



FY 2011/12 Budget Workshop

June 2, 2011

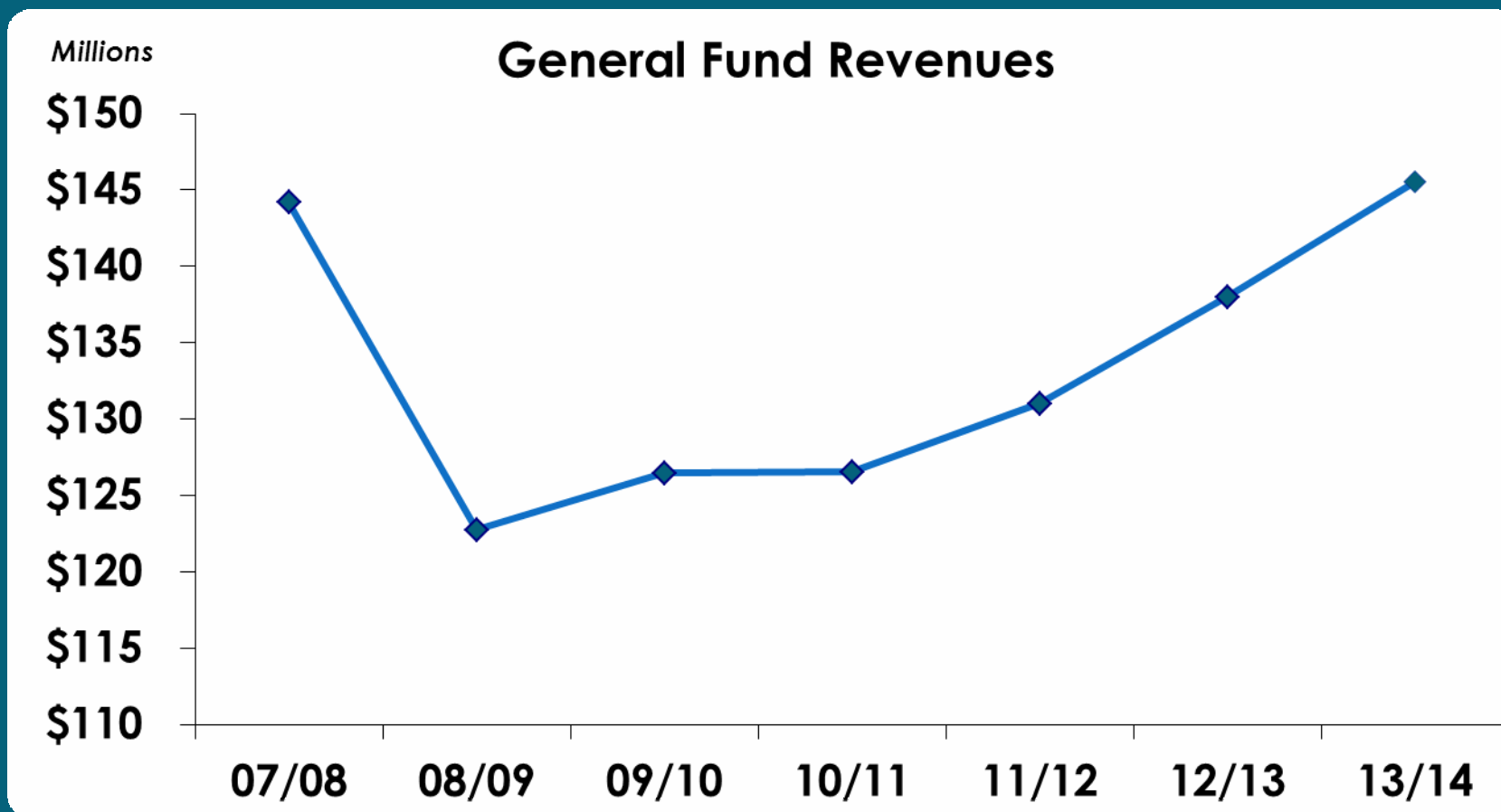


“The only function of economic forecasting is to make astrology look respectable.”

- J. K. Galbraith

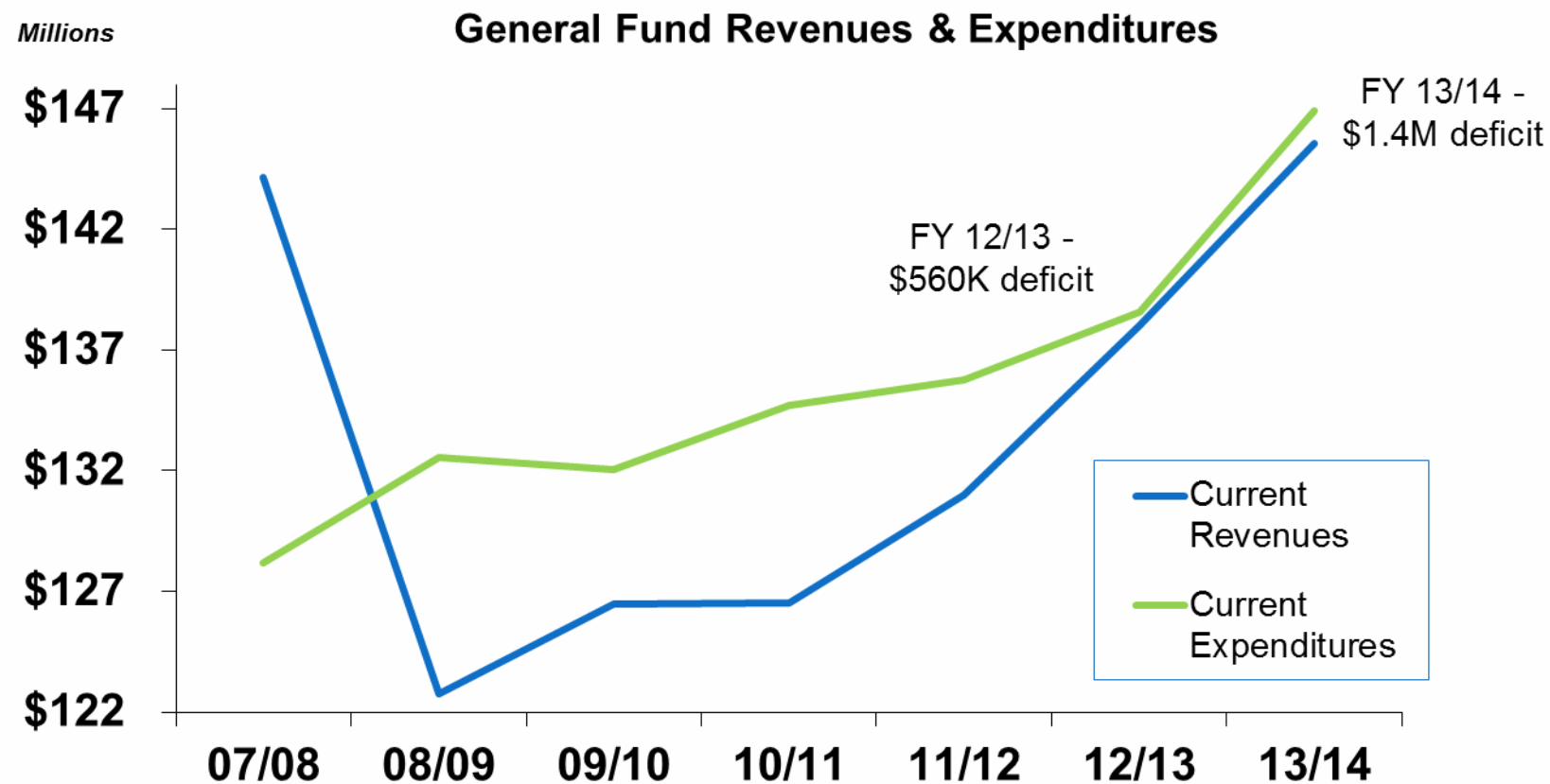


Recovery Underway



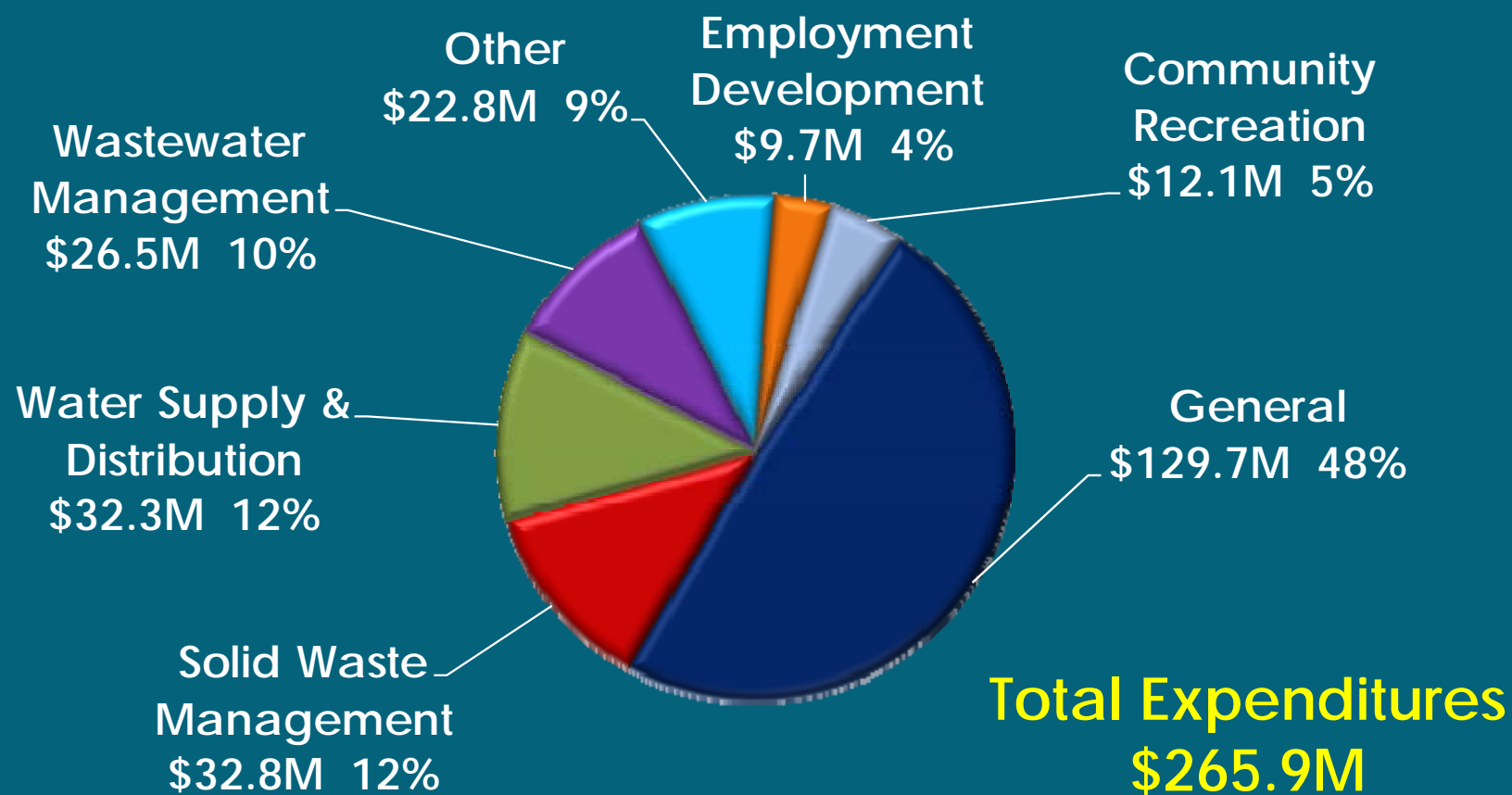


Spending Outpaces Revenues





Citywide Expenditures by Fund





Citywide Overview

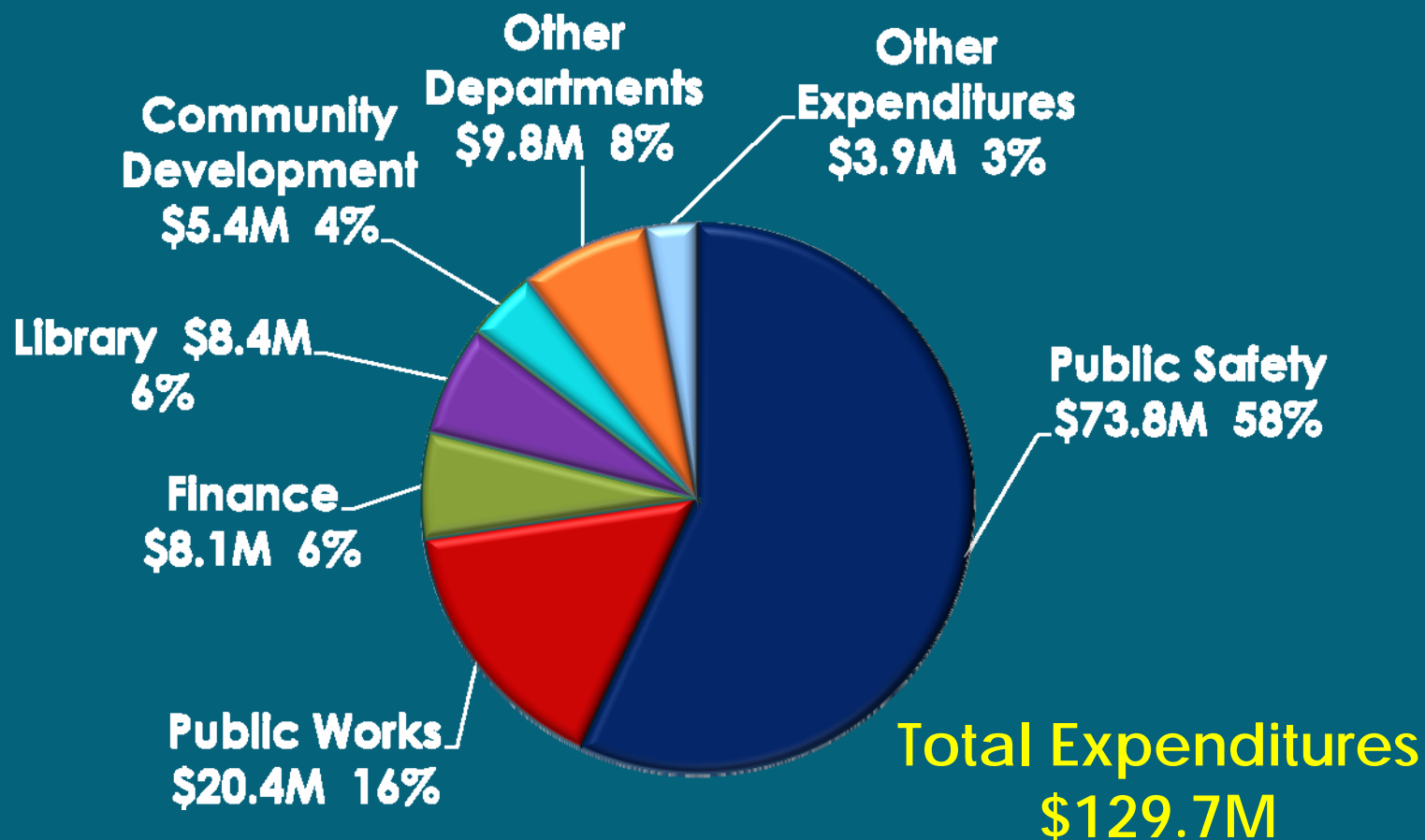
	2001	2011	Increase/ Decrease
City Population	133,215	141,099	6%
Operations Expenditures	\$157.9M	\$222M	41%
Total Full-time Employees	937	845	-10%



General Fund



General Fund Overview





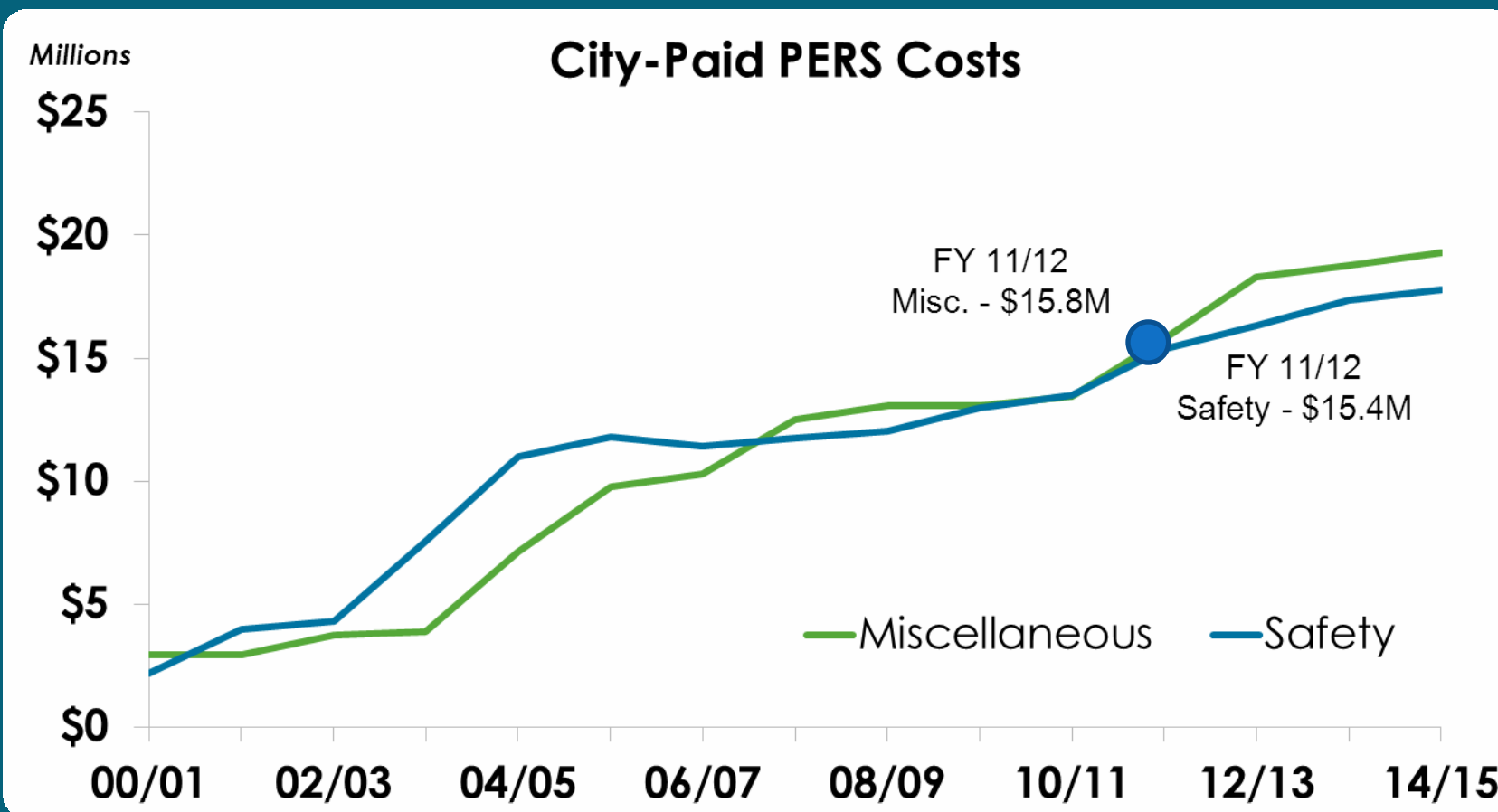
5 Key Decision Points

1. Increased City pension contributions
2. Public Safety salary assumptions
3. Miscellaneous employee compensation
4. Infrastructure investment
5. Addressing the structural deficit

Changes to these proposals alter the plan dramatically!



#1 Increased Pension Contributions

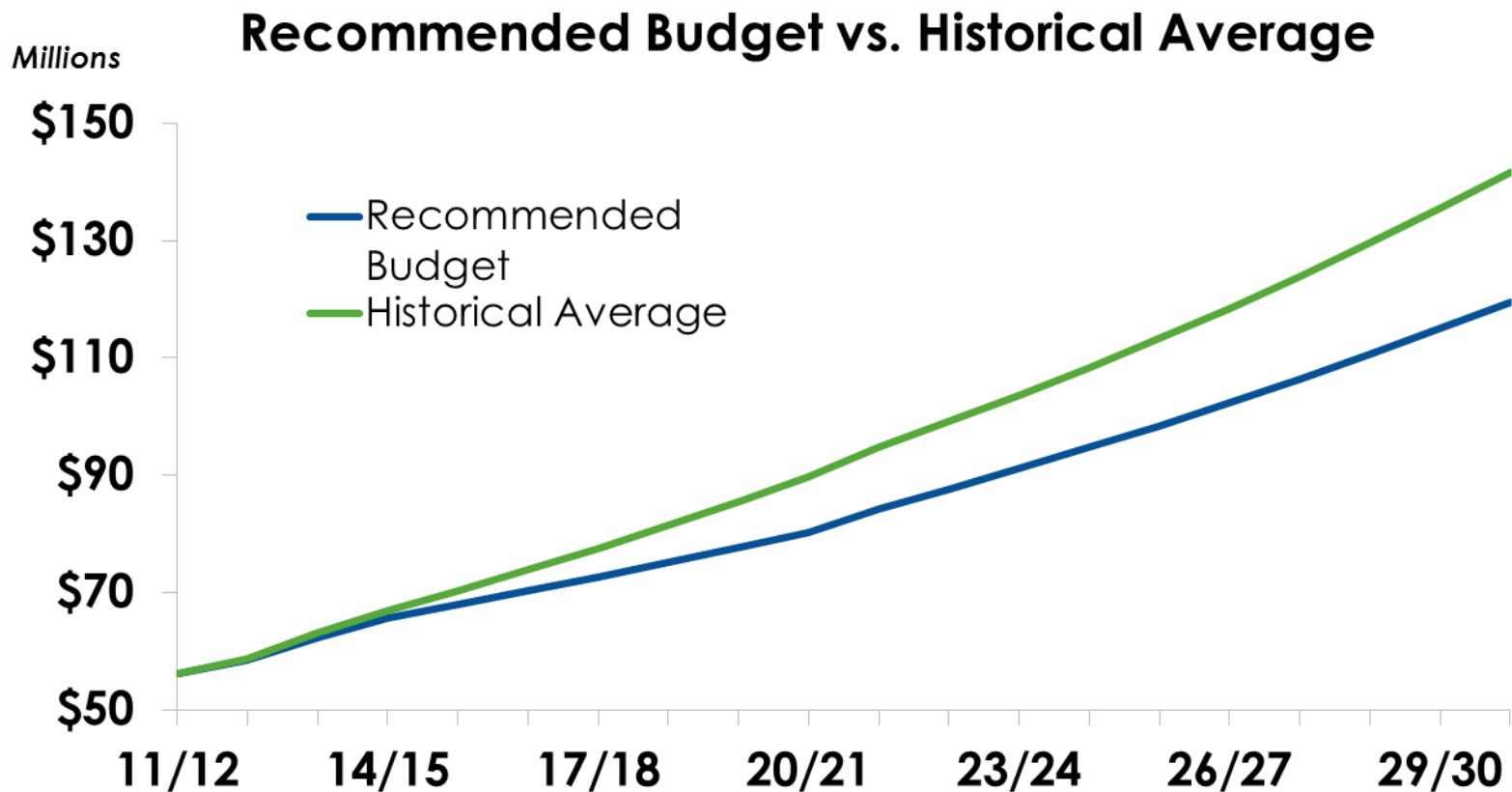




#1 Increased Pension Contributions

- CalPERS rates are not high enough
- City developed alternative pension rates
 - Short term: Higher than CalPERS
 - Miscellaneous: \$2.8M additional next 5 years
 - Safety: \$2.6M additional over next 5 years
- Benefits:
 - Less rate volatility
 - Pays off unfunded liability
 - Lower rates in long-term

#2 Public Safety Salary Assumptions





#2 Public Safety Salary Assumptions

- Concessions from PSMA and PSOA budgeted
- Salary survey leaves City vulnerable
- If historical annual increases occur
 - \$194 million additional compensation over 20 years
 - Budget Stabilization Fund exhausted in FY 2017
- Key assumption in budget: Modification to Safety salary survey when contract expires or earlier if possible

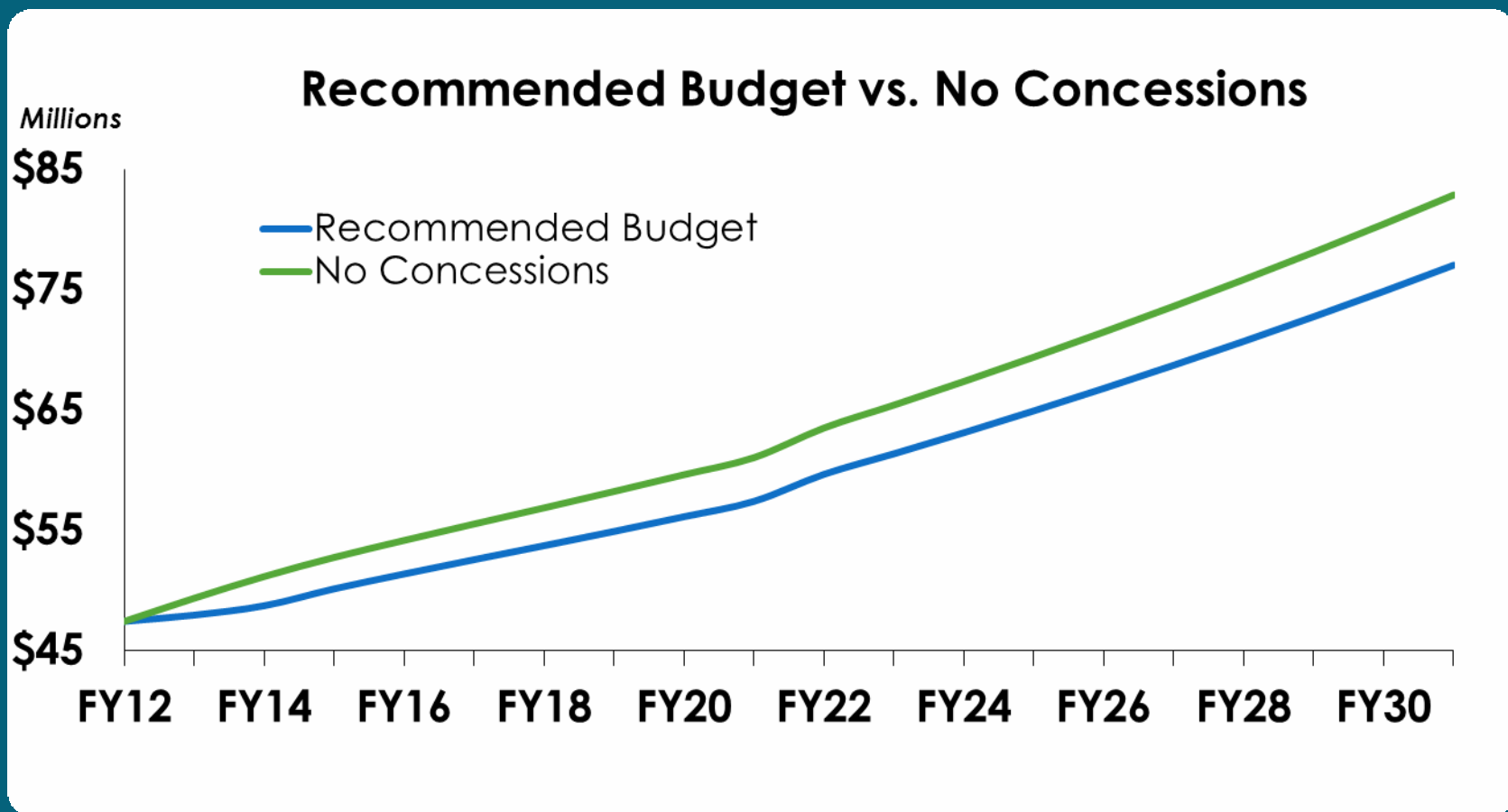


#3 Miscellaneous Employee Compensation

- Concessions from SMA in 2011
 - 2% contribution + 2 "zero years" + two-tier
- Budget assumes same concessions from other bargaining units
 - If not, \$73 million additional over 20 years
 - Budget Stabilization Fund exhausted in 2017



#3 Miscellaneous Employee Compensation Assumption





#4 Infrastructure Investment

- Included in Recommended Budget
- \$28M over 20 years
 - Represents cost to get Pavement Condition Index (PCI) back to 80 and maintain
- Does not address other needs
 - No funds set aside for other infrastructure/facilities



#5 Addressing the Structural Deficit

- It's just arithmetic...the numbers don't add up
- Annual expenditures > annual revenues
 - By average of \$2.4M annually over next 10 years
 - Expenditures growing faster than revenues
- Contingency Reserve grows \$9.1M to \$32.6M by 2021
 - Due to increasing operations costs

Expenditures Grew Faster than Revenues

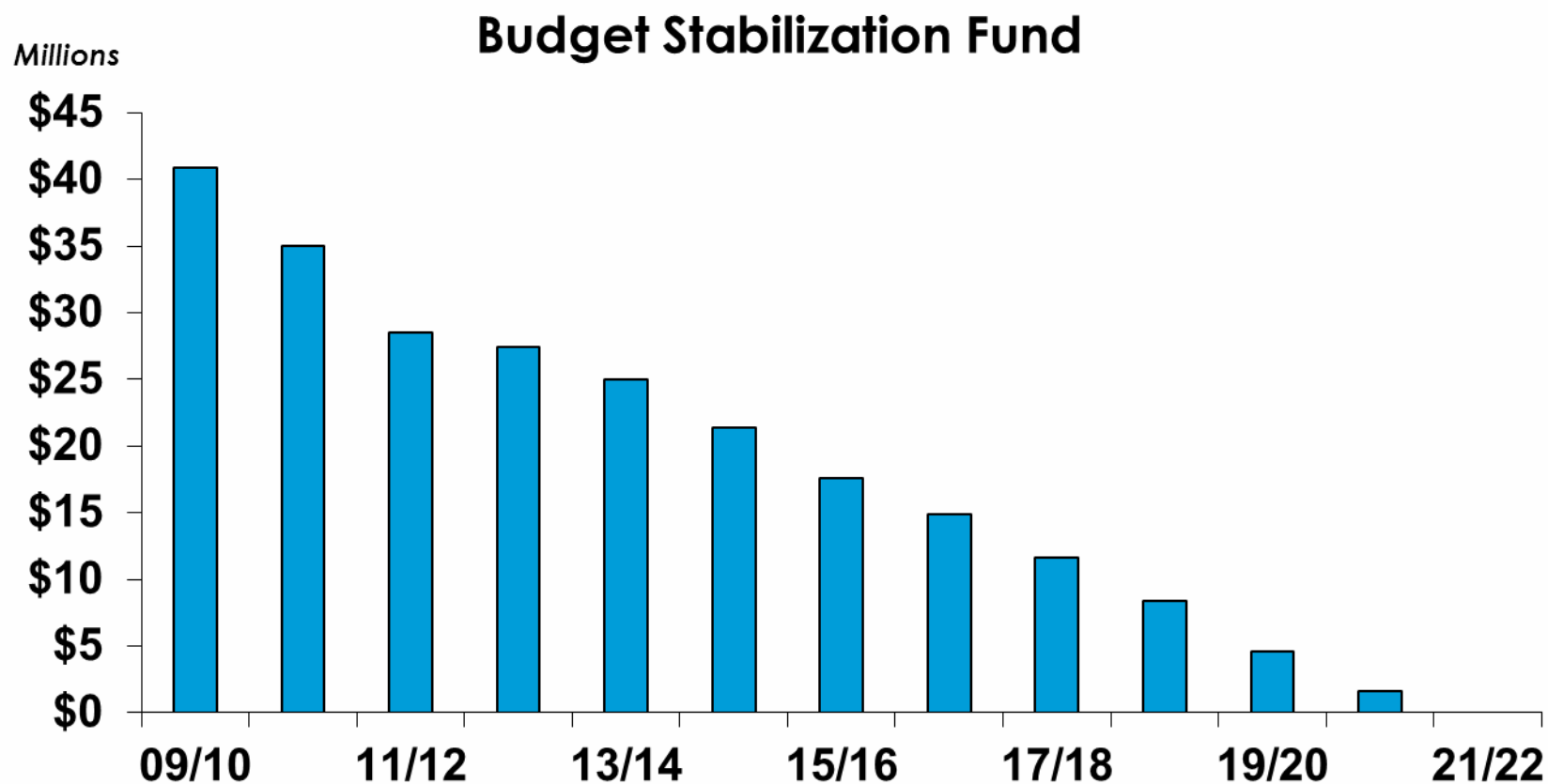


Fiscal Year	Property Tax	Sales Tax	Compensation
2000/01	\$20.4M	\$36.3M	\$58.5M
2001/02	\$22.8M	\$25.8M	\$62.6M
2002/03	\$23.9M	\$22.8M	\$70.2M
2003/04	\$23.6M	\$23.5M	\$73.2M
2004/05*	\$23.9M	\$24.9M	\$80.1M
2005/06	\$25.9M	\$28.4M	\$86.6M
2006/07	\$27.0M	\$30.9M	\$88.8M
2007/08	\$29.3M	\$29.7M	\$90.9M
2008/09	\$31.8M	\$25.1M	\$97.2M
2009/10	\$32.7M	\$25.4M	\$96.2M
2010/11	\$31.0M	\$27.3M	\$97.7M

*In FY 2004/05, Property Tax increased due to a State revenue shift between the VLF and Property Tax. In order to compare the true growth of property tax, the shift is not reflected in this table.



Structural Deficit





Cost Savings

- \$500,000 annual savings programmed in Recommended Budget
- Budget Stabilization Fund exhausted in 2021
- Actual savings identified by departments: \$1M
- Adds 2 years to the Budget Stabilization Fund
 - Exhausted in 2023



Level 1 Cost Savings

Department	Target	Proposed Savings
Office of the City Attorney	\$7,781	\$7,884
Human Resources	\$15,030	\$168,109
Community Development	\$22,259	\$25,240
Finance	\$25,094	\$26,125
Information Technology	\$26,699	\$26,912
Office of the City Manager	\$48,212	\$219,679
Library and Community Services	\$68,705	\$113,199
Public Works	\$80,215	\$103,210
Public Safety	\$306,006	\$308,697
Total	\$600,000	\$999,055



Significant Cuts Required

- Drastic cuts required in final 10 years of plan
 - Exacerbated by loan repayments ending
 - Solid Waste - \$4.7M in FY 2022/23
 - RDA - \$11.5M in FY 2027/28
- Additional cuts now mean less drastic cuts later



Level 2 Cost Savings

- If \$2.25M in Level 2 Cost Savings achieved:
 - Budget Stabilization Fund not exhausted until 2028
 - Coincides with RDA loan repayment ending
 - Budget Stabilization Fund ends FY 2021 at \$26.4M
 - Current plan is \$1.6M
- All other assumptions must hold!
 - Most important: modifications to DPS salary survey

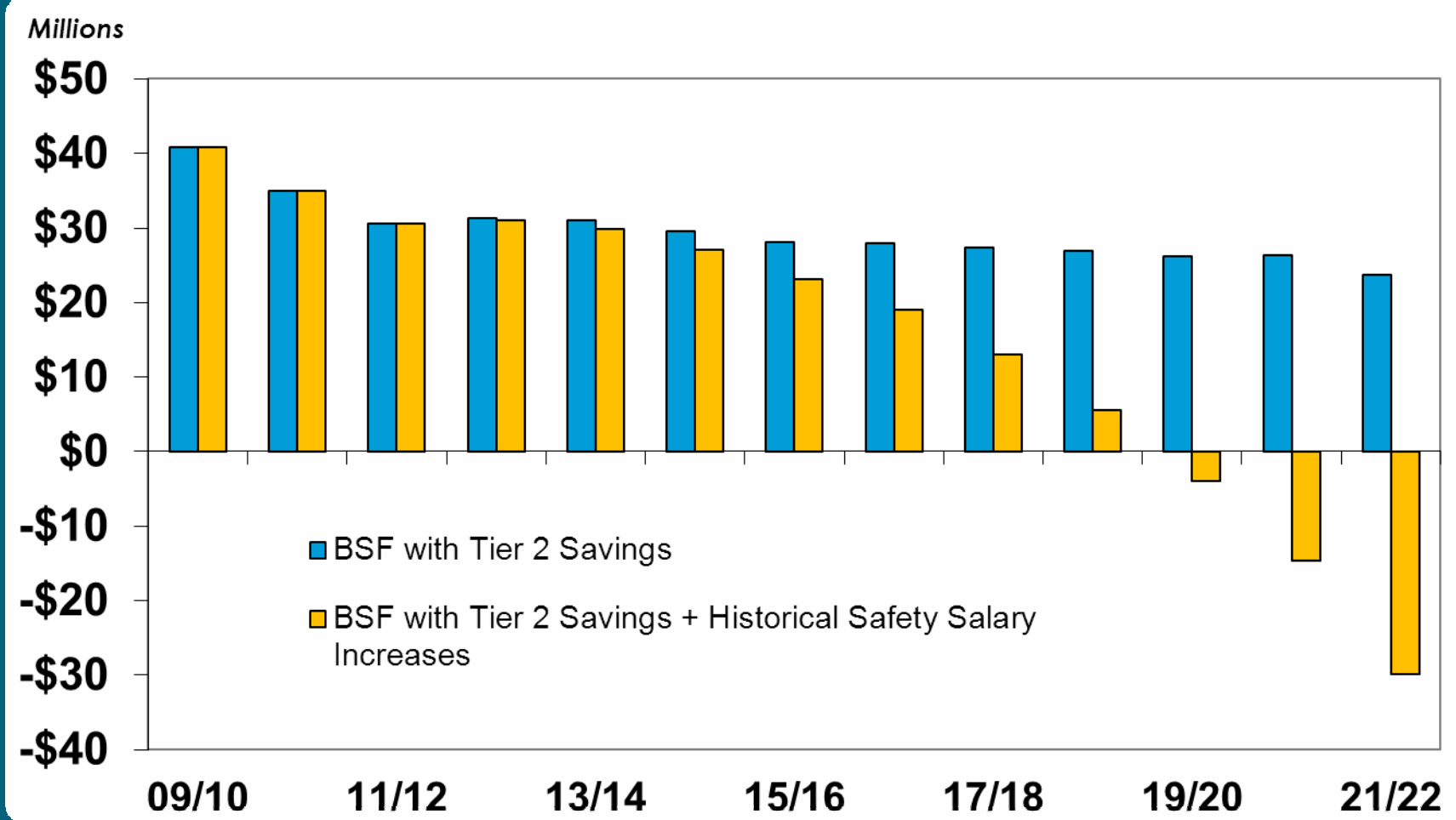


Level 2 Cost Savings

Department	Cumulative Target
Office of the City Attorney	\$29,179
Human Resources	\$56,364
Community Development	\$83,469
Finance	\$94,104
Information Technology	\$100,120
Office of the City Manager	\$180,796
Library and Community Services	\$257,640
Public Works	\$300,807
Public Safety	\$1,147,521
Total	\$2,250,000



Budget Stabilization Fund Scenarios





Other Significant Issues



Utilities Rate Increases

- Each utility facing unique challenges
 - Water: Significant increases to wholesale rates
 - Wastewater: Infrastructure needs
 - Including plant replacement
 - Solid Waste: Declining revenues
- Rate increases higher than projected

Utility Rates v. Original Projection in FY 2010/2011



Utility	Original Projection	Recommended FY 2011/2012	Change in % Points
Water	9.0%	18%	+9%
Wastewater	7.5%	5.5%	-2%
Solid Waste	7.0%	6.0%	-1%

- Average monthly utility bill will rise by 11.6%
 - Equal to \$11.44 per month



Organizational Restructure

- Public Works adds Parks, Golf, Fleet, and Facilities
- Utilities in separate department
- Library adds Recreation
- Continued civilianization effort in Public Safety
- Elimination of additional positions



Budget Supplements

Description	One time or ongoing	Cost	Funding Recommendation
Guided Neighborhood Bike Routes – First Phase	One time	\$40,000	No
Expand Care Management at Senior Center	Ongoing	Up to \$1.5M	No
Junior Achievement	One time	\$5,000	No
Leadership Sunnyvale Funding	One time	\$6,000	Yes
Community Event Grant Funding	One time	\$10,000	Yes
Neighborhood Grant Funding	One time	\$6,125	Yes
2011 Priority Study Issues Funding	One time	\$855,000	No
Pet Parade	One time	\$30,500	No