Sunnyvale

Preliminary Fiscal Outlook for 2019

Study/Budget Issues Workshop
March 7, 2019

Fiscal Outlook Agenda

▶ Overview of the Economy

Major Revenue Overview

Expenditure Overview

Pension Update

Recommended Budget Approach

Conclusion

2019 Economic Indicators

- State Budget

- Labor market and unemployment

- Global economy (Brexit, tariffs, USMCA)

- Cost and availability of housing

- Rising interest rates

Consensus Economic Outlook

Growth Slowing

✓ Slow growth in U.S. GDP

✓ Flattening of stock prices

✓ Strong wage growth in 2018 & 2019, moderating

✓ Slowing job growth

✓ Very low unemployment

✓ Trade disputes creating uncertainty

Housing Market Cooling

✓ Steady construction activity

✓ Rising supply of homes

✓ Tighter mortgage lending standards

✓ Higher interest rates
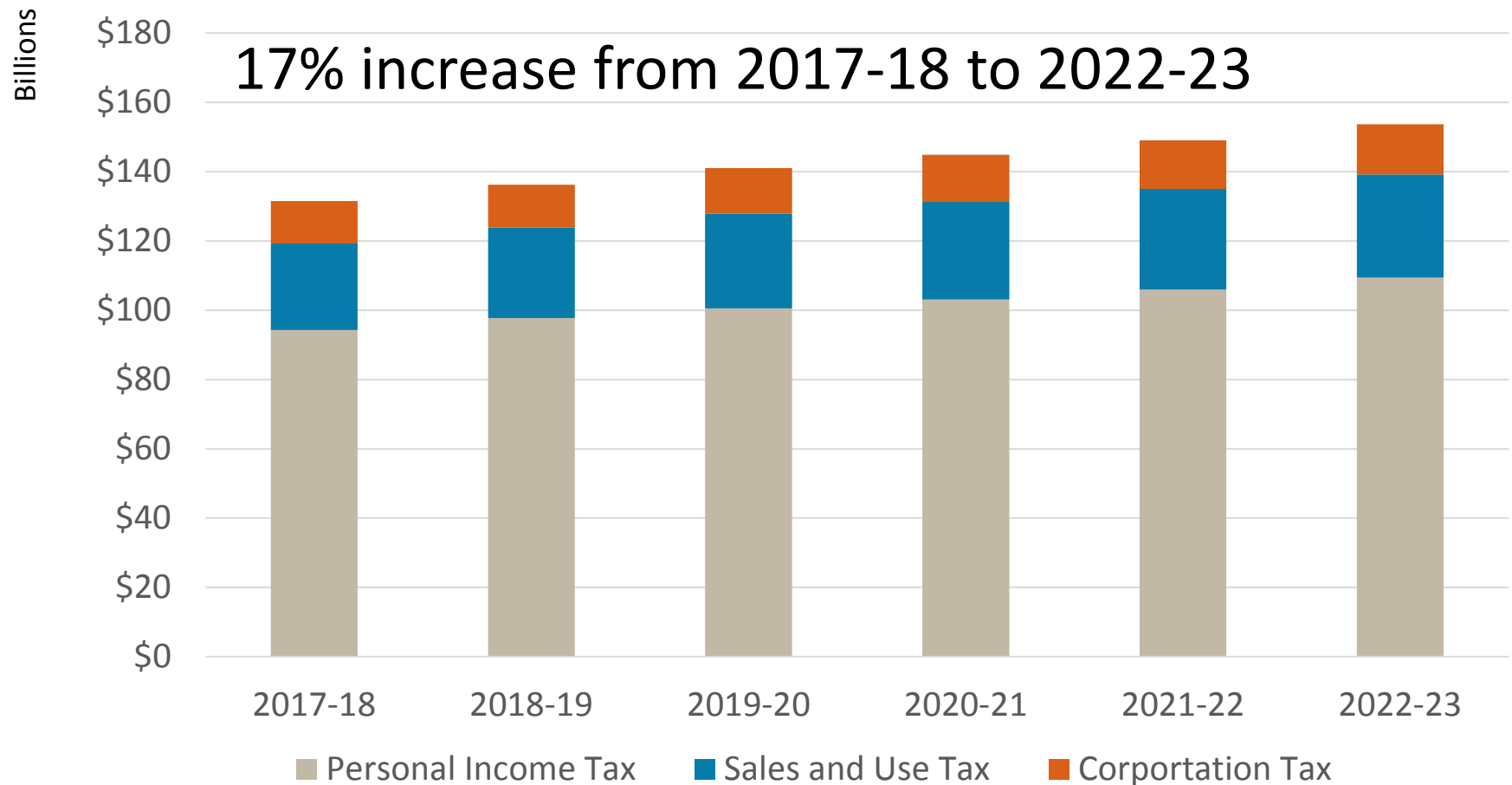
✓ Slower growth in home prices

Source: CSMFO Feb 2019

State Outlook

- Governor's Budget projects positive position for 2018/19 and 2019/20

- $3.7B Revenues over Expenses in the General Fund for 2019/20
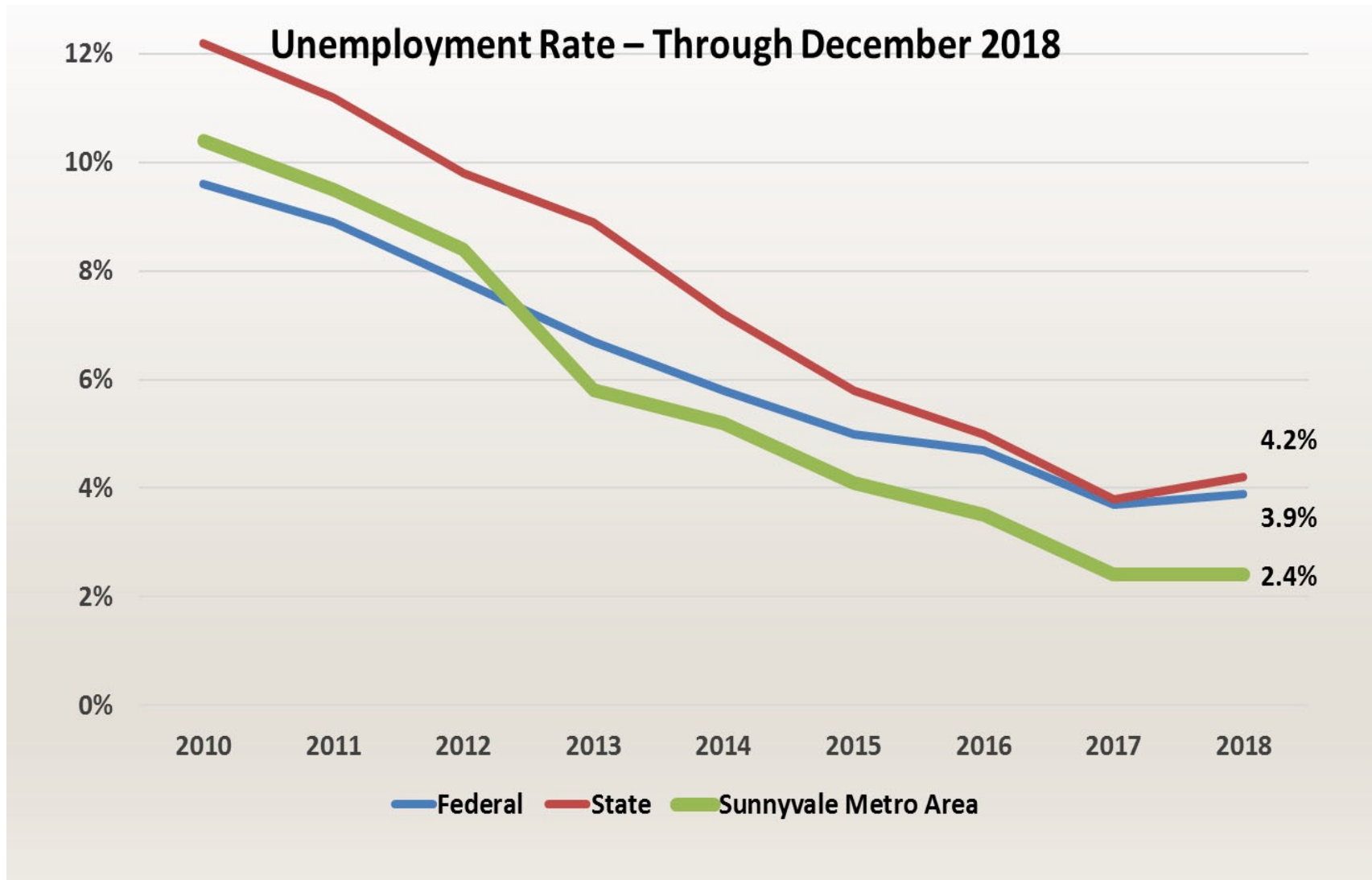
- Personal Income Estimate to grow 2.9%

State Revenue Outlook

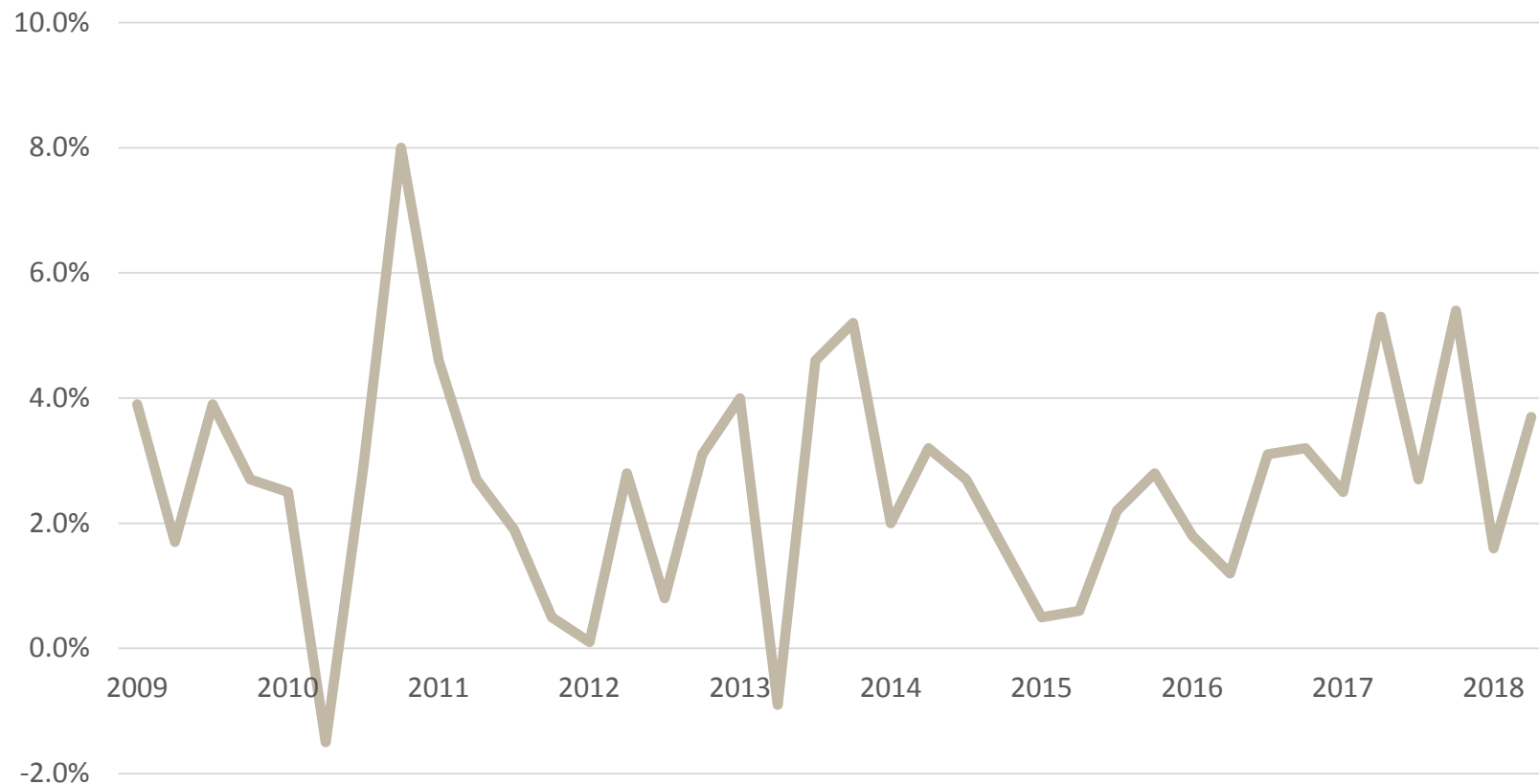## Big Three Tax Revenues – Legislative Analyst's Office

17% increase from 2017-18 to 2022-23

Billions

Legend: ■ Personal Income Tax ■ Sales and Use Tax ■ Corportation Tax

Source: CSMFO Feb 2019

Employment

Unemployment Rate – Through December 2018

12%
10%
8%
6%
4%
2%
0%

2010 2011 2012 2013 2014 2015 2016 2017 2018

4.2%
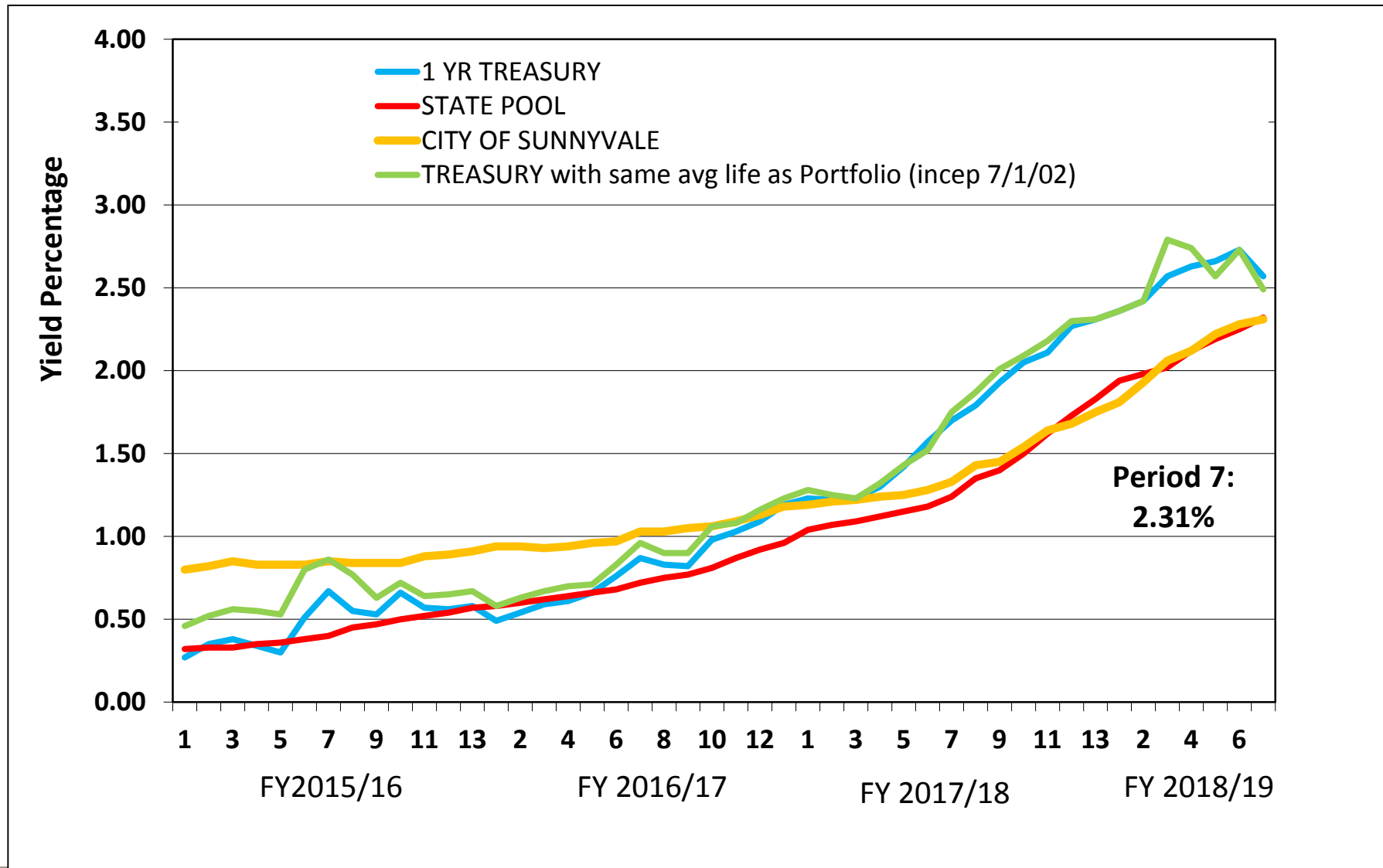3.9%
2.4%

—Federal —State Sunnyvale Metro Area

Gross Domestic Product Growth 2009 – 2018[1]

(1) U.S. Department of Commerce

City's Investments vs. Benchmarks

Recent Market Volatility

- Volatility to be expected, overall growth projected to continue through 2019

- US labor market remains strong

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Major General Fund Revenues

	Stable	Trend	City Controlled	Percent of General Fund[1]
Property Tax	☑	⬆		**39%**
Sales Tax		⬇		**15%**
Transient Occupancy Tax (TOT)		⬆	☑	**10%**
Utility Users Tax (UUT)	☑	⬆	☑	**4%**
View as a group, not individually			**Total**	**68%**

Data as of Feb 2019

Sunnyvale Secured Property Tax Revenue Growth 10 Year History

Residential Value 60%

Nonresidential Value 40%

15.59%

8.37%

	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19

25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%

Residential

Non-Residential (Comm, Ind, Other)
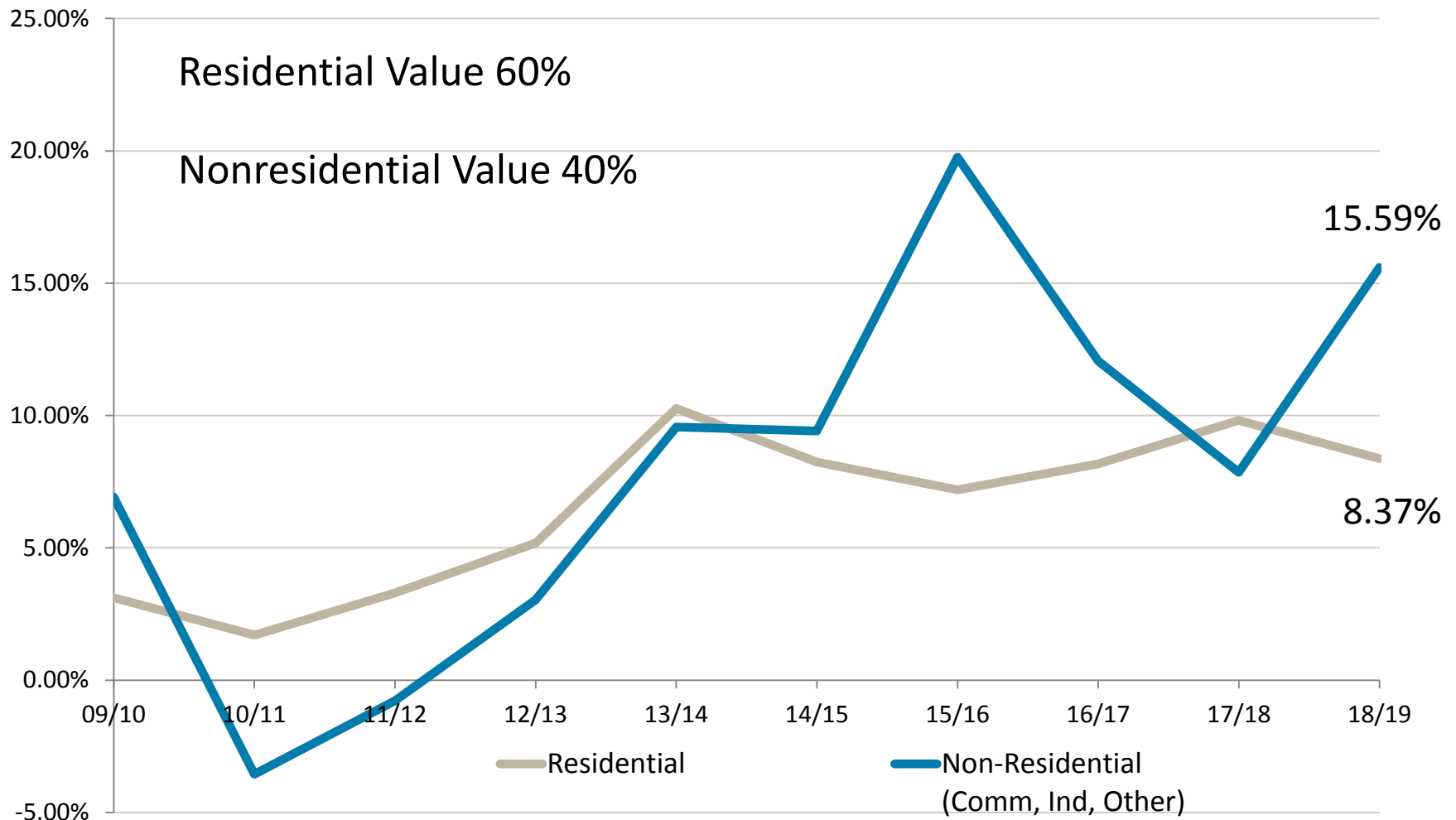
Single Family Median Price History

Median Secured Net Value:
$572,629

$709,000

$1.965M
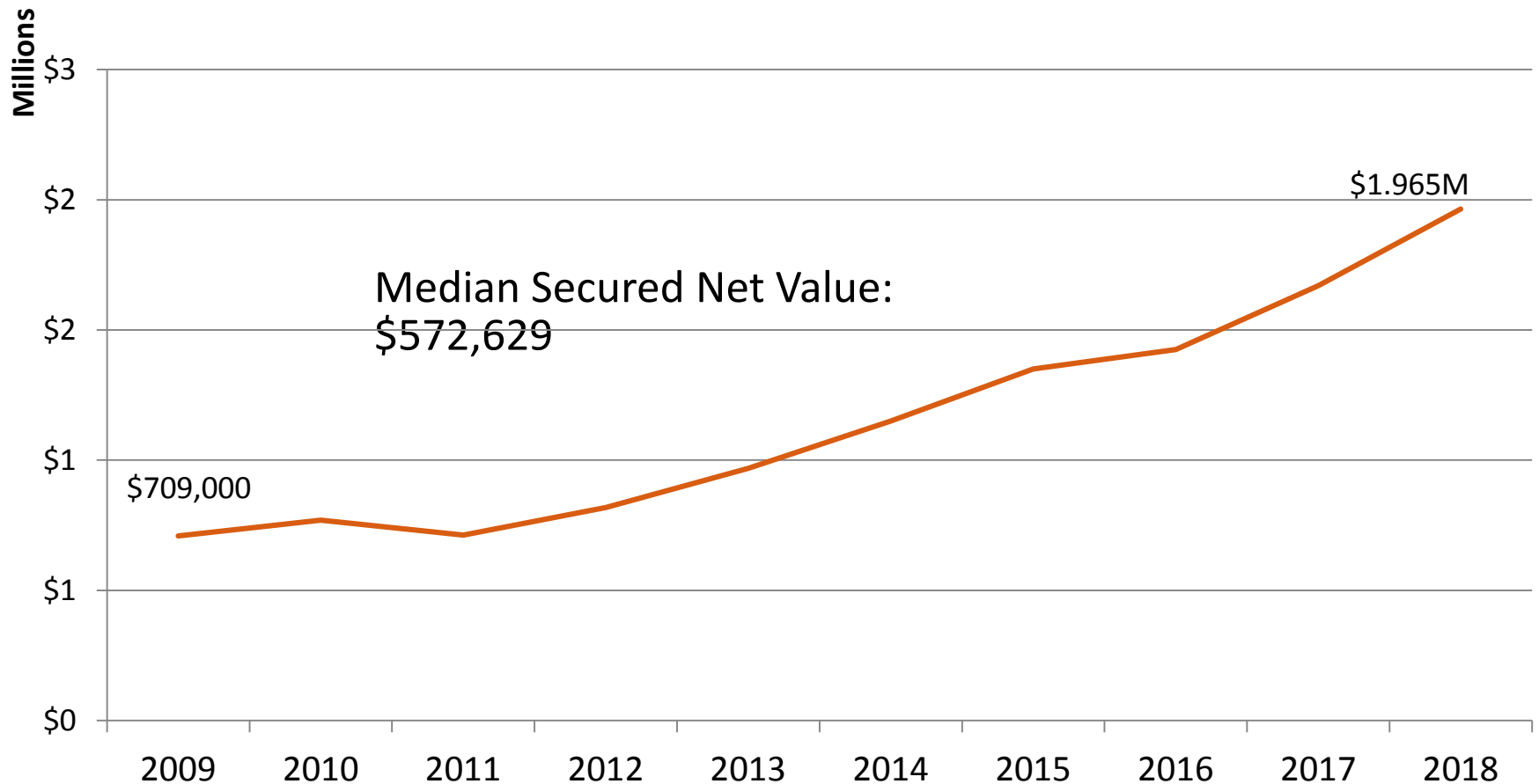
Sales Tax by Major Industry Group

Business And Industry

Count: 1.208

Autos And Transportation

Count: 212

State & County Pools

Restaurants And Hotels

Count: 514

General Consumer Goods
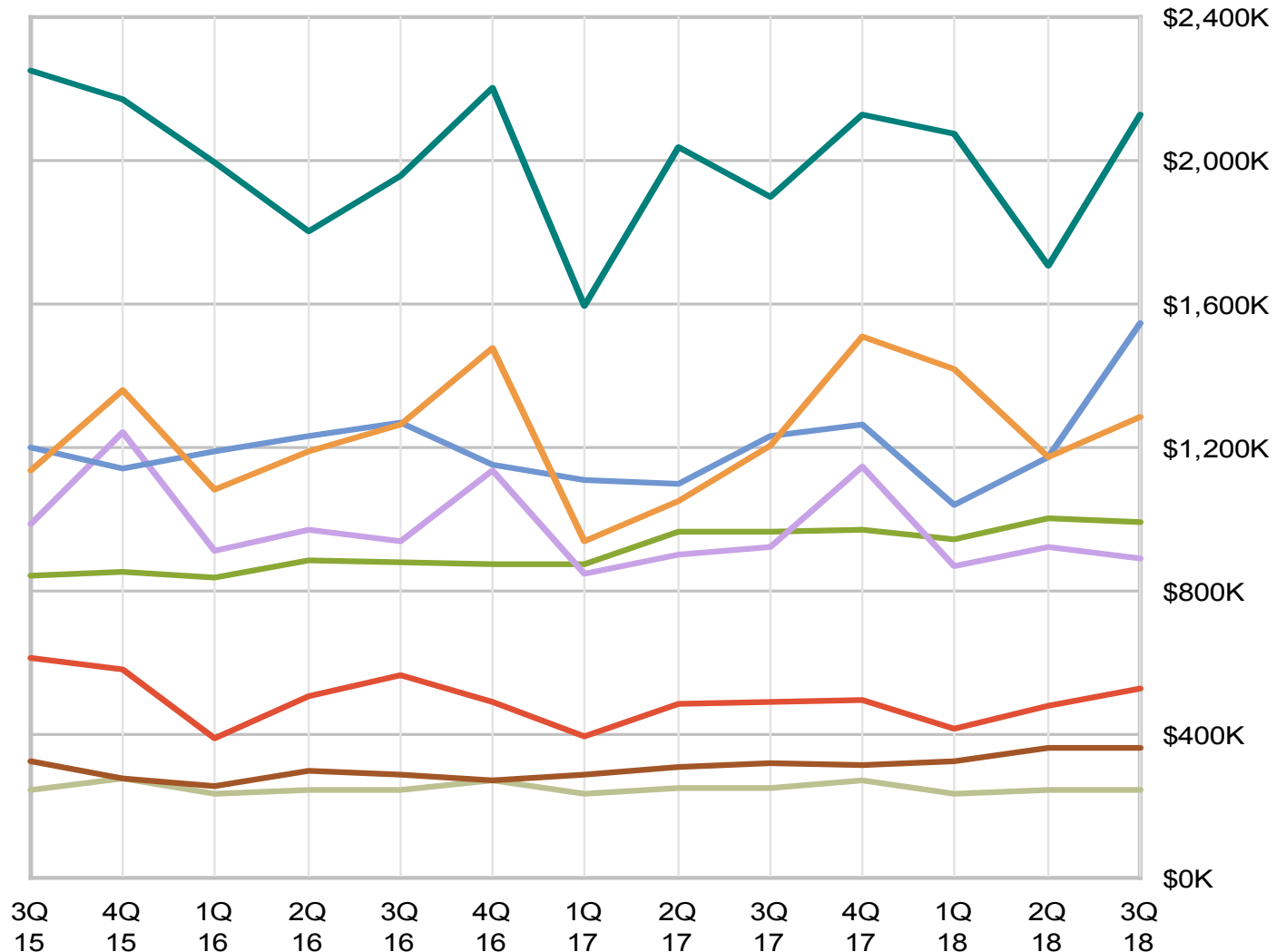
Count: 1.176

Building And Construction

Count: 85

Fuel And Service Stations

Count: 33

Food And Drugs

Count: 109

Source: HDL

Transient Occupancy Tax Historical

FY18/19 Projected
Revenue: $20.6M
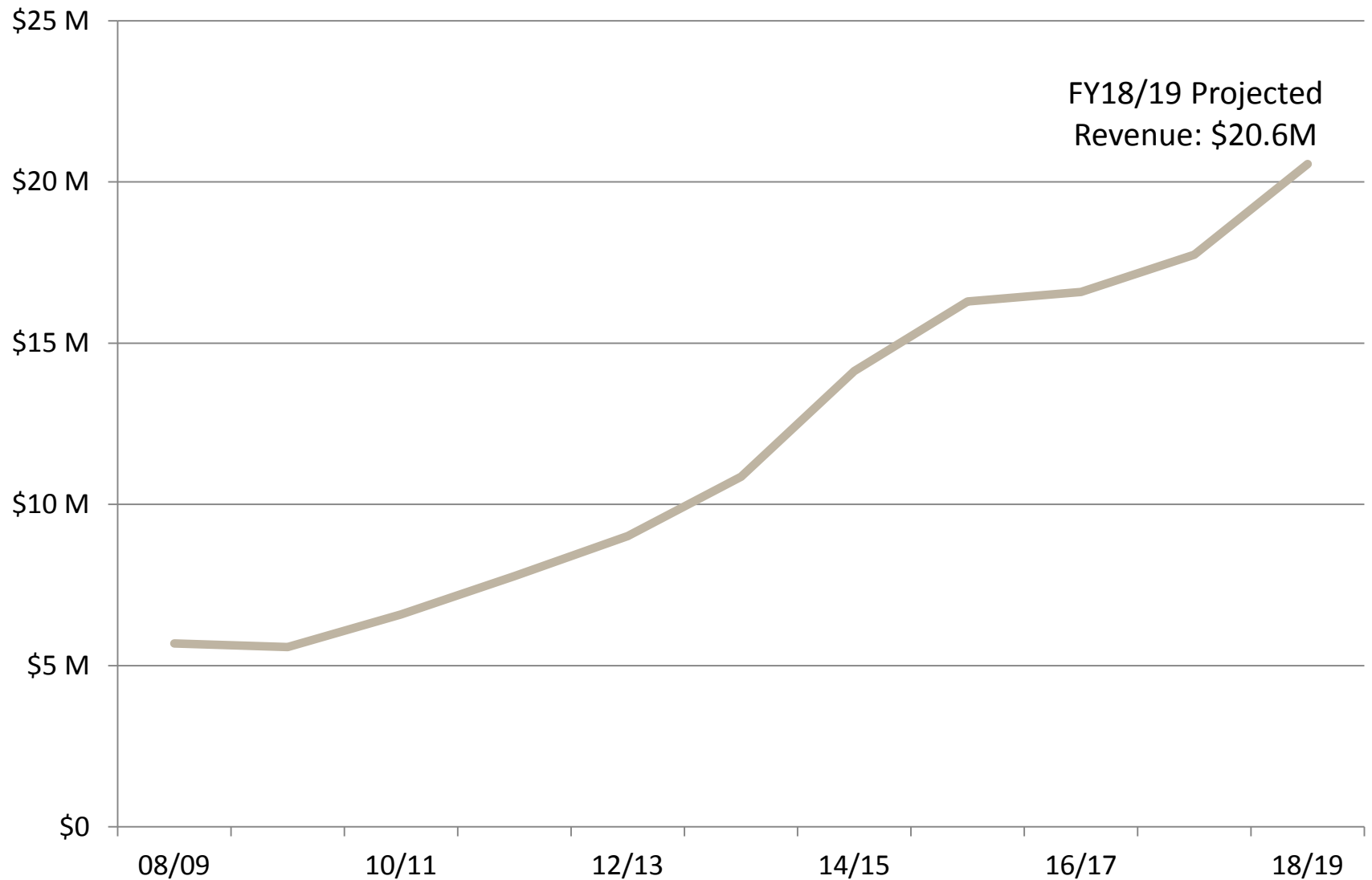
Transient Occupancy Tax FY 18/19 Assumptions

10.5% TOT Rate till Dec 2018; 12.5% TOT Rate starting January 2019

	Economy Hotels	**Premium Hotels**
Occupancy Rate	70%	79%
Avg. Room Rate	$141	$217
Available Rooms [1]	1,260	1,970

(1) Exclude rooms exempt from TOT

Utility Users Tax Historical

FY18/19 Projected $4.1M

FY18/19 Projected $3.3M

FY18/19 Projected $846K

Legend: Telecom — Gas — Electric
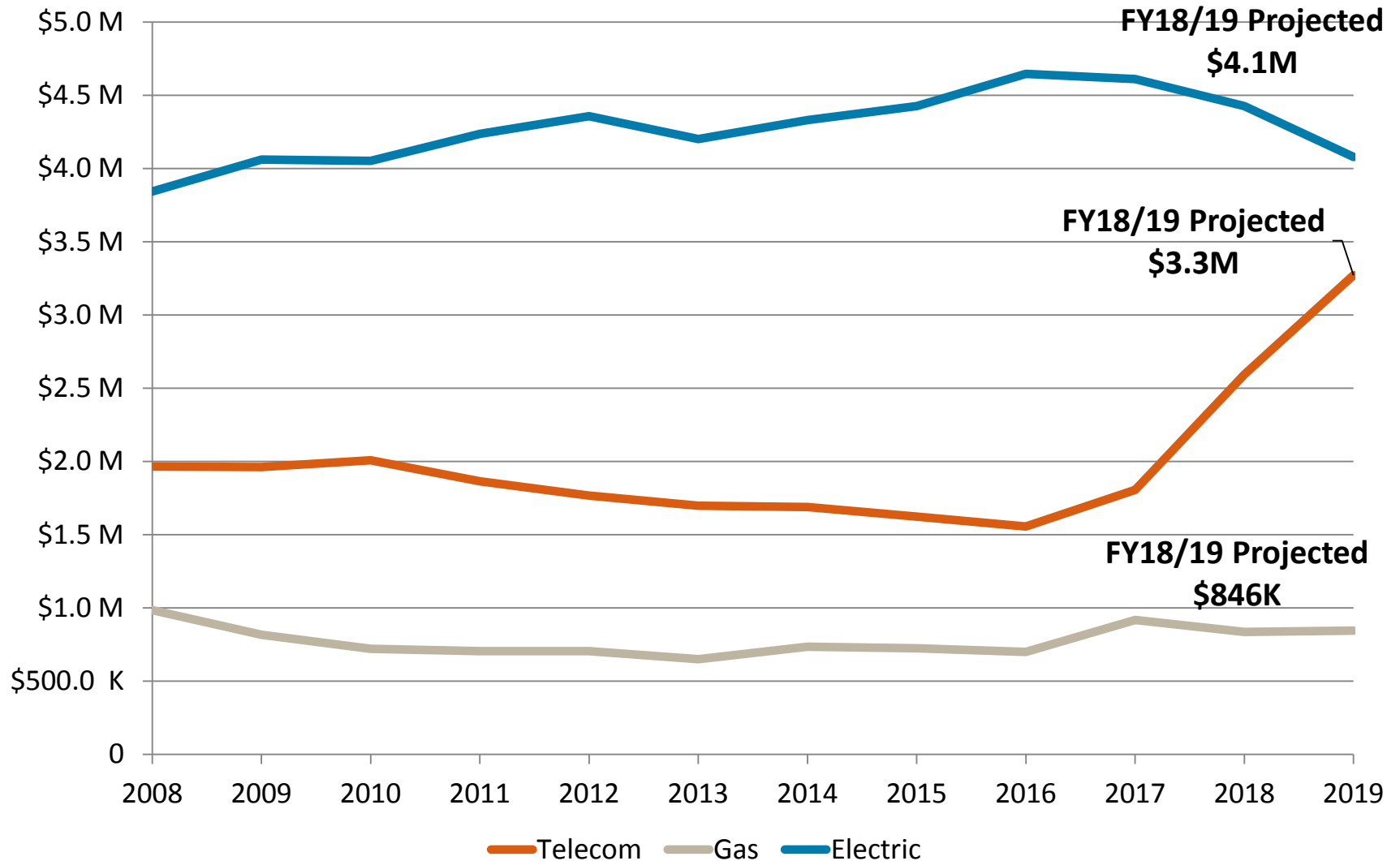
Development Revenues
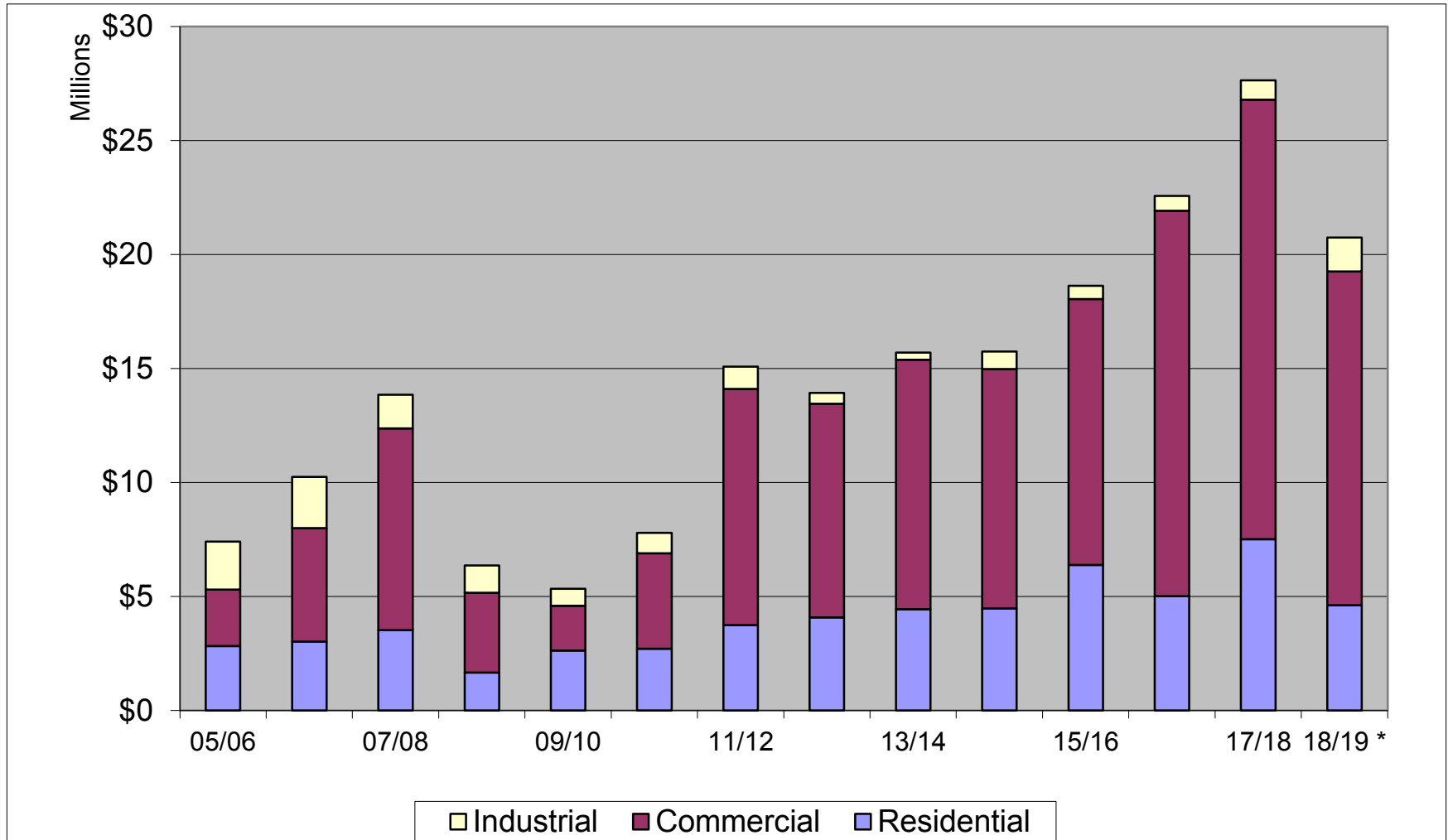
* FY 18/19 data as of Feb 2019

Utility Revenues
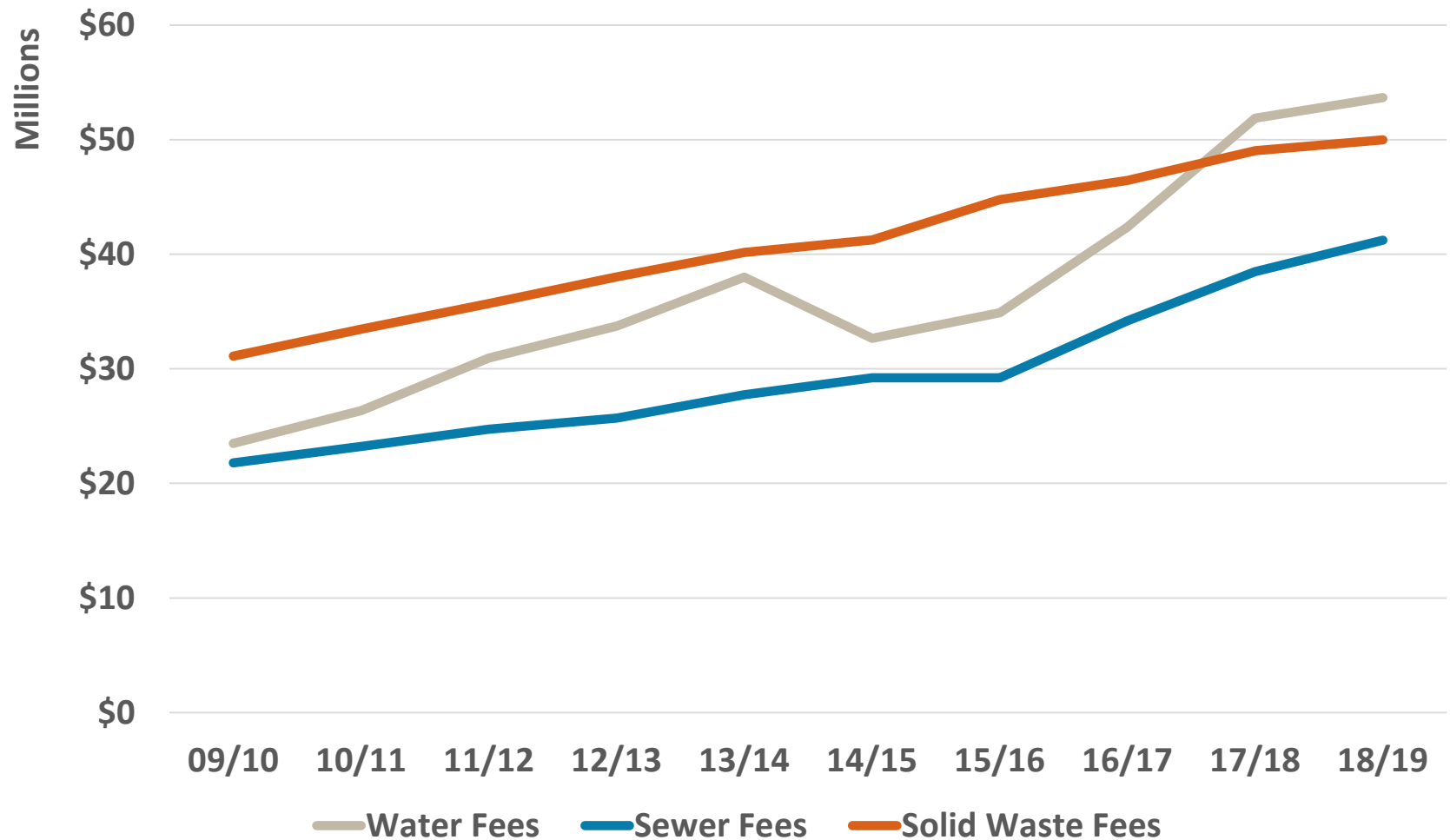
Utility Revenues

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Year to Date Operating Expenditures by Department – All Funds
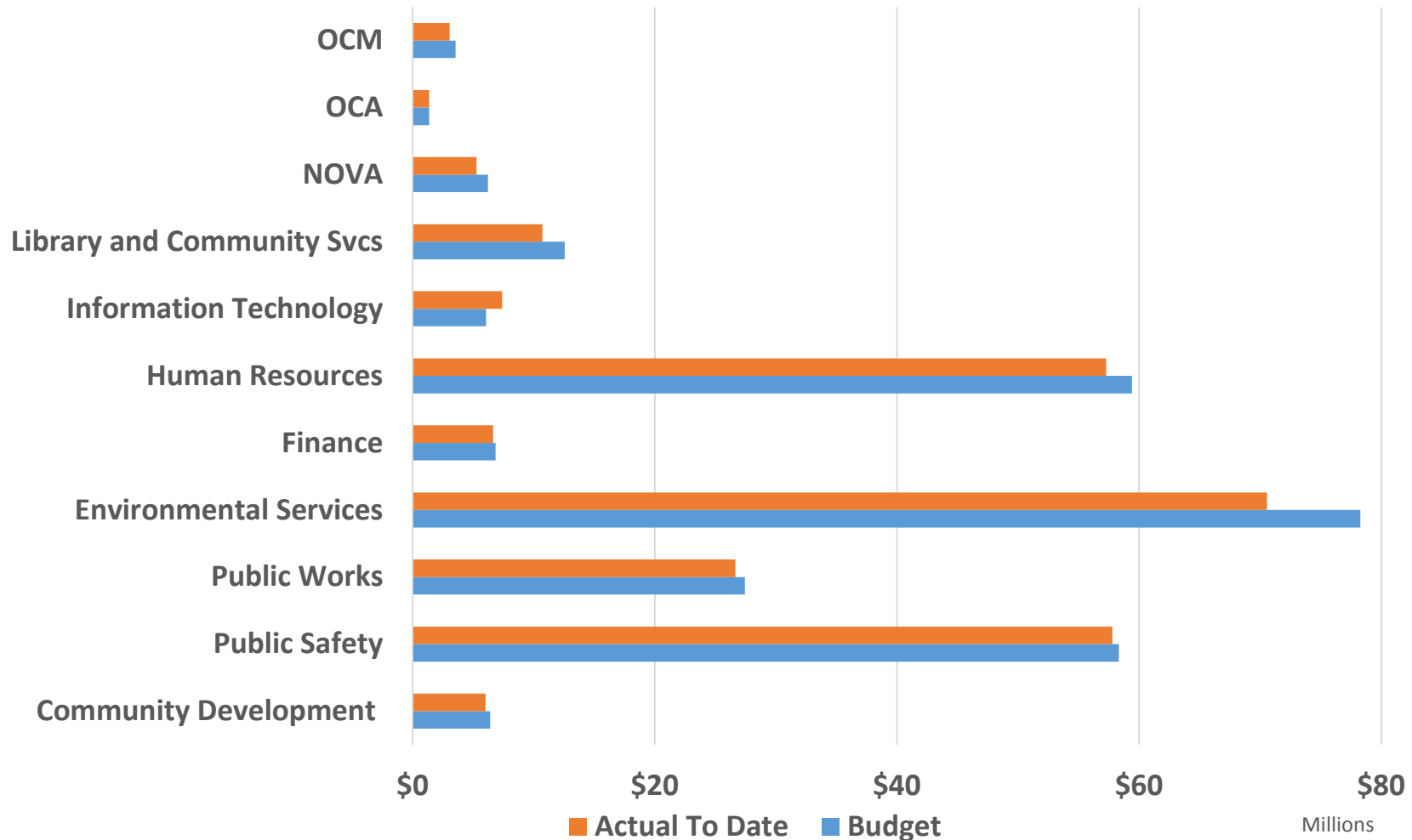
Operating Data through AP08 – 2/9/19

General Fund Operating Expenditures by Department

Year to Date: $4.9 M Below Budget

Operating Data through AP08 – 2/9/19

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Pension Liability Belonging to Retirees

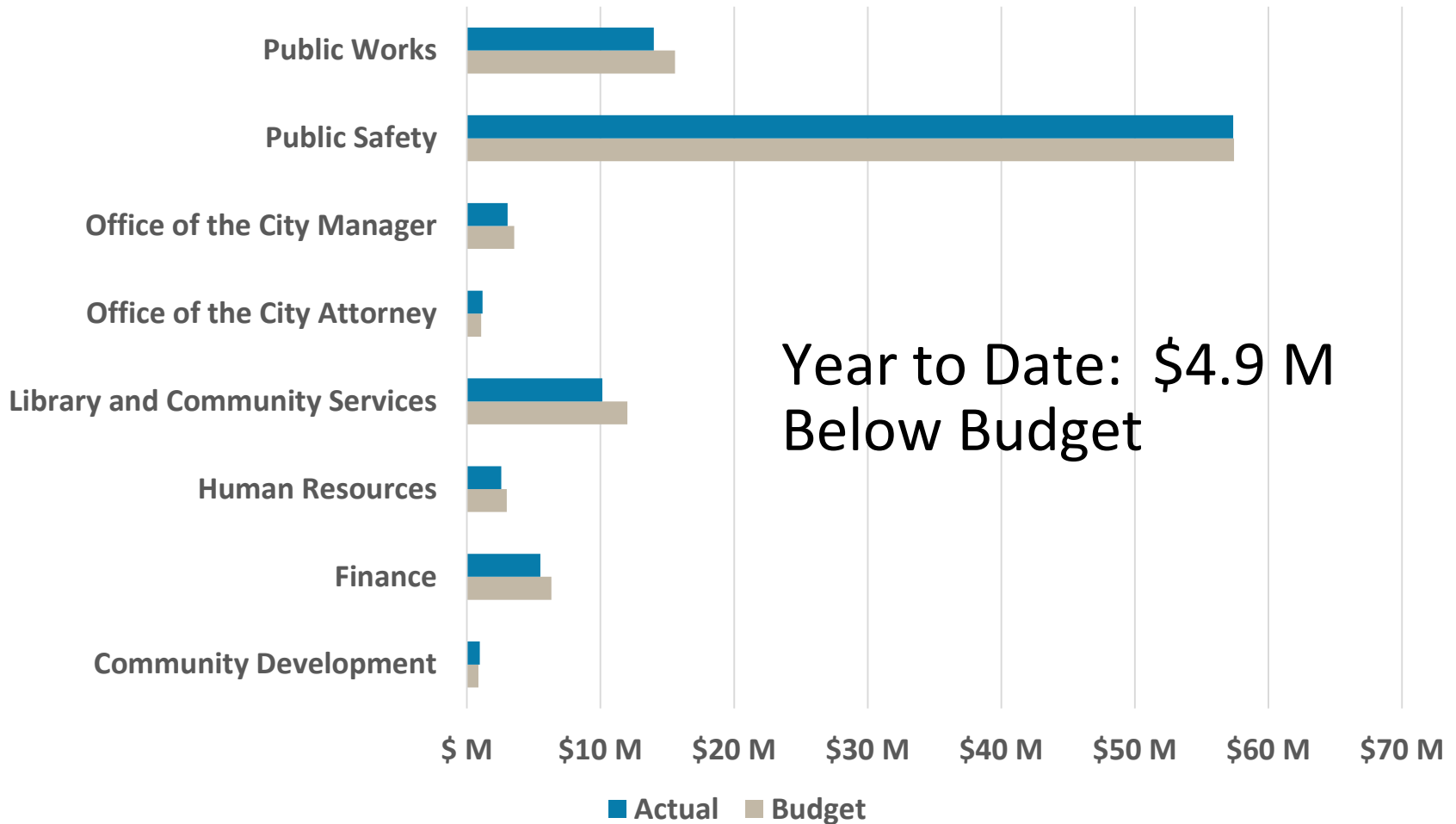|	State Average	City of Sunnyvale
Miscellaneous	55%	65%
Safety	56%	71%

Pension Demographic Information - Miscellaneous

	1997	2007	2016	2017
Actives				
Counts	652	718	659	660
Average				
Age	44	46	47	47
City Service	9	11	12	11
PERSable Wages	$ 44,700	$ 75,500	$ 84,900	$ 90,100
Total PERSable Wages	$ 29,100,000	$54,200,000	$55,900,000	$59,500,000
Inactive members				
Counts				
Transferred	242	421	424	430
Separated	135	327	359	376
Retired				
Service		461	812	844
Disability		41	66	68
Beneficiaries		59	85	88
Total	302	561	963	1,000
Average Annual City Provided Benefit for Service Retirees	N/A	$ 18,400	$ 28,800	$ 29,000

Pension Demographic Information – Safety

	1997	2007	2016	2017
Actives				
Counts	226	215	202	193
Average				
Age	41	40	41	41
City Service	15	12	12	12
PERSable Wages	$ 72,200	$ 130,900	$ 158,600	$ 162,300
Total PERSable Wages	$ 16,300,000	$28,100,000	$32,000,000	$31,300,000
Inactive members				
Counts				
Transferred	23	44	31	30
Separated	12	31	24	24
Retired				
Service		126	190	201
Disability		120	137	137
Beneficiaries		35	53	55
Total	174	281	380	393
Average Annual City Provided Benefit for Service Retirees	N/A	$ 55,800	$ 77,600	$ 79,800

Pension Contribution FY 18/19 vs. FY 19/20 Rates
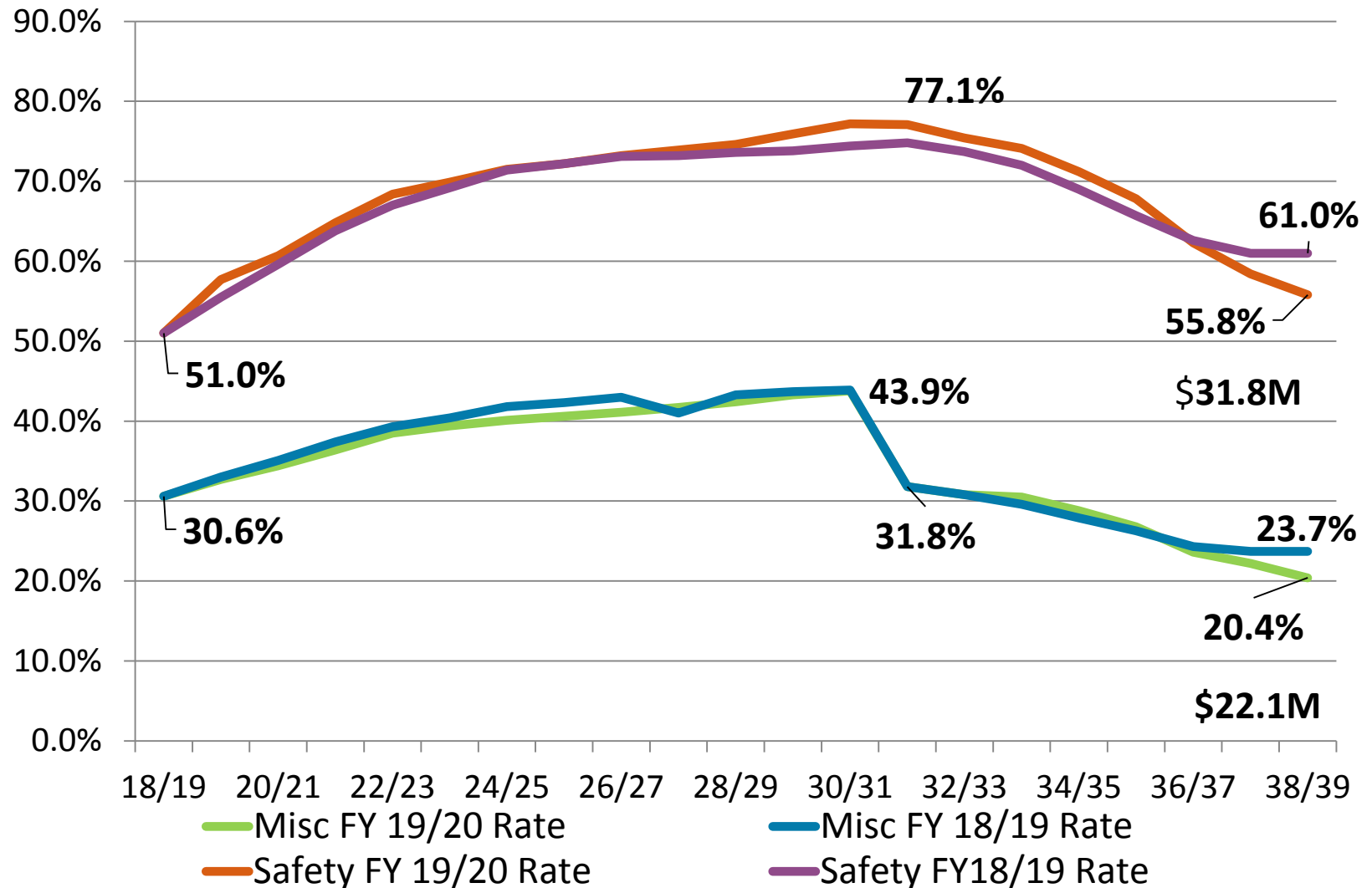
Misc FY 19/20 Rate — Misc FY 18/19 Rate — Safety FY 19/20 Rate — Safety FY18/19 Rate

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FY 2019/20 Recommended Budget

Overall budget approach:

- Position the City for economic volatility

- Maintain a balanced budget for 20 years

- Continue to be cautious and thoughtful with revenue projections

- Manage operating and capital cost escalations

- Close fiscal strategies in the General Fund

FY 2019/20 Recommended Budget

- Focus on Capital Budget

- Currently updating revenue forecasts and major expenditure assumptions

- City Manager reviewing and evaluating base and new budgets

- Budget Workshop End of May

- Public Hearing and Budget Adoption in June

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Pension and Health Care Update

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