing service levels by optimizing what we have and operating more efficiently. A recent example of this is the Library's just launched "Book a Librarian" program. This new service allows the public to reserve one-on-one time with a librarian. Library staff has found that library patrons require less general reference assistance and more individualized help for highly complex research or very basic but intensive help for those with extremely limited technology experience. In response, staff has been redeployed to provide this additional service without increasing resources. This is just one current example of what is occurring throughout the City, daily on both a small and large scale.

A Strategic Approach to Providing Optimal Public Safety Services

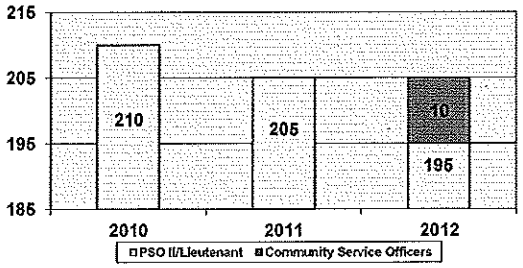
A large scale example is the work we have been doing to provide an optimal level of public safety services with a strategic approach. For the FY 2010/2011 Budget, as part of the cost savings plan, five sworn positions were eliminated in the areas of emergency preparedness, emergency medical services and recruitment and training. These positions were selected because they did not directly affect emergency or non-emergency response and did not jeopardize service delivery to the public. This reduced the total number of budgeted sworn personnel from 210 to 205.

As we continued to address the structural deficit and work to reset our expenditure base for the FY 2011/2012 Budget, I knew we had to take a fresh look at our service delivery model. Through staff's efforts, a model was developed to eliminate 10 sworn positions through attrition over two fiscal years and replace each one with a civilian Community Service Officer (CSO). These specially trained CSOs will perform duties not requiring a sworn officer. While the total number of sworn personnel will be reduced from 205 to 195, the 10 additional Community Service Officers allows us to provide continued service at a significantly reduced cost. A transition to a new approach is challenging; I commend our Public Safety staff, at all levels of the department, for their commitment and efforts in making this transition work. This is a citywide effort as other departments, notably Human Resources, assist in these efforts.

The transition is currently underway and the recommended FY 2012/2013 Budget reflects the full fiscal impact as planned. The Public Safety management staff is working in collaboration with PSOA to determine the specific details of how roles and responsibilities will be reassigned between sworn and civilian personnel. As those details are finalized, next steps are to begin hiring and training the new Community Service Officers and integrating them into the department.

As these examples illustrate, increasing service levels does not necessarily require additional resources. Therefore, while I know the current

Figure 3 - Public Safety Sworn Positions



staffing levels are not optimal, my goal is not to increase numbers to the 2003 level of 1,021 full-time employees and in fact, we are currently not far off the mark in setting the correct staffing levels. And the necessary increases are not across

the board, but rather oriented to specific functions. Technological advances, changing community needs, and revenue constraints demand that we think strategically in how we add and deploy resources. This has been the framework over the last several years and will continue to be the mindset as we work to achieve the right level of services. This mindset is also part of the solution in reaching a balanced state and even more importantly now, will be vital to maintaining it.

Conclusion

We have reached a milestone with this truly balanced 20-year financial plan. However, as outlined above and detailed more fully in the next sections, the foundation has been laid but not completely set and many vulnerabilities and uncertainties lie ahead. Let's get back to work. Frankly, if the City is successful in obtaining the concessions we requested from the two largest bargaining units, we will be in a much better situation financially than pre-recession years.

Overview of the Recommended Budget - City Financial Position

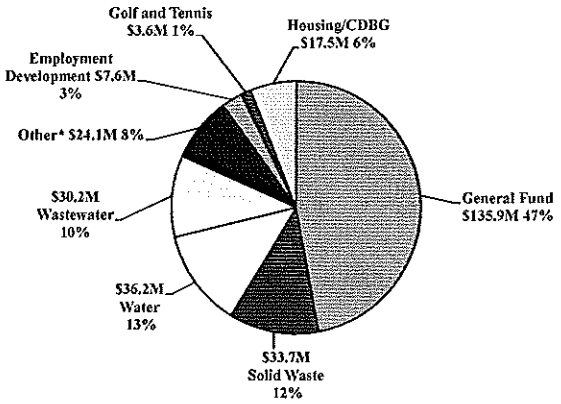
Citywide Budget

The citywide recommended FY 2012/2013 Budget and 20-Year Resource Allocation Plan as presented for Council consideration totals $288.8 million. This encompasses all City funds, the largest of which are the General Fund, at 47%, and the Utilities Funds with 35% of the total. Also included are the Capital Projects Funds and all of the Special Revenue Funds including the Park Dedication Fund and Housing Fund. The Community Recreation Fund has been closed with recreation program revenues and expenditures transferred to the General Fund and a new fund created for Golf and Tennis activities. Finally, the Redevelopment Agency Fund has been transitioned into the Redevelopment Successor Agency Fund with the dissolution of the Redevelopment Agency in FY 2011/2012.

Because the citywide total combines all of these funds, a more useful way to understand the City's financial condition is to look into the specific major funds. This section covers the General Fund and Utilities Funds. In addition, other funds with significant changes or impacts to the General Fund are discussed as well. This includes the new Golf & Tennis Fund, the Redevelopment Successor Agency Fund and the Employee Benefits Fund.

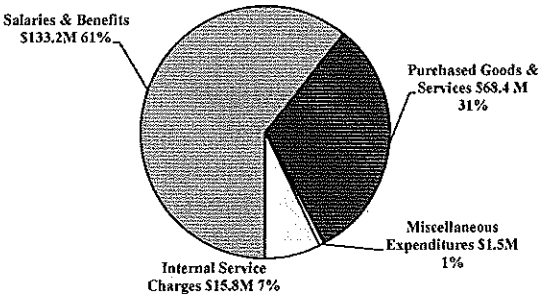
Figure 4 - FY 2012/2013 Citywide Expenditures

Total Expenditures By Fund



$288.8 Million

Operating Expenditures By Type



$218.9 Million

**Other Funds include Park Dedication, Asset Forfeiture, Police Services Augmentation, Parking District, Gas Tax, Youth and Neighborhood, Redevelopment Successor Agency, Capital Projects, and Infrastructure Renovation and Replacement. Expenditures exclude interfund transfers.*

Figure 5 – General Fund Revenue and Expenditure Summary

	Actual 2010/2011	Current 2011/2012	Budget 2012/2013	% Change 12/13 to 11/12	Plan 2013/2014
CURRENT RESOURCES:					
Property Tax	42,356,100	43,077,019	44,600,117	3.54%	47,212,606
Sales Tax	29,228,078	29,971,933	31,481,509	5.04%	32,675,954
Development Related Revenue	7,306,662	12,500,000	9,000,000	-28.00%	6,900,571
Transient Occupancy Tax	6,589,448	7,314,725	7,383,795	0.94%	7,453,562
Utility Users Tax	6,805,668	6,858,531	7,066,134	3.03%	7,283,291
Franchises	6,246,832	6,344,385	6,521,751	2.80%	6,710,227
Inter-Fund Revenues	11,293,118	10,130,637	7,509,755	-25.87%	7,336,246
Service Fees	2,617,962	3,106,001	6,009,096	93.47%	5,986,198
Rents and Concessions	2,012,835	2,004,922	2,527,308	26.06%	2,365,792
Other Revenue	9,042,608	8,124,826	8,352,714	2.80%	8,530,429
In Lieu Charges	9,192,356	9,429,422	8,202,315	-13.01%	8,293,048
Sale of Property	0	0	9,000,000	N/A	2,130,818
Total Current Resources	**132,691,667**	**138,862,401**	**147,654,494**	**6.33%**	**142,878,742**
CURRENT REQUIREMENTS:					
Projects & Equipment	2,736,274	3,328,775	4,275,581	28.44%	2,942,178
Operations - Safety Salaries/Benefits	54,232,691	55,065,826	56,141,886	1.95%	58,496,185
Operations - Misc. Salaries/Benefits	43,746,777	45,426,789	52,244,028	15.01%	52,735,532
Operations - Other	18,427,655	19,998,869	22,969,661	14.85%	23,929,542
Budget Supplements	0	0	131,000	N/A	0
Lease Payments	2,444,528	1,205,118	1,206,523	0.12%	1,205,689
Council Service Level Set Aside	0	0	100,000	N/A	100,000
Transfers to Other Funds	6,552,675	11,494,501	5,594,947	-51.33%	5,683,891
Total Current Requirements	**128,140,600**	**136,519,878**	**142,663,626**	**4.50%**	**145,093,017**
Contingencies (15%)	23,281,425	18,073,723	19,703,336	9.02%	20,097,403
Capital Improvement Projects	8,030,131	5,623,326	14,686,326	161.17%	16,895,495
Budget Stabilization Fund	44,813,111	54,770,142	49,068,396	-10.41%	44,250,886

General Fund

The General Fund, which makes up nearly half of the citywide total budget, supports many of the most visible and essential City services, such as police, fire, road maintenance, libraries, parks and open space maintenance, recreation activities, land use planning, legal services, and financial management. Because the General Fund receives the preponderance of its revenue from taxes, it has been the most affected by voter-approved initiatives and State legislative actions. As a result of such action over the past two decades, revenues to the General Fund are significantly less than they would have otherwise been. Additionally, the state of the regional economy has a direct effect on the General Fund.

General Fund Revenues

Five key sources generate nearly 77% of the City's General Fund revenues. They are: Property Tax, Sales Tax, Transient Occupancy Tax, Utility Users Tax/Franchise Fees, and development-related taxes and fees. Several of these revenues have been positively impacted by the economic recovery, which has especially picked up in the local area

since FY 2010/2011. In fact, final FY 2010/2011 revenues for Sales Tax and development-related taxes and fees exceeded the revenue projections adopted for FY 2011/2012. Thus, the current fiscal year began with the expectation that the adopted revenue projections were low for several of the City's major revenue sources. As FY 2011/2012 has progressed, growth has continued to exceed expectations, and the FY 2012/2013 recommended budget reflects increased revenue projections for most of the City's major sources of revenue. More importantly, however, is that for Sales Tax, Transient Occupancy Tax, and development-related taxes and fees, the significant and rapid recovery of these revenue sources over the past 18 months has increased the long-term revenue baseline for each, resulting in the expectation of greater revenues in both the short- and long-term, even factoring in the inevitable slowdowns in the economy.

Significant revenues and changes are discussed below. All General Fund revenues are discussed in more detail in the Financial Plan – General Fund section of this recommended budget.

Property Tax

Property Tax represents the largest source of General Fund revenue, estimated to be about 32% of all General Fund revenues in FY 2012/2013. For each dollar of Property Tax paid by property owners in Sunnyvale, approximately $0.16 is now allocated to the City of Sunnyvale. This amount is up from the previous $0.13 which the City received prior to the implementation of the VLF Swap, part of the FY 2004/2005 State Budget solution.

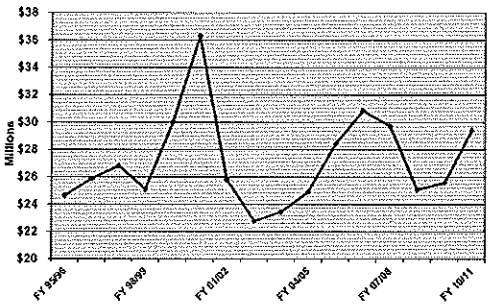
Overall FY 2012/2013 Property Tax revenues are expected to be up approximately 3.5% when compared to FY 2011/2012. This is primarily due to the expectation of increased assessed valuations in both the residential and commercial sectors, as well as increased values for unsecured property resulting from the increase in business activity in the City. While the residential market is expected to continue its generally steady growth pattern after a couple of slower than normal years, the commercial sector is expected to rebound sharply over the next three years as substantial assessed value is added to the City's Property Tax roll due to the strong demand for commercial leases in Sunnyvale. Overall, the combined residential and commercial growth rate is expected to be 3.5% in FY 2012/2013, 5% in FY 2013/2014, and 6% in FY 2014/2015. After that, growth is expected to continue at the historical average of approximately 4% annually.

The Property Tax base has been increased with the RDA dissolution. After the payment of enforceable obligations, the former property tax increment will be distributed as Property Tax to all applicable taxing agencies. We have budgeted an additional $24 million in this 20-year financial plan for the City's expected allocation.

Sales Tax

Sales and Use Tax represents the second largest source of revenue to the General Fund. Sales Tax is expected to make up 23% of budgeted revenues in FY 2012/2013. It also represents one of the General Fund's most volatile revenue sources, with drastic swings over the past 15 years as Figure 6 shows. Substantial growth was realized in FY 2010/2011, as revenues finished at $29.2 million, a 15% increase over the previous year. Continued growth is expected for FY 2011/2012, as the City expects to receive nearly $30 million in Sales Tax revenues, a 2.5% increase over FY 2010/2011. This growth has been fueled predominately by business-to-business spending. With the continued strong development activity in the commercial sector, Sales Tax revenue for FY 2012/2013 is projected to be $31.5 million, an increase of

Figure 6 – Sales Tax History



5% over the previous year. In Sunnyvale, a high proportion of sales tax is from business-to-business sales (40% versus the statewide average of approximately 20%) rather than from general retail sales. This makes our Sales Tax much more complicated and difficult to predict because it is often one-time in nature.

Due to the volatile nature of the City's Sales Tax and the significant impact that economic slowdowns or downturns can have on it, growth projections past FY 2012/2013 are very modest, averaging 2% annually through FY 2021/2022, which is less than the inflation expectation during that time period. While it is not possible to predict the next slowdown or how that slowdown will impact Sales Tax revenues, the projections for future revenues reflect overall positive growth with the expectation that some years of growth will be offset by losses in other years due to economic fluctuations. Even with the modest growth, total sales tax revenues over the 20 years are higher than last year by $26 million, reflecting the recent strong recovery.

Further, following completion of the Town Center project, it is anticipated that the City will receive additional Sales Tax revenue of approximately $1.5 million per year. We begin showing a portion of these funds starting in FY 2013/2014, with the full $1.5 million being recognized in FY 2015/2016.

Construction-Related Revenue

Construction-related revenues include Construction Tax, Building Permits, and development-related fees and charges. Like Sales Tax, development-related revenues have been highly volatile over the past several years, peaking at $14 million in FY 2007/2008 as the result of the downtown redevelopment, and then plunging to $5.2 million in FY 2009/2010 when overall development ground to a halt after the global economic meltdown. Recovery in this area has been swift and emphatic. Revenues in FY 2010/2011 grew to $7.3 million, which was a 40% increase over FY 2009/2010, and are expected to reach $12.5 million in FY 2011/2012. Growth is expected to taper off starting in FY 2012/2013, with revenues expected to drop to $9 million. In FY 2013/2014, revenues are projected to be at their historical baseline of $6.9 million, growing annually from there at a relatively modest rate to consider the overall volatility of this revenue source. This historical baseline has been increased from last year's baseline of $6.6 million. This has added $10 million to the 20-year financial plan.

Interfund Revenues

Interfund Revenues include repayment to the General Fund of various loans made to other funds. The largest of these loan repayments is from the Redevelopment Agency (RDA). With the dissolution of the City's RDA in February 2012, the repayment of those loans, totaling an estimated $134 million through FY 2027/2028, becomes uncertain. As such, the FY 2012/2013 Recommended Budget reflects no repayment of the RDA loan to the General Fund, which significantly reduces overall General Fund revenues. The loss of RDA loan repayment is mitigated by reimbursement for debt service payments and

loan repayments through January 31, 2012, which have been approved by the Oversight Board of the Successor Agency and additional property tax to the City, so the net loss is a total of $91 million over the 20-year financial plan.

Service Fees

The significant increase in service fee revenue in both the short and long term is almost entirely the result of the incorporation of recreation operations into the General Fund. Recreation operations generate approximately $3.4 million in service-related revenues annually, which is incorporated in as General Fund revenue starting in FY 2012/2013. Correspondingly, recreation expenditures, which are approximately $8.2 million annually, will also be incorporated into the General Fund starting in FY 2012/2013. Because the General Fund provided the Community Recreation Fund a subsidy in past years, there is no net fiscal impact to the General Fund as a result of this move.

Sale of Property

This revenue item reflects the sale of some of the City's property. Carried over from the FY 2011/2012 Budget, the sale of houses in the downtown area is programmed for FY 2013/2014 and the sale of the margarine plant is budgeted for FY 2017/2018 when the lease is set to expire. The sale of the Raynor Activity Center has been added in this recommended budget for FY 2012/2013 based on recent Council direction. The amount budgeted for these sales are based on current market value estimates, and inflated as necessary. Revenues from sale of property, as one-time funds, are best utilized for one-time capital needs. As such, these revenues are segregated into the Capital Improvement Projects Reserve.

Other Revenues

This category includes new funds from SB83, which Santa Clara voters approved to add $10 on vehicle registrations for the purpose of funding transportation improvements. This revenue, estimated at $723,000, is an ongoing funding stream and is inflated for the remainder of the 20-year financial plan. These new funds free up General Fund monies to restore a seven-year tree trimming cycle and increase funding for sidewalk repairs.

General Fund Expenditures

Operations

General Fund operating expenditures for FY 2012/2013 are forecast to be $131.4 million, an increase of 9% above the revised FY 2011/2012 Budget. The majority of this increase in operations is the result of recreation operations being incorporated into the General Fund starting in FY 2012/2013. Of the $10.9 million increase to General Fund operations costs, $8.2 million is attributable to the expenditures for recreation operations being added into the General Fund. The remaining $2.7 million is primarily due to escalating personnel costs. Personnel costs represent approximately 82% of the total General Fund operating expenditures, and to better represent this in the General Fund's 20-year plan, operating costs have been split into three categories: Public Safety Salaries and Benefits, Miscellaneous Employees Salaries and Benefits, and Other Operations. This adjustment will allow users of the document to better identify the drivers of change in the City's operating expenditures.

It is important to note that each year a portion of the Public Works Pavement Operations program, which is accounted for in the General Fund, is supported by the Gas Tax Fund. The amount that is used for this purpose varies depending upon funds available and project requirements. In FY 2011/2012 the support amounted to $2.05 million. For FY 2012/2013 the level of support has decreased slightly to $2.025 million. These pavement operations costs are netted out from the General Fund operations budget and reflected in the Gas Tax Fund.

Projects

The most significant General Fund project is the special project for Public Safety recruitment. Consistent with the FY 2011/2012 Budget, a total of $56.6 million for recruitment and training of public safety officers is included in the proposed budget over the 20-year planning period, including $2.5 million in FY 2012/2013. No funds were budgeted in FY 2011/2012 as the Department of Public Safety worked through the implementation of its civilianization model; the recruitment and training of new public safety officers will resume in FY 2012/2013. It should be noted that of the $56.6 million, $1.8 million is for recruitment and $54.8 million is for training. A base budget for recruitment expenses is funded through the Public Safety Department's operating budget.

A new infrastructure project has been budgeted in FY 2012/2013 for tree trimming services and sidewalk repairs. This ongoing project is the result of the City's allocation of SB83 funds.

Budget Supplements

The recommended FY 2012/2013 Budget includes funding for two budget supplements in the General Fund. Details on each of the supplements are included in the Budget Supplement section of Volume I of the recommended FY 2012/2013 Budget document.

Council Service Level Set-Aside

This new line item sets aside $100,000 annually throughout the 20-year planning period for unplanned projects, services, or other initiatives that come up over the course of the fiscal year. This set-aside has been budgeted in years past, but has not been in the budgeted in recent years as we addressed the structural deficit.

Transfers to Other Funds

There are two significant changes to note for General Fund transfers. First, because recreation operations have been folded into the General Fund, there is no longer a transfer of General Fund monies to the Community Recreation Fund. The elimination of this transfer, which totaled $4.6 million in FY 2011/2012, partially offsets recreation expenditures being added into the General Fund. The other offset is revenues generated by recreation operations. The other item of note is an additional contribution for infrastructure investment. In the FY 2011/2012 Budget, the General Fund had $28 million programmed over 20-years for infrastructure investment. Those funds have been primarily earmarked for street rehabilitation and reconstruction. For the recommended FY 2012/2013 Budget, due to our success in balancing the long-term budget, an additional $30 million over 20 years has been planned for continued investment in the City's infrastructure. These funds are not set aside for a specific project but will accumulate in the Infrastructure Fund and be appropriated as projects are identified and prioritized.

General Fund Reserves

One of the most powerful aspects of multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the necessary steps to alter the long-term forecasted position of a particular fund should that appear necessary. The three reserves contained in the General Fund's Long-Term Financial Plan play a pivotal role in the City's multi-year planning strategy.

Contingencies

By Council policy, this reserve must be equal to 15% of the operating budget for the first year of the long-term plan, in this case FY 2012/2013, and then grow by the estimated change in the Consumer Price Index in each subsequent year. Prior to FY 2011/2012, this reserve was set at 20% of General Fund operational expenditures annually; however, Council changed this reserve policy in 2011 to better reflect the intent and potential uses of this reserve. It is important to note that this reserve is not intended for normal unanticipated expenditures and instead is to be used for non-fiscal emergencies or disasters as determined by Council. This reserve has never been touched.

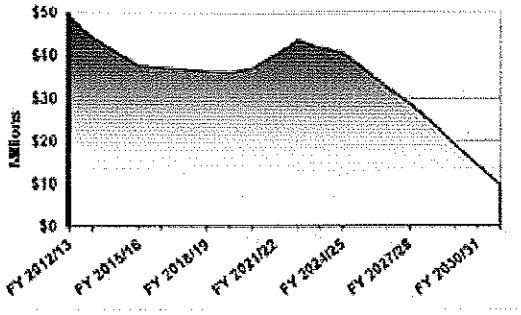
Budget Stabilization Fund

The Budget Stabilization Fund functions to levelize service levels through economic cycles. In essence, the intent is for this fund to increase during periods of economic growth and to be drawn down during the low points of economic cycles to maintain stable service levels. Using the Budget Stabilization Fund prevents us from adding services at the top of the economic cycle that cannot be sustained while allowing us to maintain Council-approved services levels during economic downturns.

In August 2011, Council adopted a new policy governing the balance of the Budget Stabilization Fund. This policy requires that the Budget Stabilization Fund be maintained at no less than 15% of total projected revenues for the first two years of the 20-year plan and that it never go below $0 in any year. For the recommended FY 2012/2013 Budget, the Budget Stabilization Fund balance is 33% of revenues in FY 2012/2013 and 31% in FY 2013/2014.

With the additions to the revenue base and reset of the expenditures, the General Fund budget has been balanced over the short and long term. As a result, for this recommended budget, the Budget Stabilization Fund was analyzed to determine an appropriate level in the reserve balanced with potential increases in service levels. This allowed us to add $30 million over 20 years for infrastructure investment and $2 million over 20 years for the Council Service Level Set-Aside. The Budget Stabilization Fund reflects these set-asides, and is projected to have a balance of approximately $9.7 million in the twentieth year. This strikes the right balance between ensuring the Budget Stabilization Fund is prudently and thoughtfully funded throughout the long-term plan, but that it is not so well-funded, especially in the latter years, that the City is not maximizing its current service delivery opportunities.

Figure 7 – Budget Stabilization Fund
FY2012/13 - FY 2031/32



Capital Improvement Projects

As discussed under the General Fund revenue section earlier, this reserve houses proceeds received from the sale of property with the intent of using these one-time funds for one-time capital projects. At the end of FY 2011/2012, the projected balance for this reserve is $5.6 million. This reflects a drawdown of $2.4 million to fund several projects in the downtown area. In the next several years, this reserve will grow with the sale of the Raynor Activity Center, downtown houses ($2.1 million), and the margarine plant ($11.5 million). The land proceeds will generate interest while maintained in this reserve and that interest has been added to the reserve as well. By the end of FY 2017/2018, after the last planned sale, it is estimated the reserve will have over $30 million. This revenue is designed to fund major facility rebuild or rehabilitation.

Utilities Funds

The City has three utilities that are fully self-supporting: the Water Supply and Distribution Fund, the Solid Waste Management Fund, and the Wastewater Management Fund. Each year, as part of the budget process, staff analyzes the current condition and long-term outlook for all of the City's utility funds. The analysis includes review of fund balances, state and federal environmental requirements, revenues, anticipated capital, infrastructure and operational requirements, and a detailed inspection of significant expenditure areas. The results of these analyses lead to proposed adjustments to rates that will generate the revenues necessary to meet planned expenditures. Through the long-term planning model, staff attempts to keep utility rates as stable as possible with modest increases annually, rather than keeping rates flat and hitting customers with a high increase in one year. The recommended increases for FY 2012/2013 are at or below planned increases:

Figure 8 – Planned and Recommended Rate Increases

Utility	Original Projection	Recommended FY 2012/2013	Change in Percentage Points
Water	7.00%	7.00%	0.00%
Wastewater	7.00%	5.50%	-1.50%
Solid Waste	4.00%	4.00%	0.00%

These increases will result in the average single family residential monthly bill going up by $6.13 in total, an increase of 5.7%. The proposed rates will be reviewed by Council for adoption on June 12, 2012.

Prioritization and Strategic Plan for the Utilities Infrastructure

The City has been addressing its aging water and wastewater utility infrastructure for several years now. Like all municipalities in the state and the country, Sunnyvale's water storage and distribution systems and wastewater collection and treatment systems are over fifty years old and in need of significant rehabilitation. Due to the physical location of the infrastructure, the need to make investments that will benefit the City over a very long time, and the ever changing policy and regulatory environment, there is not a cheap, easy, or simple solution.

With the creation of the Environmental Services Department and new directors for both Environmental Services and Public Works, staff has taken a fresh look at the plan for replacement and rehabilitation of the utility infrastructure and the prioritization of projects. Factored into the prioritization is the timely use of bond proceeds remaining from the issuance of $40 million in Water and Wastewater Utility Revenue Bonds in

2010. In the Water Utility, the highest priority has been placed on water pipe replacements. With approximately 350 miles of water lines, many in need of replacement, we have accelerated replacement schedules, anticipating $4.8 million in replacements occurring within the next two years. As part of the prioritization of water utility projects, work on water storage tanks and water wells has been deferred until an operational evaluation on how to most effectively operate these facilities is completed.

A renewed emphasis has been placed on the City's recycled water production and distribution system. Funding for this effort crosses both the water utility and the wastewater utility. Efforts include the funding of a Recycled Water Master Plan update, funding for interties with other local agencies, as well as funding to review how the City might enhance and stabilize the production of recycled water. As recycled water becomes cost competitive with the City's potable supplies, this renewed emphasis is sure to benefit the City's ratepayers going forward.

The wastewater utility is facing even larger infrastructure challenges than the Water Utility. The most significant is the renovation of the City's Water Pollution Control Plant (WPCP). The recommended 2012/2013 Budget includes planned infrastructure expenditures of over $420 million, $320 million of which are related solely to the replacement of the WPCP. The City completed its work on the Strategic Infrastructure Plan and is moving forward with the design on the primary treatment facilities, environmental work, and the engagement of a program manager who will be responsible for managing this large project going forward. The beginning of this effort is being funded by proceeds from the 2010 Bonds, however additional financing is identified and planned beginning in FY 2014/2015. Also continuing is approximately $17 million in significant work on the "manage the gap" projects, which are projects that are critical now but will also benefit the long-term renovation of the plant. These projects include the conversion to liquid chlorine, renovation of the digesters, pond dredging, and rehabilitation of the air flotation tanks.

In addition to the work on the WPCP, a high priority has been placed on sewer pipe replacements. The City has approximately 300 miles of sewer lines, many of which are in need of replacement. Therefore the City has accelerated replacements, anticipating replacement of $3.4 million in sewer lines within two years. Additionally, $4 million is planned for the renovation of the Lawrence Trunk Line (one of the City's largest lines) over the next five years starting in FY 2013/2014.

Staff is continuing to review projects and priorities as we look for the best ways to rehabilitate and replace the City's utilities infrastructure while also keeping rate increases as low as possible. The recommended FY 2013/2014 Project Budget will reflect updated and more detailed project plans.

Golf and Tennis Fund

FY 2011/2012 was a transition year for the Golf and Tennis Fund, formerly known as the Community Recreation Fund. During FY 2011/2012, the process to move recreation operations out of this fund and into the General Fund began and will be complete when FY 2011/2012 is closed out. This transition takes all recreation-related revenues and expenditures and incorporates them into the General Fund, leaving the golf and tennis operations as its own stand-alone fund. The full transition is reflected in the recommended FY 2012/2013 Budget. Moving forward, golf and tennis operations will continue to operate as a true enterprise fund, with all activities self supporting.

To compensate for the fact that the golf operation has spent a significant amount of its operational profits since the inception of the Community Recreation Fund through the close out of the fund to support recreation operations, existing golf and tennis capital projects that are programmed to be funded by Park Dedication Fee revenues will continue to have that funding support. Any new capital or infrastructure projects will require funding from golf and tennis revenues going forward. For the FY 2012/2013 long-term plan for the new Golf and Tennis Fund, there are no new capital or infrastructure projects programmed. All capital and infrastructure needs outside of those existing projects currently funded by Park Dedication Fees are being evaluated and are expected to be incorporated as a part of the recommended FY 2013/2014 Project Budget.

The Golf and Tennis Fund currently shows a structural deficit beginning in FY 2013/2014. Through investment in the golf course and operational efficiencies, staff expects to resolve this deficit before it occurs. However, if there is a deficit, as a stand alone enterprise fund, it will be handled within this fund through the generation of additional revenues or the reduction of expenditures.

Employee Benefits Fund

Retirement Benefits

Sunnyvale contributes to three California Public Employees Retirement System (CalPERS) plans for and on behalf of its employees: Safety (3% @ 50 Plan and 3% @55) and Miscellaneous (2.7% @ 55 Plan). The third plan, Safety 3% @ 55, was enacted in FY 2011/2012 and is effective for new Safety employees hired after February 19, 2012.

The cost of providing the retirement benefit from CalPERS is broken down into two contributions, the employer contribution and the employee contribution. For the Safety Plans, the City paid the entire employee contribution of 11.25% up through FY 2009/2010. With the recent concessions, all safety employees will pay 3% towards the employee contribution by January 2013. For the Miscellaneous Plan, the City currently pays 7% of the 8% employee contribution, with the employees paying the other 1%. All Miscellaneous bargaining units with the exception of SEA, who as of the development of this budget was in contract negotiations with the City on its next Memorandum of Understanding, have already agreed to the additional 2% contribution. The recommended FY 2012/2013 Budget assumes that SEA will agree to the additional 2% contribution as the other Miscellaneous groups have.

While the employee contribution rate is set by law, the employer contribution rate is adjusted annually by CalPERS through an actuarial analysis which takes into account demographic information and investment earnings on the asset portfolio. The contribution rates are applied against employee salaries (PERSable earnings) in order to calculate the dollar amounts the City must contribute.

Over the past decade, CalPERS contribution rates have increased significantly, predominantly due to market losses experienced in the early 2000s and in FY 2008/2009. Other factors contributing to the increase have been enhanced pension benefits for employees, applied retroactively, and changes in actuarial experience (i.e. employees retiring earlier at higher salaries and living longer in retirement). Going forward, employer contribution rates are expected to continue to rise, as the dramatic losses from FY 2008/2009 just began to be applied to contribution rates in FY 2011/2012, and the recent decision by the CalPERS Board to lower the discount rate from 7.75% to 7.5% will also significantly increase costs. To reduce the

impact to member agencies, CalPERS adopted a phased approach for the rate increases for both the FY 2008/2009 market losses and the reduction in the discount rate. The phase-in of the FY 2008/2009 market losses began in FY 2011/2012, while the phase-in of the impact of the 7.5% discount rate will begin in FY 2013/2014. While this approach is intended to mitigate the severe increases to employer contribution rates, it leaves employers subject to extremely volatile contribution rates if investment returns do not meet CalPERS-determined expectations. Additionally, it also results in projections for higher rates in the long term since the entire impact of the losses is not addressed immediately, and it does not fully amortize the unfunded liability created by these losses.

In an effort to mitigate some of this rate volatility, as well as to fully amortize the City's unfunded liability, staff has worked with our consulting actuary to develop a contribution plan that will minimize volatility in rates over the long term and amortize our unfunded liability over a fixed period. We have contributed more than CalPERS requires for several years in order to pay down the unfunded liability, but the difference between CalPERS rates and the City's planned rates have increased starting in FY 2011/2012 with the implementation of the CalPERS smoothing plan for the market losses. Since the reduction in the discount rate has created an additional liability and increases rates going forward, we have continued to work with our consulting actuary to develop new rates for FY 2012/2013 and beyond.

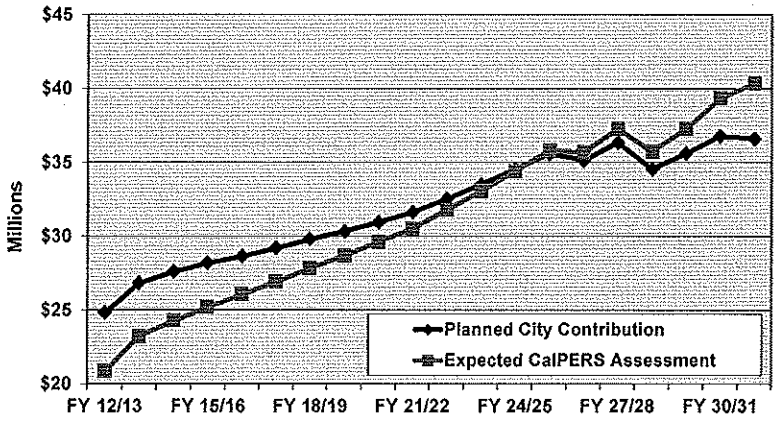
Below is a comparison of the CalPERS contribution rates to the City's planned contribution rates from FY 2011/2012 through FY 2015/2016.

Figure 9 - CalPERS vs. Sunnyvale - Employer Contribution Rates and Costs

	Miscellaneous				Safety			
FY	CalPERS Employer Rate	Cost of CalPERS Contribution	Sunnyvale Contribution Rate	Cost of Sunnyvale Contribution	CalPERS Employer Rate	Cost of CalPERS Contribution	Sunnyvale Contribution Rate	Cost of Sunnyvale Contribution
2011/12	19.50%	$10.5M	20.20%	$10.9M	31.50%	$9.8M	34.70%	$10.8M
2012/13	20.10%	$10.9M	23.70%	$12.9M	31.50%	$10.0M	37.70%	$11.9M
2013/14	22.00%	$12.0M	25.10%	$13.6M	34.80%	$11.3M	40.60%	$13.2M
2014/15	22.30%	$12.4M	25.20%	$14.0M	35.30%	$11.9M	40.40%	$13.6M
2015/16	22.60%	$12.8M	25.10%	$14.2M	35.70%	$12.4M	40.20%	$14.0M

The City's plan to contribute at a rate greater than what CalPERS is assessing comes at great expense. For the five-year period between FY 2011/2012 and FY 2015/2016, the City is planning to spend $15 million more than it is being assessed by CalPERS. And while it is difficult to allocate an additional $15 million above and beyond what CalPERS requires, this funding plan is extremely prudent for three main reasons. First, it reduces the City's exposure to rapid changes to contribution rates if CalPERS does not meet its projected 7.5% investment return. Second, it collects enough to pay off the City's unfunded liabilities over a fixed period, which, along with the two-tier retirement plan, helps position the City to provide a more sustainable and cost effective retirement benefit. And finally, doing this will reduce costs in the long term. If you notice in the tables above, both the Miscellaneous and Safety rates in the "Sunnyvale

Figure 10 – Long-Term Contribution Rates CalPERS vs. Sunnyvale



Contribution Rate" column begin to decline within the first five years while the CalPERS rates continue to rise. Based on our consulting actuary's projections, this trend will continue into the future, and by FY 2024/2025 (Safety) and FY 2025/2026 (Miscellaneous) the "Sunnyvale Contribution Rate" will be lower than the CalPERS rate.

Medical Benefits

The City contracts with CalPERS to provide medical insurance for City employees and retirees. The overall increase for the 2012 CalPERS medical premiums is 4.1%, which is approximately half of the increase that had been projected, resulting in an approximately $500,000 reduction in the baseline cost for medical insurance. This low of a rate increase is not expected to be ongoing, and as such, an increase of 8% has been projected annually from FY 2012/2013 to FY 2016/2017. From FY 2017/2018 through the remainder of the 20-year plan, the rate increase is projected at 5% annually.

In addition to the increase in healthcare premiums, the growing number of retirees is continuing to impact the City's long-term medical costs. The number of retirees is estimated to grow by an average of 24 new retirees each year in the 20-year plan. Staff has taken steps to contain medical costs in recent years for both active and retired employees. Caps on City contributions were placed on both active and retired management employees beginning in FY 2007/2008, and the medical premium increase was capped at 5% for SEA retirees as a part of their latest Memorandum of Understanding.

Managing retiree medical costs is particularly important with Governmental Accounting Standards Board (GASB) Statement No. 45, which requires the City to disclose our liability for other post-employment benefits (OPEB) such as retiree medical costs beginning with the year ended June 30, 2008. In preparation for this reporting requirement, actuarial valuations of our retiree medical liability were completed in 2003,

updated in 2006, 2009, and again in 2011. To address the growing long-term medical costs seen in our valuations, the City began funding a retiree medical trust fund in FY 2010/2011 with an initial $32.6 million contribution. By contributing to a retiree medical trust fund, the City will derive many benefits, including the reduction of future employer OPEB costs, with the earnings generated from trust fund investments. Additionally, it will prevent OPEB obligations from being a significant liability on balance sheets. Based on current actuarial assumptions, the City estimates to have its OPEB liability satisfied by FY 2030/2031. At that point, the City's expected cost for retiree medical is anticipated to slow to a rate that is less than the City's current pay-as-you-go obligation. This is the result of the interest earnings from the initial contribution offsetting the total cost of retiree medical benefits, reducing the amount the City needs to contribute.

Redevelopment Agency Fund

With the dissolution of the Redevelopment Agency (RDA) effective February 1, 2012, the recommended budget presents two financial plans: one for the close out of the RDA Fund and one for the Redevelopment Successor Agency's enforceable obligations. At this time, loan repayment to the General Fund is not budgeted as an enforceable obligation, reflecting the worst case scenario. Pending legislation may allow some of the repayments to be made. It should also be noted that administrative costs are the last in line to be reimbursed from the former property tax increment allocation. Therefore, if there are not enough funds to cover the administrative expenses, the General Fund would have to absorb these expenses.

A detailed review of all City funds is included with the presentation of the 20-year financial plans in Volume I of the recommended budget.

Overview of the Recommended Budget – Operating Programs

Budgetary Assumptions

Salaries

Employee salaries and benefits constitute the largest component of the City's budget, particularly the General Fund where they are 82% of total operational costs. Because personnel costs are such a high percentage of overall costs, the budgetary assumptions that are made for these costs, particularly salaries, make a significant impact on the City's long-term financial plan. This is especially true in the case of the recommended FY 2012/2013 Budget, as the assumptions made for salary increases are one of the primary drivers for the positive financial condition of the General Fund. If the assumptions hold, the short- and long-term outlook for the General Fund is strong, assuming revenue expectations are met. If salary assumptions do not hold and increases are provided that are above what is planned, the General Fund faces the very real potential of another structural deficit.

If salary assumptions do not hold and increases are provided that are above what is planned, the General Fund faces the very real potential of another structural deficit.

The City's emphasis on containing employee salaries comes in response to the explosive growth in personnel costs over the past decade. Much of the growth has come in the form of salary increases. In just the past four years, from FY 2008/2009 to FY 2011/2012, and in the midst of a global recession, SEA has received contractual salary increases of 11%, PSOA has received 13%, and SMA has received 7%. The average employee

in each unit now has an annual salary of $75,800, $132,500, and $121,700, respectively, and that is salary only, not benefits. Exacerbating these salary increases are the rising costs for other compensation, particularly pensions and health insurance, both of which were discussed in detail earlier in this transmittal memo. When total compensation is considered, the average employee cost for SEA is $116,000, with PSOA at $250,000 and SMA at $190,000.

Average Employee Cost (Total Compensation)	
SEA:	$116,000
PSOA:	$250,000
SMA:	$190,000

As these compensation costs increase, a greater and greater portion of the budget is allocated to personnel expenditures, limiting resources for optimum service provision. To counter this trend, the City, starting in the recommended FY 2011/2012 Budget, made aggressive assumptions related to personnel cost containment and five of our six bargaining units voluntarily agreed to concessions the City sought to their existing contracts. The details of these assumptions are discussed below, and over the past fiscal year, great progress has been made in achieving the results contained in these assumptions. Going into the recommended FY 2012/2013 Budget, however, it is extremely important to recognize that vulnerabilities still exist, as two of the City's largest bargaining units do not have agreements in place that address the assumptions that have been made. If all of these assumptions do not come to fruition, the City's financial position, particularly in the long term, changes drastically. As such, it is imperative that as discussions with bargaining units on contracts and concessions continue, the focus remains on achieving agreements that include the assumed concessions.

...five of our six bargaining units voluntarily agreed to concessions

The City has a total of six bargaining units. For the purpose of setting salary assumptions for the FY 2012/2013 long-term financial plan, the bargaining units are split into the two groups CalPERS uses to differentiate employees for retirement purposes, Miscellaneous and Safety. The salary assumptions for each are discussed in detail below.

Miscellaneous

The Miscellaneous category of employees includes all employees who are not sworn public safety officers. This includes the members of four of the City's bargaining units (Sunnyvale Employees' Association, Service Employees' International Union, Communication Officers' Association, and Sunnyvale Managers' Association), as well as all non-represented confidential employees and department directors. The salary increase assumptions for the Miscellaneous employees is a part of an overall personnel cost containment package dubbed the 2-2-2. This package includes two years of zero percent salary increases (FY 2012/2013 and FY 2013/2014), an additional 2% contribution to the employee share of the CalPERS pension expense, and agreement that new employees will go on a second-tier retirement benefit. The 2-2-2 package assumption was first included in the recommended FY 2011/2012 Budget, and at that time, only one of the Miscellaneous bargaining units, Sunnyvale Managers' Association (SMA), had agreed to these concessions.

Over the course of the current fiscal year, both Service Employees' International Union (SEIU) and Communications Officers' Association (COA) have also agreed to this concession package. And while getting three of the four represented bargaining units to agree to the assumed personnel

cost-containment package is great progress, it is important to note that these three units are the three smallest Miscellaneous bargaining units. This is important for two reasons. First, Sunnyvale Employees' Association (SEA) constitutes approximately 73% of all Miscellaneous employees citywide and approximately 68% of the overall salary expenditure for these groups of employees. Thus, the bulk of the assumed cost savings resulting from the full implementation of the 2-2-2 comes from SEA, and if this group does not agree to these concessions, there will be a significant budgetary impact. For example, if SEA were to receive 2% salary increases in FY 2012/2013 and FY 2013/2014 instead of the planned 0% for both years, the City's baseline total compensation for this group would increase by over $1.8 million annually. Second, because going to a second-tier pension formula for new employees requires agreement by the majority of all Miscellaneous members, the size of SEA's membership ensures that a second-tier cannot be implemented until this unit agrees to do so. As such, the result of negotiations with SEA on its next contract, which is slated to be effective July 1, 2012, are essential to determining if the City's short- and long-term fiscal position as presented in this budget will hold, or if it will need to be recalibrated to consider personnel costs above expectations.

Safety

The Safety category of employees includes all sworn public safety officers. This includes members of two of the City's bargaining units, the Public Safety Officers' Association (PSOA) and the Public Safety Managers' Association (PSMA). Over the course of the past two years, both bargaining units have agreed to compensation concessions that have started to address the significant increase in pension expenses that the City has experienced over the past decade. These concessions include both units agreeing to contribute 3% of the employee contribution of the pension expense, as well as new employees going on the lower tier 3% @ 55 pension formula instead of the 3% @ 50 formula. And while these concessions have made significant progress toward containing rising personnel costs, the salary survey utilized to determine PSOA salaries was not a part of these recent concessions.

Department of Public Safety operations in FY 2012/2013 is $75M, 57% of all General Fund operating expenditures. Of this amount, $56M, or 75%, is for sworn personnel compensation.

The salary 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 from a total compensation perspective are removed from the final calculation. The total compensation for the remaining eight agencies is averaged and PSOA members are compensated 11% higher than that average. This salary survey formula, with minor modifications to the survey items, has been in place for decades, and it has historically yielded strong results for PSOA, with historical average annual salary increases of approximately 4.6%.

Due to the current fiscal climate, with many agencies still struggling with the effects of the global recession, the salary survey has produced results lower than the historical average. For FY 2011/2012, an increase of 3.7% was assumed; however, the actual increase based on the survey resulted in an increase of only 1.3%. This resulted in a reduction to the total compensation baseline for Safety employees of $1.1 million annually in comparison to what had been budgeted. In

the recommended FY 2011/2012 Budget, 4% increases were assumed for FY 2012/2013 and FY 2013/2014 as well. Based on more recent information that indicates near term survey results will continue to be lower than historical averages, the recommended FY 2012/2013 Budget assumes Safety salaries will increase by approximately 2% in FY 2012/2013 and 2.5% in FY 2013/2014.

It is imperative that the City negotiate a modified survey with the PSOA to have any hope of meeting the budgetary assumptions for long-term Safety salary increases and retirement costs.

These assumptions further reduce the total compensation baseline in comparison to what was previously budgeted by approximately $1.5 million annually. In FY 2014/2015, the final year of the current contract, the assumed increase is 4%. Starting in FY 2015/2016, assumed increases are 3% annually through FY 2021/2022 and then increase to 4% annually for the remainder of the long-term plan.

The rationale for setting the salary assumptions lower than the historical average for the next two fiscal years is based on factors in the current economic environment. As cities continue to struggle financially, it is unlikely that there will be significant compensation increases at the agencies included in the PSOA salary survey. Beyond two years, however, it is likely as cities regain their financial footing that compensation for Safety employees will begin to again rise at more historical levels and may even go higher to compensate for low years as historical trends have shown. As such, the 3% and 4% salary increase projections built into the recommended FY 2012/2013 Budget assume adjustments to the salary survey formula when the MOU expires in 2015. It is imperative that the City negotiate a modified survey with the PSOA to have any hope of meeting the budgetary assumptions for long-term Safety salary increases and retirement costs.

Purchased Goods and Services

Inflation rates for non-personnel expenditures are based on analysis of trends and the overall economic environment to estimate the rate at which costs will increase for the types of goods and services the City purchases. Since not all goods and services increase at the same rate or based on the same factors, the major categories of goods and services are analyzed separately and may have different inflation factors. The major categories include materials, electricity, gas, gasoline, and City utilities (water, sewer, and garbage). Since the recommended FY 2012/2013 Budget is an operating budget, all City departments evaluated and re-budgeted goods and services based on historical spending patterns and expected needs going forward. Because there was not an expectation that prices would change materially between the time goods and services were budgeted for FY 2012/2013 and the adoption of the budget, inflation for the long-term financial plan is assumed to be 0% for FY 2012/2013 for the majority of goods and services that the City purchases. Exceptions include City utilities, which will increase by 7% for water, 5.5% for sewer, and 4% for garbage. These increases are based on the planned rate increases for each respective utility. Additionally, the Fleet Services program, which accounts for the majority of City gasoline purchases, reset its expenditure budget for gasoline for FY 2012/2013 to take into consideration higher prices, and thus no further inflation was applied.

For FY 2013/2014, inflation rates for materials, gas, and gasoline are set at 2%. Inflation for electricity is set at 1% based on the latest information from PG&E's rate case, which indicates that rates for electricity are expected to be relatively flat in the near term. For the

remainder of the long-term plan, gasoline is expected to increase at a rate of 3% annually, while electricity and gas are expected to increase 2% annually through FY 2021/2022 and then 3% annually for the remainder of the long-term plan. The materials category, which makes up the majority of goods and services expenditures, is programmed to increase at 2% annually through FY 2016/2017, then 2.5% annually through FY 2021/2022, and then 3% annually for the remainder of the long-term financial plan. Inflation factors for City utilities vary based on the expected rate increases for each utility. More detailed information on increases to rates can be found in the Financial Plans – Enterprise Funds section of this budget document.

Revenues

All revenue assumptions and projections are reviewed and revised each fiscal year. Further, considerable analysis is undertaken to identify the key elements that impact our major revenue sources so that the projection methodology is as reliable as possible over the long-term. Each revenue source has its unique characteristics that have been used to make projections. In general, estimates of actual revenue and trend data for each major source are used to calculate projections for the next two years. For the balance of the financial plan, however, projections are based on the history of each revenue, modified for present circumstances. Additional information about revenue projection methodologies can be found in the fund narratives that accompany each of the City's long-term financial plans, which can be found in the Financial Plans section of Volume I.

One set of revenue assumptions that warrants discussion in this transmittal memo is related to interest earnings. Investment returns are at historically low rates, as the City is currently earning less than 1% on its portfolio. Based on information coming from the Federal Reserve, these historically low rates are not expected to increase prior to 2014. As such, interest earnings are projected to be 0.7% for both FY 2012/2013 and FY 2013/2014. The projected rate rises to 2% in FY 2014/2015, 3% in FY 2015/2016, and 4% from FY 2016/2017 to FY 2021/2022. The projected rate is set at 5% annually for the final 10 years of the long-term plan.

Highlights of the Two-Year Operating Budget

The City operates on a two-year budget cycle. While Council approves a budget annually, the first year of the two-year cycle focuses on the City's operations budget, while the second year focuses on the City's projects budget. The recommended FY 2012/2013 Budget is in the first year of the two-year budget cycle, and as such, this budget focuses on the City's operations. During the development of this budget, there was a detailed review of all City operations, which sets the baseline not only for the next two years, but for the entire 20-year planning period. Major changes to the operations are discussed in the each department's budget narrative, which is included in Volume I.

Organizational Changes

Over the past three years, the City's organizational structure has undergone a significant overhaul. While part of this was in response to the fiscal crisis that necessitated cuts in certain areas, I undertook the reorganization effort to achieve a more effective, efficient, and productive organization. Some of the changes were large, such as the formation of an entirely new department, the Environmental Services Department, while others were relatively small, such as the move of the Volunteer Resources group from the Office of the City Manager to the Department of Human Resources. One common

aspect of all of the reorganizations, however, was its goal of realigning City resources to maximize service delivery. One great example of this was moving the median landscaping operation into the Neighborhood Parks and Open Space Management Program. Employees in both operations did very similar tasks using very similar equipment, just at different places. Having these groups in different parts of the organization was inefficient and more costly than it needed to be. Thus, merging median landscaping into the Neighborhood Parks and Open Space Management Program created operational efficiency, reduced costs by requiring fewer employees overall, and benefited staff by providing broader responsibilities and training in areas they otherwise would not have been exposed. Additionally, the Library and Parks and Recreation departments were consolidated resulting in the elimination of a Department Director, with the former Library Director assuming responsibility for the combined operation.

With the major organizational changes in place, the recommended FY 2012/2013 Budget reflects the new-look organization. This includes all of the major organizational changes that are now fully in place:

- Creation of the Environmental Services Department, consisting of water, storm water, waste water, and solid waste operations
- Move of parks operations, golf operations, fleet services, and facilities services into the Department of Public Works
- Move of recreation operations into the Department of Library and Community Services
- Final transition of 10 sworn personnel to 10 civilian professionals in the Department of Public Safety

Cost Savings

In addition to the organizational changes that have been made over the past three-plus years, the City has also had to take on a number of cost savings initiatives in response to the recession, which significantly impacted the City's revenues and its expenditures. Fortunately for the City and its residents, a number of the cost savings initiatives did not result in service-level reductions. As discussed above, through reorganizations and other resource management, such as reassigning existing personnel to other areas of the City to work on higher priority assignments, the City was able to achieve a great deal of cost savings without materially impacting service levels to its residents.

Service Enhancements in 2012/2013 Budget

- **7 yr tree trimming cycle**
- **Increased sidewalk repairs**
- **Funds for Library materials and Thursday night hours**

In fact, through FY 2010/2011, the vast majority of cost savings achieved by the City was done without reducing services. The cuts made for FY 2011/2012, however, did require some reductions to service levels. Known as the Level 1 and Level 2 cuts, these cost reductions allowed the City to address its structural deficit and align revenues with expenditures. Some of the Level 1 and Level 2 cuts that impacted services included eliminating shopping cart removal services, reducing sidewalk, curb, and gutter replacement contract expenditures, reducing Library hours on Thursday evening, and closing the Lakewood Pool. These cuts were done strategically, to have the least impact on the public.

With the City's financial position significantly improved for the recommended FY 2012/2013 Budget, there are no additional cost savings

actions required at this time. In fact, with the passage of SB83, which is discussed earlier in this transmittal memo, City funds have been freed up to restore tree trimming to a seven-year cycle and to increase sidewalk replacements. Funds have also been dedicated to increase the Library's materials acquisitions budget, which will have the greatest impact on improving their service delivery, and to extend hours on Thursday nights.

Structures and Indicators

As each two-year operating budget cycle gets underway, every department evaluates its program structures and its indicators and makes changes as needed. For the most part, the organizational restructure did not result in a significant amount of change to the program-level budget structure, as typically whole programs were moved as a part of the reorganization. While there were some other changes to the programs and activities, there were no major changes that warrant discussion in this transmittal memo. A big reason for this is the work that was completed in preparation for the previous two-year cycle for the recommended FY 2010/2011 Budget. The program and activity-based structure was completely revamped during that cycle, significantly reducing the overall number of programs, activities, and indicators, with the goal of making the budget more precise, accurate, and meaningful. With the success of this effort, the changes for the recommended FY 2012/2013 Budget were mostly related to fine tuning the structure that was previously created. This will continue to be an ongoing effort.

All indicators were also reviewed and are included in each department's section of Volume I of the budget document. For the first time since these new indicators were introduced two years ago, actual results from FY 2010/2011 are available and reported out for each indicator. As a part of the review process, some indicators have been added and some have been deleted, and those indicators are identified as such.

Overview of the Recommended Budget - Projects

Park Dedication Fund Projects and Prioritization

Work continues on determining how Park Dedication Fee revenues should be utilized. In April 2011, staff advised Council of its plans to develop more detailed policies related to implementation of the Park Dedication Fund revenues for Council consideration. Since this was in process during the development of the recommended FY 2011/2012 Budget, all projects programmed for funding by the Park Dedication Fund, with the exception of the project to construct the Seven Seas Neighborhood Park, focused on rehabilitation of existing infrastructure.

In February 2012, staff returned to Council with its recommendations related to the use of Park Dedication Fee revenues. Council direction to staff was to return with a proposed written Council Policy on how Park Dedication Fees would be allocated in the future. The policy will include a minimum percentage of funds to be used for park land acquisition, guidelines on project prioritization, and a methodology for allocating funds for citywide and local park improvements. Staff expects to return to Council in the near future so the new policies should be in place to guide development of the FY 2013/2014 capital improvement program budget for parks projects.

In the meantime, the recommended FY 2012/2013 continues the focus on rehabilitation of existing infrastructure, with the exception of the Seven Seas Neighborhood Park and a new project for the Orchard Gardens Park Expansion project, which is funded in FY 2012/2013.

City Infrastructure Needs

In FY 2004/2005, over $2 million annually was budgeted in the General Fund as contributions to the Infrastructure Fund. These planned contributions totaled $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 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 were actually 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.

In the adopted FY 2011/2012 Budget, the City recommitted to funding its infrastructure needs, programming $28 million over the 20-year planning period, including $12.75 million over the first five years, to accelerate street rehabilitation and reconstruction work. This particular work was prioritized over other infrastructure needs due to the increasing cost of deferring maintenance on City streets. For example, it was estimated that had the City maintained funding at the level required to achieve a Pavement Condition Index (PCI) of 80, an additional $750,000 annually would have been required from 2006-2011, totaling $4.5 million. However, since the funding to maintain a PCI of 80 was not appropriated, returning the City's streets to that level requires nearly $13 million over five years. And while this is a significant price to pay, the amount will only get higher the longer required maintenance is deferred. Thus, funds were set aside starting in FY 2011/2012 to return to a PCI of 80 and then maintain that level going forward.

With an improved economic environment and increasing revenues, the recommended FY 2012/2013 Budget seeks to build on last year's recommitment to City infrastructure by programming $1.5 million annually for a total of $30 million over the 20-year planning period towards additional investment in our infrastructure. Unlike last fiscal year, where the funds were programmed for a specific, high-priority purpose, the $30 million has not been earmarked for a specific project. City staff is continuing to evaluate the City's infrastructure needs, particularly those related to its administrative facilities, as well as the options to address those needs. As recommended options are established and approved by Council, projects will be created and funded from these General Fund monies.

Other Major Projects

FY 2012/2013 is an operating budget year, and as a result, there were not a lot of significant changes to the City's projects budget. Many of the projects discussed in the adopted FY 2011/2012 Budget are ongoing, and there were only a small number of new projects created. One new project of note is the Orchard Gardens Park Expansion. This project, funded for approximately $900,000, will be funded by Park Dedication Funds.

Additionally, based on direction Council provided at the Strategic Workshop in January 2012, the Mary Avenue Extension Design project has been put on hold so that resources can be allocated towards addressing the Mathilda Avenue- SR 237-US 101 intersection. A study on improvements at this intersection is currently funded. This study, which will be prepared in partnership with the Valley Transportation Authority, positions the

project to secure Caltrans approval and potentially receive state and/or federal funding.

While there were a limited number of new projects or significant changes to the projects budget in preparation for the recommended FY 2012/2013 Budget, many of the utilities-related projects were evaluated and, in some cases, reprioritized to strategically position projects funded by the Water Revenue Bonds and the Wastewater Revenue Bonds to get underway as soon as possible. Primarily, projects such as pipe replacements, which are less design-intensive and are able to be done in large scale, were front-loaded. These projects and the prioritization process were discussed earlier in this transmittal letter under the Utilities Fund section.

Conclusion

Over the last three budget cycles, we identified and began addressing the long-term structural deficit. Through an improving economy and our multi-layer approach to building a financial foundation, I am able to propose a balanced budget over the short and long term. And, this was accomplished while moving closer to optimal service levels. It's been sometime since we've been able to achieve that standing.

5 Key Service Level Optimization/Enhancements

1. Implementation of Seven-year Tree Trimming Cycle
2. Increased Funding for Sidewalk Replacement
3. Road Condition Improvement Program
4. Increased Library Materials Acquisition Budget and Additional Hours on Thursday Nights
5. Reorganization of City Departments/Services to be More Effective, Efficient, Productive

5 Key Long-Term Financial Actions in this Budget

1. Developed Funding Program to Eliminate Retiree Medical Unfunded Liability
2. Pre-funding CalPERS Assessments to Lower Long-Term Obligation
3. Creation of Self-Sufficient Programs for Golf and Tennis
4. Compensation Concessions by Five Employee Bargaining Units
5. Set Aside of Funds for City's Aging Infrastructure

However, even with all of our accomplishments and the progress we have made, there is still more to do, especially in light of the world we live in. As we continue to work to set the City's financial foundation, our greatest adversaries are the Silicon Valley economy and the volatility of our major revenue sources and the natural tendency to become complacent absent the pressure to improve our methods of service delivery. To ride out the inevitable up and down cycles, we need to stay committed to our long-term approach. It is critical that we actively maintain our focus on our financial business model.

5 Key Commitments in this Budget:

1. Personnel Cost Containment
2. Long-Term Funding for City's Infrastructure
3. Funding Retirement Costs for Long-Term Sustainability
4. Strategic Review/Analysis to Get to Optimal Service Levels
5. Commitment to a Long-Term Comprehensive Solution – Different Pieces Build/ Interrelate to Each Other: Be vigilant and stay the course!

The 5/5/5 could not have been accomplished without the hard work and dedication of our City staff and the commitment of the City Council.

My dependence on and confidence in the Sunnyvale City staff's commitment to the delivery of quality service to our residents illustrated by their voluntary compensation concessions and their energy in executing organization restructuring is essential to maintaining Sunnyvale's very special quality of life.

CITY OF SUNNYVALE
FY 2012/2013 BUDGET SUMMARY

EXPENDITURES:

Operating Budget:

Office of the City Attorney		$1,822,245
Office of the City Manager		$3,786,747
Community Development Department		
Building Safety	2,773,552	
Planning	2,283,068	
Housing and CDBG Program	1,241,542	
Community Development Department Management	403,739	
Total Community Development Department		$6,701,901
NOVA Workforce Services Department		$7,634,501
Finance Department		
Budget Management	826,197	
Purchasing	1,239,390	
Financial Management and Analysis	1,041,944	
Accounting and Financial Services	1,676,661	
Treasury Services	1,056,956	
Utility Billing	2,155,673	
Total Finance Department		$7,996,821
Human Resources Department		$3,425,064
Library and Community Services Department		
Youth, Family and Child Care Resources	1,085,236	
Library	7,988,288	
Arts and Recreation Programs and Operation of Recreation Facilities	8,161,265	
Total Library and Community Services Department		$17,234,789
Public Safety Department		
Police Services	26,575,739	
Fire Services	27,879,678	
Community Safety Services	3,539,305	
Personnel and Training Services	1,580,820	
Investigation Services	4,865,252	
Communication Services	3,080,019	
Public Safety Administrative Services	5,293,983	
Records Management and Property Services	1,937,342	
Total Public Safety Department		$74,752,138

Department Description

The Department of Library and Community Services 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 diversity of ideas, information, knowledge, and entertainment through its collection, programs, and services. The Community Services Division offers an array of active, self-directed and organized recreational programming. Programs are offered in the arts, sports, fitness, and aquatics for ages and skill levels. Community Services collaborates with local school districts and non-profit organizations to facilitate recreational, educational, child-care, social services, and health-care services based at the Columbia Neighborhood Center and Sunnyvale Senior Center. Community Services also works with neighborhood associations along with community groups planning special events, and produces the annual State of the City event.

General Information / Library Division

Number of books and other library materials checked out during FY 2010/2011:	2,524,293
Number of Library patrons who visited during FY 2010/2011:	732,621
Number of logins to the Internet from Library PCs during FY 2010/2011:	126,327
Number of people attending Library programs during FY 2010/2011:	33,051
Size of Library's facility:	60,800 sq. ft.

Programs and Services

The Library division is organized into seven 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, 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. 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 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. Staff attends community events and meetings to promote Library services for adults.

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. Staff attends community events and meetings to promote Library services for children and teens. Resources are leveraged with those of the Community Services Division and local non-profit organizations to provide family literacy programs at the Columbia Neighborhood Center.

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.

Management, Supervisory, and Administrative Support Services

The Library delivers cohesive and cost-effective operations of the Library facility, maintaining a safe and welcoming 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. The Library partners with civic groups, the local business community, City departments, and others to effectively inform the community about the services and resources available to them. 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 in FY 2010/2011	703,335
Number of occupancy hours in recreation facilities in FY 2010/2011	172,201
Number of volunteer hours managed by Recreation staff	19,414
Number of Senior Center memberships in FY 2010/2011	2,882
Number of recipients benefiting from the Recreation Fee Waiver program	188
Number of participant hours generated by CNC service providers in FY 2010/2011	81,497
Number of unduplicated participants the CNC served in FY 2010/2011	8,876
Number of dollars leveraged for each $ contributed by the City towards CNC operations	$3.54
Percent increase in number of child care slots in FY 2010/2011	0.7%

Programs and Services

The Community Services division is organized into two programs: Community Services (which includes Arts and Recreation Programs and Facilities, Operation of Recreation Facilities and Community Resources) and Youth and Family Services.

Community Services

The Community Services 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 four swimming pools, recreation building, theater, creative arts center, indoor sports center, a senior center, dance studio, 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 Community Services program also develops, maintains, and grows community partnerships and resources. Community building and civic engagement are the main areas of focus for the Community Resources portion of 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). Additionally, Citywide special events, such as the Mayor's annual State of the City event are included in this area.

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.

City-wide Youth and Family Services

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.

Department Budget Summary

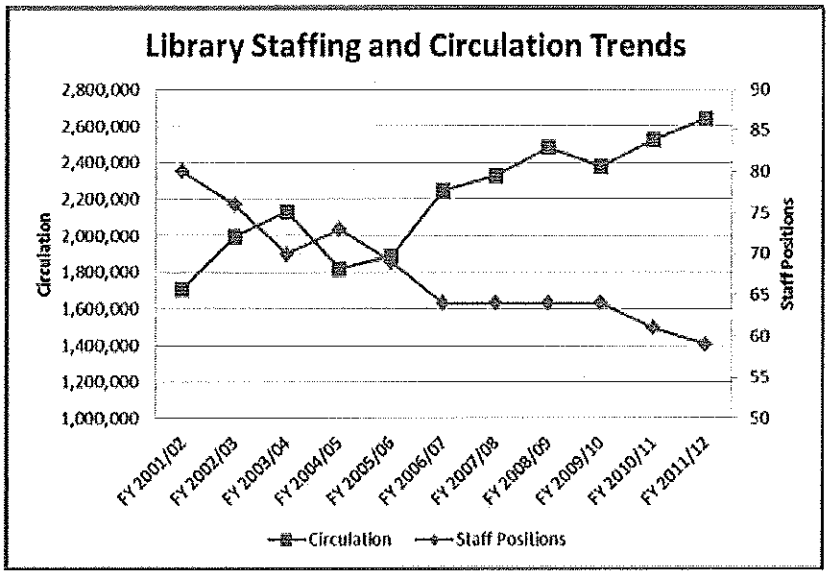
Library and Community Services

Fund/Program	2009/10 Actual	2010/11 Actual	2011/12 Current	2012/13 Plan	2013/14 Plan
General Fund					
Library	7,050,047	7,158,288	7,525,169	7,988,288	8,098,654
Youth and Family Services	227,950	324,767	264,397	338,679	343,066
Arts and Recreation	882,200	601,934	693,469	8,161,265	8,237,375
Youth and Neighborhood Services					
Youth and Family Services	729,548	588,159	753,721	746,557	758,002
Community Recreation Fund					
Arts and Recreation Programs	8,000,813	7,881,734	8,264,400	0	0
TOTAL EXPENDITURES	16,890,557	16,554,881	17,501,155	17,234,790	17,437,097

Budget Overview and Significant Changes

There are no significant changes in the Library Program's budget for FY 2012/2013. Overall business continues to be strong at the Library. Comparing FY 2010/2011 to FY 2009/2010, Library circulation increased by 6.1%, and attendance at Library programs increased by 10.7%. Staffing is 26% 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. This challenge is visible in the 10-year Library Staffing and Circulation Trends below. In only two years, self-checkout transactions for Library materials rose from 55% in FY 2008/2009 to 92% in FY 2010/2011.

The Arts and Recreation Program budget, which had been a part of the Community Recreation Fund through the end of FY 2011/2012, has been fully transitioned into the General Fund for FY 2012/2013. Additionally, the staffing that was budgeted previously in the Parks and Recreation Administration Program, which no longer exists, has been moved into the Library and Community Services Department budget.



Borrower Services/Circulation

Toward the end of FY 2009/2010, the Library converted the entire Library collection from barcode to RFID technology and installed an automated materials handling system, six new self-check machines, four automated materials handling returns and a new security gate. Since that time, checkout is faster since multiple items can be checked out at once. The option to pay fines by credit card at the self-check machines has helped to boost overall revenues collected by 20% since their introduction. 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.

Approximately 90% of materials are returned using the automated materials handling system, and approximately 92% of checkouts now occur at the self-check machines, compared with 55% in FY 2008/2009. These efficiencies have allowed staff to keep up with rising circulation as well as continue to provide excellent customer service.

Library Services for Adults

Circulation staff and reference librarians staff have provided service from a centralized Customer Service Desk since FY 2009/2010. The service point allows more effective use of librarians, by offering one person on the service point (as compared with the former model of two) with the other librarian deployed as a roving librarian. 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, including support planned for centennial-related events and activities.

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. 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. Children's services will focus on outreach to the Hispanic population in north Sunnyvale through its partnership with the Columbia Neighborhood Center and the Sunnyvale Elementary School District.

Acquire Library Materials for the Public

The percentage of the Library budget in FY 2012/2013 allocated to the acquisition of library materials is 7.9%. This rate is on the lower end in Santa Clara County, with Palo Alto Library at 11.9%, Santa Clara County Library at 13.8%, Santa Clara City at 9.8% and Mountain View Library at 10.8% (as based upon the most current data available in FY 2009/2010 from the California State Library). The erosion of collection development dollars combined with a lack of capacity to grow the collection has resulted in Sunnyvale providing only 2.06 materials per capita, below the statewide median of 2.16 materials available and the lowest in Santa Clara County. San Jose Public Library provides 2.27 items per capita, Santa Clara 3.59 items per capita, Santa Clara County 4.21 items per capita, Palo Alto 4.42 items per capita, and Los Gatos 4.62 items per capita.

The Library will continue to focus on acquiring current and popular collections displayed as appropriate using retail concepts. Multiple copies of bestsellers, media, online resources and eBooks 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. Library visitors can access the Internet from the almost 50 computers available in the Library's Technology Center. 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. An area of focus in the near future is implementing mobile library catalog solutions to assist library users access library resources using their smartphones.

Prepare Library Materials for the Public

The Library utilizes pre-processing in the acquisition of new materials in order to provide more efficient service. 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 has been redeployed and retrained for more direct customer interaction and for other duties as needed.

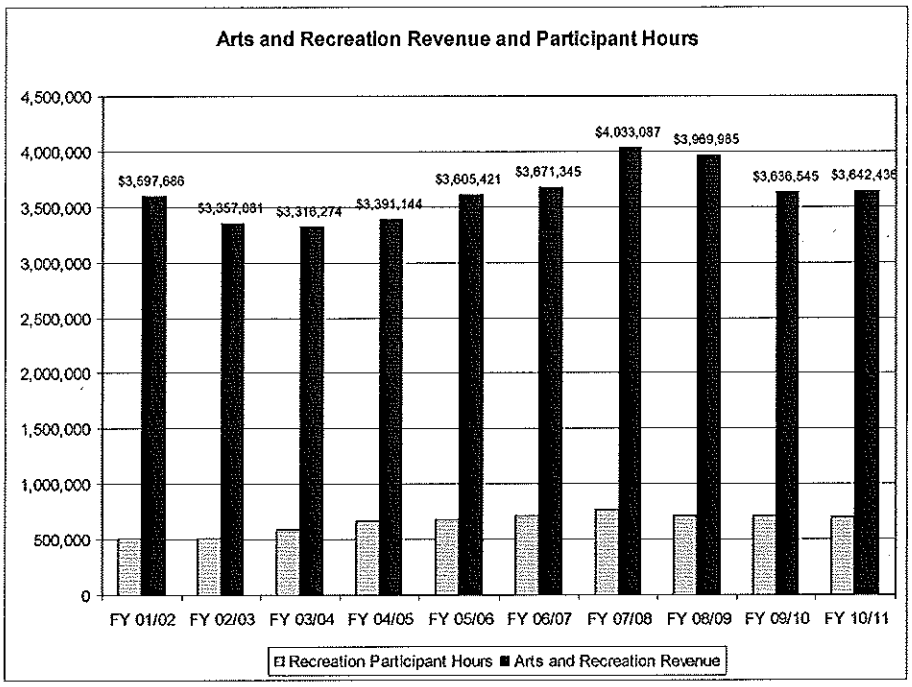
Community Services Programs

The primary changes in the Community Services budget from prior year reflect final implementation of the Community Services merger with Library and the move from the Community Recreation Fund to the General Fund. The Arts and Recreation Program budget was streamlined, reducing the total number of activities from 103 to 46. Further, this program absorbed a portion of resources from the Parks and Recreation Administration Program, which no longer exists, to cover Commission and other administrative support. Resources were also repositioned from Office of the City Manager into Arts and Recreation to reflect the transfer of the Community Resources program to the Community Services Division.

In July 2011, responsibility for maintenance operations of City pools was moved to the Parks Division now located in the Department of Public Works. The proposed budget reflects this change through a reduction in Goods and Services, and repositioning of .81 FTE Senior Park Utility Worker from the Community Services Division to the Parks Division. The Sunnyvale Tennis Center was moved to the Golf and Tennis Division effective January 2012. The transition is now fully reflected in the FY 2012/2013 operating budget.

Programmatically, the proposed FY 2012/2013 budget for Program 626 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 subsequently offset by higher revenue streams.

There has been a continued focus on identification and implementation of strategies to reduce dependence on the General Fund. Again the focus is on efficiencies, increased revenue generation and service level adjustments, as necessary. The overall budgeted resources for the Arts and Recreation Program in FY 2012/2013 are approximately $100,000 below FY 2011/2012 levels after the adjustments are made to move the tennis and pool maintenance to the Department of Public Works. Projected revenue is approximately $150,000 above FY 2011/2012 revised projections. 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.



Program 527 – Youth and Family Services has been streamlined from 51 to 39 activities. Resources have been repositioned from Library and Program 648 to include a portion of the Director of Library and Community Services and the Superintendent of Community Services positions. The budget, when adjusted for these repositioned resources, is almost 4% lower than FY 2011/2012. The expansion at Columbia Neighborhood Center was completed in Spring 2012, adding an additional 3,500 square feet to the existing facility, doubling the number of offices for social services and the community health clinic, and adding 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.

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 in both Library and Community Services operations. Supervisors will practice continuous improvement within their areas. In the Library division, 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. A library staff innovations team has been formed to address best practices and to encourage innovation from all levels of staff. Several innovation teams have

been established at a management level to identify opportunities for partnership between Library and Community Services staff to leverage City and community resources. Community Services managers will continue to develop and implement strategies to reduce dependence on the General Fund for recreation programs and facilities.

Department Position Allocation

Classification	FY 2011/12 Budgeted Positions	FY 2012/13 Budgeted Positions
Director of Library and Community Services	1	1
Community Services Manager	4	4
Superintendent of Community Services	1	1
Assistant to the Director of Community Services	1	0
Youth and Family Resources Manager	1	1
Administrative Assistant: Library	1	1
Administrative Librarian	2	2
Supervising Librarian	3	3
Administrative Aide-Confidential	2	2
Administrative Analyst	1	1
Program Coordinator	3	3
Librarian	11	11
Library Assistant	4	4
Recreation Coordinator II	14	14
Recreation Coordinator I	1	1
Senior Library Assistant	1	1
Facility Attendant I	2	2
Facility Attendant II	1	1
Senior Park Utility Worker	1	0
Office Assistant	1	1
Office Clerk	1	1
Principal Office Assistant	1	1
Senior Office Assistant	5	5
Staff Office Assistant	2	2
Part-Time Office Assistant	2	2

Department Position Allocation

Classification	FY 2011/12 Budgeted Positions	FY 2011/12 Budgeted Positions
Part-Time Staff Office Assistant	2	2
Part-Time Senior Office Assistant	1	1
Part-Time Graphic Artist	1	1
Part-Time Librarian	6	6
Library Specialist I	6	6
Library Specialist III	18	18
Part-Time Administrative Analyst	1	1
Library and Community Services Total	**102**	**100**

LCS Performance Indicators	FY 2010/11 Results	FY 2011/12 Results	FY 2012/13 Results
Library			
Workload Indicators			
Number of library programs for adults. [NEW]			
Number of library programs for children, teens and families. [NEW]			
Number of library customers attending programs for adults. [DELETED]	4,854		
Number of library customers attending programs for children, teen and families. [DELETED]	28,197		
Average circulation of library materials per Sunnyvale resident.	18.02		
Average number of library visits annually per Sunnyvale resident.	5.23		
Number of books circulated.	2,524,293		
Number of library visitors.	732,621		
Performance Indicators			
Number of customer survey respondents and percent rating Library services as good or better.	86.0%		
Number of customer survey respondents and percent rating programs for adults as good or better.	98.6%		
Percent of library materials re-shelved within 48 hours after check-in.	99.0%		
Average number of days from receipt of materials to availability.	16.9		
Percent of the library collection published in or after the year 2000.	83.0%		
Percent of total Library operating budget expended.	96.8%		
Percent of total Department operating budget expended. [NEW]			
Arts and Recreation			
Workload Indicators			
Number of youth and teen participant hours in arts and recreation programs, including preschool, elementary, middle school and high school.	377,560		
Number of adult participant hours in arts and recreation programs (may include participation by seniors and older teens).	325,795		

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Service Delivery Plan 62001 - Borrower Services/Circulation

	2010/2011 Budgeted	2010/2011 Actual	2011/2012 Current	2012/2013 Plan	2013/2014 Plan
Activity 620100 - Check Out Library Materials					
Product: An Item Checked Out or Renewed					
Costs:	1,080,330.41	1,096,342.55	1,073,965.37	1,263,121.09	1,277,583.94
Products:	2,450,000.00	2,524,293.00	2,450,000.00	2,500,000.00	2,500,000.00
Hours:	18,686.00	18,483.29	17,706.00	18,876.00	18,876.00
Activity 620110 - Shelve Library Materials					
Product: An Item Shelved					
Costs:	725,580.36	691,002.43	731,100.99	898,629.91	911,627.58
Products:	2,200,000.00	2,111,461.00	2,200,000.00	2,200,000.00	2,200,000.00
Hours:	19,521.00	17,283.65	19,521.00	19,990.00	19,990.00
Activity 620120 - Circulate Materials through Interlibrary Loan					
Product: An Item Borrowed from or Loaned to another Library					
Costs:	98,511.24	104,794.43	102,582.66	116,480.91	118,217.59
Products:	14,000.00	16,956.00	14,000.00	17,000.00	17,000.00
Hours:	1,651.00	1,654.87	1,651.00	1,688.00	1,688.00
Activity 620130 - Recovery of Overdue or Missing Materials					
Product: A Notification of an Item to be Recovered					
Costs:	50,941.52	57,980.66	53,066.89	84,957.87	86,260.26
Products:	55,500.00	49,765.00	55,500.00	55,500.00	55,500.00
Hours:	615.00	765.62	615.00	954.00	954.00
Activity 620140 - Materials Delivery to Homebound Residents					
Costs:	0.00	0.00	0.00	45,341.19	45,939.73
Products:	0.00	0.00	0.00	0.00	0.00
Hours:	0.00	0.00	0.00	605.00	605.00

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Totals for Service Delivery Plan 62001 - Borrower Services/Circulation

Costs:	1,955,363.53	1,950,120.07	1,960,715.91	2,408,530.97	2,439,629.10
Hours:	40,473.00	38,187.43	39,493.00	42,113.00	42,113.00

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Service Delivery Plan 62002 - Library Services for Adults

	2010/2011 Budgeted	2010/2011 Actual	2011/2012 Current	2012/2013 Plan	2013/2014 Plan
Activity 620200 - Provide Services to Adults					
Product: A Response Given					
Costs:	601,749.67	713,724.21	629,416.56	784,058.74	793,860.62
Products:	85,000.00	93,965.00	85,000.00	90,000.00	90,000.00
Hours:	7,943.00	8,822.13	7,943.00	8,813.00	8,813.00
Activity 620210 - Create and Present Programs for Adults					
Product: A Program Presented to the Public					
Costs:	252,572.61	152,250.32	264,565.34	301,759.25	305,876.93
Products:	143.00	135.00	143.00	143.00	143.00
Hours:	3,120.00	1,735.20	3,120.00	3,275.00	3,275.00
Totals for Service Delivery Plan 62002 - Library Services for Adults					
Costs:	**854,322.28**	**865,974.53**	**893,981.90**	**1,085,817.99**	**1,099,737.55**
Hours:	**11,063.00**	**10,557.33**	**11,063.00**	**12,088.00**	**12,088.00**

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Service Delivery Plan 62003 - Library Services for Children and Teens

	2010/2011 Budgeted	2010/2011 Actual	2011/2012 Current	2012/2013 Plan	2013/2014 Plan
Activity 620300 - Provide Services to Children and Teens					
Product: A Response Given					
Costs:	530,296.15	611,570.50	555,131.60	613,662.25	621,613.57
Products:	35,000.00	47,652.00	35,000.00	47,000.00	47,000.00
Hours:	6,712.00	7,556.06	6,712.00	6,815.00	6,815.00
Activity 620310 - Create and Present Programs for Children and Teens					
Product: A Program Presented to the Public					
Costs:	229,593.62	178,843.52	240,657.86	288,487.26	292,270.95
Products:	435.00	689.00	435.00	500.00	500.00
Hours:	2,782.00	1,976.57	2,782.00	3,081.00	3,081.00
Totals for Service Delivery Plan 62003 - Library Services for Children and Teens					
Costs:	**759,889.77**	**790,414.02**	**795,789.46**	**902,149.51**	**913,884.52**
Hours:	**9,494.00**	**9,532.63**	**9,494.00**	**9,896.00**	**9,896.00**

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Service Delivery Plan 62004 - Acquire Library Materials for the Public

	2010/2011 Budgeted	2010/2011 Actual	2011/2012 Current	2012/2013 Plan	2013/2014 Plan
Activity 620400 - Select and Merchandise Library Materials					
Product: An Item Selected					
Costs:	923,394.14	789,480.53	944,347.65	0.00	0.00
Products:	32,000.00	35,581.00	32,000.00	0.00	0.00
Hours:	3,527.00	2,134.01	3,527.00	0.00	0.00
Activity 620410 - Evaluate Materials for Repair, Replacement, or Discard					
Product: An Item Deselected					
Costs:	70,231.42	67,538.45	73,560.80	0.00	0.00
Products:	25,000.00	21,648.00	25,000.00	0.00	0.00
Hours:	886.00	820.13	886.00	0.00	0.00
Activity 620420 - Order and Receive Library Materials					
Product: An Item Received					
Costs:	174,742.62	193,781.62	185,205.10	197,060.23	199,585.06
Products:	33,000.00	37,893.00	33,000.00	35,000.00	35,000.00
Hours:	2,572.00	2,691.27	2,572.00	2,452.00	2,452.00
Activity 620430 - Select and Merchandise Library Materials for Adults					
Product: An Item Selected					
Costs:	0.00	0.00	0.00	643,279.59	654,931.07
Products:	0.00	0.00	0.00	22,000.00	22,000.00
Hours:	0.00	0.00	0.00	1,874.00	1,874.00
Activity 620440 - Select and Merchandise Library Materials for Children and Teens					
Product: An Item Selected					
Costs:	0.00	0.00	0.00	215,156.40	219,088.25
Products:	0.00	0.00	0.00	13,000.00	13,000.00
Hours:	0.00	0.00	0.00	600.00	600.00

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Service Delivery Plan 62004 - Acquire Library Materials for the Public

	2010/2011 Budgeted	2010/2011 Actual	2011/2012 Current	2012/2013 Plan	2013/2014 Plan
Activity 620460 - Evaluate Materials for Repair, Replacement, or Discard for Adults					
Product: An Item Deselected					
Costs:	0.00	0.00	0.00	43,091.79	43,648.81
Products:	0.00	0.00	0.00	15,000.00	15,000.00
Hours:	0.00	0.00	0.00	486.00	486.00
Activity 620470 - Evaluate Materials for Repair, Replacement, or Discard for Children and Teens					
Product: An Item Deselected					
Costs:	0.00	0.00	0.00	32,600.66	33,038.35
Products:	0.00	0.00	0.00	10,000.00	10,000.00
Hours:	0.00	0.00	0.00	360.00	360.00
Totals for Service Delivery Plan 62004 - Acquire Library Materials for the Public					
Costs:	**1,168,368.18**	**1,050,800.60**	**1,203,113.55**	**1,131,188.67**	**1,150,291.54**
Hours:	**6,985.00**	**5,645.41**	**6,985.00**	**5,772.00**	**5,772.00**

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Service Delivery Plan 62005 - Technology Services

	2010/2011 Budgeted	2010/2011 Actual	2011/2012 Current	2012/2013 Plan	2013/2014 Plan
Activity 620450 - Maintain Workstations/Equipment and Publish Web Pages					
Costs:	519,723.04	354,130.34	524,043.48	407,060.58	413,180.67
Products:	0.00	0.00	0.00	0.00	0.00
Hours:	6,332.00	3,537.61	6,002.00	4,035.00	4,035.00
Totals for Service Delivery Plan 62005 - Technology Services					
Costs:	**519,723.04**	**354,130.34**	**524,043.48**	**407,060.58**	**413,180.67**
Hours:	**6,332.00**	**3,537.61**	**6,002.00**	**4,035.00**	**4,035.00**

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Service Delivery Plan 62006 - Prepare Library Materials for the Public

	2010/2011 Budgeted	2010/2011 Actual	2011/2012 Current	2012/2013 Plan	2013/2014 Plan
Activity 620500 - Catalog Titles					
Product: A Title Cataloged					
Costs:	237,190.36	240,398.10	247,423.60	280,482.55	284,055.39
Products:	17,000.00	16,058.00	17,000.00	17,000.00	17,000.00
Hours:	2,841.00	2,726.28	2,841.00	2,996.00	2,996.00
Activity 620510 - Process Library Materials					
Product: An Item Processed					
Costs:	271,923.90	289,799.74	294,450.65	297,143.01	301,779.81
Products:	45,000.00	45,647.00	45,000.00	45,000.00	45,000.00
Hours:	3,741.00	3,774.08	3,970.00	3,506.00	3,506.00
Activity 620520 - Repair Library Materials					
Product: An Item Repaired or Discarded					
Costs:	54,532.45	62,850.22	44,477.27	64,234.31	64,866.81
Products:	8,550.00	11,679.00	6,590.00	9,000.00	9,000.00
Hours:	1,024.00	1,070.41	795.00	1,024.00	1,024.00
Activity 620530 - Maintain the Library Catalog					
Product: An Item Record Deleted					
Costs:	140,225.32	129,136.94	146,674.40	140,399.55	142,339.35
Products:	30,000.00	37,597.00	30,000.00	33,000.00	33,000.00
Hours:	2,230.00	2,031.18	2,230.00	1,955.00	1,955.00
Totals for Service Delivery Plan 62006 - Prepare Library Materials for the Public					
Costs:	**703,872.03**	**722,185.00**	**733,025.92**	**782,259.42**	**793,041.36**
Hours:	**9,836.00**	**9,601.95**	**9,836.00**	**9,481.00**	**9,481.00**

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Service Delivery Plan 62007 - Outreach Services

	2010/2011 Budgeted	2010/2011 Actual	2011/2012 Current	2012/2013 Plan	2013/2014 Plan
Activity 620570 - Provide Community-based Library Services					
Costs:	60,566.86	49,464.83	60,743.23	0.00	0.00
Products:	0.00	0.00	0.00	0.00	0.00
Hours:	720.00	584.87	680.00	0.00	0.00
Totals for Service Delivery Plan 62007 - Outreach Services					
Costs:	**60,566.86**	**49,464.83**	**60,743.23**	**0.00**	**0.00**
Hours:	**720.00**	**584.87**	**680.00**	**0.00**	**0.00**

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Service Delivery Plan 62008 - Library Department Management and Support

	2010/2011 Budgeted	2010/2011 Actual	2011/2012 Current	2012/2013 Plan	2013/2014 Plan
Activity 620600 - Management and Supervisory Services					
Costs:	820,003.08	794,604.04	855,119.86	745,044.97	754,722.23
Products:	0.00	0.00	0.00	0.00	0.00
Hours:	6,455.00	5,928.50	6,455.00	5,475.00	5,475.00
Activity 620610 - Administrative Support Services					
Costs:	462,313.40	472,453.51	404,043.42	414,982.05	421,398.52
Products:	0.00	0.00	0.00	0.00	0.00
Hours:	5,720.00	5,774.45	4,310.00	4,405.00	4,405.00
Activity 620620 - Page Support for Library Operations					
Costs:	20,452.77	19,561.43	20,778.12	24,597.19	24,932.08
Products:	0.00	0.00	0.00	0.00	0.00
Hours:	550.00	510.95	550.00	550.00	550.00
Activity 620630 - Staff Training and Development					
Costs:	69,502.26	88,579.51	73,814.28	86,656.91	87,836.18
Products:	0.00	0.00	0.00	0.00	0.00
Hours:	821.00	930.97	801.00	929.00	929.00
Totals for Service Delivery Plan 62008 - Library Department Management and Support					
Costs:	**1,372,271.51**	**1,375,198.49**	**1,353,755.68**	**1,271,281.12**	**1,288,889.01**
Hours:	**13,546.00**	**13,144.87**	**12,116.00**	**11,359.00**	**11,359.00**

City of Sunnyvale
Program Performance Budget

Program 620 - Library

Totals for Program 620

Costs:	7,394,377.20	7,158,287.88	7,525,169.13	7,988,288.26	8,098,653.75
Hours:	98,449.00	90,792.10	95,669.00	94,744.00	94,744.00

Project Information Sheet

Project: 900817 City Hall Renovation

Origination Year:	2011-12	Type:	Administrative Facilities	Fund:	610 Infrastructure Renov & Replace
Planned Completion Year:	Ongoing	Category:	Infrastructure	Sub-Fund:	100 General Fund Assets
Department:	Office of the City Manager	Project Manager:	Mark Rogge	Project Coordinator:	Bob Van Heusen

Project Description / Scope / Purpose

This project provides for the long-term infrastructure needs of the City Hall Campus.

Project Evaluation and Analysis

At the Council/Staff Strategic Planning Workshop on January 14, 2011, Council directed staff to pursue two options with regard to addressing the infrastructure needs of the existing City Hall campus:

(1) an option that would move City Hall to a new downtown location, including exploration of a financing plan that would involve selling all or a portion of the existing City Hall campus; and

(2) an option that would rebuild City Hall on its existing campus. This option would be anchored by the construction of a new library financed through the issuance of a bond measure. This would allow the old library to be renovated as a part of this project, replacing the loss of space created by the demolition of the Sunnyvale Office Center and South Annex building, both of which have outlived their useful lives.

Fiscal Impact

Cost estimates are preliminary in nature, as this unfunded project serves primarily as a placeholder pending selection of one of the two options listed above. Once that occurs, more detailed plans and cost estimates will be developed.

Project Financial Summary

Financial Data	Prior Actual	Current 2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Y11-Y20 Total	Project Life Total
Project Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenues														
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers-In														
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Unfunded Project