



FY 2012/13 Budget Workshop

May 17, 2012



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- Resources and expenditures are not in alignment over the long term.
- The continued use of reserves indicates a structural deficit.



- Without a major reset, our exceptional quality of life may go the way of an endangered species.

Letter of Transmittal – FY 2009/10 Recommended Budget

- Resources and expenditures are not in alignment over the long term.

Letter of Transmittal – FY 2010/11 Recommended Budget

- The continued use of reserves indicates a structural deficit.

Letter of Transmittal – FY 2011/12 Recommended Budget

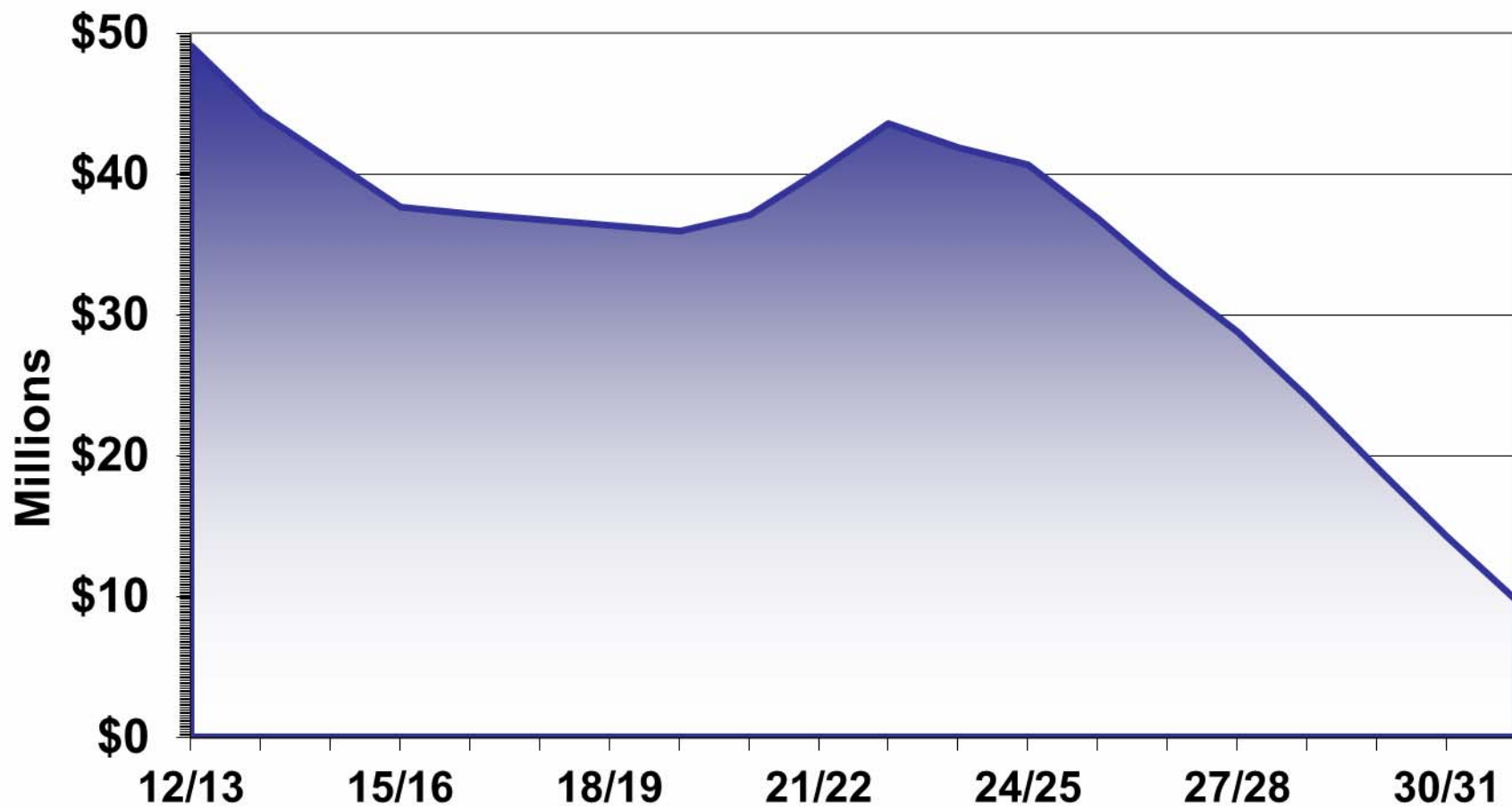


“The Council actions resetting the expenditure base for the FY 2011/2012 Budget and the better than anticipated actual results for both revenues and expenditures have resulted in a notable achievement: General Fund revenues and expenditures have come into balance for the short and long term”

City Manager’s Letter of Transmittal
FY 2012/2013 Recommended Budget

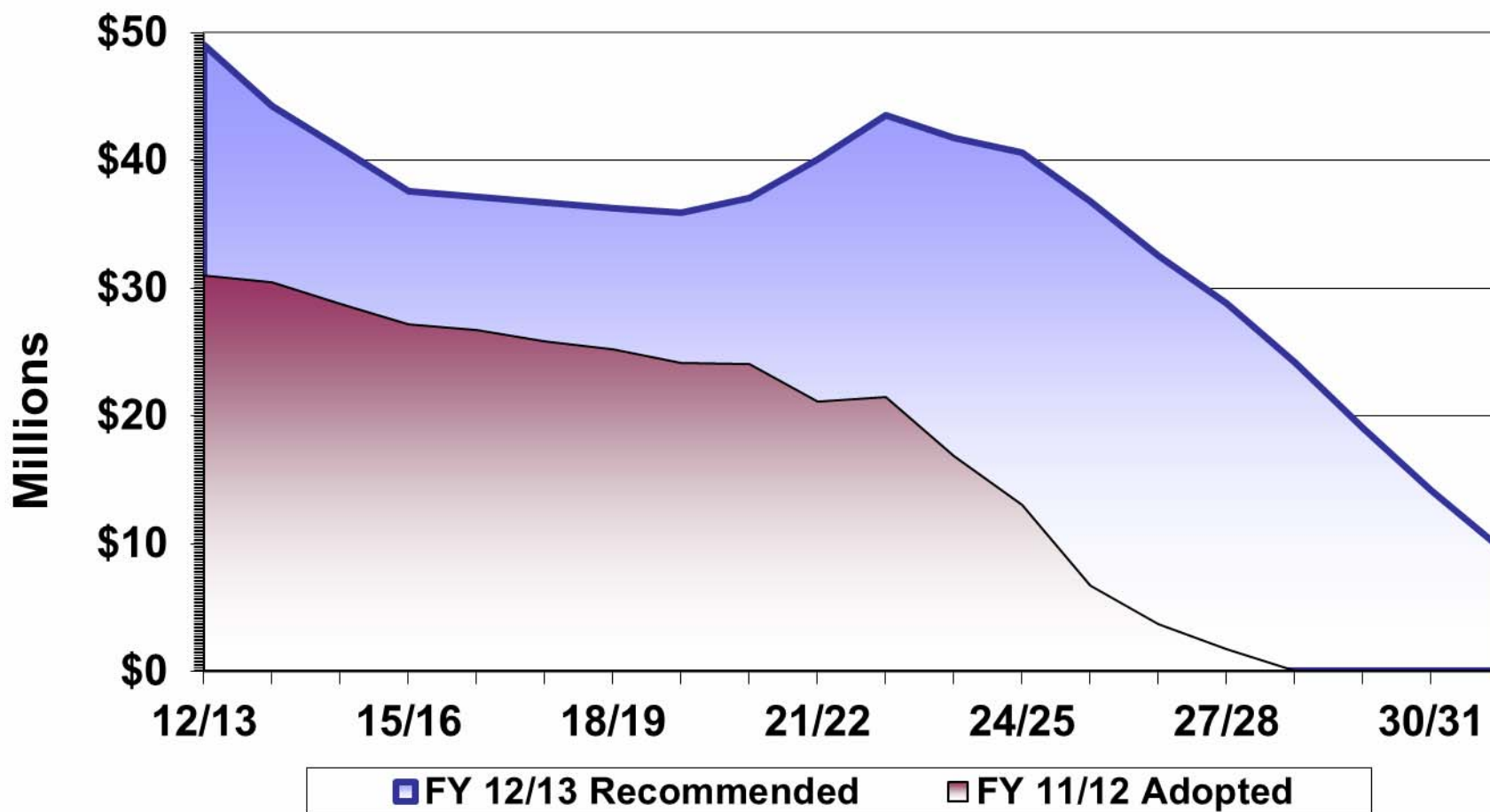


BSF – FY 2012/13 – FY 2031/32





BSF – Comparison





FY 2009/10 Actions

- Initial organizational efficiency reductions
 - 15 vacant positions eliminated
 - Reduction in Library materials acquisition
 - Reduction in overtime
 - Reduction in goods and services
- No material service-level impact



FY 2010/11 Actions

- Organizational efficiency reductions continue
 - 21 vacant positions eliminated; including 5 sworn
 - Civilianization proposal approved
 - Library staff hours reduced due to RFID
- Service levels are impacted in some areas
 - Reduction in tree trimming services
 - Reduction in concrete repair services
- Employees defer salary increases



FY 2011/12 Actions

- Level 1 and Level 2 Reductions - \$2.1M total
 - Close Library Thursday nights
 - Close Lakewood Pool
 - Reduce sidewalk, curb, and gutter expenditures
 - Reduce shopping cart removal activity
 - Vacant positions eliminated throughout City
- Employee compensation concessions budgeted
 - 2-2-2 for Miscellaneous
 - Two-tier, 3% contribution, survey adjustment for Safety



Compensation Concessions

- Accomplished:
 - PSOA and PSMA
 - 3% PERS contribution
 - Lower-tier pension for new hires
 - SMA, COA, SEIU
 - 2-2-2 Plan
 - Two years of zero salary increases
 - 2% additional PERS contribution
 - Two-tier pension program



PSOA Survey Results

- FY 2011/12 results lower than budgeted
 - 3.7% budgeted increase
 - 1.25% actual increase
- FY 2012/13 and FY 2013/14 projections reduced from last year's budget assumptions
- \$2.6 million total reduction in planned expenditures annually



Revenue Recovery

- Began in FY 2010/11
 - Sales Tax: +15%
 - Transient Occupancy Tax: +18%
 - Development-related: +40%
- Continues in FY 2011/12
 - Projected Sales Tax: +2.5%
 - Projected Transient Occupancy Tax: +11%
 - Projected Development-related: +71%



Revenue Projections

- Property Tax growth expected going forward
 - 3.5%, 5%, and 6% projected next three years
- Sales Tax and TOT: Reset base at higher level; modest growth going forward
- Development-related: Decline to historical, but higher baseline, then modest growth

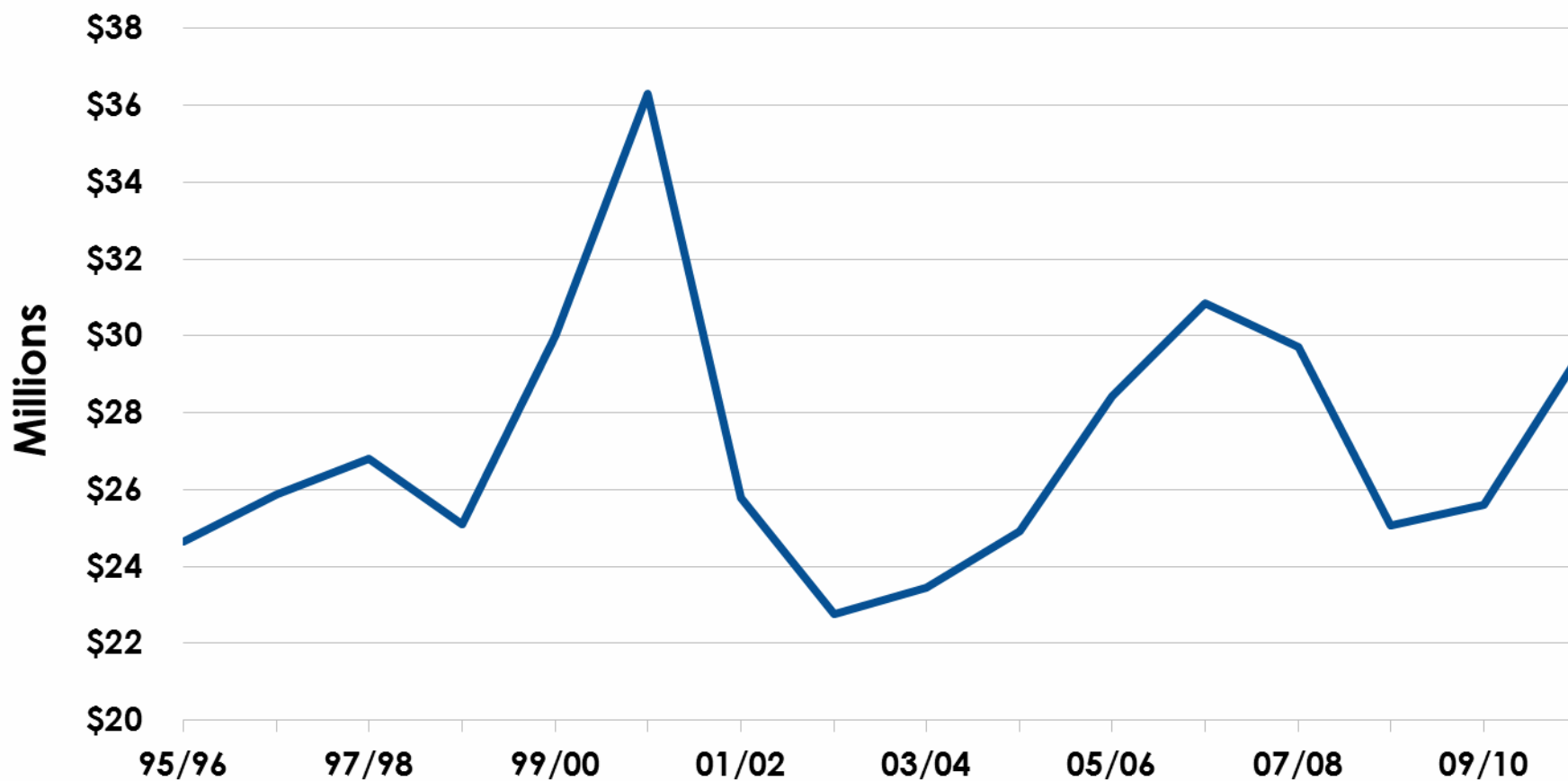
Major Revenues Inter-Related



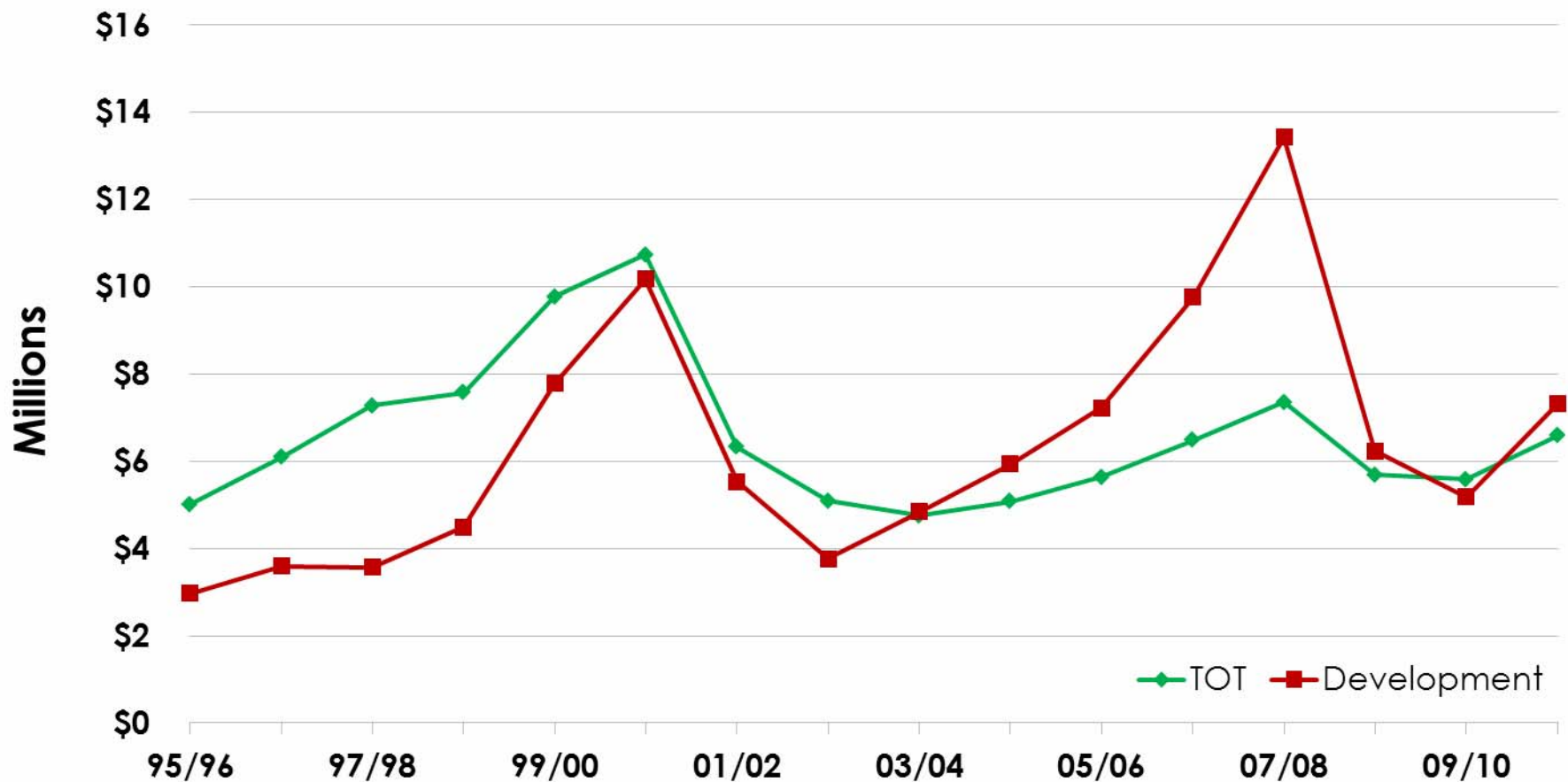
- Commercial development drives Property Tax, Sales Tax, and TOT
 - Property Tax: Higher assessed valuations
 - Sales Tax: Business-to-business transactions
 - 40% of City total; double state average
 - TOT: Hotels cater to business travelers; moves with Sales Tax
- Inter-related nature creates great opportunity, but great volatility...



Revenue Volatility – Sales Tax



Revenue Volatility-TOT and Development





RDA Dissolution

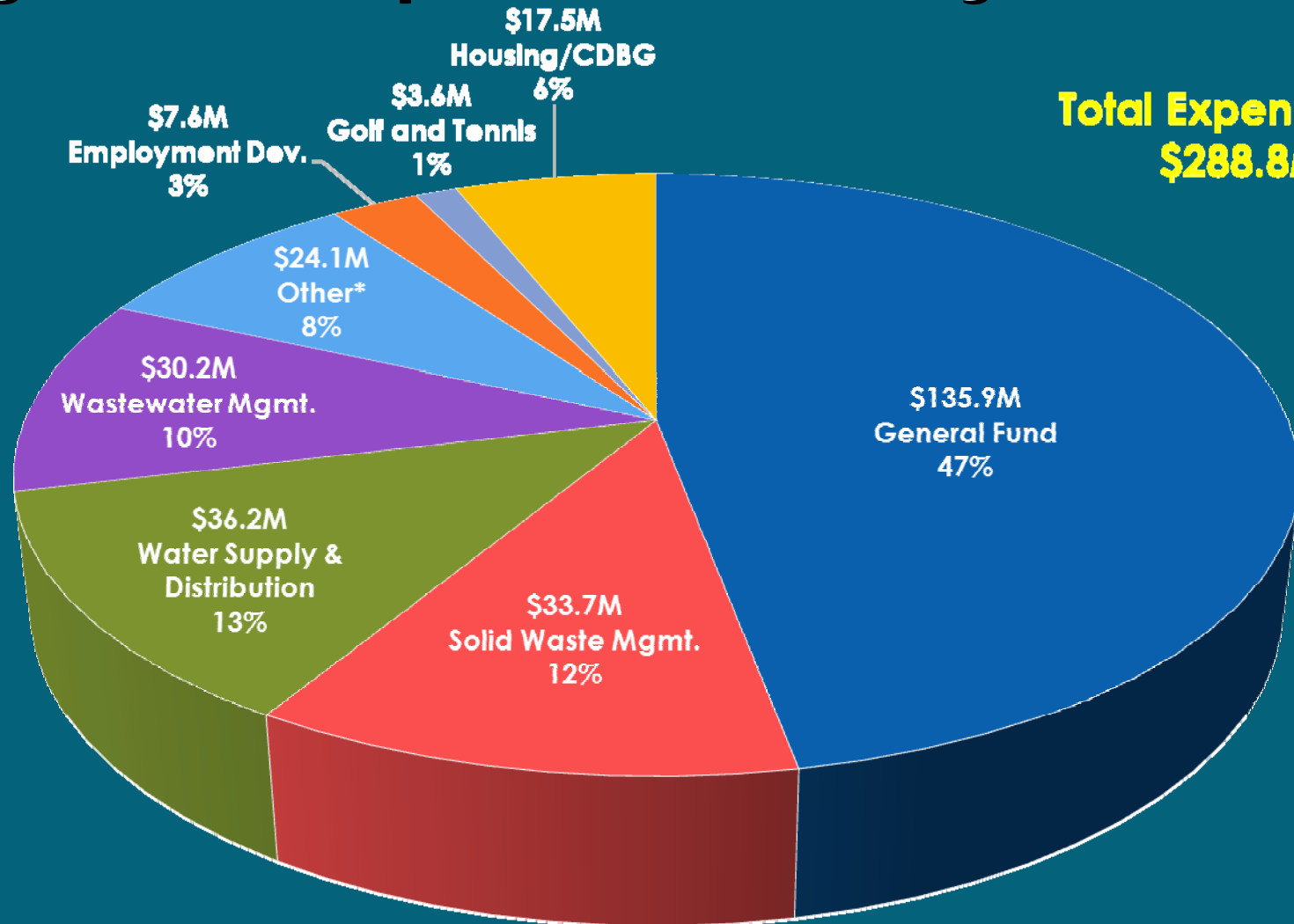
- RDA's dissolved February 1, 2012
- \$134M in General Fund Loan Repayments budgeted last year
 - \$19M assumed to be repaid
 - \$24M increased Property Tax Revenue
- Net Loss: \$91M over 20 years



FY 2012/13 Recommended Budget



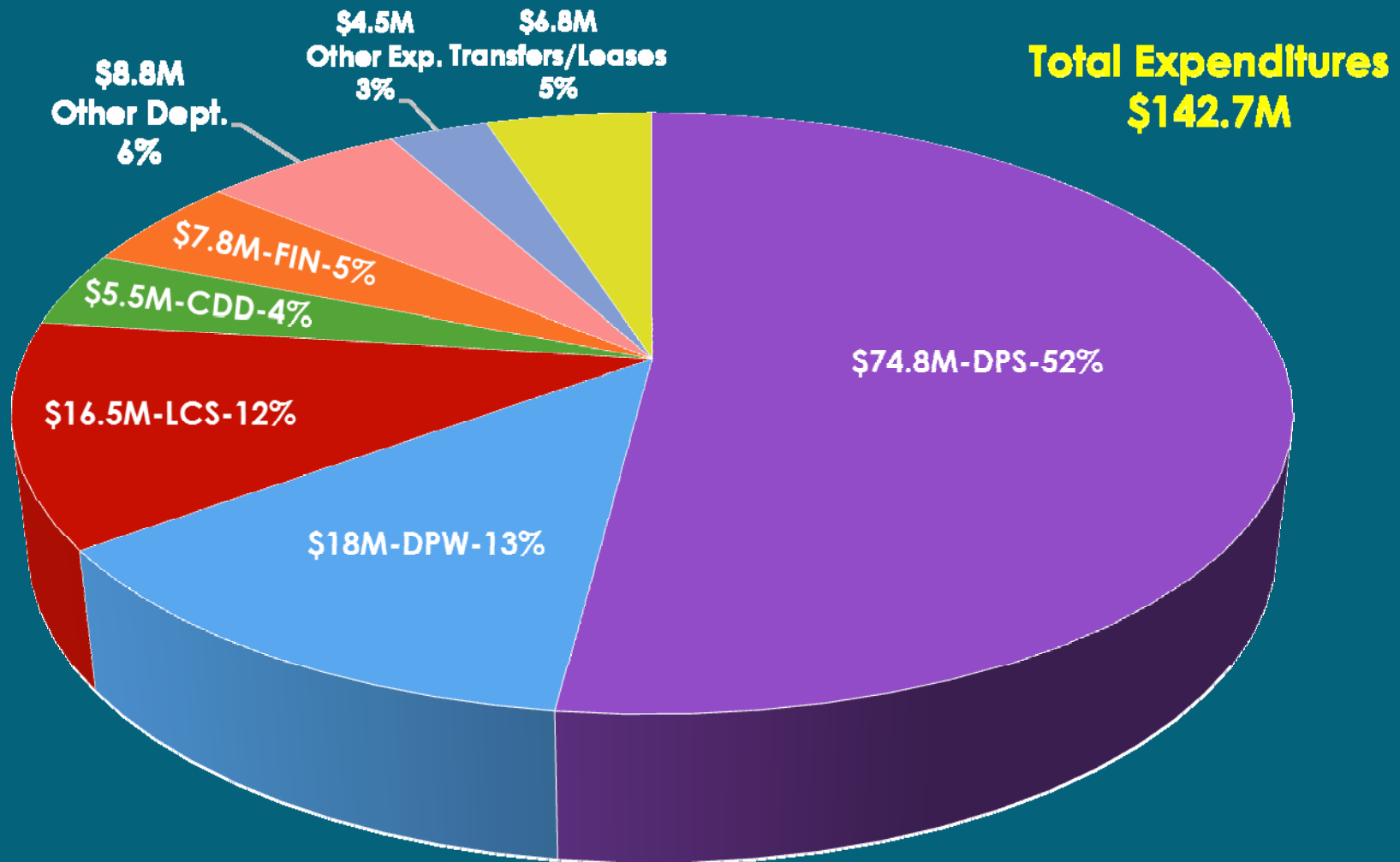
Citywide Expenditures by Fund



Total Expenditures
\$288.8M

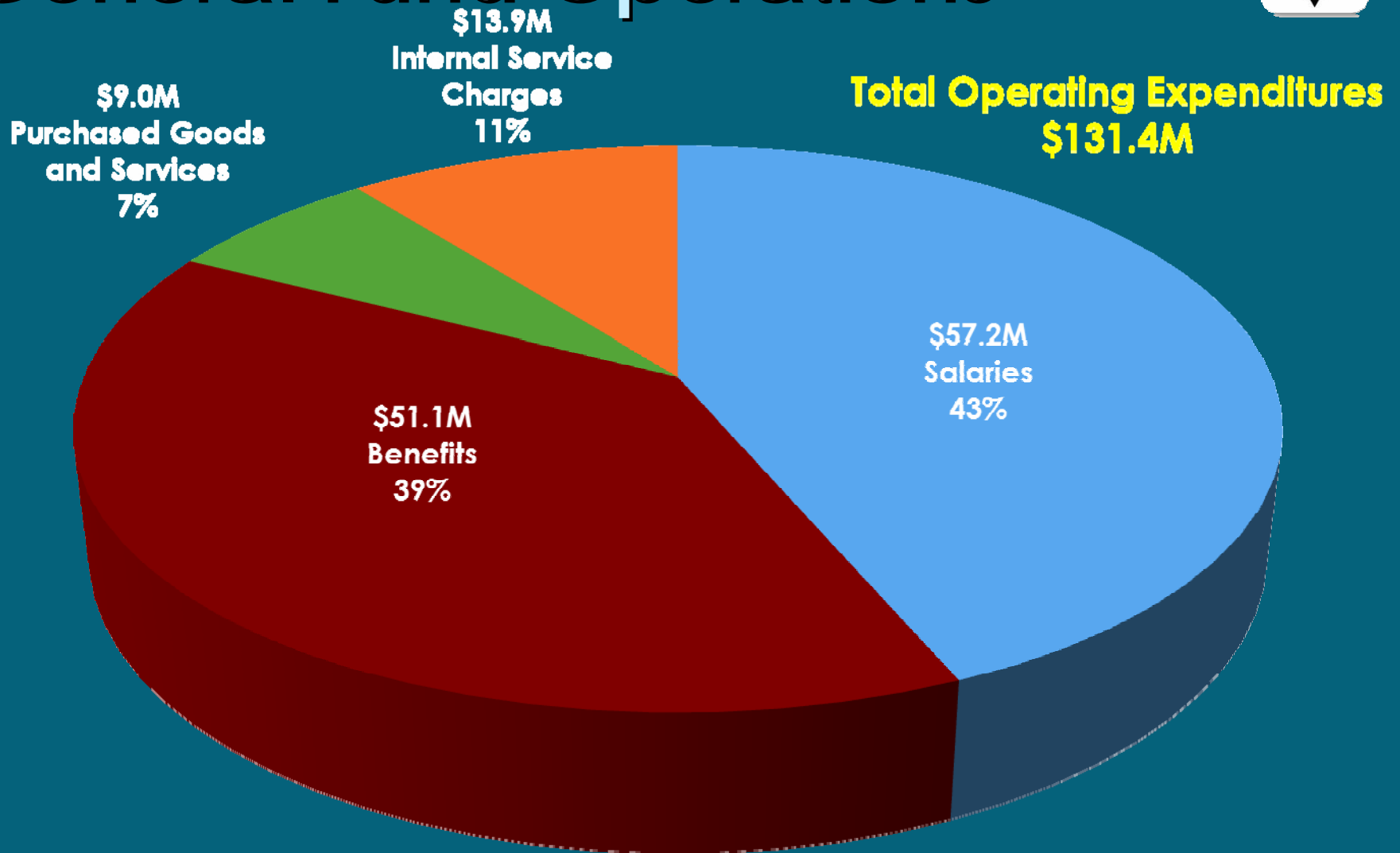


General Fund Overview





General Fund Operations



5 Key Service Level Enhancements

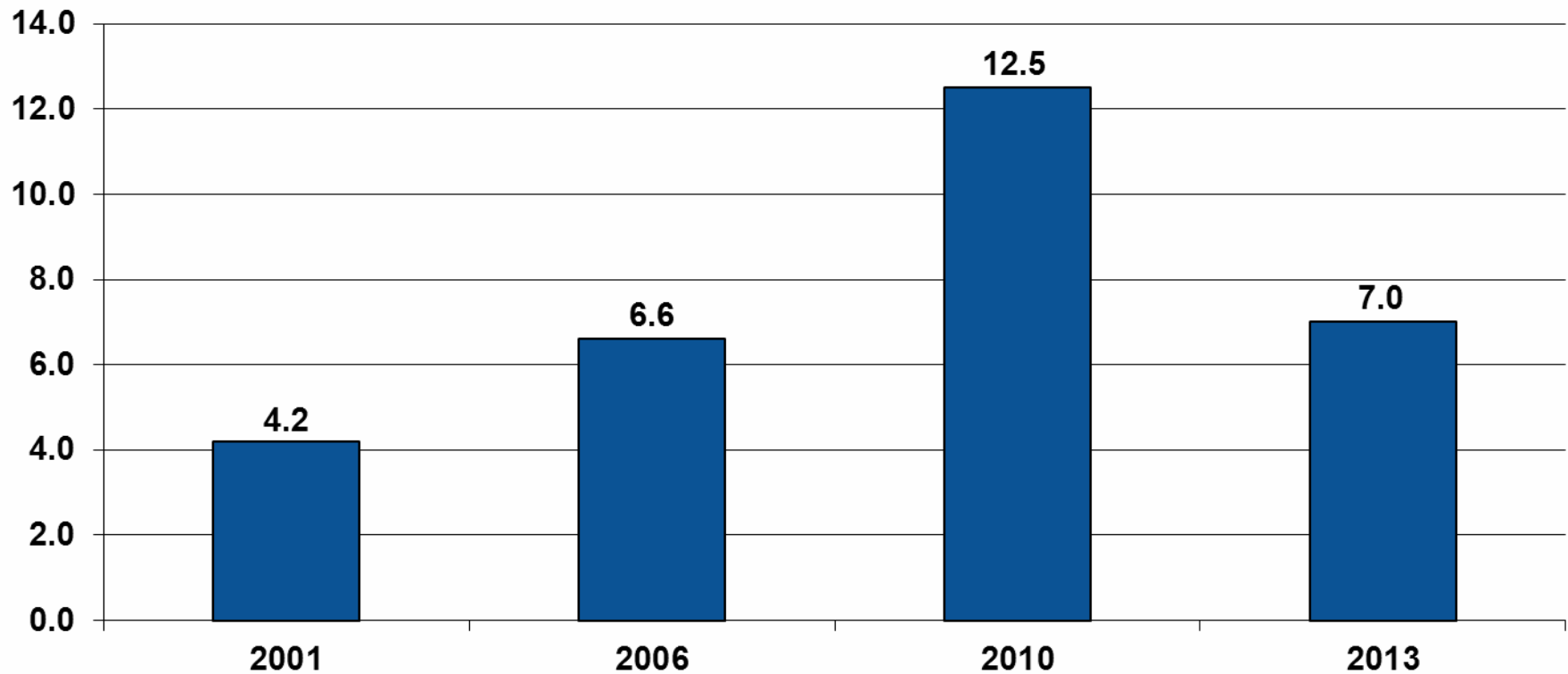


1. 7-year tree trimming cycle
2. Increased funding for sidewalk replacement
3. Road condition improvement program
4. Enhanced Library services
5. Organizational restructure

#1 7-Year Tree Trimming Cycle



Annual Tree Trimming Cycle



#2 Increased Funding for Sidewalk Replacement



- Prior to FY 2003/04 – Sidewalks inventoried and repaired annually
- After FY 2003/04 – 5 year backlog on permanent repairs
- Sunnyvale Works! and CDBG funding eliminated most of backlog
- Additional \$248,000 annually in new funding
 - Half of amount necessary to meet demand

#3 Road Condition Improvement Program



	Pavement Operations	Slurry Seal Project	Pavement Rehab Project	Additional Investment	Total Budget
09/10	\$4.4M	\$0.2M	\$0.5M	\$0.0M	\$5.1M
10/11	\$4.7M	\$0.2M	\$0.7M	\$0.0M	\$5.6M
11/12	\$4.8M	\$0.2M	\$0.5M	\$2.5M	\$8.0M
12/13	\$4.8M	\$0.2M	\$0.9M	\$2.5M	\$8.4M

Additional funding expected to return City to PCI of 80 by the end of 2014.



#4 Enhanced Library Services

- Additional \$60,000 for materials acquisition
 - Current materials per capita: 2.06
 - Countywide median: 4.21
 - Demand for materials at all-time high
 - 2001: 1.4 million items circulated
 - 2011: 2.5 million items circulated
- Modified restoration of Thursday night hours



#5 Organizational Restructure

- Creation of Environmental Services Department
- Creation of Library and Community Services Department
 - Includes recreation operations
- Reorganized Public Works Department
 - Includes golf, parks, fleet, and facilities

More effective and efficient service provision



#5 Organizational Restructure

- Restructure gets City closer to optimal staffing levels

Fiscal Year	Budgeted FTEs*
2002/03	1,060
2006/07	950
2012/13	839

- With technology and efficiencies, current levels only slightly below ideal state

* Full-time employees = 1 FTE; Part-time employees = 0.5 FTE



City Council Set Aside

- \$100,000 programmed annually for use at Council's discretion
 - Unplanned projects, services, or other initiatives
- \$10,000 already committed for Downtown Association
- \$16,125 to sustain funding for community groups
 - \$10,000 for Community Events Grant Funding
 - \$6,125 for Neighborhood Grants

5 Key Long-Term Financial Actions

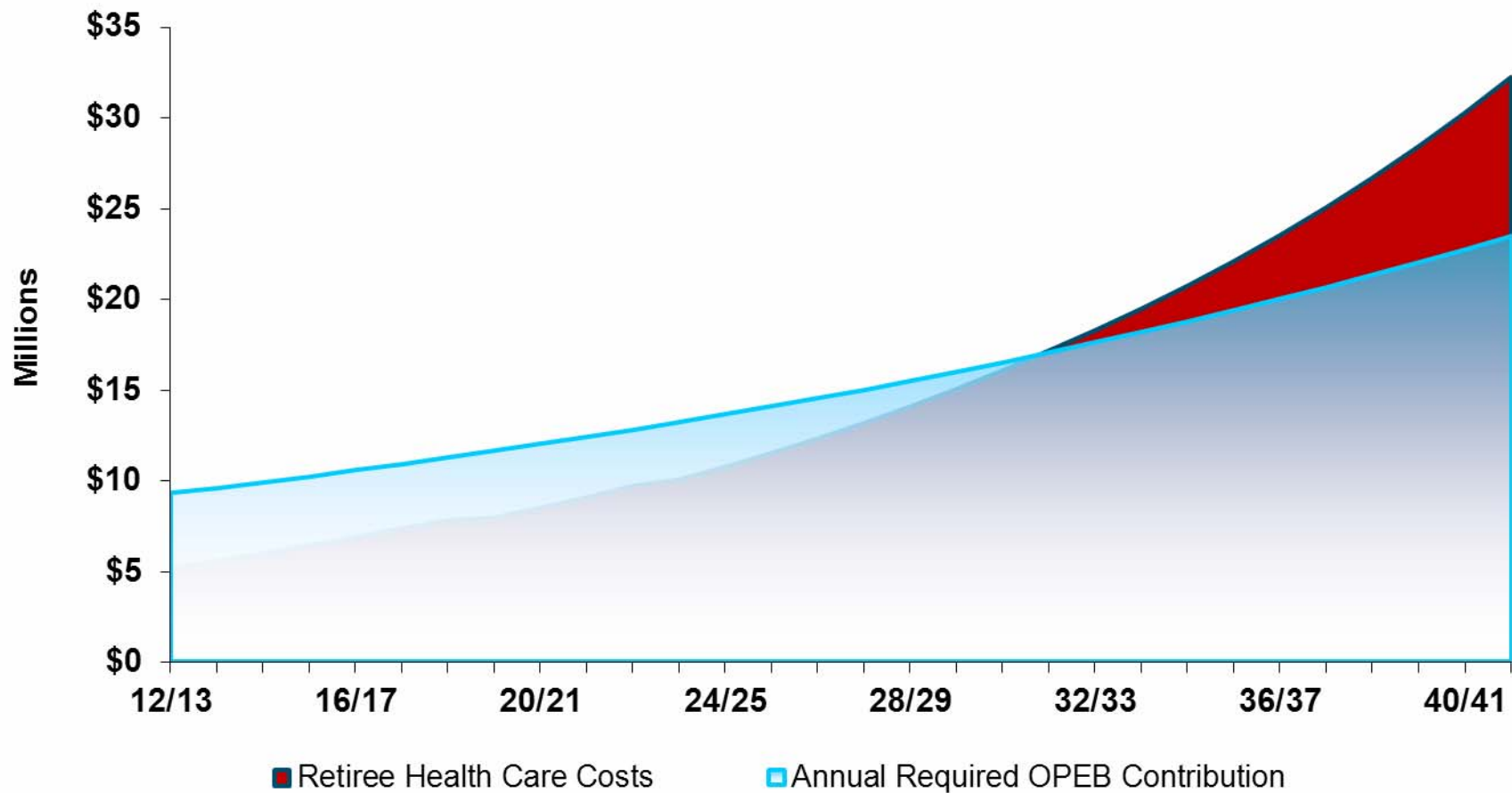


1. Funding plan to eliminate OPEB liability
2. Pre-funding CalPERS assessments
3. Self-sufficient golf and tennis operations
4. Compensation concessions
5. Set-aside for infrastructure

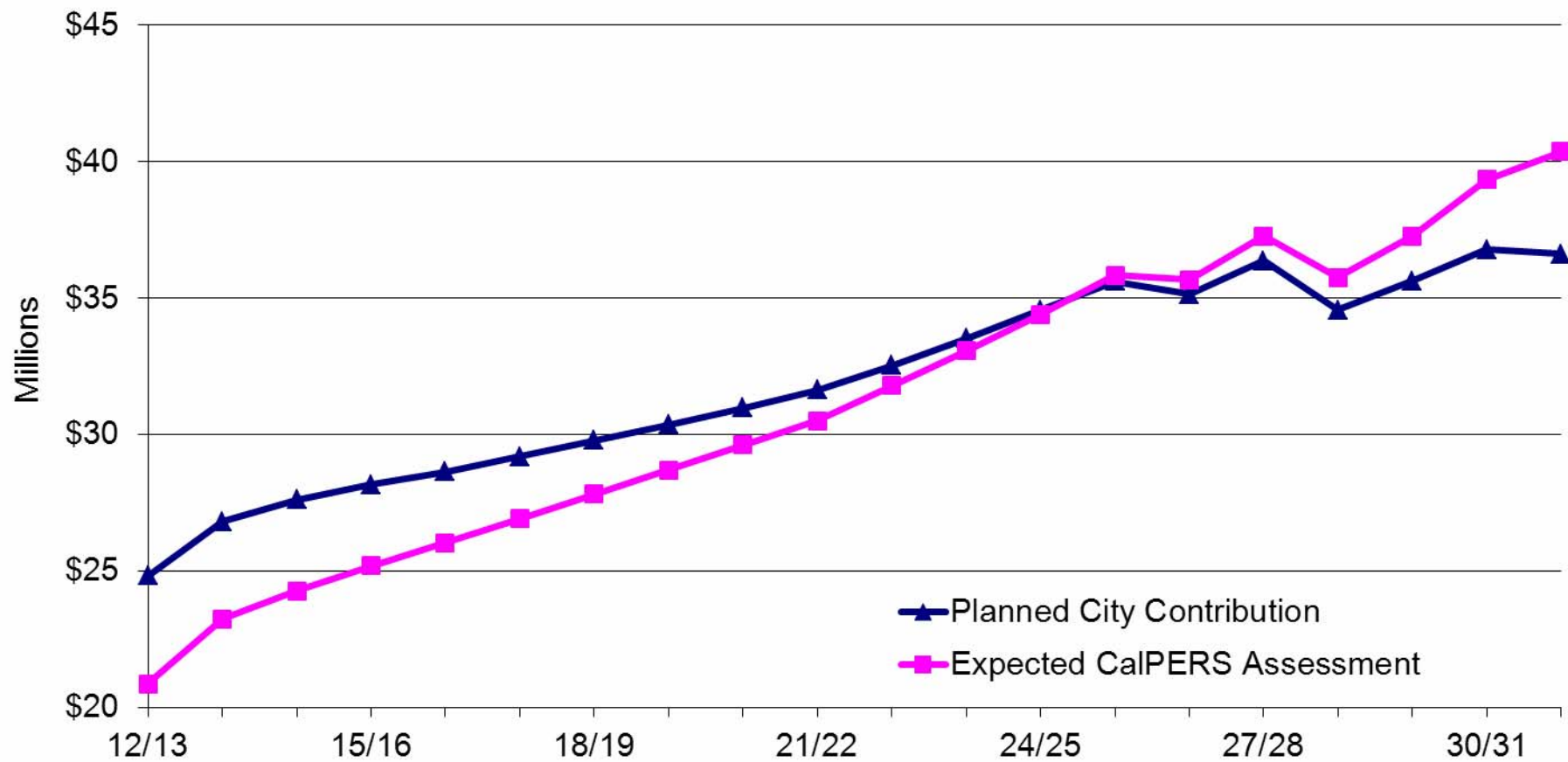
#1 Funding OPEB Liability



Projected Retiree Medical Costs



#2 Pre-Funding CalPERS Assessments



#3 Self-Sufficient Golf and Tennis



- Golf and tennis operations in enterprise fund
 - Fully self-supporting
- Existing capital funded by Park Dedication
- New capital funded by fee revenues
- Working on operational efficiencies



#4 Compensation Concessions

- Budget assumes 2-2-2 plan for SEA
 - Already adopted by SMA, SEIU, and COA
 - \$10M to \$51M impact to General Fund if SEA does not agree
- PSOA salary survey modification
 - Assumed beginning FY 2015/2016
- Continued pension reform



#5 Set Aside for Infrastructure

- FY 2011/12 Budget:
 - \$28 million over 20 years for streets improvement
 - \$12.75 million in the first five years
- FY 2012/13 Recommended Budget:
 - Additional \$30 million
 - \$1.5 million annually
- Property sales
 - Proceeds to Capital Improvements Reserve
 - Utilized for capital and infrastructure, not operations



5 Key Commitments

1. Personnel cost containment
2. Long-term funding for infrastructure
3. Funding retiree costs for sustainability
4. Strategic moves to optimal service levels
5. Commitment to a long-term solution