



FY 2013/14 Budget Workshop

May 23, 2013



“Commitment is what transforms a promise into reality”

- Abraham Lincoln



Introduction

- FY 2012/13 Budget structurally balanced
 - Five key commitments established
- FY 2013/14 Budget maintains balance
 - Significant progress on key commitments
- *There is still work to do*



5 Key Commitments

1. Manage our salary costs
2. Retirement cost sustainability
3. Optimum service levels
4. Funding for infrastructure
5. Commit to a long-term comprehensive solution and stay the course

Commitment #1: Manage Our Salary Costs



- Lower salary increase assumptions starting in FY 2009/10 Budget
- Non-sworn employees: 3 years of no salary increases since FY 2009/10
- Pending: Adjustments to PSOA survey
 - Contract expires in 2015

Commitment #2: Retirement Cost Sustainability



- Increase in employee contribution to pension
 - January 1, 2009: Non-sworn employees 1% of pay; sworn employees 0% of pay
 - July 1, 2013: All employees at 3% of pay
- FY 2013/14 Recommended Budget assumes full contribution by FY 2019/20
- Second-tier pension implemented

Commitment #3: Optimum Service Levels



- Strategic reorganization largely complete
- Seven positions added in this budget
 - Includes two Public Safety Officers
- Still not where we need to be
 - 5 - 7 more positions needed
 - Dependent on increased revenue

Commitment #4: Funding for Infrastructure



- FY 2011/12 Budget: \$28M for streets
 - Work in progress; expecting to meet goal
- FY 2012/13 Budget: \$30 million for infrastructure
 - Not appropriated for specific purposes
- Funding plan in place; need to make decision on future of administrative facilities

Commitment #5: Stay the Course



- Key commitments are interrelated
- Must stay the course to maintain sustainability
- Significant assumptions included in plan
 - Adjustment to PSOA salary survey
 - Employees paying full employee share of pension expense

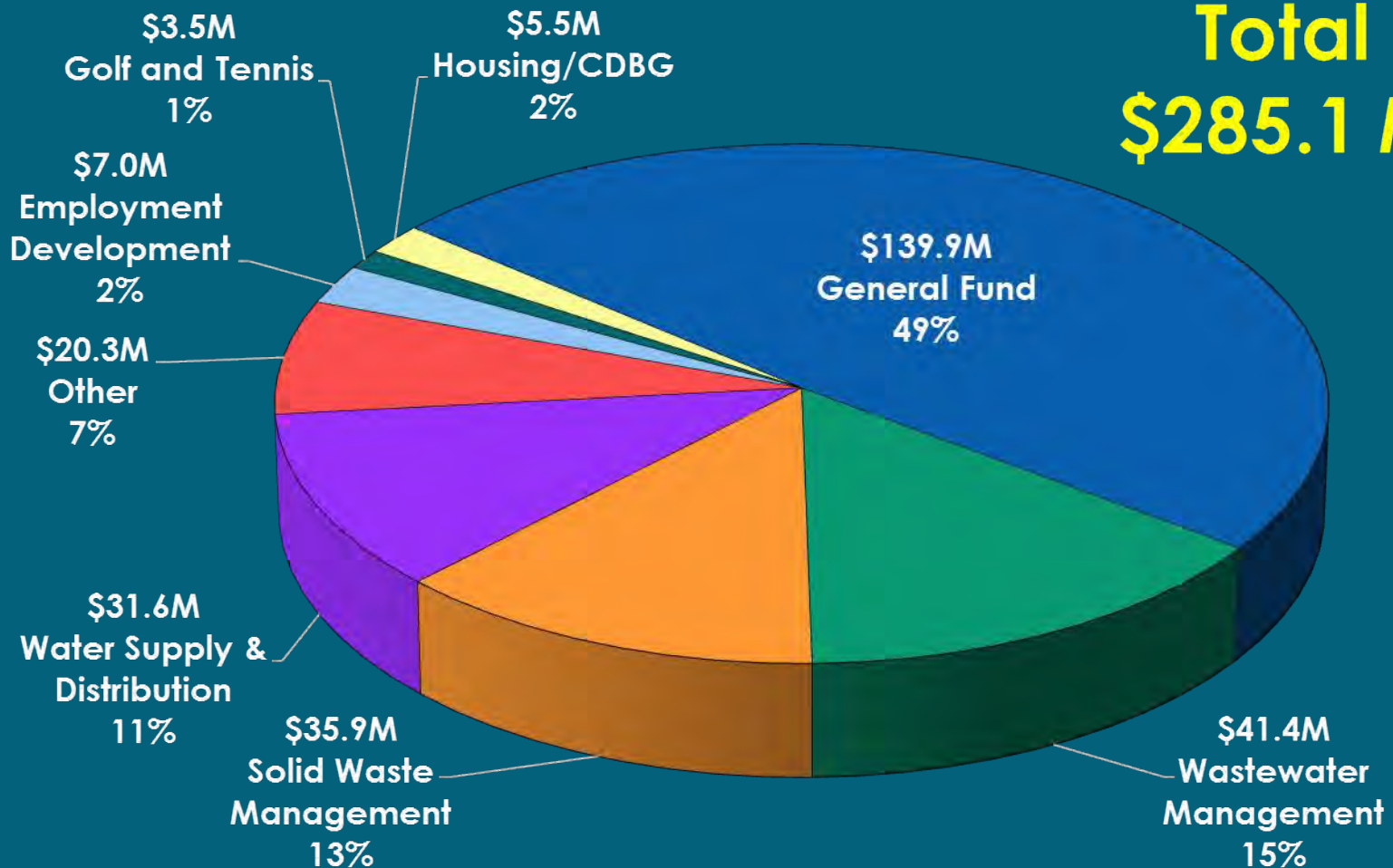


Budget Overview

Citywide Expenditures by Fund



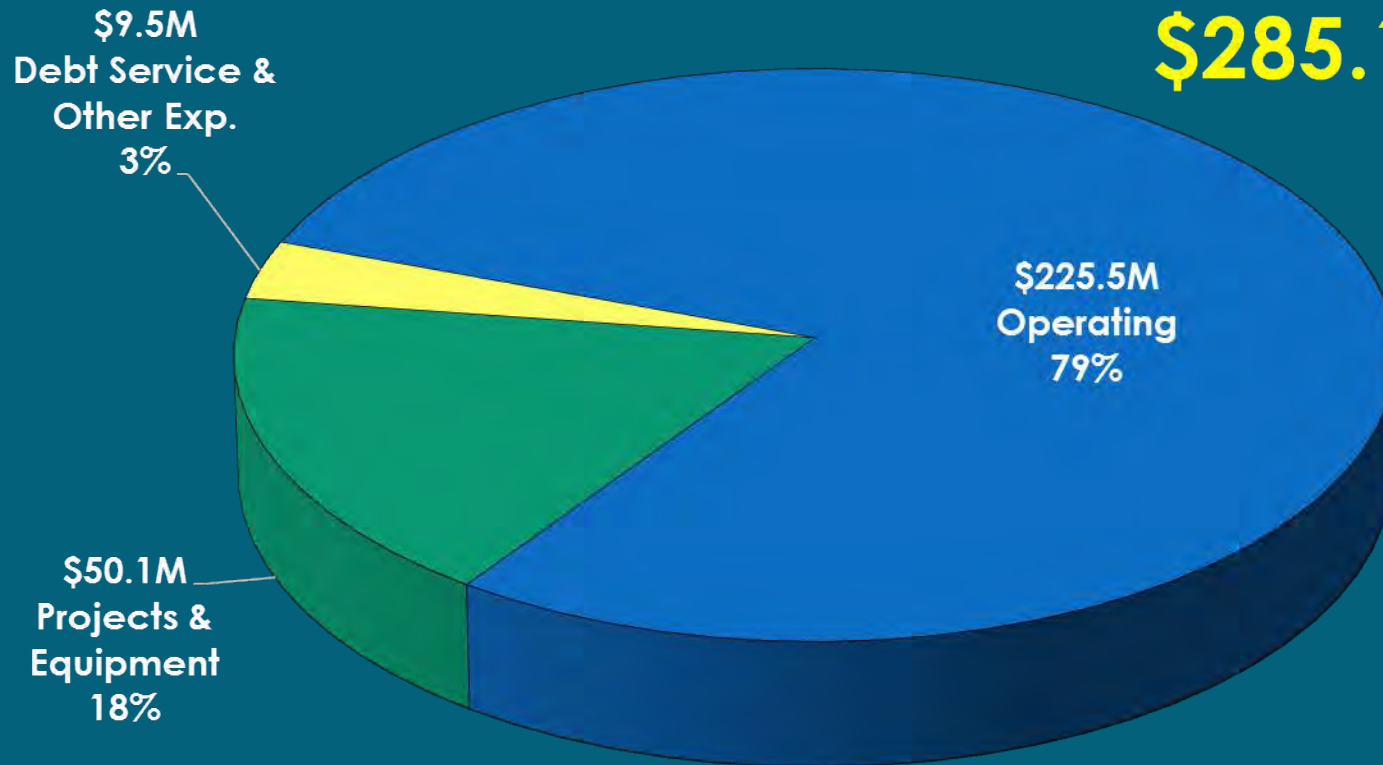
**Total
\$285.1 M**



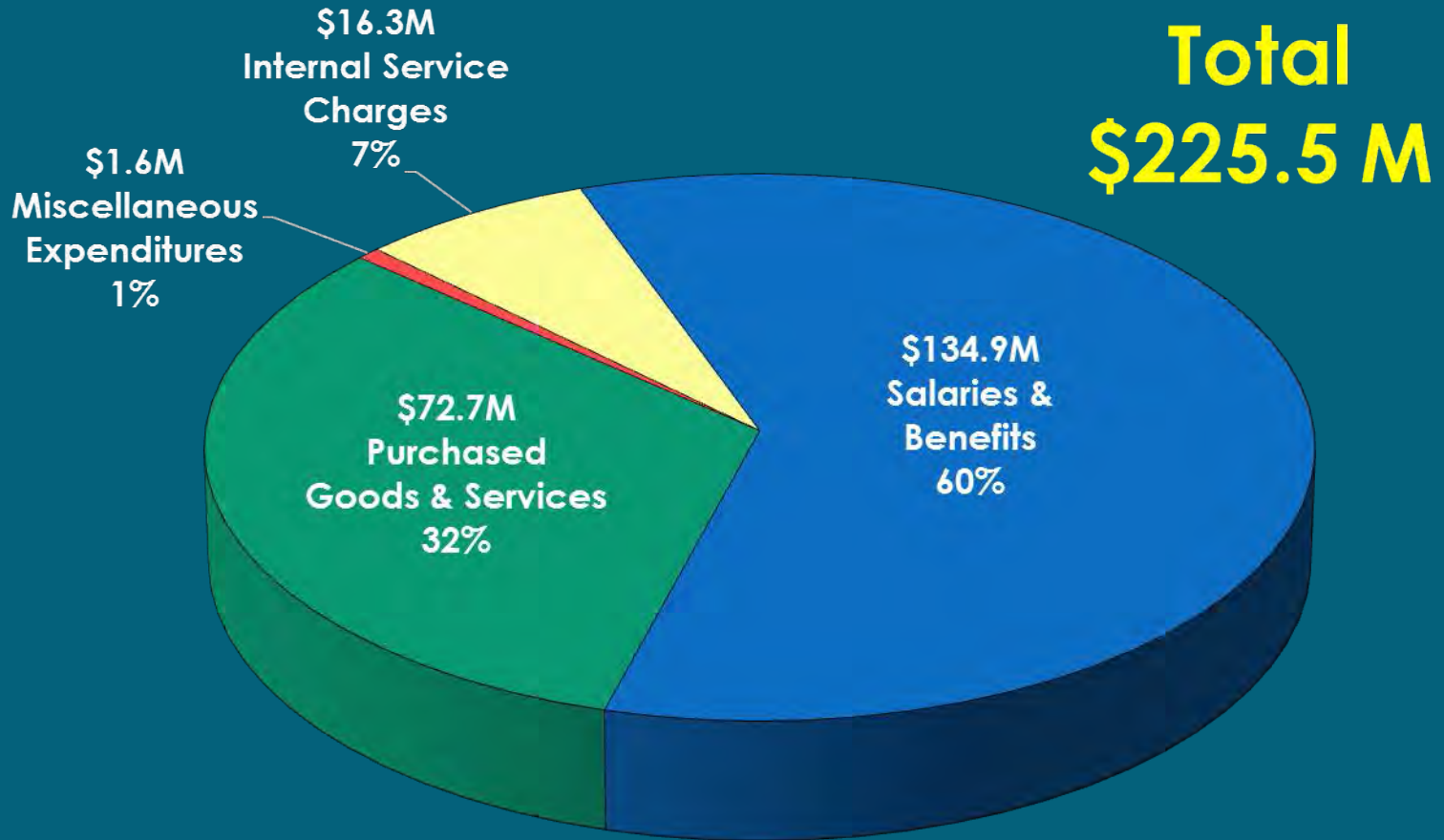
Citywide Expenditures by Type



Total
\$285.1 M



Operating Expenditures by Type





Salaries and Benefits

- Salary increases assumed in budget:
 - Non-sworn: 2% in first 10 years, 3% in final ten years
 - Sworn: 2% in FY 2013/14; 4% in FY 2014/15; 3% annually through FY 2022/23; 4% in final ten years
- PSOA salary survey major vulnerability
 - 2012 survey reduced baseline from budget
 - History suggests above average increase in future



Salaries and Benefits

- Pension costs increasing near term
 - FY 2013/14 up nearly \$300,000
- Reform + City actions have impact
 - Current 20-year total = \$810 million
 - Next year's 20-year total = \$780 million
 - Will maintain higher reserves for contingency
- Medical costs up as well
 - Up 11.5% over current year
 - Higher premiums and fewer vacancies



Other Citywide Expenditures

- Purchased goods and services: \$72.7 million
 - Purchased water: \$21.3 million
 - Solid waste contracts: \$30.8 million
 - SMaRT operations, collections, landfill
- Internal service charges: \$16.3 million
 - Information Technology
 - Fleet and Facility Services



General Fund Expenditures

- FY 2013/14 Budget: \$146.6 million
 - \$135 million for operations
 - Personnel costs: \$110.4 million (82%)
 - \$3.7 million for projects and equipment
 - \$6.7 million for transfers
 - Includes \$1.5 million infrastructure contribution
 - \$1.2 million for lease payments
 - Formerly reimbursed by RDA



Pension Update

- Successful negotiation of second-tier pension
 - Miscellaneous 2% @ 60 and Safety 3% @ 55
- PEPRA creates third-tier pension
 - For new employees to CalPERS after 1/1/13
 - Miscellaneous 2% @ 62 and Safety 2% @ 50
- Other PEPRA impacts to new CalPERS members
 - Cap on pensionable earnings
 - Employees contribute half of normal cost



Pension Update

- Increased employee contribution assumed in budget
- Must be negotiated with bargaining units
- Each 1% contribution is worth nearly \$1 million City-wide

Fiscal Year	Misc.	Safety
FY 2013/14	3%	3%
FY 2014/15	4%	3%
FY 2015/16	5%	5%
FY 2016/17	6%	6%
FY 2017/18	7%	7%
FY 2018/19	8%	8%
FY 2019/20	8%	9%



Pension Update

- Sunnyvale still paying more than CalPERS requires
 - +\$2.5 million in FY 2013/14
- Sunnyvale's contribution rates incorporate:
 - Second and third pension tiers
 - Change to smoothing/amortization methodologies
 - Mortality improvements
- Early implementing smoothing and mortality changes
- Reduction in discount rate possible



New Positions

- Seven new positions included in budget
 - Department of Public Safety
 - Two Public Safety Officers + one Senior Crime Analyst
 - Information Technology Department
 - Two Technology Coordinators
 - Human Resources Department
 - One Principal Human Resources Analyst
 - Department of Public Works
 - One Civil Engineer



RDA Update

- \$91 million net loss absorbed in FY 2012/13 Budget
- State Department of Finance has taken further action creating more losses
 - \$11 million related to debt service
 - \$13.8 million related to loan repayments made prior to dissolution
- Appeal denied; potential litigation



Development Enterprise Fund

- New fund for FY 2014/15
- All development-related activities across departments in one fund
- Better tracking of expenditures and revenues over time
- FY 2012/13 excess revenues into reserve to provide initial funding
 - Estimated to be \$3.6 million



Golf and Tennis Fund

- Fund is structurally imbalanced
 - Revenues not enough to cover expenses
 - Loss of restaurant operator had large impact
- FY 2012/13 Projections

Revenue	\$3,420K
Expenses	<u>\$3,746K</u>
	<\$326K>



Golf and Tennis Fund



- Requesting \$300,000 from General Fund to operate through this fiscal year and next
- Comprehensive review of operations
 - Increase revenues
 - Decrease expenses



Golf and Tennis Fund

Case for Future Optimism

- Full service at Sunnyvale's restaurants
 - June 2013
- Planned closure of Palo Alto course 2014
- Redevelopment of Santa Clara course
- Positive trends in golf industry



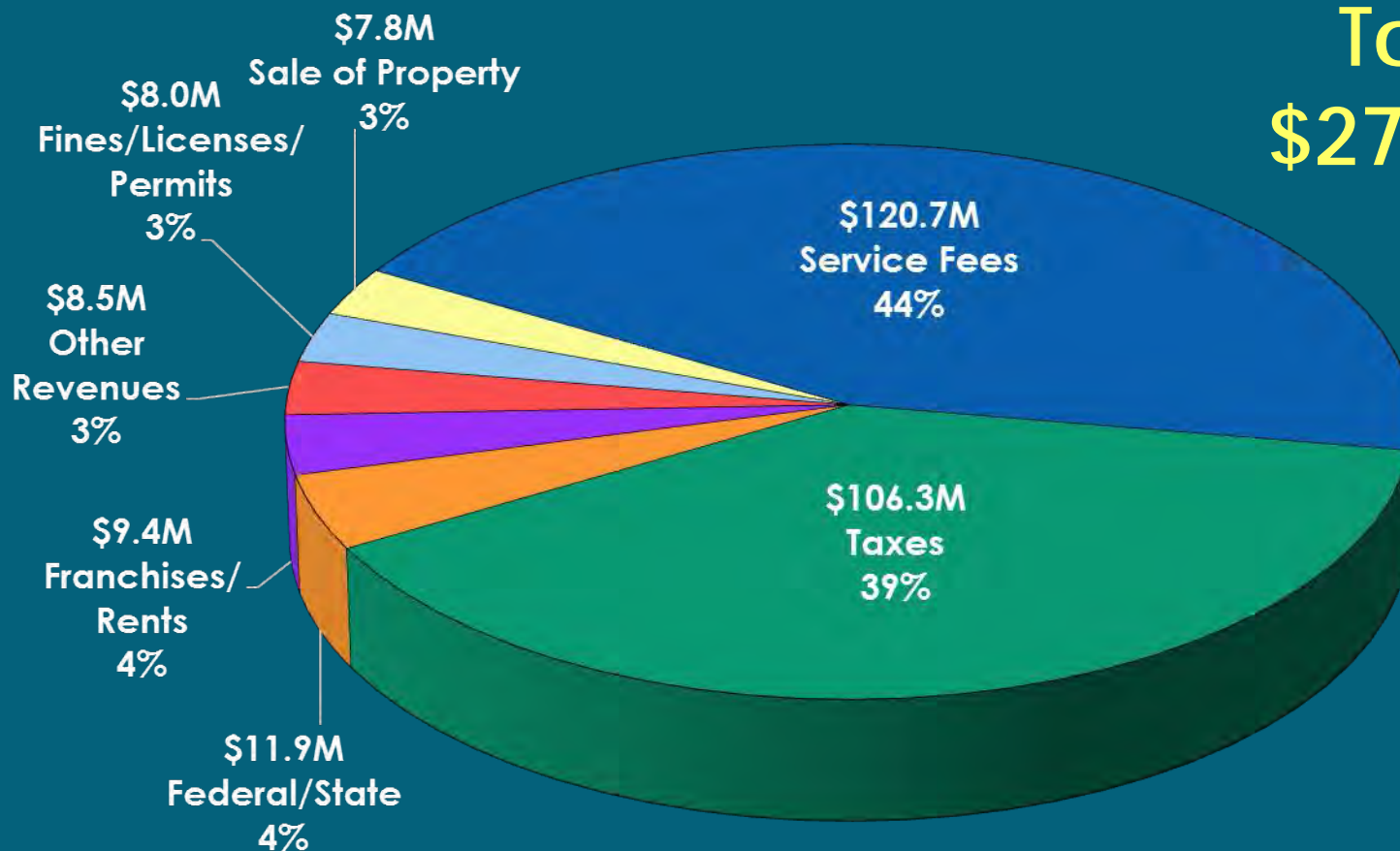


Revenue Overview

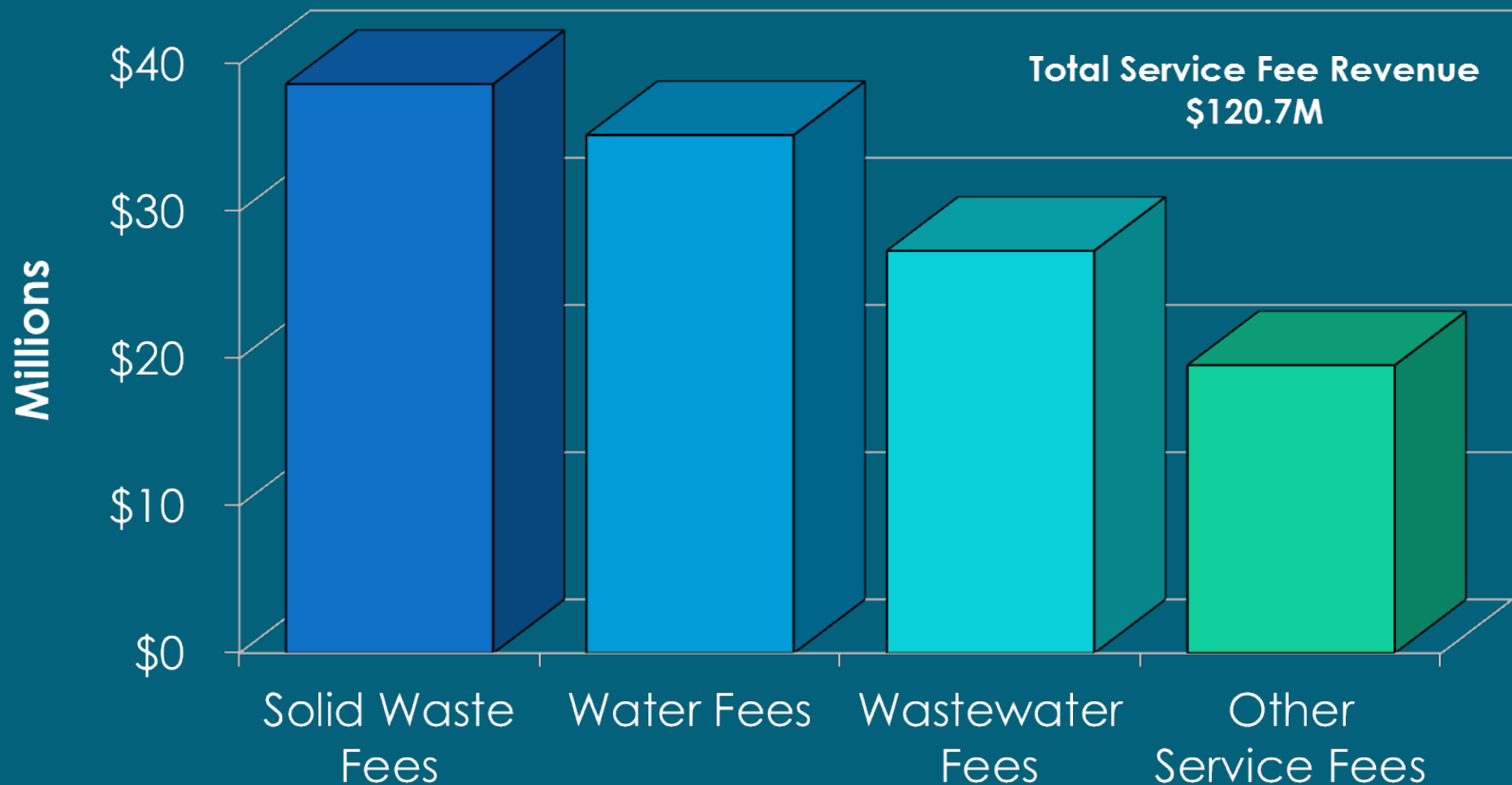


Citywide Revenues by Type

Total
\$272.6M

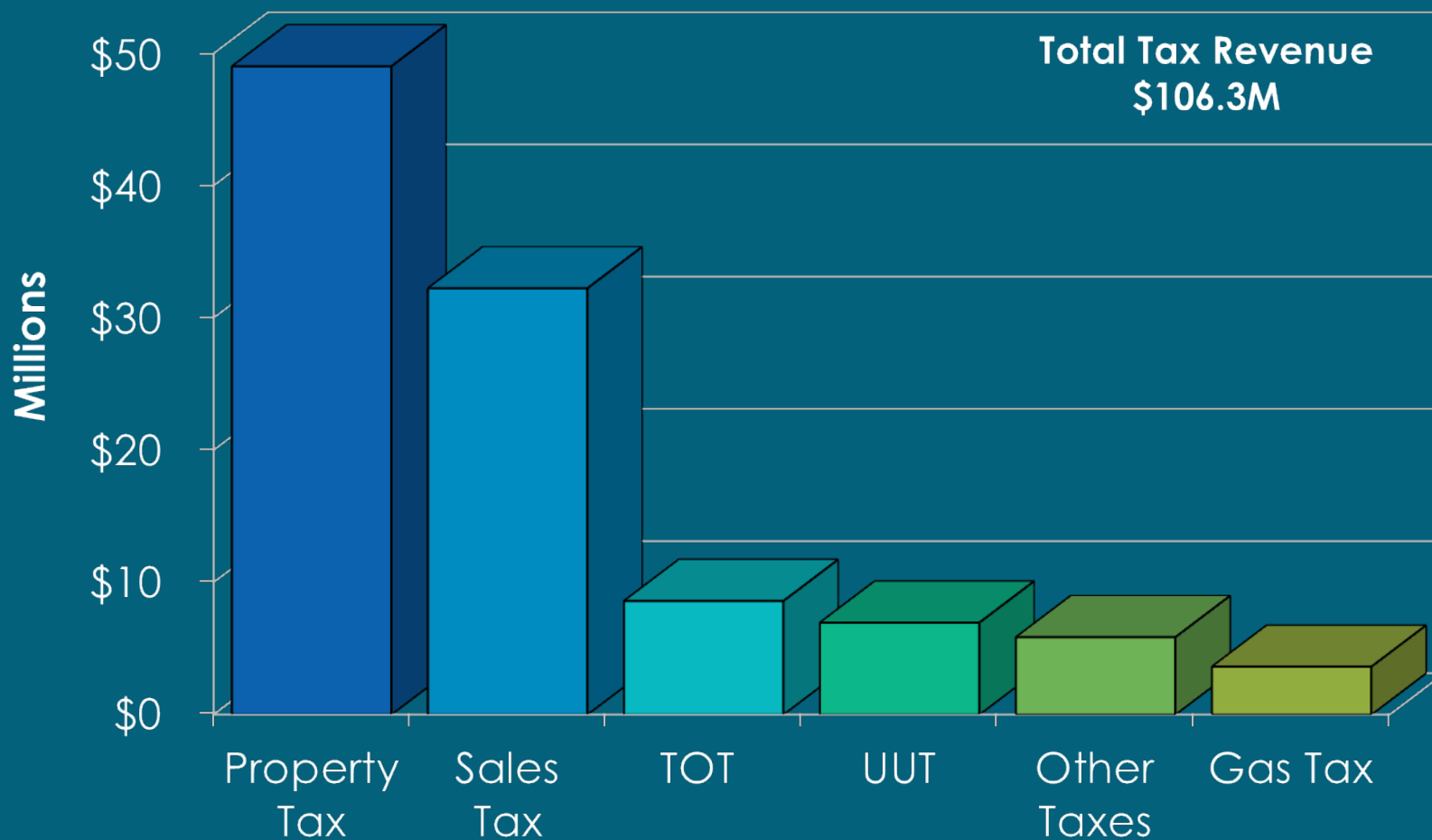


Citywide Service Fee Revenue





Citywide Tax Revenue





General Fund Top 5 Revenues

Revenue Source	2010/11 Actual	2011/12 Actual	2012/13 Projection	2013/14 Projection	Percent Change
Property Tax	\$42.4	\$43.4	\$49.4	\$49.0	(0.7%)
Sales Tax	\$29.2	\$30.3	\$31.0	\$32.2	3.9%
UUT/Franchise	\$13.1	\$13.2	\$13.0	\$13.5	4.2%
Development	\$7.3	\$14.0	\$13.5	\$9.0	(33.3%)
TOT	\$6.6	\$7.8	\$8.9	\$8.6	(3.0%)
Total	\$98.6	\$108.7	\$115.8	\$112.3	(2.9%)



Property Tax

- FY 2012/13 exceeding expectations
 - *Partially* due to one-time revenues
 - Refund of administrative fee from County
 - Additional tax increment distribution
- Strong growth projected in near term
 - 5%+ annually for Secured Tax the next three years
 - Result of significant development activity



Sales Tax

- FY 2012/13 up 2.3% over previous year
 - Not as much as originally projected
- 3.9% growth projected in FY 2013/14
 - Result of strong local economy
- Modest growth thereafter



TOT, UUT, Franchises

- TOT very strong in FY 2012/13
 - Projected to be up 14% over previous year
- FY 2013/14 down slightly to reflect sustainable baseline
- Two new hotels in plan starting in FY 2014/15
- UUT and Franchises: Modest growth

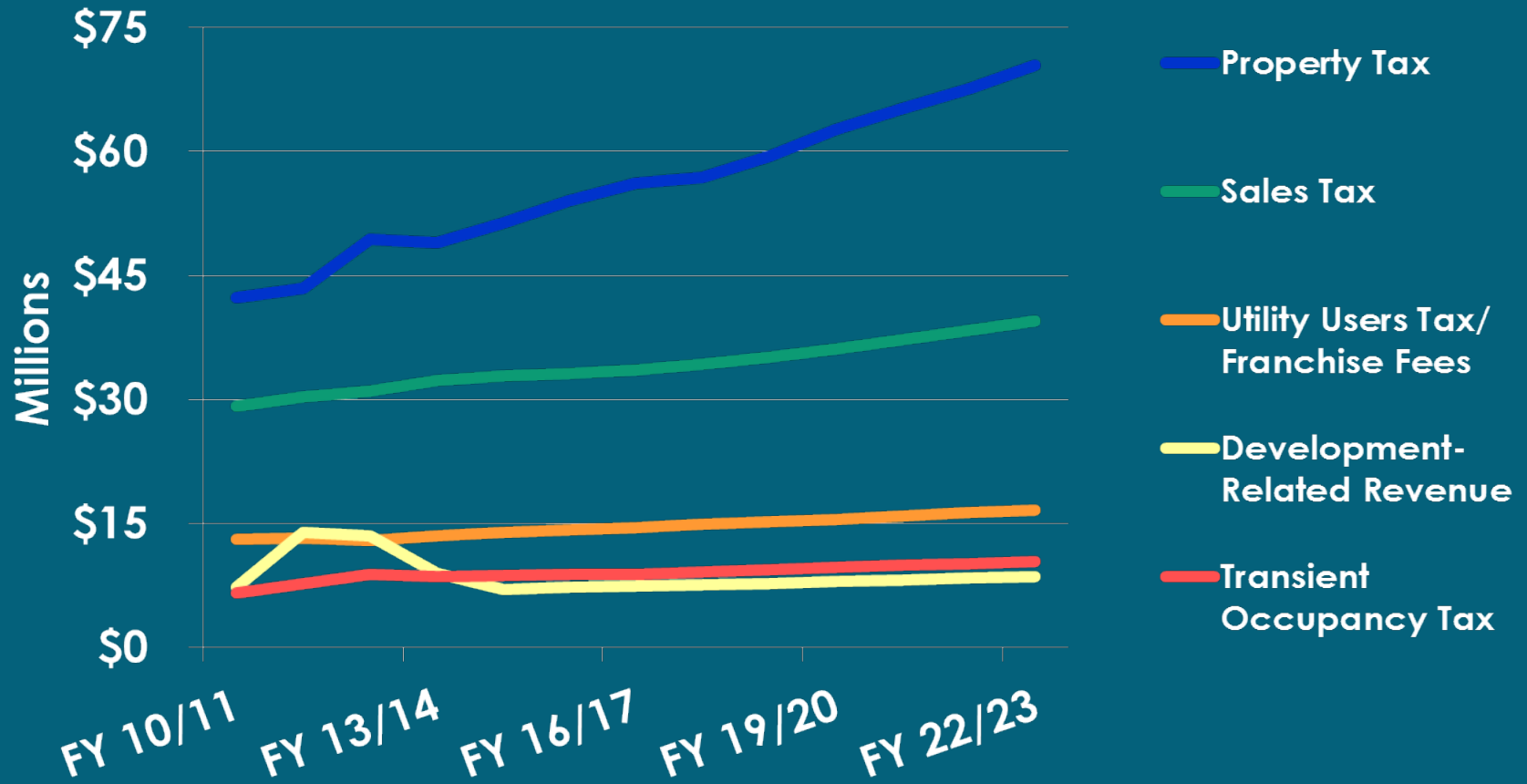


Development-Related

- FY 2012/13 another very strong year
 - \$13.5 million expected
- Excess revenue over original projection into reserve to fund new enterprise (\$3.6 million)
- FY 2013/14: \$9 million projected



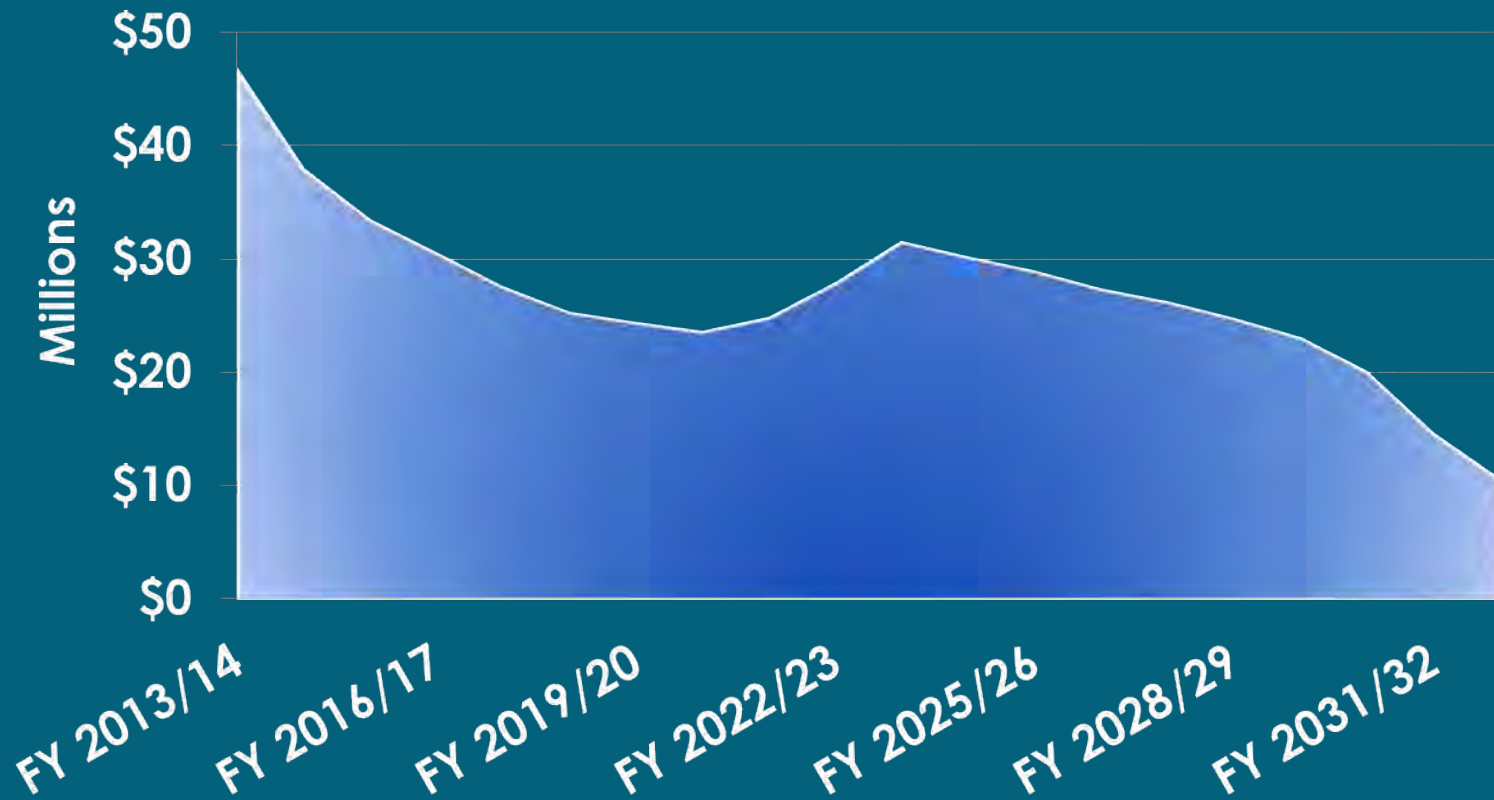
General Fund Top 5 Revenues





Budget Stabilization Fund

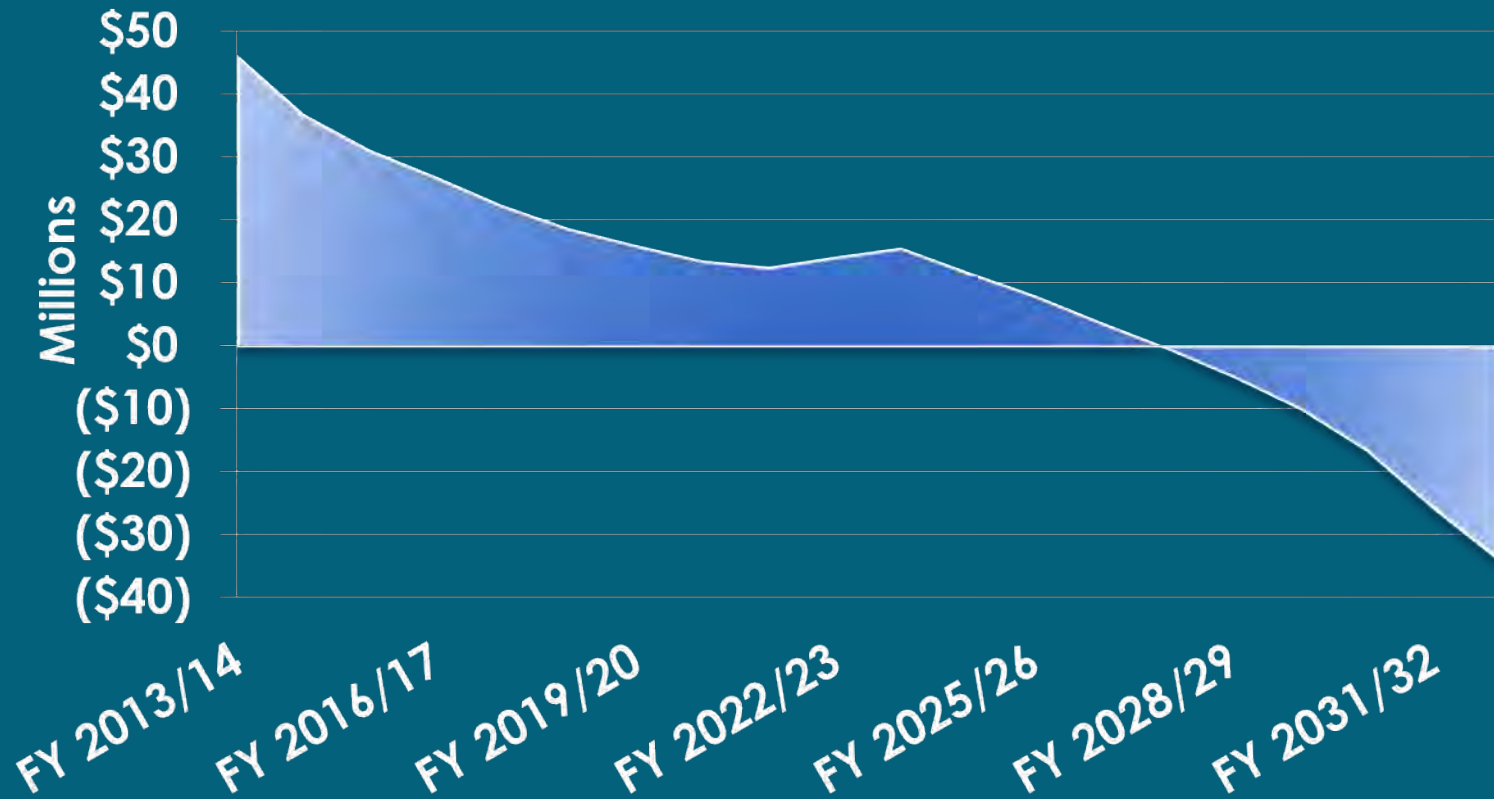
- Structurally balanced and sustainable





Budget Stabilization Fund

- Small deviations from plan have large impact



Utility Rate Increases



Utility	Original Projection	Recommended FY 2013/14	Change in Percentage Points
Water	6.5%	5.0%	-1.5%
Wastewater	6.5%	6.5%	0.0%
Solid Waste	3.0%	4.0%	1.0%

- Increases driven by
 - Purchased water costs
 - Infrastructure
 - Contract costs
- Rate report/public hearing and adoption June 11



Projects Overview



Projects Overview

- \$50.1 million budgeted in FY 2013/14 for projects and project administration
 - \$22 million in wastewater
 - \$12 million in infrastructure
 - \$2.5 million for public safety recruitment
- 247 funded projects for nearly \$800 million programmed in 20-year plan



Utilities Projects



Major Projects - Water

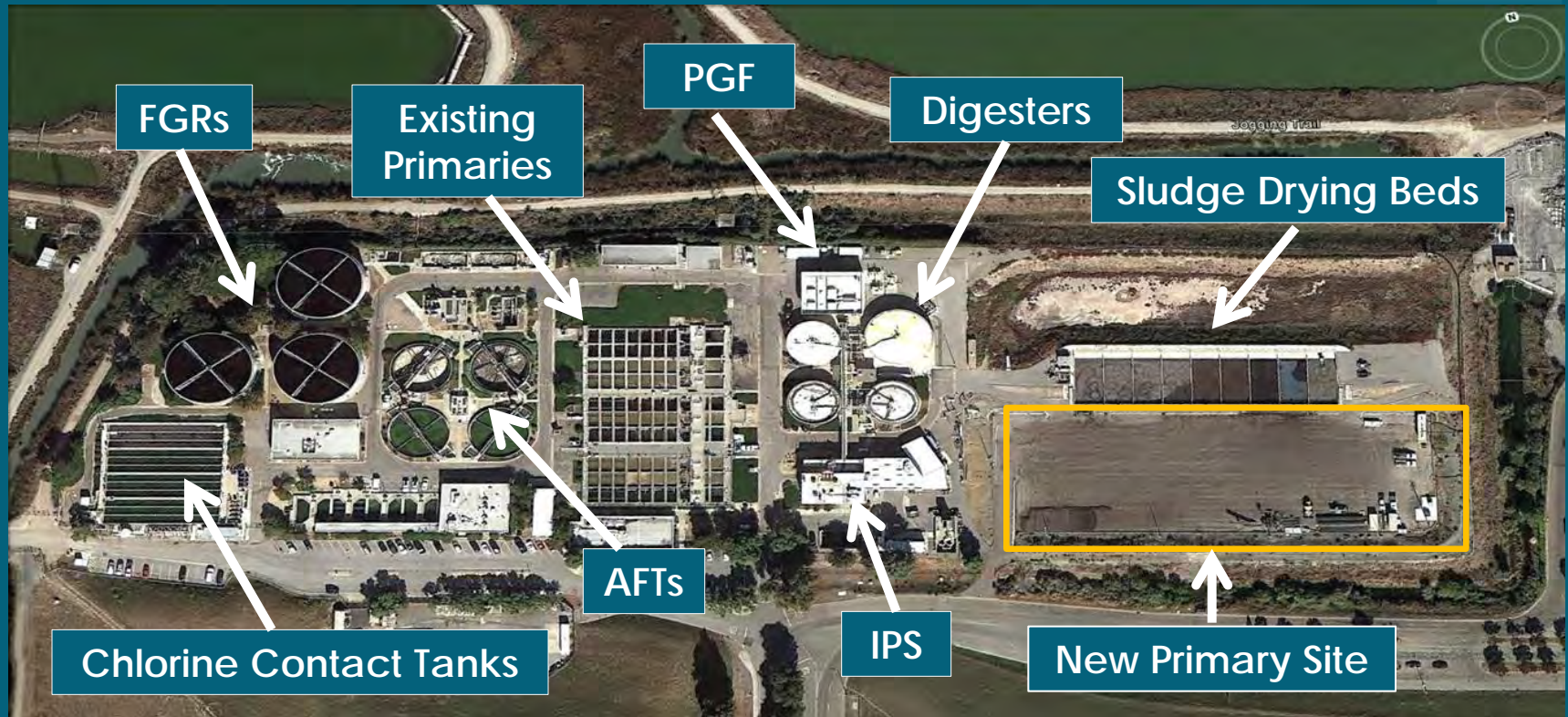
- Rehabilitation of water distribution system (\$18 million in bonds)
 - Replacement of water mains and service lines
 - Improvements for fire protection
 - Wells, tanks, and pumps
- Recycled water system
 - Maintenance and expansion
 - Improvements to water quality



Major Projects - Wastewater

- Rehabilitation of sewer collection system
- Replacement of Water Pollution Control Plant (\$318 million budgeted)
 - Gap projects
 - Primaries
 - Master planning
- Issues of concern
 - Operational challenges
 - New nutrient regulations

WPCP Master Planning



- Existing conditions documentation
- Site planning
- Basis of design development
- CEQA compliance
- Design standards
- Implementation plan
- Regulatory compliance
- Additional coordination
- Recycled water feasibility study
- Zero waste strategic plan



Major Projects – Solid Waste

- Replacement of SMaRT Station in 2021 (\$30 million budgeted)
 - Planning with other jurisdictions
 - Design and construction in 2020 - 2022



Parks Projects



Park Dedication Projects

- Increase in standard to 5 acres/1,000 population in July 2014
- \$153 million in fee revenue over 20 years
- Many new projects proposed for more complete renovations of parks
- Continued funding for infrastructure capital replacement
- Funds set aside for park acquisition and improvement



Park Dedication Projects

Top 10 Largest Projects:

- 1) Community Center Grounds - \$8.3M ...(FY 2031/32)
- 2) Ortega Park - \$7.1M ...(FY 2020/21)
- 3) Washington Pool \$6.6M ...(FY 2016/17)
- 4) Fair Oaks Park \$6.1M ...(FY 2015/16)
- 5) Raynor Park \$6.1M ...(FY 2026/27)
- 6) Ponderosa Park \$5.4M ...(FY 2029/30)
- 7) Lakewood Park \$5.1M ...(FY 2013/14)
- 8) Las Palmas Park \$5.0M ...(FY 2023/24)
- 9) De Anza Park \$4.7 ...(FY 2027/28)
- 10) Park Building Rehabilitation \$4.7M ...(various)





Park Dedication Projects

Set Aside for Land Acquisition

- Plan A - Budget assumes 20% of revenue for land acquisition and improvement
 - \$30.6M set aside
- Plan B – 40% set aside until \$20M then 10%
 - \$31.4M set aside
 - \$20M is reached in year 8





Park Dedication Projects

Set Aside for Land Acquisition – Plan B 40%

Year 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

WA Pool \$ —————→ \$

Lakewood \$→\$

Fair Oaks \$→\$

Heritage Mus. \$→\$

Orchard Gardens \$→\$

Other Plan B Differences

**Community Center Grounds Renovation & Enhancement
FY 2031/32 - \$8,315K —→ 50%**



Park Dedication Projects

Staff Recommendation

- ✓ Approve Plan A – 20% set aside
- ✓ Advance funding for Orchard Heritage Park by one year 2015/16 to 2014/15
- ✓ Move funding for bicycle trails from unfunded to funded \$300 total

Seven Seas Neighborhood Park





Other Major Projects

Mathilda/237/101 Interchange



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Calabazas Creek Bridge



Fair Oaks Bridge



Branch Library





Public Safety Recruitment

- \$54 million in projects over 20 years
 - \$2.5 million in FY 2013/14
 - \$2.2 million in FY 2014/15
- 11 recruits currently in process
- Another 9 expected to start training process in FY 2013/14
- Recruitment to "on the street" takes 18 mos.
- Timeline set to match expected attrition



Budget Supplements



Budget Supplements

- Recommended for funding – General Fund
 - Neighborhood Grants: \$6,125
 - Community Event Grants: \$10,000
 - Leadership Sunnyvale: \$6,000
 - Contingent on meeting success metric
 - Solar Array System: \$15,000
 - Dispute Resolution Services: \$20,000
- Recommended for funding – Utilities
 - Power Purchase Agreements for Alternative Energy Allocation: \$50,000
 - Equally split amongst utility funds



Budget Supplements

- Recommended contingent on grant funding
 - Pilot Bicycle Boulevard Project: \$60,000
 - Protecting Burrowing Owl Habitats: \$25,000
 - Greenhouse Gas Inventory: \$30,000
 - Community Solar Program: \$20,000
- Other recommendations
 - Ecodistrict Feasibility and Incentives: Defer
 - Community Animal Farm at Landfill: No action required; included in budget



Other Items



Council Set Aside

- \$100,000 flat amount annually
- \$30,925 remaining in current fiscal year
- Much of FY 2013/14 amount earmarked
 - \$40,000 for Care Management
 - \$21,000 for Council retreat



Outside Group Funding

- General Fund support is flat \$100,000 annually
- \$500,000 over 20-years to inflate
- Could absorb if Council set aside dropped to \$75,000 annually