



Fiscal Year 2007/2008 Budget Workshop

Thursday, May 24, 2007

City Council Chambers



FY 2007/2008 Budget Workshop

◆ Agenda

- Overview of FY 2007/2008 Recommended Budget
- Fund Reviews: Twenty-Year Financial Plans
- Review of Proposed Projects by Category



FY 2007/2008 Budget Workshop

◆ Agenda (cont.)

- Review of Budget Supplements
- Review of Proposed Fees
- Service Level Review Process
- Wrap Up
 - Summary of direction
 - Additional Comments/Requests from Council



Budget Overview

- ◆ **Sunnyvale on two-year budget cycle**
 - Operating resources budgeted for two years, allows detailed review of projects in second year
- ◆ **FY 2007/08 Project year, “off” year for operating**
 - Revenues, rental rates, personnel costs, utilities, fees reviewed annually

Budget Overview

- ◆ **Significant progress toward financial sustainability**
 - Budget balanced for 20 years
 - Services reflect Council priorities
- ◆ **Vulnerabilities exist**
 - Need for new library
 - Unfunded capital
 - Salary and benefit pressure
 - Threats to major revenue streams



Budget Overview

- ◆ **Citywide Budget - \$259.7 million**
 - 6.8% below FY 2006/07 Budget
 - 5.6% above FY 2006/07 when project carryovers are excluded = \$13.3 million
- ◆ **Major reasons for increase:**
 - \$2.2 million operating
 - \$9.7 million projects
 - \$1.4 million SMaRT Station expenses

Budget Overview

- ◆ **First Year of Projects Budget Cycle**
- ◆ **First fully formed 20-year capital budget**
 - \$838 million budgeted over 20 years
 - \$600 million more than last year
 - Represents effort to identify and fully fund all needed capital and infrastructure improvements



Budget Overview

◆ Several major new or changed projects account for increase

- New WPCP \$382 million
- SMaRT Station equipment \$31 million
- Undergrounding of utilities \$17 million
- Public Safety recruitment projects shown as supplements last year \$76 million

Budget Assumptions

- ◆ Major revenue sources reflect specific business cycle
- ◆ Modest increases for salaries and cost of goods and services
 - Salaries based on MOUs
 - Goods and services 0% for FY 2007/08, 1.5% FY 2008/09, 2% next 8 years
 - All major components analyzed individually



Status of FY 2006/2007 Fiscal Initiatives

- ◆ **Infrastructure Renovation and Replacement Plan**
 - \$83 million budgeted over twenty years
- ◆ **Strategic Planning for Affordable Housing**
 - Begun planning to maximize and leverage funding
- ◆ **Update of Planning and Management System (PAMS)**



Status of FY 2006/2007 Fiscal Initiatives

◆ General Services Inventory Project

- Rental rates aligned with updated equipment replacement needs
- Rental rates down: \$300,000 savings annually in first 10 years

◆ Library Facility and Programming

- New Library site selected; funding options being pursued



Status of FY 2006/2007 Fiscal Initiatives

◆ Fee Analysis

- Examined fees for full cost recovery
- Audit of Traffic Impact, Housing Mitigation, Park Dedication fee processes underway
- FY 2007/08 to align development fees with expenditures



Status of FY 2006/2007 Fiscal Initiatives

- ◆ **Year-end Results for FY 2005/06**
 - Positive financial impact of \$2 million
- ◆ **Traffic and Transportation Strategic Planning**
 - White Paper presented to Council
 - Examination of needs and funds available
- ◆ **Golf Course Vision Project**
 - Identify type of customer, necessary improvements



Status of FY 2006/2007 Fiscal Initiatives

- ◆ **Employee Health Care and Retiree Medical Costs**
 - Completed updated Actuarial valuation of Retiree Medical Liability
 - Recommending plan for full funding over six years
 - Progress made in containing health insurance costs for current employees



New Initiatives for FY 2007/2008

- ◆ **Neighborhood Parks Planning**
 - Overall review of all parks and open space assets
- ◆ **Optimal Staffing Studies**
 - Finance Department and Facilities Division of Parks and Recreation Department
- ◆ **Going “Green” and Sustainability**
- ◆ **Intensive Budget Clinic**



Budget Challenges – Near and Long Term

◆ Fuel Related Costs

- Fuel costs 22% higher for Fleet Program since 2005
- Also Impacts capital projects

◆ Community Recreation Fund Structural Deficit

- \$432,000 beginning in FY 2007/08

◆ Information Technology Needs

- Strategic direction from Staffing Study



Budget Challenges – Near and Long Term

- ◆ **Unfunded Capital Projects**
 - 43 Unfunded projects totaling \$426 million
- ◆ **Threats to Telecommunications Taxes: State and National Regulatory Changes**
- ◆ **Threats to Sales Tax: Internet Tax Moratorium**
- ◆ **Impact of Federal, State, County budget problems**



Financial Opportunities Yet To Be Explored

◆ Emergency 911 Fee

- Fee approved in concept by Council
- Not adopted pending legal issues and challenges
- Staff will bring forward a recommendation after legal issues are concluded
- Fee is projected to recover \$2.5 million in dispatching costs

Financial Opportunities Yet To Be Explored

◆ Review of General Taxes

- Real Property Transfer Tax \$1.10 per \$1,000 property value, County gets half
 - Can adopt own tax, County keeps \$1.10
 - San Jose, Palo Alto, Mountain View have own
- Utility Users Tax
2% on Electric, Gas, Intrastate Telephone
 - Can change base or rate
 - Countywide average: 3.7%

Fund Reviews

- ◆ **Review of Twenty-Year Financial Plans**
 - Focus will be on Funds with major changes or policy issues



General Fund

- ◆ Supports essential City services
- ◆ Most of revenues from taxes
- ◆ Most affected by State actions

General Fund Revenues

- ◆ **Revised estimate for FY 2006/07**
\$118.6 million
 - Up \$12 million over original estimates
- ◆ **Projected FY 2007/08 revenue**
\$125 million
 - 5.4% increase over FY 2006/07
 - \$14.7 million higher than the \$110.4 million projected for FY 2007/08 in the FY 2006/07 Adopted Budget
- ◆ **Peak of 7 year business cycle in FY 2006/07**
- ◆ **Measured growth starting in FY 2007/08**



General Fund Revenues

◆ Five major revenue sources generate 79% of revenue

– Property Tax	30%
– Sales Tax	26%
– Utility Users Tax/Franchise Fees	10%
– Construction-Related Revenues	8%
– Transient Occupancy Tax	5%

Property Tax

- ◆ **Property Tax applied to assessed value of real and personal property**
 - Prop 13 fixed rate at 1% of value
 - Increase limited to 2% per year unless sold
 - Reduced City revenue by 2/3
 - City receives 16% of each dollar
- ◆ **Educational Revenue Augmentation Fund (ERAF) reduced \$7 million annually**

Property Tax

- ◆ **Revised estimate for FY 2006/07 \$35.8 million**
 - Up \$1.6 million
- ◆ **Projected FY 2007/08 \$37.2 million**
 - 3.7% increase
- ◆ **\$18.4 million increase over 20 years in comparison to FY 2006/07 Adopted Budget**
- ◆ **Secured Property Tax largest segment**

Property Tax

- ◆ **Projections for Secured Property Tax**
isolate residential and commercial/industrial
 - Residential = 65%
 - Commercial/Industrial = 35%

Property Tax

- ◆ **Commercial/Industrial growth 5% FY 2007/08, then decreasing slightly**
 - Stabilization of valuations
 - Modest increase from new buildings, higher occupancy
 - Planning Division projecting an average of 930,000 sq. ft. of new construction annually over the next 20 years

Property Tax

- ◆ **Growth in residential 4% FY 2007/08**
 - Slows to 3.5% in FY 2008/09
 - Reflects slowdown in housing market
 - Projections reflect new residential units under construction or anticipated
- ◆ **90% increase in Property Tax Admin Fee from County**

Sales Tax

- ◆ **City receives 1% of the 8.25% Sales Tax**
- ◆ **Revised estimate for FY 2006/07 \$30.5M**
 - Up \$2M
- ◆ **Projected FY 2007/08 \$31.3M**
 - 2.65% increase
- ◆ **20-Year Sales Tax projections up \$31.6M compared to FY 2006/07 Adopted Budget**
- ◆ **Back to a sustainable base**
- ◆ **Slower growth through FY 2010/11**

Sales Tax

◆ Projections based on four categories:

- Business and Industry 40.0%
- Auto and Transportation 17.5%
- General Consumer Goods 18.0%
- Other 24.5%

◆ Accounting for changes in Town Center and Town and Country

- Closing stores during construction
- \$1 million in net new Sales Tax estimated when open

Utility Users Tax

- ◆ **UUT rate is 2% of revenues on electricity, gas, and intrastate telephone usage**
 - Santa Clara County average is 3.7%
 - Revised estimate for FY 2006/07 \$6.3 million
 - Up 2% (\$133,000)
- ◆ **Projecting \$6.5 million for FY 2007/08**
 - 4.4% increase (\$275,000)
- ◆ **20-Year UUT projections up \$15 million over FY 2006/07 Adopted Budget**

Utility Users Tax

- ◆ **Electricity sales - 61% of UUT**
 - 6% increase for FY 2007/08 over FY 2006/07
 - PG&E General Rate Case
 - Growth in usage due to new commercial development/lower vacancy
- ◆ **Telephone sales - 27% of UUT**
 - 2% annual increase in the first 10 years and 3% in the second ten years
 - Continued growth expected
 - Concerns around potential legislation that could impact this revenue source
- ◆ **Gas sales – 12% of UUT**
 - Based on average because of market volatility

Franchise Fees

- ◆ **Revised estimate for FY 2006/07 \$5.8 million**
 - Up 2% (\$100,000)
- ◆ **Projected FY 2007/08 \$6 million**
 - 4.2% increase
- ◆ **Franchise Payments from:**
 - PG&E (42%)
 - Franchise Fee is 2% of gross annual receipts arising from the use, operation or possession of the franchise
 - Comcast Cable (18%)
 - Franchise Fee is 5% of gross annual revenues
 - Specialty Garbage (26%)
 - Franchise Fee set through the franchise agreement
 - SMaRT Garbage Host Fees (13%)
 - Set by SMaRT MOU

Construction-Related Revenue

- ◆ Includes Construction Tax, Building permits, Plan check and engineering fees
- ◆ Construction Tax rate is 0.54% of valuation
- ◆ FY 2006/07 up 33% due to high levels of residential and commercial development
 - Peak of seven year economic cycle
 - Numerous one-time large projects included in the revenues
- ◆ Decline beginning FY 2008/09

Transient Occupancy Tax

- ◆ **Revised estimate for FY 2006/07 \$6.4M**
 - Up 4% (\$268K)
- ◆ **Projected FY 2007/08 \$6.8 million**
 - 7.4% increase (\$470K)
- ◆ **Average occupancy and room rates up**
 - Occupancy projected at 66%
 - Room rates projected at \$90
- ◆ **New tax rate**
 - 9.0% on January 1, 2007
 - 9.5% on January 1, 2009
- ◆ **Two New Hotels Expected in 2011**

Business License Tax

◆ Business License Tax

- Two-year Tax collection cycle
- November 2005 election increased rate over two-year period FY 2006/07 and FY 2007/08
- \$1.1 million projected in FY 2007/08
- Indexed for inflation over 20-years

Real Property Sales

◆ Real Property Sales

- Town & Country proceeds \$3.5 million in FY 2006/07 and \$5 million in FY 2007/08
- Downtown properties \$3.7 million in FY 2010/11
- Unilever Margarine Plant \$16.6 million in FY 2017/18
- Proceeds placed into Capital Improvement Projects Reserve

General Fund Expenditures

- ◆ **Total Requirements: \$133.8 million**
 - Up 6.9% (\$8.6 million) from FY 2006/07
 - \$8.6 million increase includes:
 - \$3.4 million in operational expenditures
 - \$2 million operations (1.81%)
 - \$1 million Transfer to Employee Benefits Fund for Employee Cost Uncertainties
 - \$400,000 Liability and Property Insurance Fund, Community Recreation Fund Transfer



General Fund Expenditures

- \$8.6 million increase (cont.)
 - \$5.2 million in projects and project-related transfers
 - \$1.8 million Downtown projects
 - \$2.7 million Increase in Infrastructure Rehabilitation

Service Level Set-Aside

- ◆ **Set aside for funds available to increase service levels or add new services**
 - FY 2006/07 beginning balance \$500,000; \$131,946 spent to-date
 - Savings remaining from FY 2006/07 allotment rolled forward in twenty-year plan
 - FY 2007/08 available balance is \$494,548
 - Recommending \$48,500 be used to fund Murphy Street Enhanced Maintenance Supplement

General Fund Reserves

- ◆ **Three Reserves set by Fiscal Policy**
 - Contingencies Reserve 25%
 - 20-Year RAP Reserve – Levelizes economic cycles, stabilizes services
 - Reserve for Capital Improvement Projects – One-time Land Sales

General Fund Fiscal Condition

- ◆ **The City has returned to long term financial stability during FY 2006/07**
- ◆ **Balanced over twenty years with no additional service reductions**
 - Service Level Set-Aside funded at approximately \$495,000
 - Capital Improvement Project Reserve increased substantially
- ◆ **Improved conditions, but vulnerabilities remain**

General Fund Requirements

◆ Current Resources vs. Current Requirements over twenty years

Fiscal Year	Current Resources (in 000,000s)	Current Requirements (in 000,000s)	Difference (in 000,000s)
2006/2007	\$123.4	\$124.7	(\$1.3)
2007/2008	\$127.9	\$133.3	(\$5.4)
2011/2012	\$150.5	\$147.7	\$2.8
2016/2017	\$167	\$166.1	\$0.9
2021/2022	\$201.4	\$204.2	(\$2.8)
2026/2027	\$239.2	\$236.4	\$2.8

Housing Fund

- ◆ Comprised of revenues from housing mitigation funds and Below-Market-Rate (BMR) receipts
- ◆ Supports affordable housing & BMR programs
- ◆ Projected Housing Mitigation revenues up substantially due to increased housing development
 - \$14.4 million first 10 years (\$3.5M in FY 2007/08)
 - \$13.4 million projected second 10 years
 - Up \$27M in 20 year plan from last year's plan
- ◆ Anticipates \$300,000 contribution to Housing Trust Fund of Santa Clara County



HOME Fund

- ◆ **HOME Federal Grant allocation for the provision of affordable housing units = \$700,000 in FY 2007/08**
 - Majority of funds allocated to two main projects
 - Acquisition and construction of affordable housing by Community Housing Development Organizations
 - HOME project for potential new affordable housing projects

CDBG Fund

- ◆ **Used for affordable housing, public services, and capital projects serving targeted populations**
- ◆ **FY 2007/08 entitlement from Federal Government is \$1.27M**
- ◆ **Loan repayments of \$350K (Program Income)**
- ◆ **FY 2007/08 Budget includes:**
 - \$540K for operations (5,518 hours or ~3 FTE)
 - \$239K for Outside Group Funding
 - \$130K for special projects
 - \$375K for capital projects

Park Dedication Fund

- ◆ **Park dedication monies received from fees on high density residential development, used for park and open space purposes**
- ◆ **\$12.7 million expected in the next 4 years**
 - Revenue projection based on construction development cycle and known projects in pipeline
- ◆ **Fee increased to \$96/sq.ft. in FY 2007/08 - \$4.2 million per acre**
 - \$81/sq. ft. FY 2006/07 - \$3.5 million per acre
 - \$75/sq. ft. FY 2005/06 - \$3.3 million per acre
 - \$55/sq. ft. FY 2004/05 - \$2.4 million per acre

Park Dedication Fund

- ◆ **Money appropriated to Parks & Recreation capital and infrastructure projects**
 - \$27.7 million in Infrastructure over 20 years
 - \$6.6 million on Golf Course/Tennis Center
 - \$6.2 million on Park Buildings work
 - \$6.4 million on the Community Center/Senior Center
 - \$4.1 million on Playground Equipment Replacement
 - \$10 million in capital
 - \$6 million to Plaza del Sol Phase II in FY 2007/08 and FY 2008/09
 - \$2 million on Washington Pool Expansion



Public Safety Forfeiture Fund

- ◆ Funds received through drug seizures, can only be used to supplement law enforcement activities
- ◆ \$1.25 million expected in reserve at the end of FY 2006/07
 - No other funds anticipated over the Long Range Financial Plan
 - Funds expected to run out in FY 2015/16
- ◆ On-going probation officer (0.5 person)
- ◆ Supplemental Police Services Equipment Acquisition



Police Services Augmentation Fund

- ◆ **Accounts for two grant programs that provide money for law enforcement**
 - State Supplemental Law Enforcement Services (SLES) - \$260,000
 - Federal Local Law Enforcement Block Grant (LLEBG) - \$10,000
- ◆ **Funds Patrol Watch Commander position**
- ◆ **Funds have been reduced over the years**
 - However, funds up in FY 2006/07
 - Flat in FY 2007/08

Employment Development Fund

- ◆ **Accounts for Federal Funds and State funds for workforce development activities of NOVA**
- ◆ **Final FY 2006/07 WIA appropriations reduced 18% from previous year**
 - Led to forced reduction of 17 positions and additional reduction of 12 positions through attrition
- ◆ **Initial FY 2007/08 estimates are for another 6% reduction in WIA grant funds to NOVA**
- ◆ **\$6 million in other supplemental funds**
- ◆ **Fund only budgeted one year at a time**
- ◆ **FY 2007/08 budget at sustainable base**

Parking District Fund

- ◆ Provides for ongoing landscape and maintenance of downtown parking lots through assessment to property owners
 - Service level set by property owners
 - Continuing threat that voters will not approve future assessments
- ◆ Financial Plan assumes the District will approve two-year term assessments on an ongoing basis
- ◆ Will be reviewed once downtown development is completed

Gas Tax Fund

- ◆ Fund required by State law to account for Gas Taxes collected and allocated by the State
- ◆ Real Gas Tax revenues have not kept pace with road use and inflation
 - Gas taxes are flat at 18 cents per gallon
- ◆ Revenues projected at \$2.4 million annually
- ◆ Transfer to Capital Projects Fund \$1.2 million
- ◆ Transfer to Infrastructure Fund \$620,000
- ◆ Operating Expenses for Pavement Operations \$1.5 million
 - Substantially less than current year
 - \$2.2 contributed to operations this year

Gas Tax Fund

- ◆ **New revenue source reflected in the Gas Tax Fund in FY 2007/08 is allocation from State Infrastructure Bonds**
 - Estimated to be \$4.2 million in total
 - Currently revenues reflected over 5 years
 - Expenditures currently not programmed in 20-Year Plan pending guidelines on spending funds
 - Reflected in 20-Year RAP Reserve



Traffic Congestion Relief Program (TCRP) Fund

- ◆ **State Sales Tax on gasoline to be used for local streets and roads purposes**
- ◆ **All funds programmed to support Street Maintenance activities**
- ◆ **Increase to TCRP revenues will help offset decrease in Gas Tax Fund contribution to Street Maintenance operations**
 - Net twenty-year decrease to transfer to General Fund for Street Maintenance operations is \$4.75 million



Transportation Development Act (TDA) Fund

- ◆ State returns $\frac{1}{4}$ of the 1% of State Sales Tax revenues for local bicycle, pedestrian projects
- ◆ FY 2007/08 revenue \$81,600
- ◆ Funds will be allocated to specific projects as they are received



Youth and Neighborhood Services Fund

- ◆ **Fund contains only Columbia Neighborhood Center program**
- ◆ **City reimbursed by Sunnyvale School District for portion of services**
 - FY 2007/08 reimbursement projected at approximately \$120,000
- ◆ **General Fund subsidy is \$335,000 for FY 2007/08 because of available fund balance**
- ◆ **Ongoing subsidy starting FY 2008/09 \$539,000**

Redevelopment Agency Fund

- ◆ **FY 2007/08 Budget reflects Town Center Redevelopment schedule**
 - ARDDOPA amended Tax Increment Agreement
 - Returns up to \$4.5 million yearly to developer plus 50% of receipts above this amount
 - Change from the original value of \$4.05 million
 - Project delayed, construction value \$66 million more
 - Tax increment agreement ends FY 2025/26

Redevelopment Agency Fund

- ◆ Also reflects development of Town and Country
- ◆ Repayment of General Fund loan \$46 million in first ten years
 - \$62 million second ten years
- ◆ RDA will not be able to repay General Fund by 2028 when tax increment revenues end
 - Estimated \$137 million balance remaining
- ◆ RDA unable to make 20% tax increment payments to the Low and Moderate Income Housing Fund through FY 2014/15



Redevelopment Agency Fund

- ◆ **20% Housing funds begin to flow in FY 2015/16**
- ◆ **Includes capital project for Town Center Site Remediation - \$2 million**
- ◆ **Low and Moderate Income Housing Fund liability paid in FY 2027/28 and FY 2028/29**
- ◆ **FY 2029/30 all Property Tax goes to taxing entities**
 - City gets 16%



Capital Projects Fund

- ◆ **Capital projects funded by General Fund and other governmental funds**
 - **General, Gas Tax, Traffic Mitigation, and Traffic Impact Fees**
 - Sub-funds receive transfers from funds directly responsible for projects
- ◆ **\$4.1 million FY 2007/08**
- ◆ **\$84 million over 20 years**

Utilities Funds Overview

- ◆ **Three utility funds: Water, Wastewater, Solid Waste**
- ◆ **Long Term Financial Plans for Utilities updated annually**
 - Operational forecasting of major expenditures
 - Cost and amount of wholesale water
 - Cost and amount of solid waste tons
 - Administrative and maintenance cost of each utility
 - State and Federal Regulations
 - Review of capital and infrastructure needs
 - Detailed review and forecasting of revenues
 - Reserve analysis

Utilities Fund

- ◆ **Allows for multi-year rate management strategy**
 - Review trouble points in each long range plan
 - Work to smooth the impact of large expenditure increases
 - Where applicable, apply the City's fiscal policies such as the use of debt to finance large and long-lived capital or infrastructure projects
 - Using rates, develop a recommendation that balances each fund so that a combination of rate increases and use of reserves minimizes large swings in rates



Water Supply and Distribution Fund

- ◆ **FY 2007/08 total operating costs = \$21.5 million**
- ◆ **Purchased Water Costs = \$14.3 million (67% of total operating costs)**
- ◆ **\$50.5 million in capital and infrastructure costs over 20 years**
 - Major projects include Water Line Replacement (\$14.6 million) and Water Tanks (\$13 million)



Water Supply and Distribution Fund

- ◆ **Recommended rate increase for FY 2007/08 is 9.5%**
 - SFPUC raised the wholesale rate 2.4% in FY 2006/07
 - Costs for two wholesale suppliers are increasing ~7%
 - Significant capital and infrastructure requirements



Wastewater Management Fund

- ◆ **FY 2007/08 total operating costs = \$16.1 million**
- ◆ **\$458 million investment in infrastructure and capital projects over the twenty-year plan**
 - Includes full replacement of WPCP
- ◆ **Interfund loan repayment accelerated**
- ◆ **Recommended rate increase is 8.5%**
 - 3% higher than last year's recommendation
 - Significant capital and infrastructure requirements
 - Including the \$330 million WPCP replacement

Solid Waste Management Fund

- ◆ **FY 2007/08 total operating costs = \$28.9 million**
- ◆ **Solid Waste collection contract down \$21 million over twenty years**
 - FY 2007/08 base cost down \$1 million from prior projection
 - Savings from depreciation expense, workers comp, and cost savings incentive
 - 5% savings projected from contract re-bid in FY 2020/2021
- ◆ **Sunnyvale's SMaRT expense share up \$41 million over twenty years**
- ◆ **Recommended increase is 6.5%**
 - New SMaRT Station Operating Agreement

SMaRT Station Fund

- ◆ **SMaRT Station shared by Palo Alto, Mountain View - MOU through 2021**
 - Sunnyvale operating share ~ 46%, reflected in Solid Waste Fund
- ◆ **FY 2007/08 total operating expenditures = \$25.7 million**
 - Up \$2.5 million in FY 2007/08 (half year)
 - Up \$3 million in FY 2008/09

SMaRT Station Fund

- ◆ **Two major reasons for cost increases:**
 - New operating contract January 2008
 - Major capital project for Materials Recovery Facility \$14.3 million
 - New debt service \$1.1 million annually for 15 years



Community Recreation Fund

- ◆ **Contains the City's recreation activities: golf courses, tennis center, classes, Community Center, Senior Center**
- ◆ **FY 2007/08 Recommended Budget \$12.3 million**
 - Direct operating expenses of \$11.4 million
 - Up 1% from FY 2006/07
- ◆ **Total General Fund subsidy of \$4.1 million**
 - Subsidy set at fixed amount and adjusted for inflation



Community Recreation Fund

- ◆ **Structural Imbalance in Recommended FY 2007/08 Budget**
 - \$432,000 starting in FY 2007/08, increasing each year by inflation
 - Represents amount CRF needs to reduce expenditures or increase revenue each year to remain in balance
 - Can address by savings in FY 2007/08

Community Recreation Fund

- ◆ **Decline in revenue for Golf Operations driving structural imbalance**
 - Golf play has continued to decline since peaking in FY 2000/2001
 - This is a nationwide trend
 - Golf operations still the greatest single source of revenue for the Community Recreation Fund
 - Revenues cover operational costs and provide \$1.3 million to support other recreation services
 - \$5.2 million in Capital projects for golf in the Long Range Financial Plan now covered by Park Dedication Fund
 - Subfund established for golf activities in FY 2007/08

General Services Fund

- ◆ **Used for services provided by one department to other departments**
 - Fleet, Facilities, and Technology & Communication
 - Rental rates charged to benefiting programs recover operating costs and provide replacement funds for equipment
 - Ensure full cost accounting for services
- ◆ **Aggregate rental rate increases reduced to 3.5% annually in the first ten years**
 - 3.9% annually in FY 2006/07 Budget
 - Decrease due to equipment savings opportunities identified through physical assets inventory project
 - Savings \$300,000 per year



Sunnyvale Office Center Fund

- ◆ **Contains operations of Sunnyvale Officer Center at 505 W. Olive**
- ◆ **Purchased with variable rate debt in 2001**
 - Interest assumption changed to 4.5% over remainder of plan
- ◆ **Assumes continued operation over 20 years**



Infrastructure Renovation and Replacement Fund

- ◆ Funds projects related to the renovation and replacement of the City's general infrastructure
- ◆ 27 projects in FY 2007/08 totaling \$5.4 million
 - Public Safety Building HVAC/Rehab \$2 million
 - Community Center HVAC/Roof \$1 million
 - Parks Infrastructure \$815,000
 - Streets Infrastructure \$930,000
- ◆ \$83 million during 20 years

Employee Benefits Fund

- ◆ **Cover expenditures related to employee costs**
 - Leaves
 - Retirement
 - Workers' Compensation
 - Insurance
- ◆ **Additive rate charged to personnel hours**
- ◆ **FY 2007/08 expenditures \$72.6 million**

Employee Benefits Fund

- ◆ **Leaves Benefit Sub-fund**
- ◆ **All time off, including vacation, sick leave, disability, paid time off, holidays**
- ◆ **Total expenditures \$12.3 million**
 - Increase of 2% (\$200,000) over current year



Employee Benefits Fund

◆ Retirement Sub-fund

- Safety Plan – 3% at 50
- Miscellaneous Plan enhanced to 2.7% at 55 effective FY 2007/08
 - Pending membership approval
 - Employer contribution increased by 5.3% in anticipation of new plan
 - Funded by reduced/no salary increases for certain employee classifications starting in FY 2004/05
 - Employee pays additional 1% employee contribution

Employee Benefits Fund

◆ Retirement Sub-fund

- City uses CalPERS employer rate which utilizes 20-year fixed amortization for first year, then 30-year fixed for remaining years
- Fund contains Rate Uncertainty Reserve starting FY 2007/08



Employee Benefits Fund

CalPERS Plan Employer Rates

	2004/2005 Actual	2005/2006 Actual	2006/2007 Actual	2007/2008 Budget
Safety (3% @ 50) Employer Rate	29.6%	32.9%	28.6%	29.0%
Employee Rate - Employer Paid	11.25%	11.25%	11.25%	11.25%
Miscellaneous (2% @ 55) Employer Rate	6.6%	11.4%	11.4%	16.7%
Employee Rate - Employer Paid	7.0%	7.0%	7.0%	7.0%
- Employee Paid				1.0%

Employee Benefits Fund

- ◆ **Workers' Compensation Sub-fund**
 - 38% decrease in claims since FY 2002/03
 - FY 2007/08 Budget projects one more year of reductions to 125 claims
 - 33% less leave hours since FY 2002/03
 - 10% reduction projected in FY 2007/08
 - Severity of claims (\$\$) increases by 2.5% to reflect salary assumptions
 - Reserve set on actuarial analysis

Employee Benefits Fund

◆ Insurances Sub-fund

- FY 2007/08 Budget \$14.4 million for medical, dental, vision, life insurance
 - 6.5% increase over FY 2006/07
- Largest expenditure is medical insurance for employees
 - Premium increase 8% yearly through 2012
 - Assumed 5% increase thereafter
- FY 2006/07 took action to contain medical contributions

Employee Benefits Fund

◆ Insurances Sub-fund

- Retiree medical costs expected to increase rapidly over the next several years
 - Retiree population expected to grow 11% between FY 2006/07 and FY 2007/08
- Liability for retiree medical \$80 million
- Budget fully funds GASB 45 liability

Liability and Property Insurance Fund

- ◆ **Provides coverage for General Liability and property assets – Total Budget \$1.6 million**
 - City participates in California Joint Powers Risk Management Authority (CJPRMA) for Liability
 - Provides insurance over City's Self Insurance Retention level (\$500,000 per claim)
 - Rebate received annually based on pool experience
 - Self Insured for Property
- ◆ **Reserves drawn down significantly after one large claim paid out in FY 2006/07**
 - Reserve to be built back up to desired level over next four years



Fremont Pool Endowment Fund

- ◆ **Interest on Fremont Pool Trust transferred to Community Recreation Fund**
 - Used to offset City's cost to operate Fremont Pool – Operational cost is \$131,385
 - Earnings for the Trust cover approximately 32% of the City's annual costs (\$43,000)
 - Revenues from pool operation cover approximately 37% of the total costs (\$48,000)
 - Remaining \$40,385 of operational cost covered by the General Fund subsidy to the Community Recreation Fund



Dorolou Swirsky Youth Opportunity Fund

- ◆ Interest on trust transferred to
Community Recreation Fund to
support Mobile Recreation Program



Fund Reviews

- ◆ **Questions, Comments, Suggestions on Fund Reviews Section**

Budget Supplements

◆ 8 Supplements - Two Categories:

– Service Level Enhancements

- 2 Supplements: FY 2007/08 Request \$73,350
- Recommend funding \$48,500 from General Fund Service Level Set-Aside

– Outside Group Funding

- 6 Supplements: FY 2007/08 Request \$131,227
- Recommend total contribution \$100,000

Service Level Enhancements

- ◆ **Murphy Avenue Enhanced Maintenance and Tree Lighting**
 - \$48,500 for one year
 - Recommended for funding
- ◆ **Parks Ornamental Water Features**
 - \$24,850 annually; 20 Year Impact: \$689,350
 - Not Recommended for FY 2007/08; will be considered as part of operating budget process next year

Outside Group Funding

◆ Council Priorities for Funding:

- Senior Services, Youth Services, Handicapped Services, Employment Training, Substance Abuse Services

◆ Council Identified Gaps

- After-school programs for “at-risk youth,” transportation services for seniors, mental health services for households



Request for General Fund Support: CDBG Eligible Outside Groups

◆ Housing and Human Services Commission's Recommendation

– Sunnyvale Community Services	\$30,471
– Support Network for Battered Women	\$ 1,636
– EHC Lifebuilders	\$ 2,888
– Second Harvest Food Bank	\$ 280
– Cupertino Community Services	<u>\$ 767</u>
Total:	\$36,042



Request for General Fund Support: Non-CDBG Eligible Outside Groups

◆ Requests from Outside Groups

– Case Management for Seniors	\$57,147
– Sunnyvale Alliance Soccer Club Fee Waiver Program	\$ 5,000
– Junior Achievement	\$10,740
– Leadership Sunnyvale	\$10,000
– Euphrat Museum of Art's After-School Arts Program	<u>\$12,298</u>
Total:	\$95,185

Review of Fees and Charges

- ◆ **City fees and charges for services reviewed annually**
- ◆ **Align fee with cost of service except:**
 - Legally limited
 - Market based
 - Subsidized for public purpose



New Fees

- ◆ **Four new fees proposed for FY 2007/08**
 - Notary services
 - Initiative petitions
 - Business License Tax certificate reprint
 - Alarm User Permit

Highlights of Non-Standard Fees

◆ Park Dedication Fees

- Based on Fair Market Value of land
- Increase from \$81/sq. ft. to \$96/sq. ft.

◆ Golf Fees

- Based on Market Survey
- Increase effective April 1, 2008

◆ Transportation Impact Fee

- Established January 1, 2004 to mitigate traffic effect on new development
- Proposed to be indexed by Cost Construction Index
- Recommend 5% increase FY 2007/08

Service Level Review Process

- ◆ Part of comprehensive effort to reduce structural budget gap
- ◆ Council review of all City programs and services at least once every 8 years
- ◆ Provide Council earlier opportunity for preliminary policy direction
- ◆ Encourage more public participation

Service Level Review Process

- ◆ **Conducted first review in April 2005**
- ◆ **Utility-related programs:**
 - Water Supply and Distribution
 - Solid Waste Management
 - Wastewater Management
 - Utility Billing, Collection and Revenue Management



Service Level Review Process

- ◆ **Next reviews scheduled for Development-related programs:**
 - Housing and Human Services
 - Land Use Planning
 - Construction Permitting
 - Neighborhood Preservation
 - Engineering Services (DPW)

Service Level Review Process

- ◆ **Suspended for FY 2006/07 due to restructure of all City programs**
- ◆ **Restructures required Council review and approval of every program's:**
 - Performance measures
 - Performance measure priorities
 - Program expenses and products for each activity



Service Level Review Process

- ◆ Council to re-evaluate in FY 2006/07
- ◆ Considerations:
 - Current Council has reviewed all City programs through restructure process
 - Additional years needed to develop trend data

Summary

◆ Council Direction

- Information on Budget Appropriation Control Policy
- Direction from Today's Workshop
- Additional Direction on the Budget

◆ Next Steps

- Public Hearing – June 5, 2007
- Budget Adoption – June 19, 2007