

# Review of the City's Current Fiscal Status and the Budget Implications and Impact on the 20- Year Financial Plan

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City Manager

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# January Workshop Summary

- June 2008 - FY 2008/2009 Budget balanced using \$2 million from the Service Level Stabilization Fund
- January 23, 2009 - \$9 million ongoing structural deficit between revenues and expenditures throughout 20-year plan

# January Workshop Summary

- Global economic meltdown dramatically changed the City's fiscal outlook
  - Revenues for FY 08/09 down \$12M from projections
  - Losses in CalPERS investment portfolio

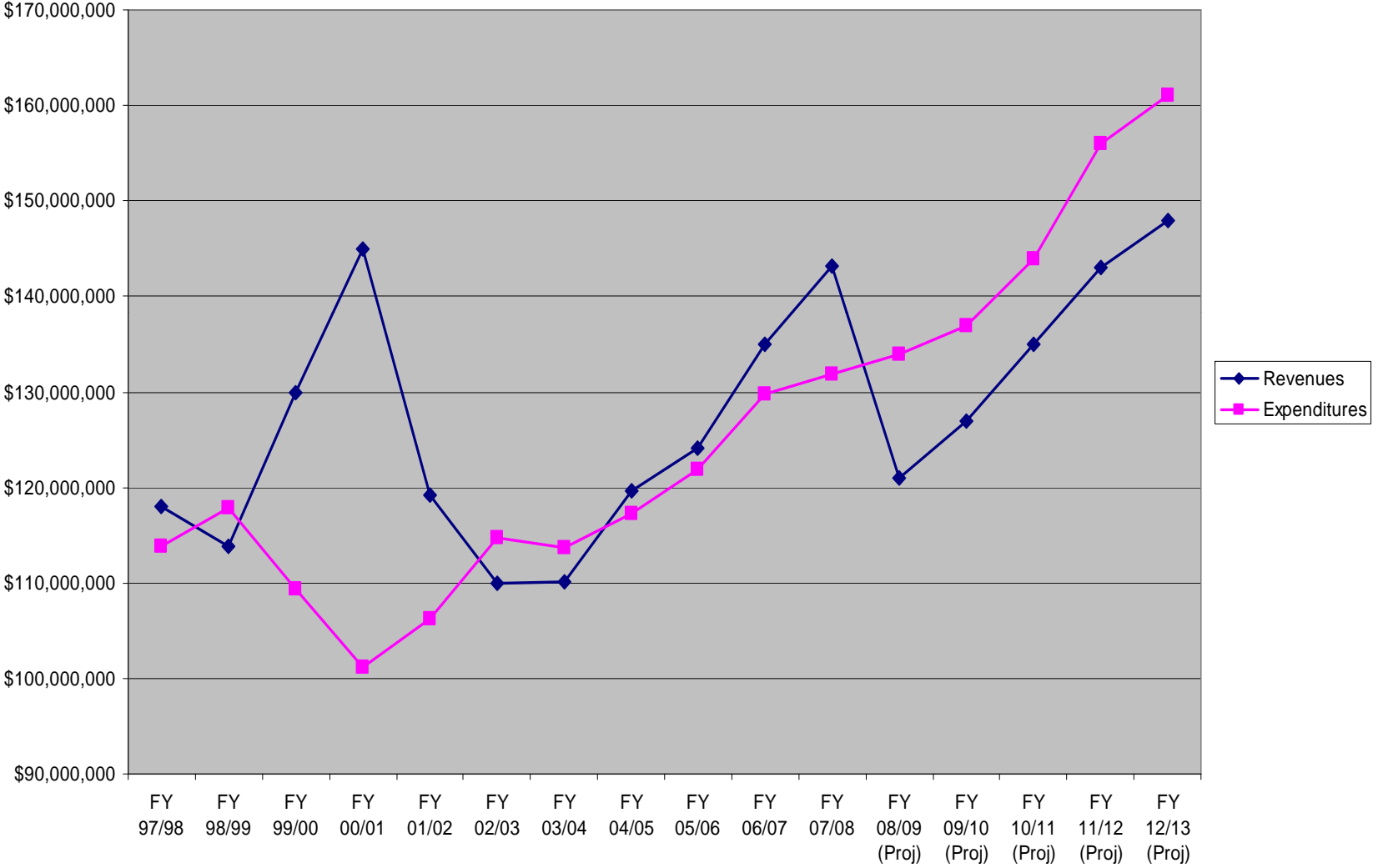
# FY 08/09 Revenue Update

Revenue	FY 08/09 Budget	FY 08/09 Projected – January 23	FY 08/09 Projected – April 1
Sales Tax	\$31,698,822	\$24,500,000	\$26,000,000
TOT	\$7,466,938	\$6,570,906	\$5,637,015
Development Fees	\$10,033,603	\$7,000,000	\$6,000,000
Interest Earnings	\$3,303,965	\$2,066,000	\$2,066,000
Total	\$52,503,328	\$40,136,906	\$39,703,015
Difference		(\$12,366,422)	(\$12,800,313)

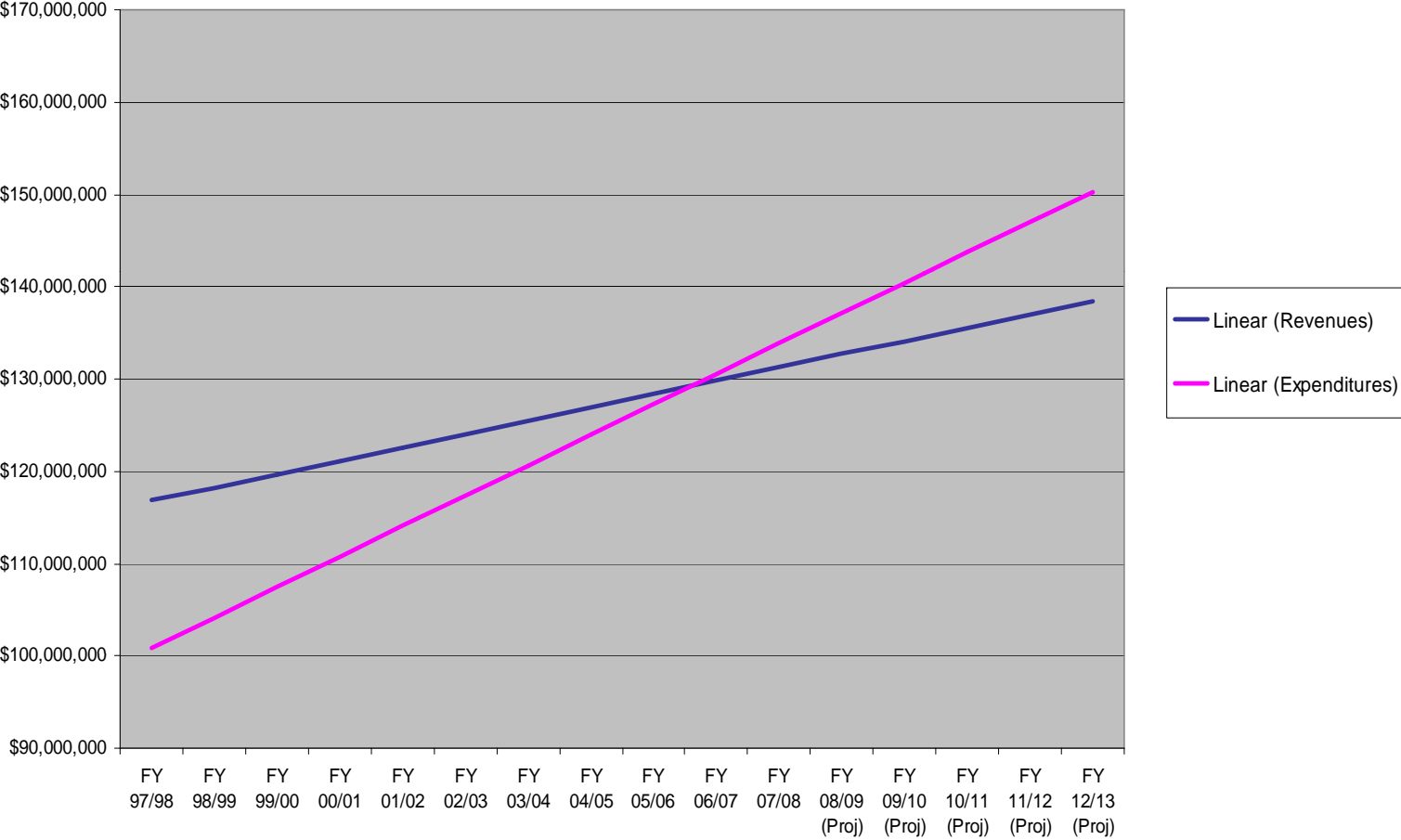
# Update on Property Tax

- Assessor released preliminary results of reductions on 90,000 residential units in Santa Clara County
- Estimate is that county-wide assessment roll may drop by up to 2%
- Preliminary indication is that Sunnyvale's assessments will grow by 2% for FY 09/10

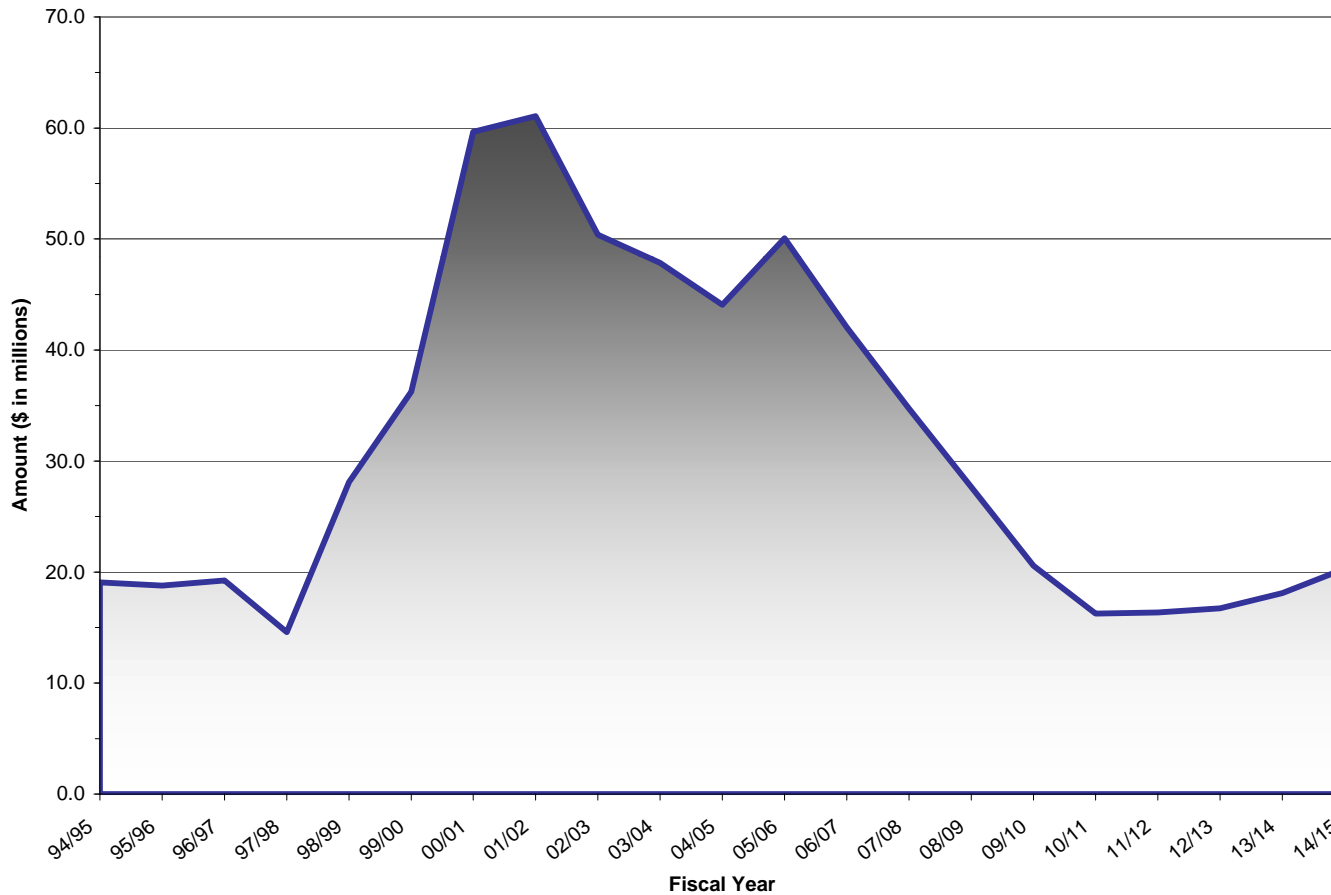
# Sunnyvale's New Economic Reality



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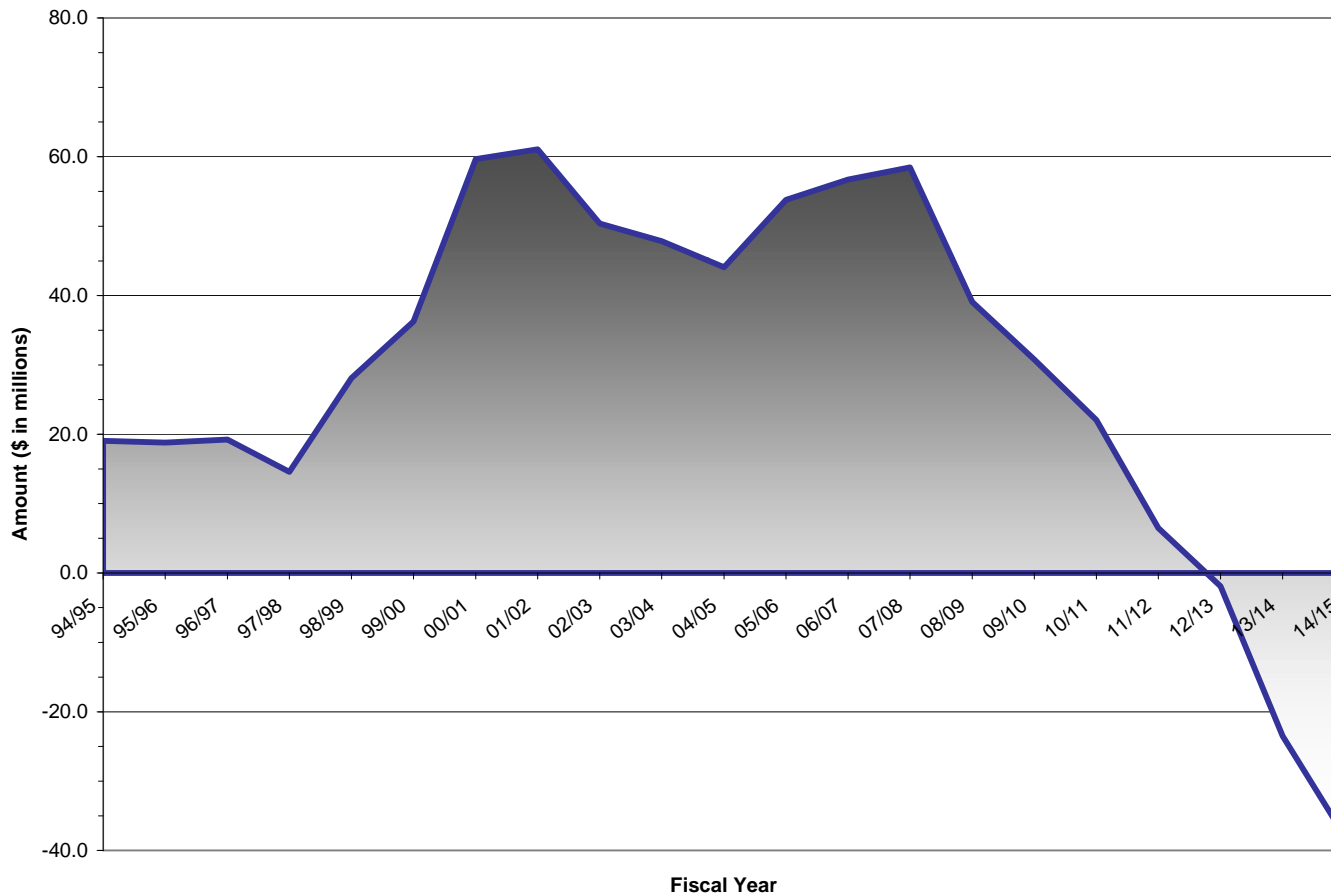


# Service Level Stabilization Fund (20-Year RAP) – Projection in FY 2006/2007





# Service Level Stabilization Fund (20-Year RAP) – Current Projection Assuming No Action



# Actions Since January 23

- Conducted informational meeting with management
- Sample cost savings measures enacted to date:
  - Holding vacancies/selective hiring
  - Reducing temporary and contract employees
  - Reviewing projects
  - Top to bottom review of operations initiated

- Optimal staffing study implementation plans in development and new studies undertaken
- Travel and discretionary training reduced
- Replacement of IT equipment and certain vehicles delayed at least one year
- Minor reorganization for increased effectiveness
- Purchasing function enhancement

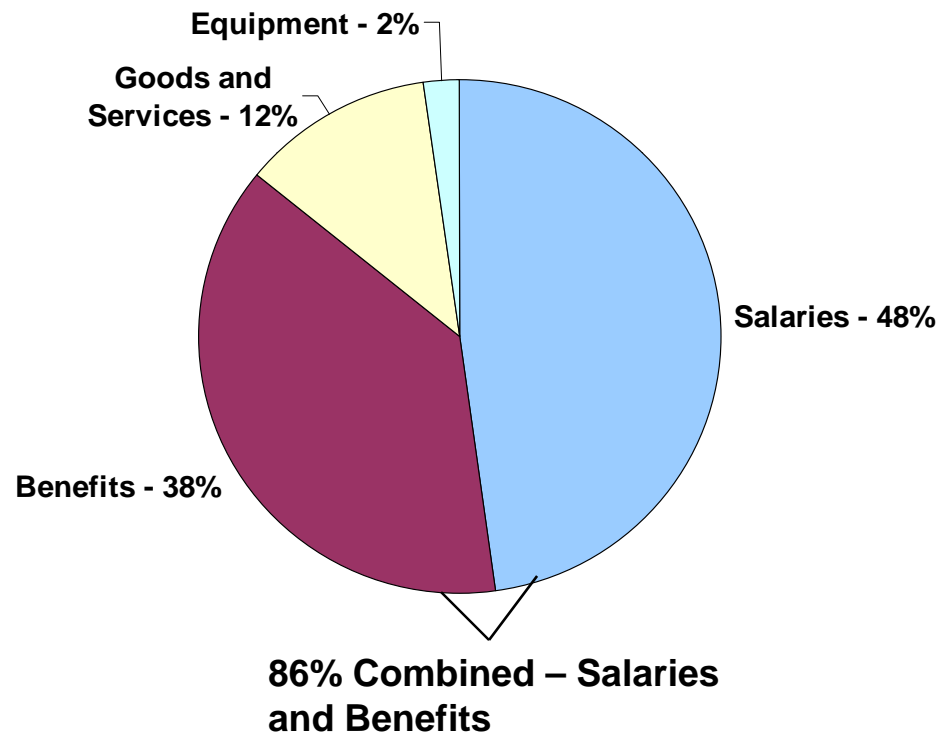
# Strategies to Long-term Sustainability

- Strengthen/Broaden/Diversify Our Revenue Base
- Manage Personnel Costs
- Invest in Our City

# Strengthen Our Revenue Base

- Focus on economic development
- Reduce reliance on funding ongoing operations with volatile revenue sources
- Evaluate rate of City's existing taxes
  - Potential opportunities include Utility Users Tax and Real Property Transfer Tax

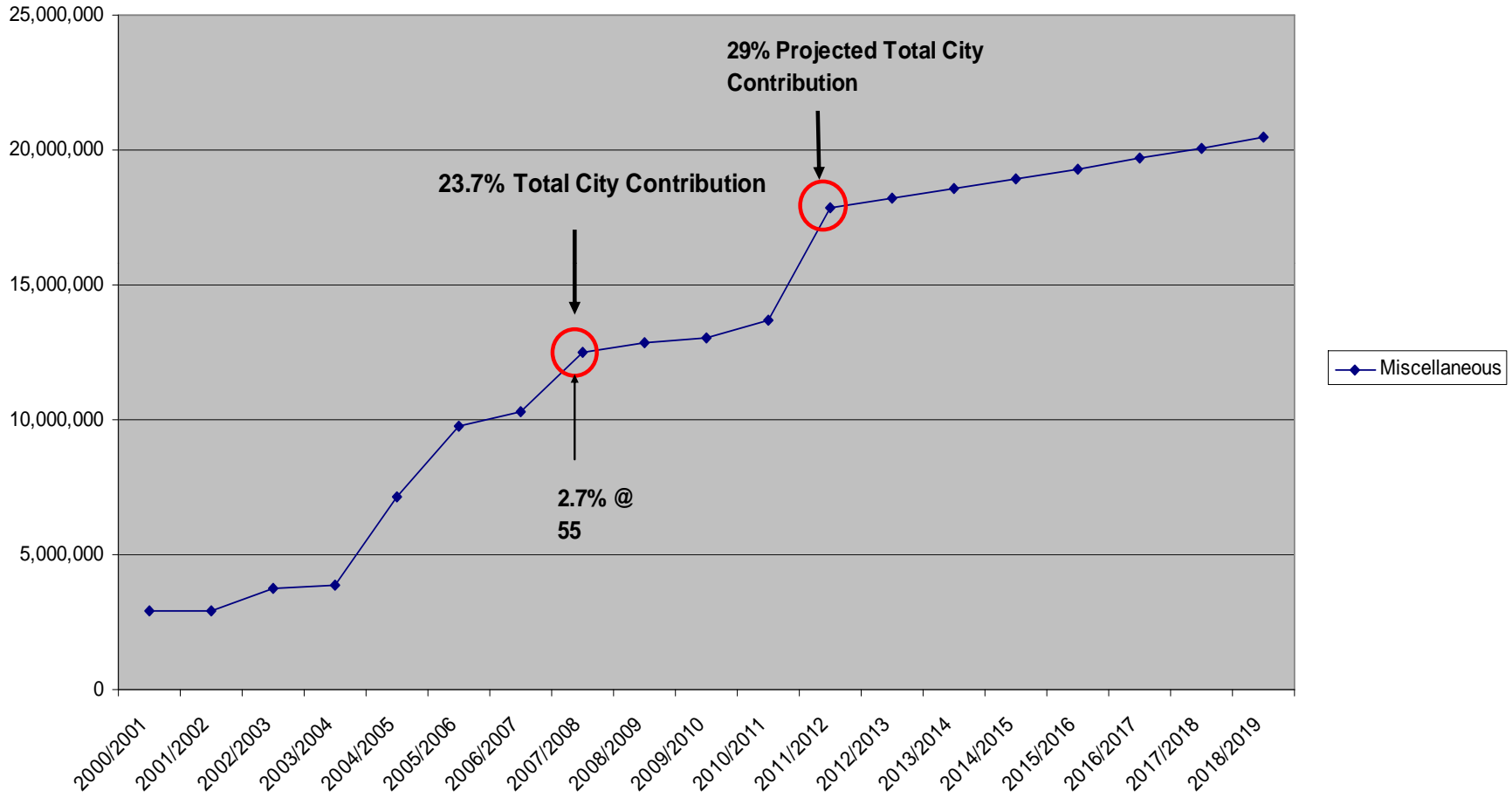
# Manage Our Personnel Costs



# PERS Increases

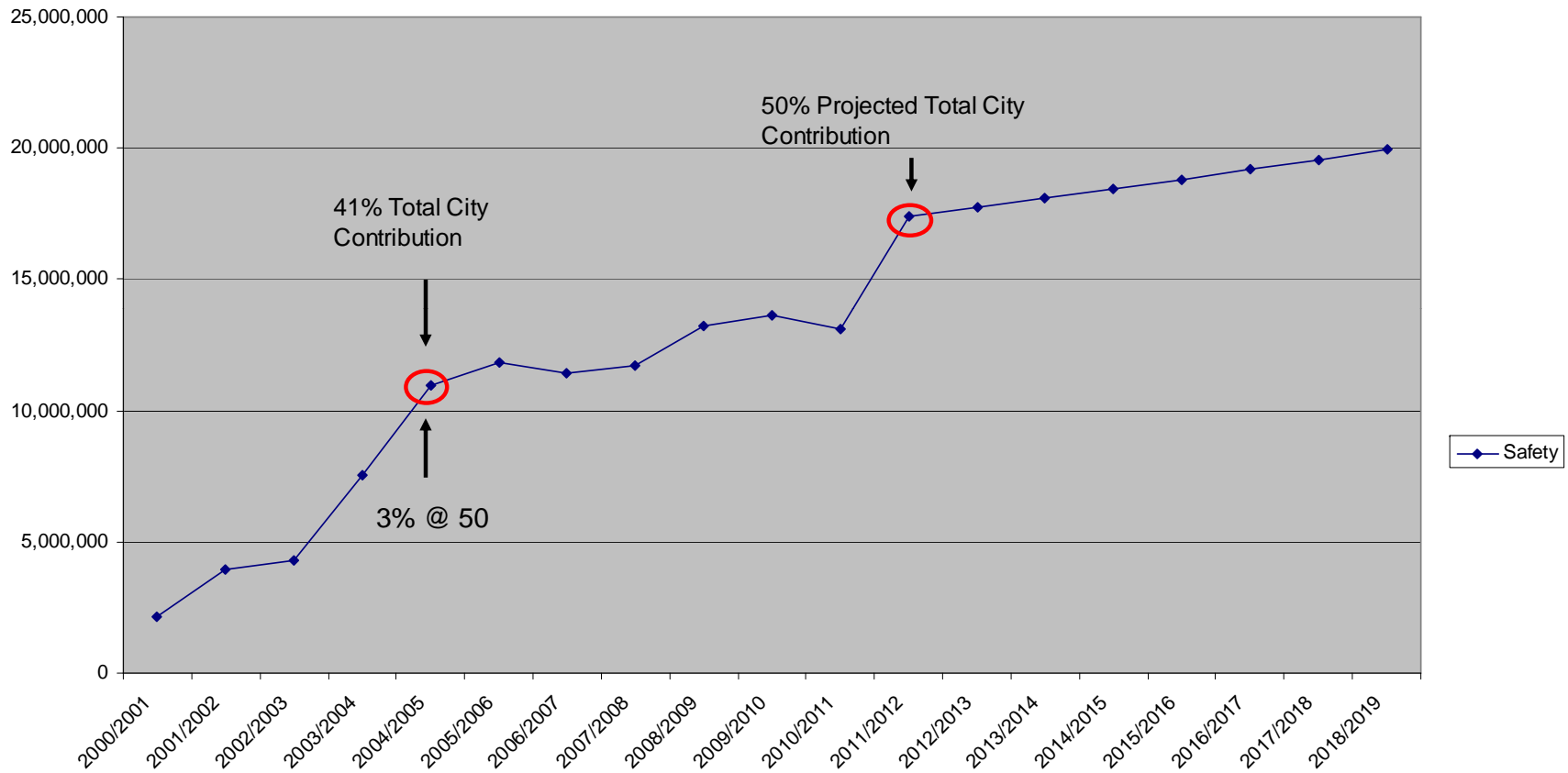
- PERS investment losses will increase City's annual employer contribution rates starting in FY 11/12
- Additional \$8.2M annually City-wide
  - \$5.4M General Fund

## Historical and Projected PERS Costs - Miscellaneous





# Historical and Projected PERS Costs - Safety



# \$13 Million Structural Deficit

- Strategies for closing the budget deficit:
  - Draw down the Service Level Stabilization Fund (RAP) by \$32M over the next 7 years
  - Implement \$2.5M of operational efficiencies
  - Reduce personnel costs by \$9.5M annually
    - Equates to staffing, salaries, services, retirement, medical, and/or other benefits
  - Identify an additional \$1.0M in unanticipated revenue increases or expenditure reductions annually

Additional revenues  offset expenditure reductions

# Sunnyvale Works



*Creating jobs right at home*

# Investing In Our City -- Our Future

- City in position to stimulate Sunnyvale's economy by investing in our assets
  - Good time to be a buyer
  - **Dedicated** funds available for parks, streets, and utilities infrastructure projects
    - Requires strategic thinking about our assets
    - Considers accelerating capital projects
    - Looks beyond maintenance of existing facilities/ capital
    - Encourages spending now to save later

# We Can't Manage the Unforeseeable

Capitalize on Every Opportunity

Cut Through Bureaucracy

Commitment

Imagination

Flexibility

**THERE IS NO ONE ANSWER**