

NEWS



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SUNNYVALE COUNCIL RECEIVES \$265.9M PROPOSED BUDGET

SUNNYVALE, Calif. – Sunnyvale City Councilmembers have received the proposed City budget from City Manager Gary Luebbers. The \$265.9 million budget proposal calls for an increase of 3.5 percent, or \$9.1 million, over the current Fiscal Year 2010/11 budget.

“There is reason for cautious optimism,” said Luebbers in his budget transmittal letter to Council. “In the ensuing year [since last year’s precipitous drop in revenues], the recovery has taken hold with the high-tech sector leading the way. As the Heart of the Silicon Valley, Sunnyvale has reaped the benefits with strong growth in sales tax revenues and development activity.”

A backbone to the City’s improving financial outlook has been Luebbers’ efforts to change the City’s way of doing business. “I have focused on streamlining the organization to operate effectively in this ‘new normal’ economic environment,” he explained.

Luebbers’ letter points out two significant points. “While there are several strong components on which to build the budget, a significant challenge persists, keeping the goal of a truly balanced budget out of reach any time soon,” he said. “And what is particularly disconcerting, this proposed budget may not have adequately addressed

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future costs of personnel.” Personnel costs account for 79 percent of all General Fund revenues, up from 62 percent 10 years ago.

The City has traditionally relied on its Budget Stabilization Fund to equalize the ups and downs of budget income and expenses. This is different than the City’s contingency reserve fund, which is only in place for emergency use. The FY 2011/12 budget marks the fourth straight year in which the General Fund has projected a deficit. While the Budget Stabilization Fund will in fact stabilize the budget again this year, the Fund is not meant as an ongoing funding source. Rather than funding downtrends, it is projected to decrease from \$35 million at the end of this current fiscal year, to \$28.5 million in FY 2011/12 and down to \$1.6 million in 2021. “Simply put,” said Luebbers, “the fund cannot be counted on as it has in the past as a stabilizer or even as a long-term funding source without balancing the budget through expenditure reduction that creates the optimum cost/revenue balance.” In working toward that balance, Luebbers’ budget proposal includes four key strategies: increasing organizational efficiencies; contracting out, revenue enhancement and addressing personnel costs with bargaining units.

Proposed FY 2011/12 budget components

The key components to the proposed FY 2011/12 budget include:

- General Fund, \$129.7 million, comprising 48 percent of the budget;
- Solid Waste Management Fund, \$32.8 million, comprising 12 percent of the budget;
- Water Supply and Distribution Fund, \$32.3 million at 12 percent of the budget;
- Wastewater Management Fund at \$26.5 million at 10 percent of the budget;
- Community Recreation, \$12.1 million at 5 percent of the budget;
- Employment Development, \$9.7 million at 4 percent of the budget; and
- other categories at \$22.8 million, comprising 9 percent of the budget.

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The increases in the City's annual budget are primarily due to increased costs in contracted salaries and benefits, as well as the increasing cost of purchased water.

The General Fund, which makes up nearly half the Citywide total budget, supports many of the most visible and essential City services, such as police, fire, road maintenance, libraries, parks, land-use planning and legal and financial management.

The proposed FY 2011/12 budget for the General Fund consists of:

- Public Safety, \$73.8 million, 58 percent of Fund;
- Public Works, \$20.4 million, 16 percent of Fund;
- Finance, \$8.1 million, 6 percent of Fund;
- Library and Community Services, \$8.4 million, 6 percent of Fund;
- Community Development, \$5.4 million, 4 percent of Fund;
- other departments, \$9.7 million, 7 percent of Fund; and
- other expenses, \$3.9 million, 3 percent of Fund.

Sunnyvale City Council will hold a day-long budget workshop beginning at 8:30 a.m., Thursday, June 2, in City Council Chambers. The public hearing on the proposed budget is scheduled as part of Council's regular June 14 Council meeting, with adoption of the budget scheduled for June 28. The workshop and both meetings will be broadcast live on KSUN-15, Sunnyvale's government access television station, and streamed on the Internet at *Webcast.inSunnyvale.com*. Budget documents are available online by visiting *Budget.inSunnyvale.com*.

FY 2011/12 Budget At-a-Glance

- FY 2011/12 General Fund Revenues: \$131 million
- FY 2011/12 General Fund Expenditures/Additional Reserves: \$137.5 million
- FY 2011/12 General Fund Deficit: \$6.5 million
- Consecutive Years of General Fund Deficits: Previous three years
- Largest General Fund Revenue Source: Property Tax \$42 million (35 percent of total)

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- Personnel Costs as percentage of General Fund Operations: 82% (\$104 million)
- Increase in Salaries and Benefits over FY 2011/12: 6% (\$6 million)
- FY 2011/12 Projects Budget: \$31 million / 20-year Projects Budget Total: \$704 million
- FY 2010/11 Budget Stabilization Fund Balance: \$35 million
- FY 2020/21 Budget Stabilization Fund Balance \$1.6 million
- General Fund Contingency Reserves Increases from \$23 million 18 in 2010 to \$33 million in 2021
- FY 2011/12 General Fund Support for Recreation Activities: \$4.8 million
- Positions Eliminated/Frozen since FY 2009/10: 54
- Increase in CalPERS Pension Rates over next Three Years: 45% (Misc) 32% (Safety)
- Increase in City-paid Pension Costs over last 10 years: 250% (Misc) 400% (Safety)
- Increase in Medical Premiums in January 2011: 10%
- Increase in Medical Premiums (Estimated) for January 2012: 10%
- City Population Gain in Last 10 Years: 6%; Full-time City Employee Staffing Decrease 8% (922 to 845) in Same Period
- Full-time City Staffing Currently at Lowest Level Since 1995

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