



Sunnyvale

# **Preliminary Outlook for Fiscal Year 2023/24**

Study Issues/Budget Proposals Workshop  
February 16, 2023

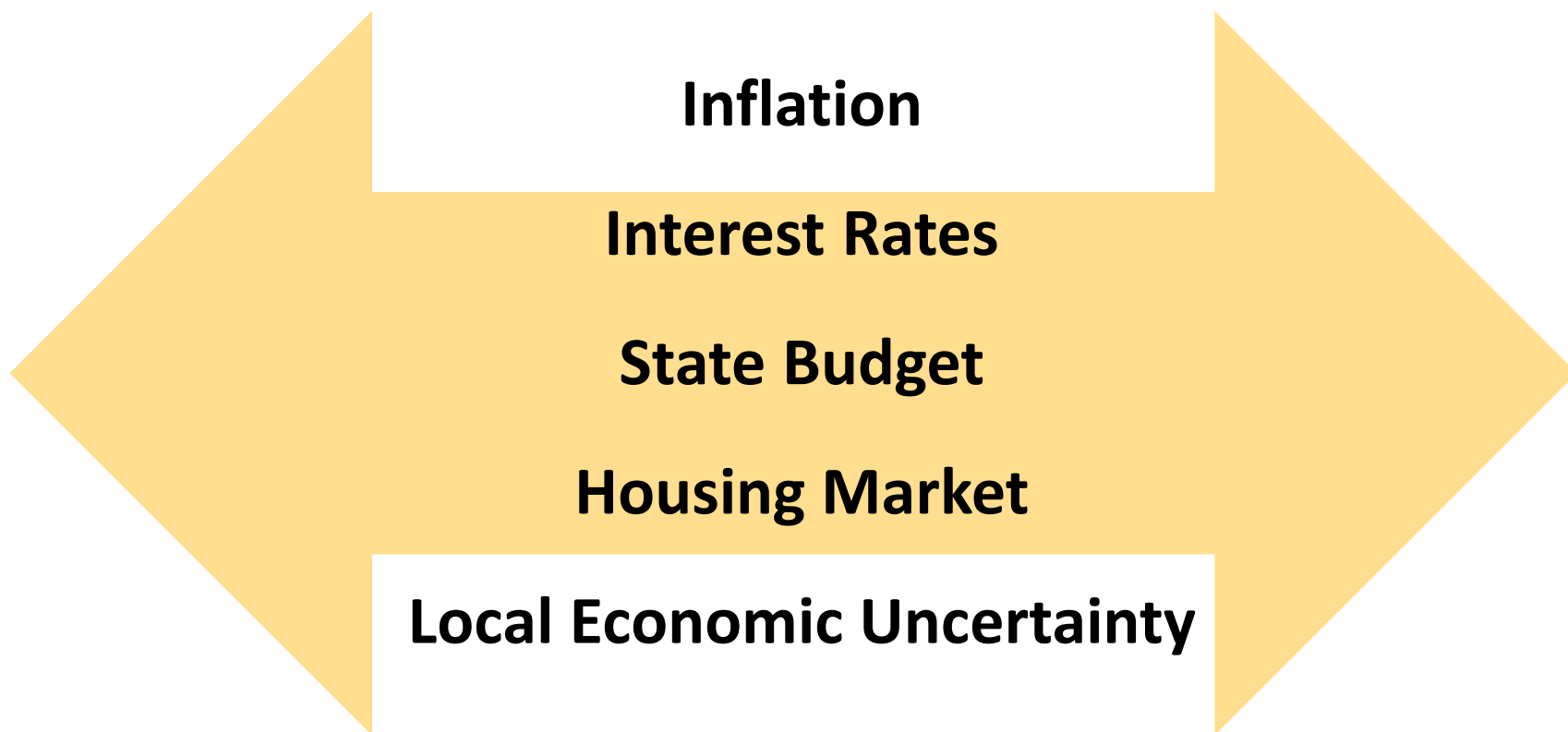
# Purpose of Fiscal Outlook

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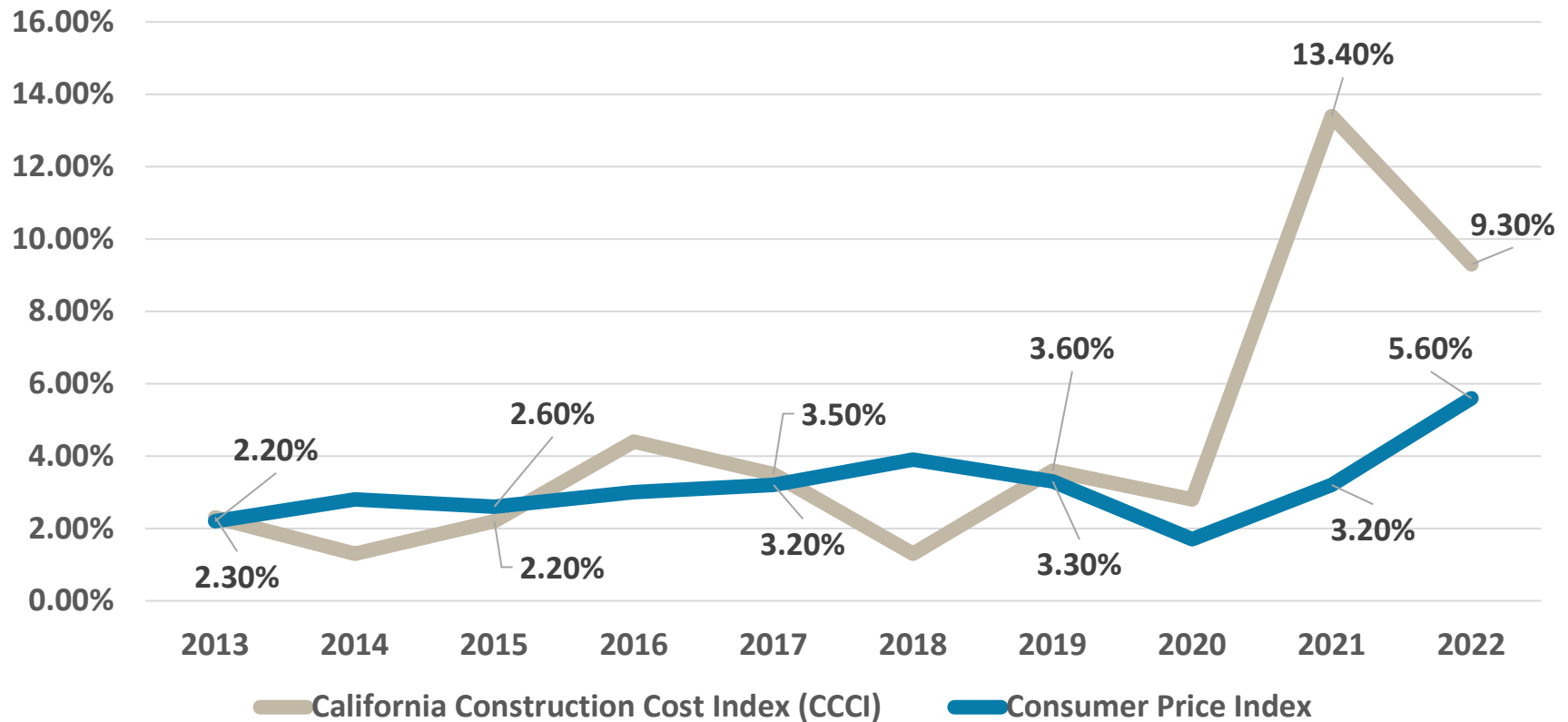
- Provide an update on current conditions
- Set context for fiscal capacity to implement new Study or Budget Issues
- Update Council on status of significant short and long-term financial impacts (e.g., pension costs)

# Overall Economic Outlook

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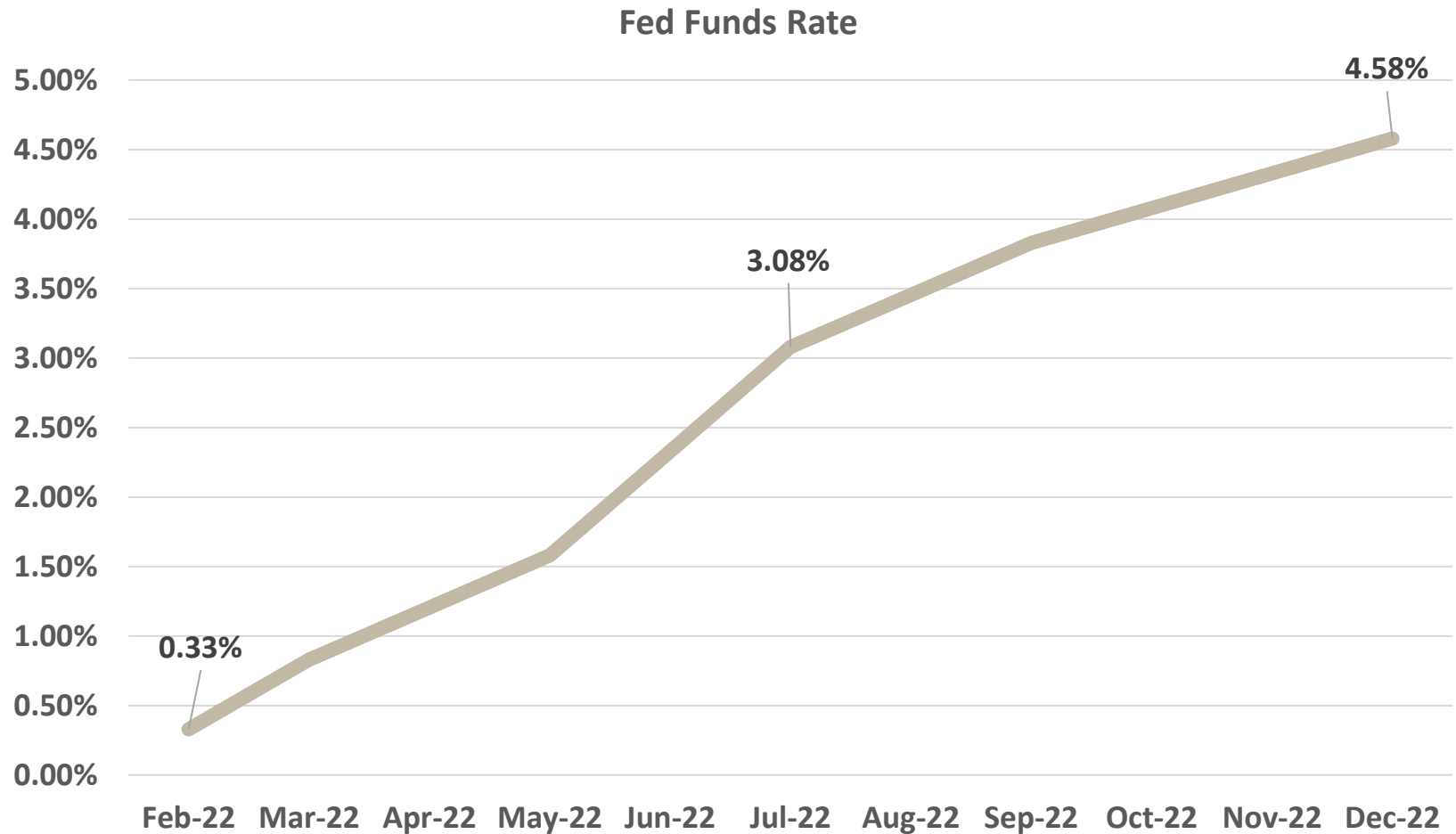


# Historical Construction Cost Index (CCI) and Consumer Price Index (CPI)



- CPI 5 yr avg is 3.5%
- CCI 5 yr avg is 6.08%

# Fed Actions Over the Last Year

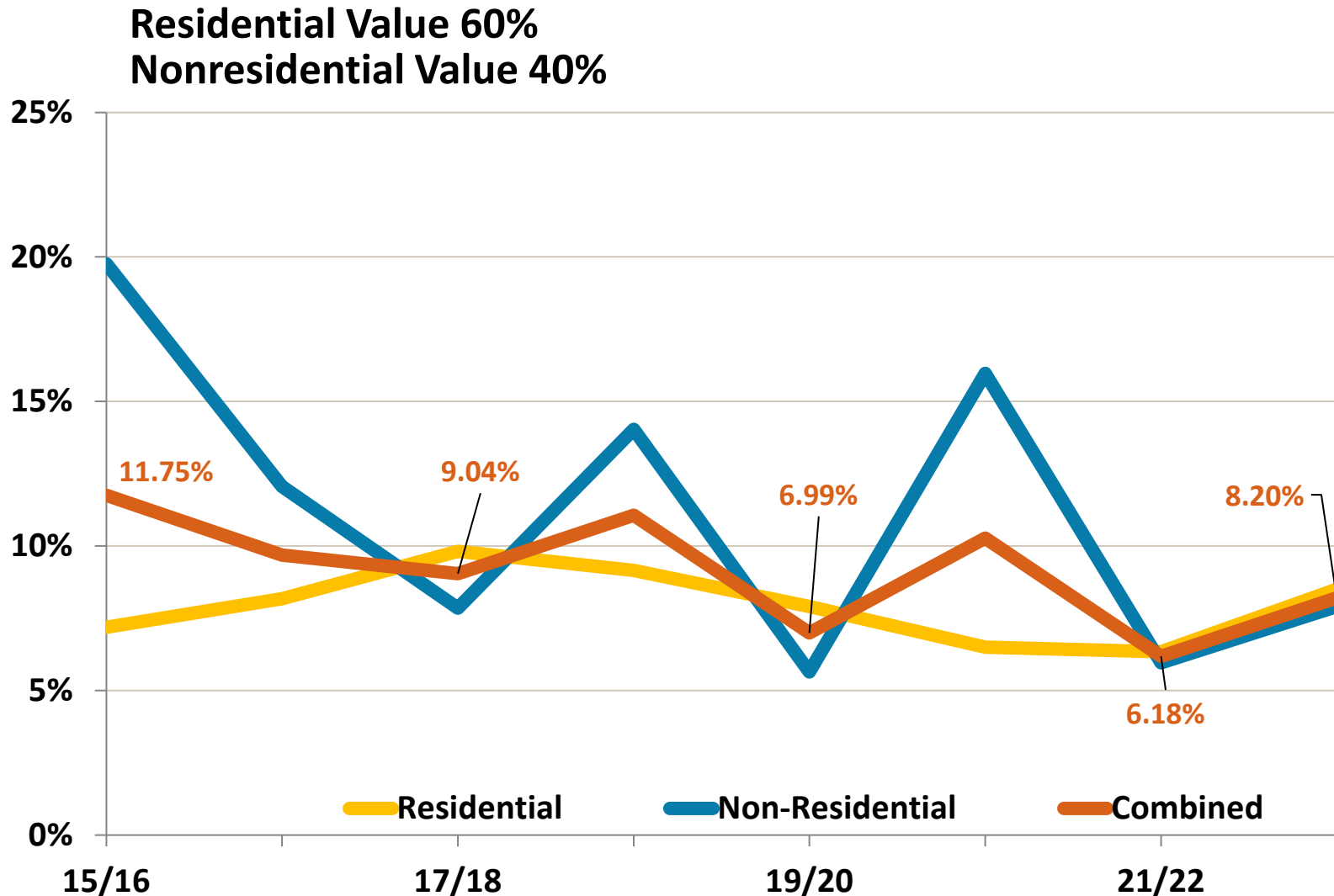


# State Budget

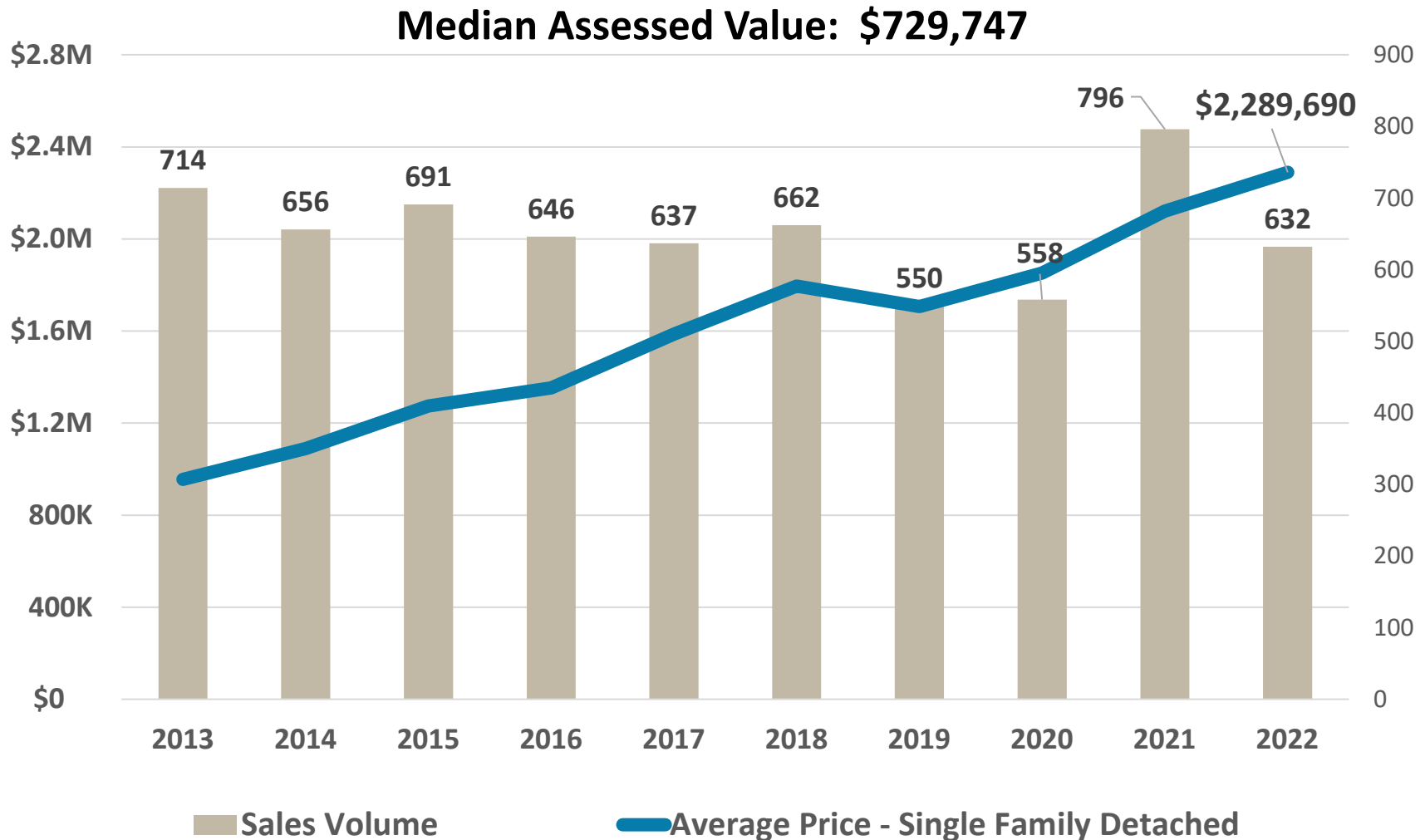
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- Presents budget problem of \$18 B
  - Addressed through one-time actions: delayed spending, cost shifts, trigger restorations, and reductions
  - No use of reserves
- Operating deficits projected after FY 2023/24
- Maintains health and human services; some augmentation
- Spending reductions mostly in natural resources, environmental protection, and transportation
  - Large one-time and temporary funding added in recent budgets for these purposes

# Secured Property Tax Annual Revenue Growth History



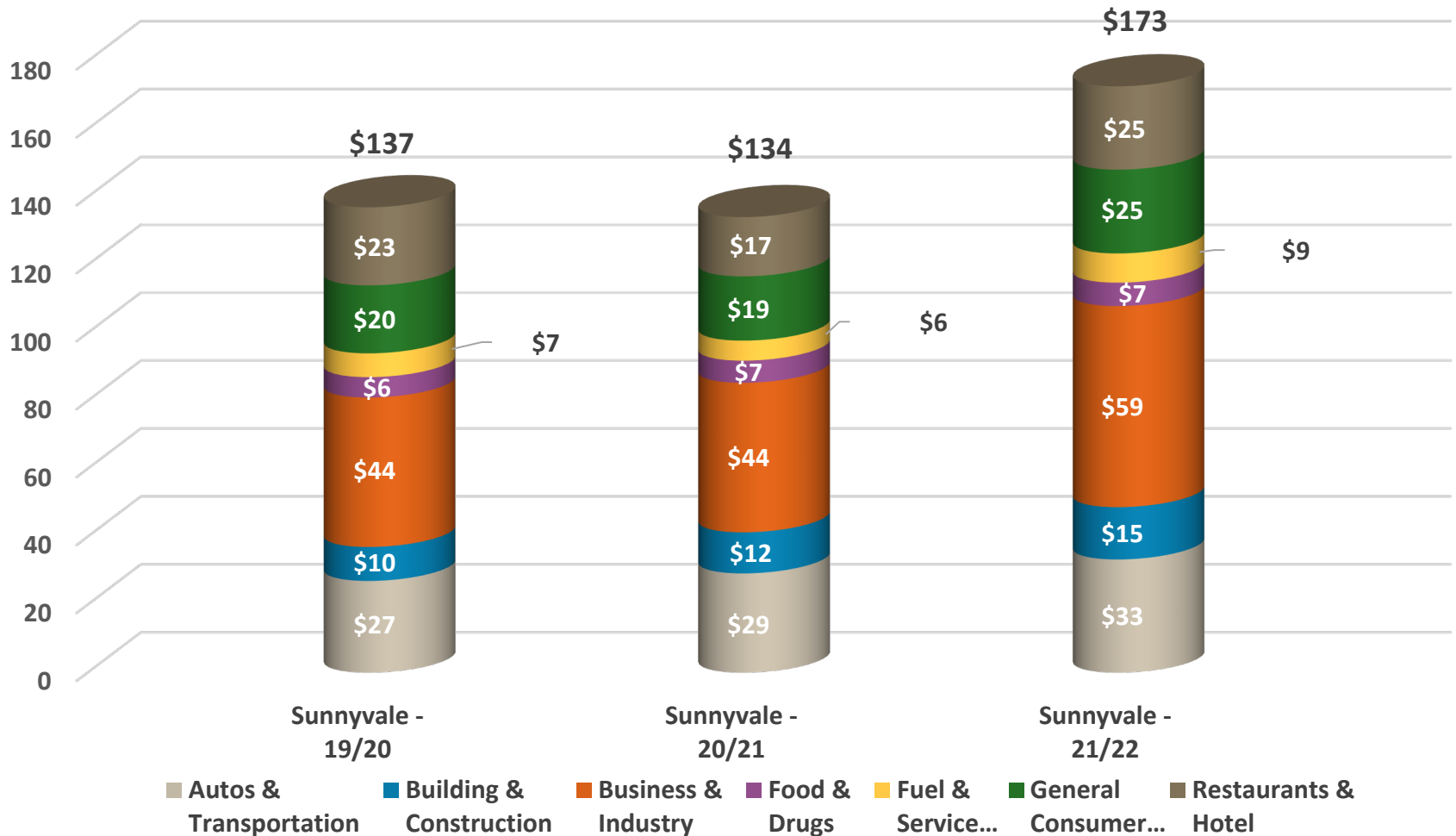
# Single Family Average Price History and Sale Volume History





# FY 2019/20 to FY 2021/22

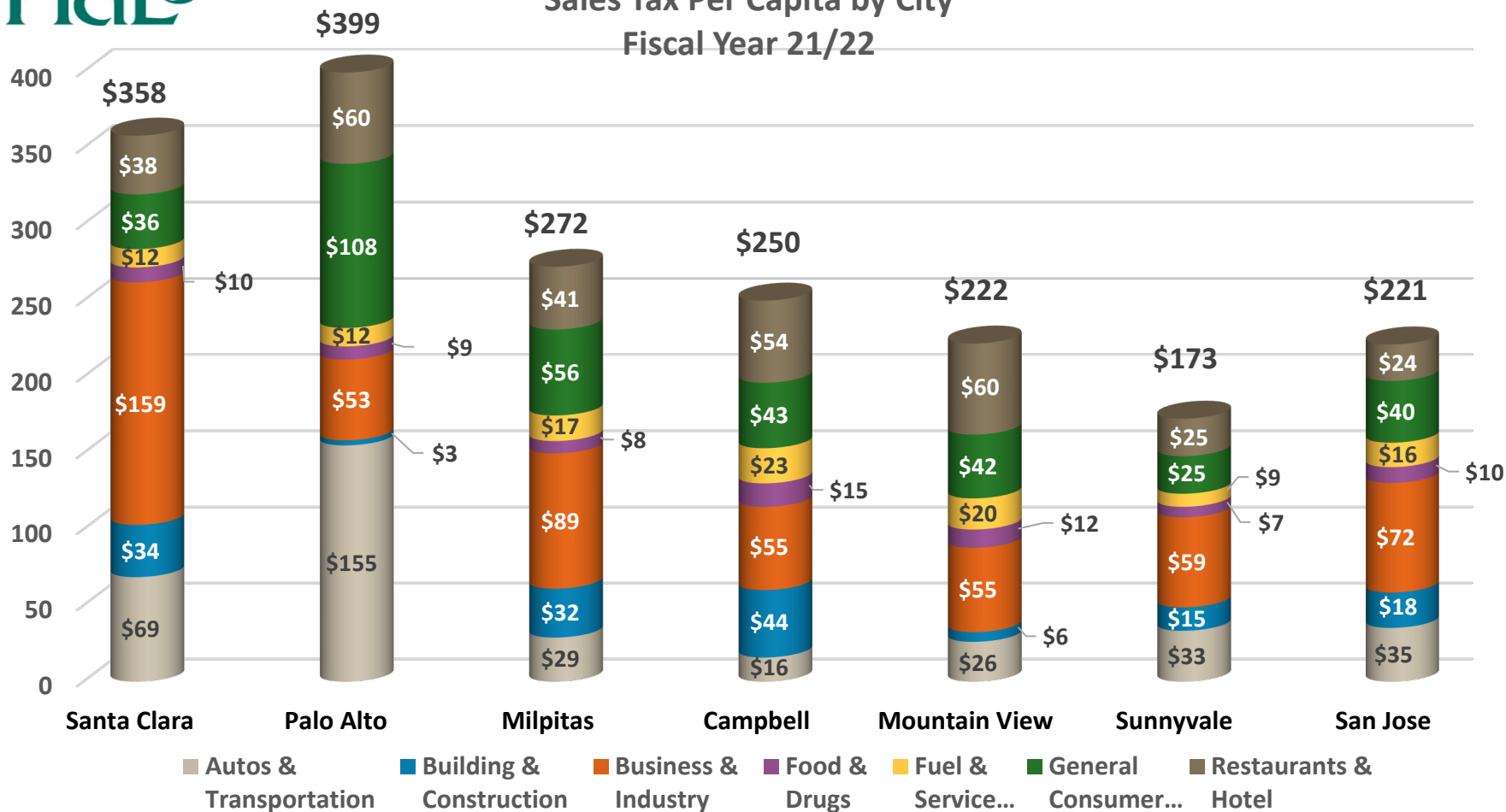
## City of Sunnyvale Sales Tax per Capita



# Per Capita Sales Tax Comparison by Jurisdiction

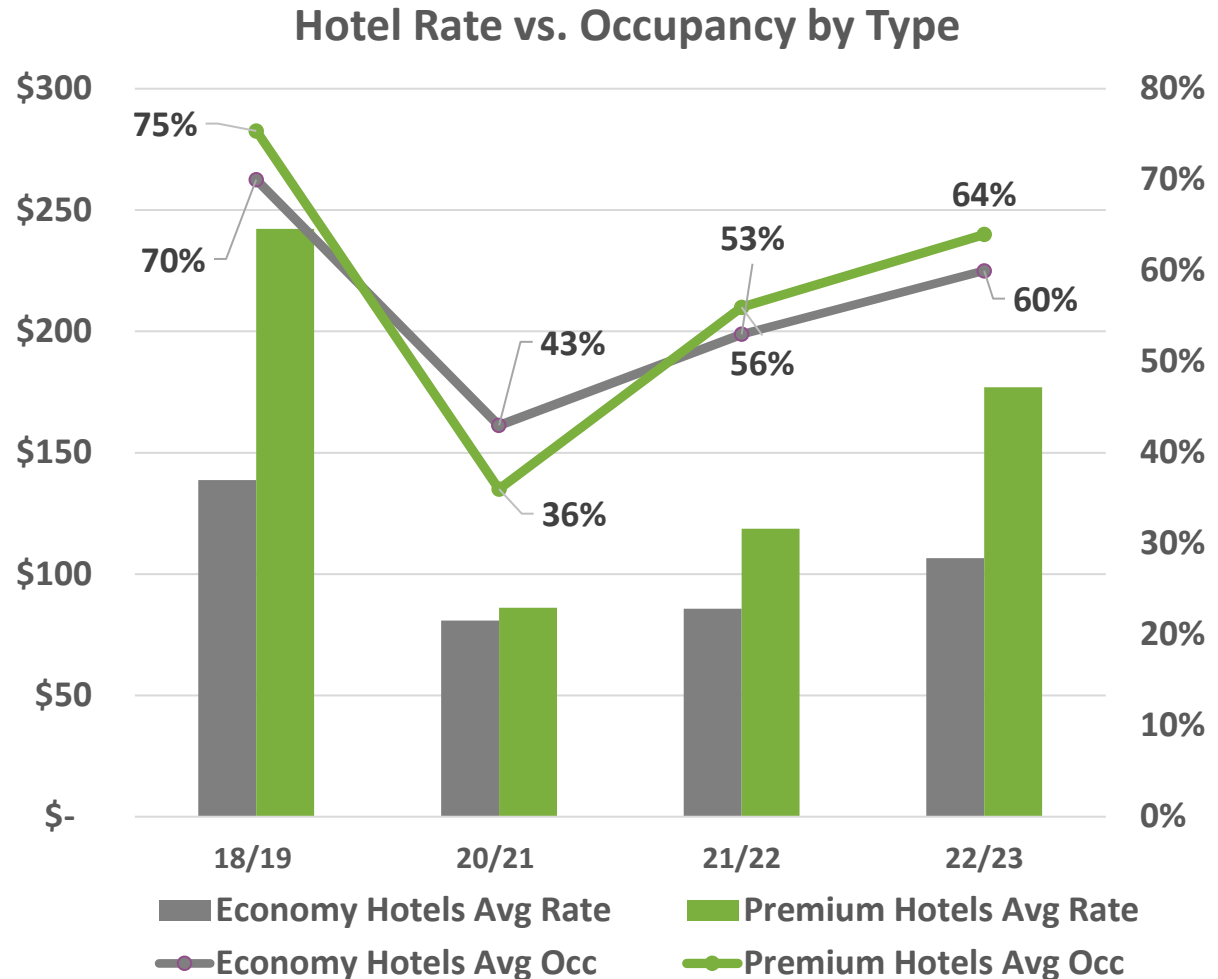


Sales Tax Per Capita by City  
Fiscal Year 21/22

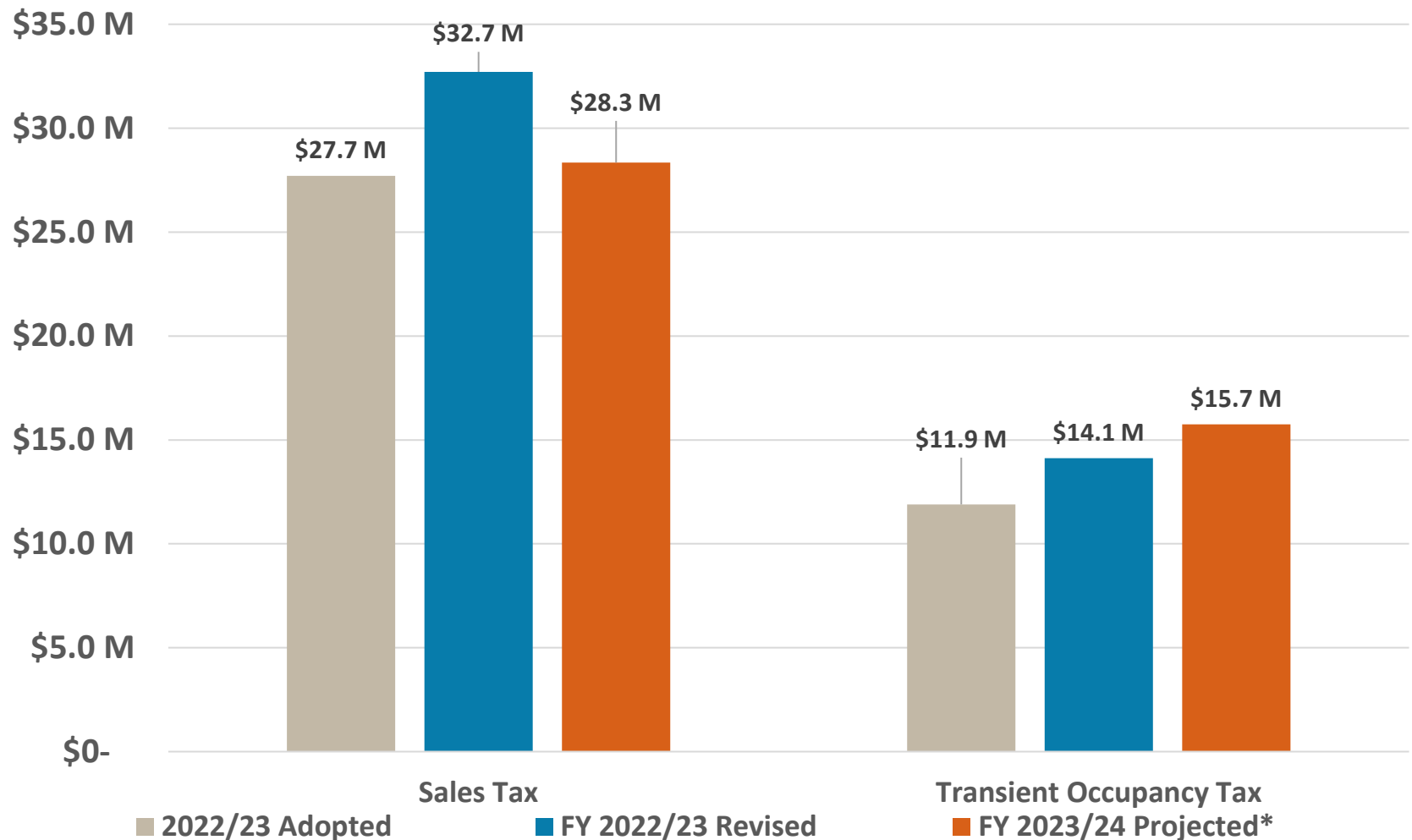


# Transient Occupancy Tax

- Steady recovery from pre-pandemic in FY 2018/19
  - Rates and occupancy
  - Premium and Economy
- Business travel is large driver; recovery remains uncertain

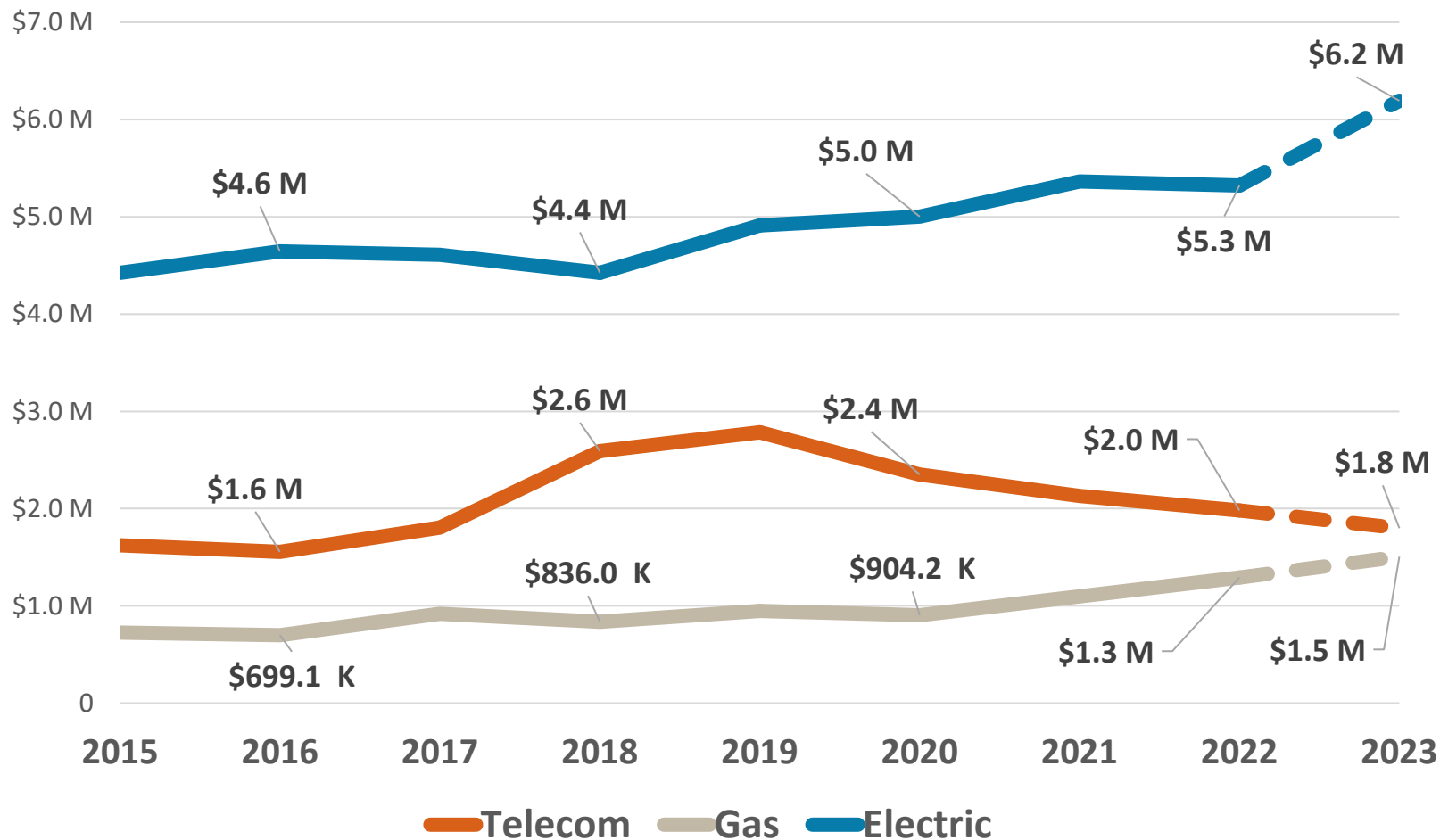


# FY 2022/23 Adopted Budget vs. FY 2023/24 Projections



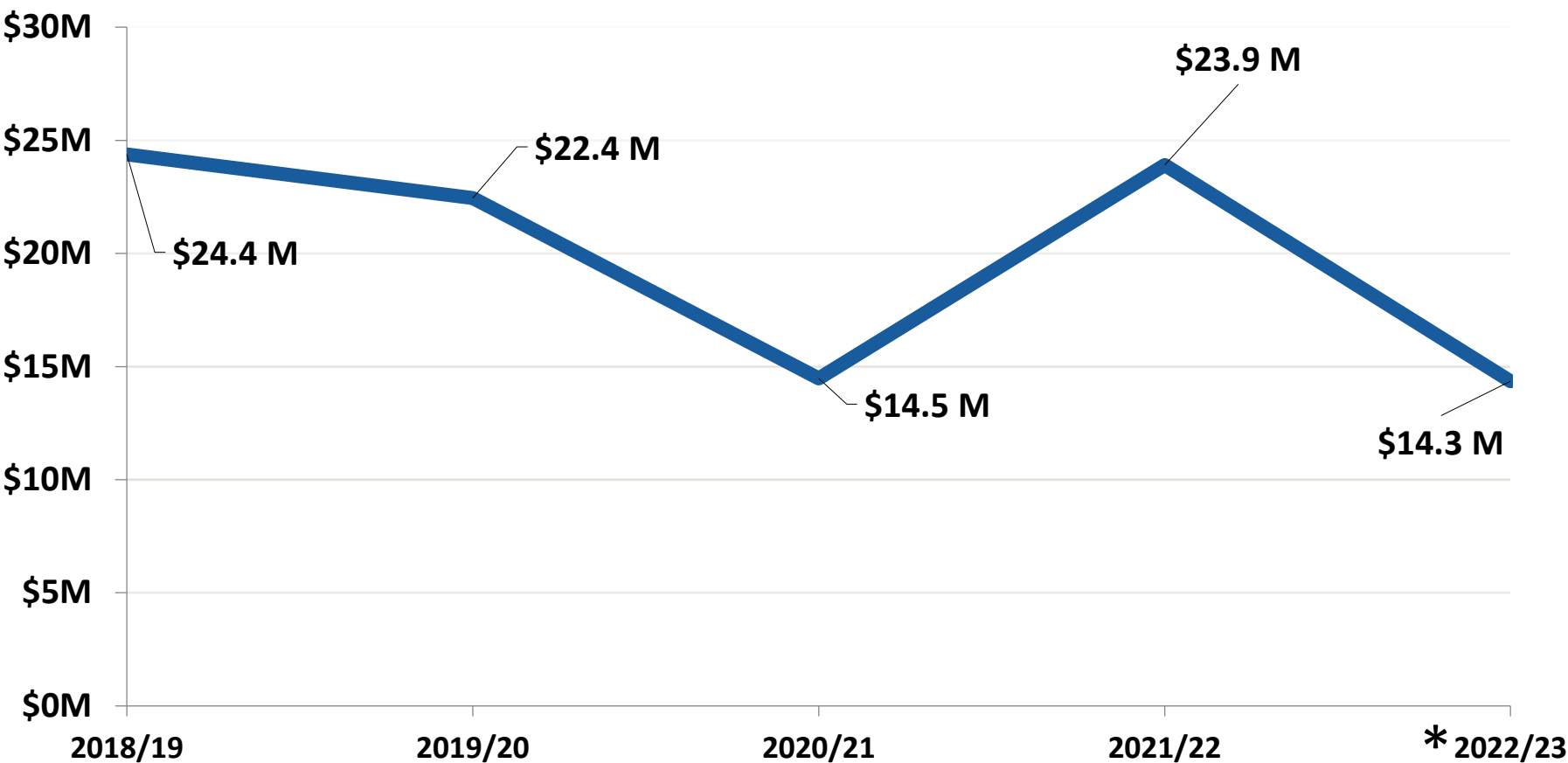
\* From FY 2022/23 Adopted Budget

# Utility Users Tax Historical and Projected



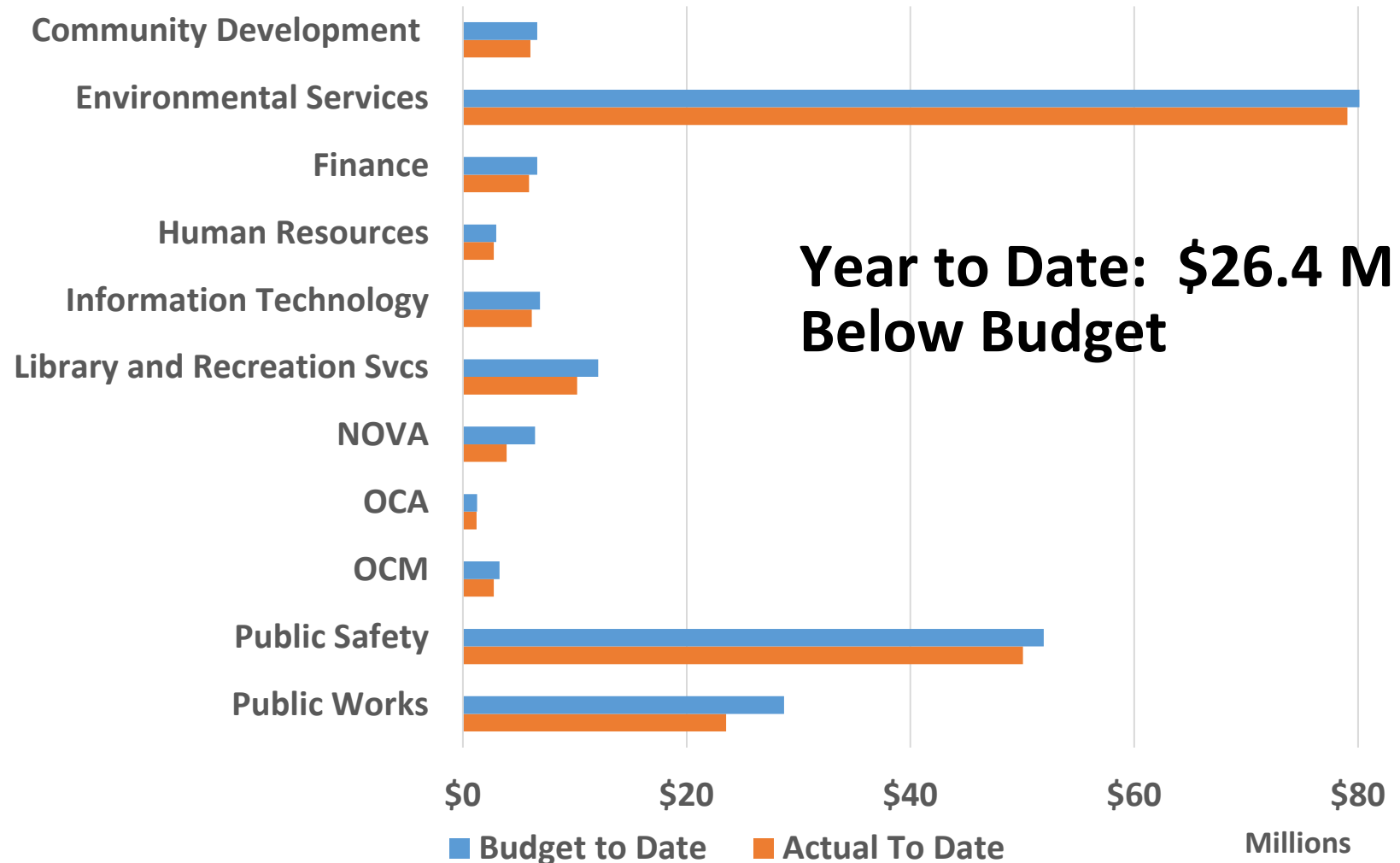
Dotted line = Projected

# Development Enterprise Fund Revenues

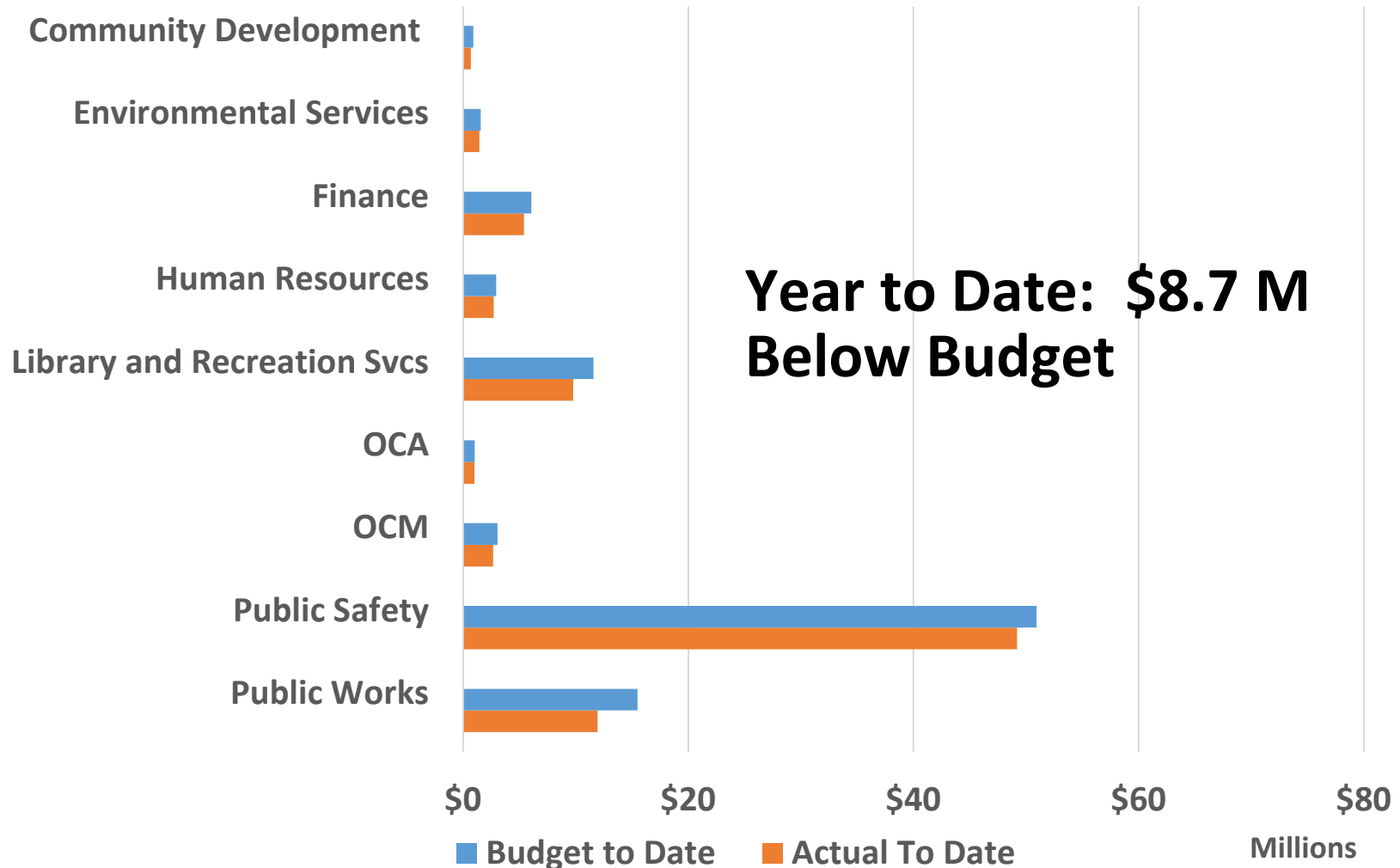


**\* 2022/23 is year-to-date**

# Year to Date Operating Expenditures by Department – All Funds



# Year to Date Operating Expenditures by Department – General Fund





# Pension and OPEB Expenditures

- Actuarial study on pensions drafted, under evaluation by staff
- CalPERS return was **-6.1%** in FY 2021/22 vs. 21.3% for FY 2020/21; 7% is target
  - Annual returns subject to market conditions
  - Impacts ramped in over five- year period
- Current year tracking just under 4%



CITY OF SUNNYVALE  
CALPERS MISCELLANEOUS & SAFETY PLANS



CalPERS Actuarial Analysis

6/30/21 Valuation  
Preliminary Results



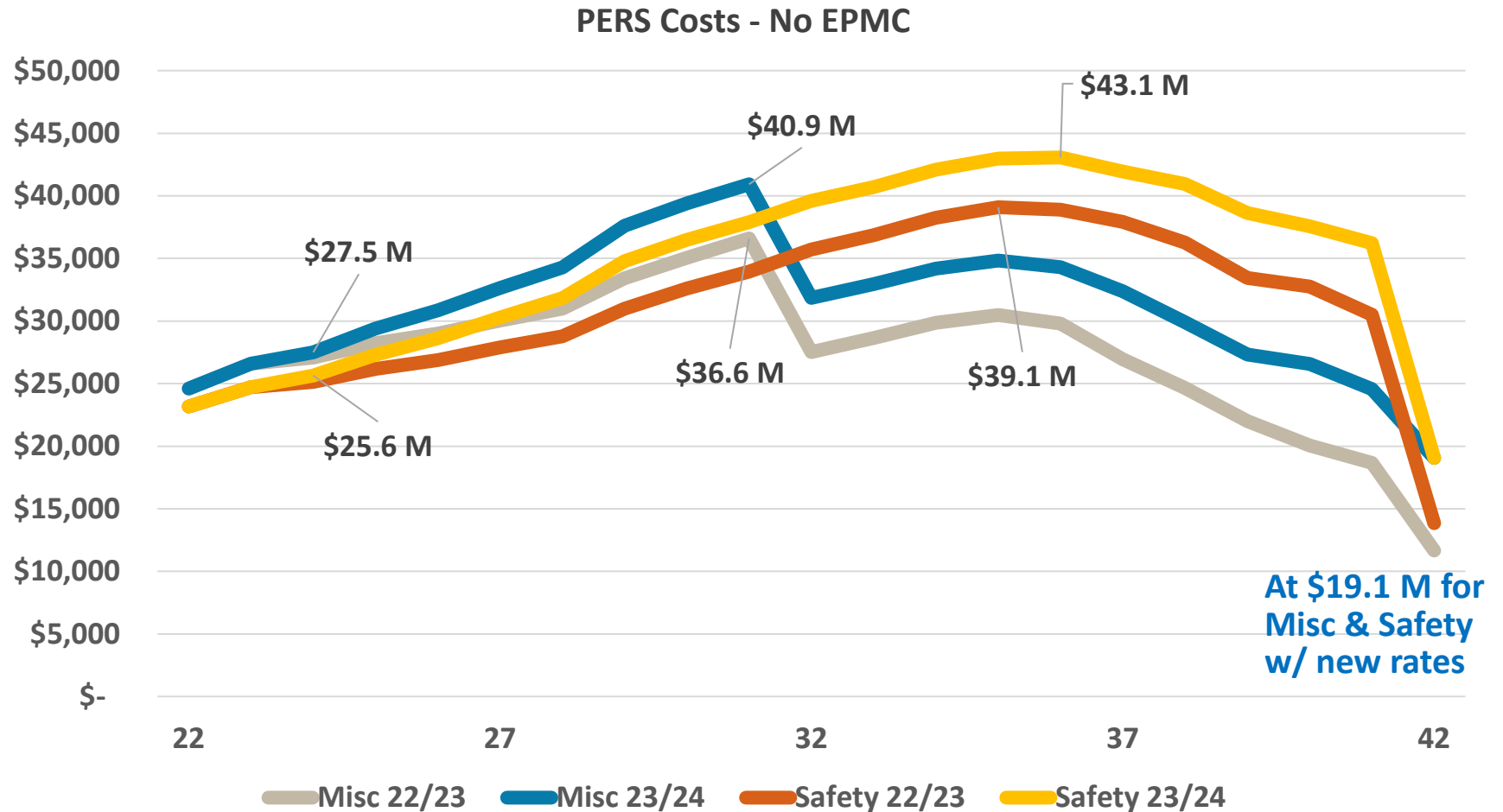
# Pension Demographic Information – Miscellaneous

	2001	2011	2020	2021
<b>Actives</b>				
■ Counts	691	670	688	670
■ Average				
• Age	43	47	46	46
• City Service	8	12	10	11
• PERSable Wages	\$ 58,300	\$ 82,700	\$ 98,500	\$ 104,300
■ Total PERSable Wages	40,300,000	55,400,000	67,800,000	69,900,000
<b>Inactive Members</b>				
■ Counts				
• Transferred	333	420	500	490
• Separated	214	324	432	427
• Retired				
□ Service	335	631	947	981
□ Disability	30	50	75	73
□ Beneficiaries	38	64	97	109
□ Total	403	745	1,119	1,163
■ Average Annual City Provided Benefit for Service Retirees	\$ 14,700	\$ 24,500	\$ 31,500	\$ 31,900

# Pension Demographic Information - Safety

	2001	2011	2020	2021
<b>Actives</b>				
■ Counts	228	206	207	203
■ Average				
• Age	41	41	41	41
• City Service	14	13	12	11
• PERSable Wages	\$ 93,800	\$ 153,100	\$ 171,400	\$ 177,300
■ Total PERSable Wages	21,400,000	31,500,000	35,500,000	36,000,000
<b>Inactive Members</b>				
■ Counts				
• Transferred	36	38	33	32
• Separated	20	33	30	31
• Retired				
<input type="checkbox"/> Service	82	149	211	217
<input type="checkbox"/> Disability	100	127	142	142
<input type="checkbox"/> Beneficiaries	26	45	60	64
<input type="checkbox"/> Total	208	321	413	423
■ Average Annual City Provided Benefit for Service Retirees <sup>1</sup>	\$ 34,900	\$ 67,500	\$ 88,500	\$ 91,600

# 2022/23 vs 2023/24 Pension Costs



# FY 2023/24 Recommended Budget

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- Focus on Capital Projects Budget
- City Manager reviewing major changes in scope and new project requests –
  - Prioritize existing commitments (already at project delivery capacity with current projects)
  - Strategically initiate new projects
- Budget Workshop End of May
- Public Hearing and Budget Adoption in June

# Project Operating Impact Considerations

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- **Expenditures**

- ✓ Ongoing Expenditures
- ✓ Capital Outlay
- ✓ Debt Service
- ✓ Infrastructure Replacement

- **Revenue**

- ✓ Funding Sources
- ✓ Return on Investment

# Known Operating Impacts

- **Regulatory requirements**
  - Wastewater, Stormwater, Solid Waste
- **Technology updates**
  - ERP
  - Permitting system
- **New assets**
  - Lakewood Branch Library
  - Corn Palace
  - Manzano Way



# Project Delivery Environment

- Elevated costs
- Project delivery staffing limitations
- Supply chain issues; long lead times
- Competitive bidding conditions; contractors can choose
- Complex projects; requires specialized resources





# FY 2023/24 Recommended Budget

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## Overall budget approach:

- Position City for continued economic uncertainty and potential recession
  - Use best available information in short term
  - Historical averages and experiences over long term
- Maintain a balanced budget for 20 years
  - Optimize revenue sources and uses