



Local Reserve Policies

May 25, 2018

Agenda

Overview of Sunnyvale

Community Values

Reserve types

Practical Application

Policy Overview and Implementation

Conclusion

Sunnyvale Overview

- Heart of Silicon Valley
- Population – 153,389
- Seventh largest in Bay Area, second in Santa Clara County
- Council-Manager form of Government
- Full-service – 11 departments, 900 FTE, 50 funds, \$489M budget



Sunnyvale Overview

Top Employers:

1. Google
2. Juniper Networks
3. Lockheed Martin
4. Apple
5. Altaba
6. LinkedIn
7. NetApp
8. A2Z Development Center
9. Intuitive Surgical
10. West Valley Engineering



Legal Framework and Community Values

- 10-Year Balanced Budget Mandate (City Charter, Article 1302)
- 20-Year Resource Allocation Plan Requirement (City Council Policy 7.1.1)
- General Fund Budget Stabilization Fund Threshold requirement
 - 15% of revenues in first two years of the Financial Plan (City Council Policy 7.1.E (1.4))

Legal Framework and Community Values

- Long tradition of long-term financial planning
- Twenty-year plans prepared for all major funds annually
- Twenty-year impact of decisions regularly discussed by Council during decision making
- Fiscal Sustainability is a key decision point during budget process
- All major funds carry reserves

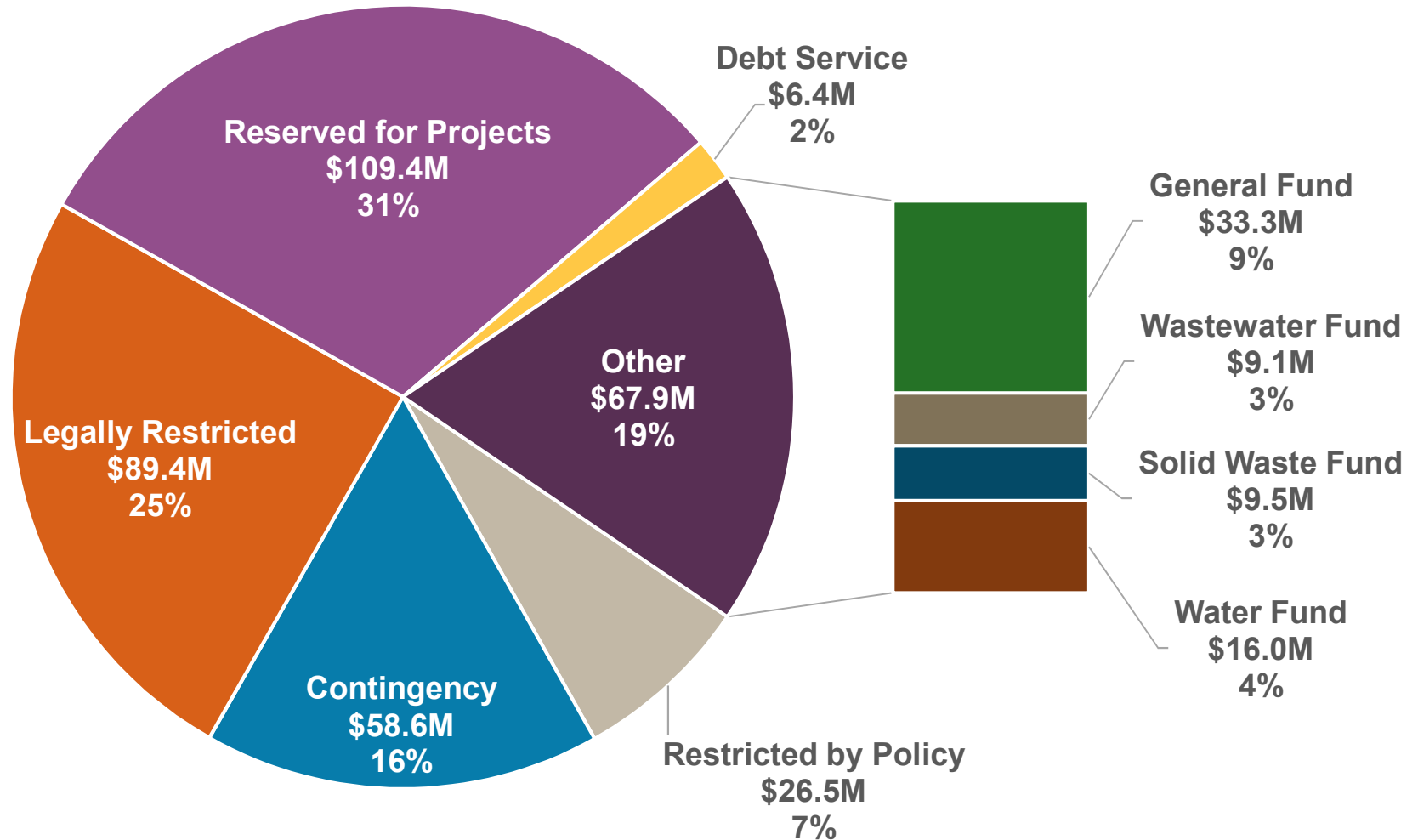
Reserve Types

- Guided by Council Policy
- General Fund, Internal Service Fund, Enterprise Fund
- Restricted and Unrestricted
- Four types:
 - Contingency (for emergencies only)
 - Stabilization (economic/unplanned expenses)
 - Capital Improvement
 - Debt Service
- Addresses volatility, constrains decision makers

Use of Reserves

- Also guided by Council Policy
- Used in tandem with revenue and expense forecasting and long term financial planning
- Serve as a shock absorber against a long term sustainable revenue base
- Careful to distinguish between one-time resources and ongoing resources

Reserve Balances by Type – All Funds



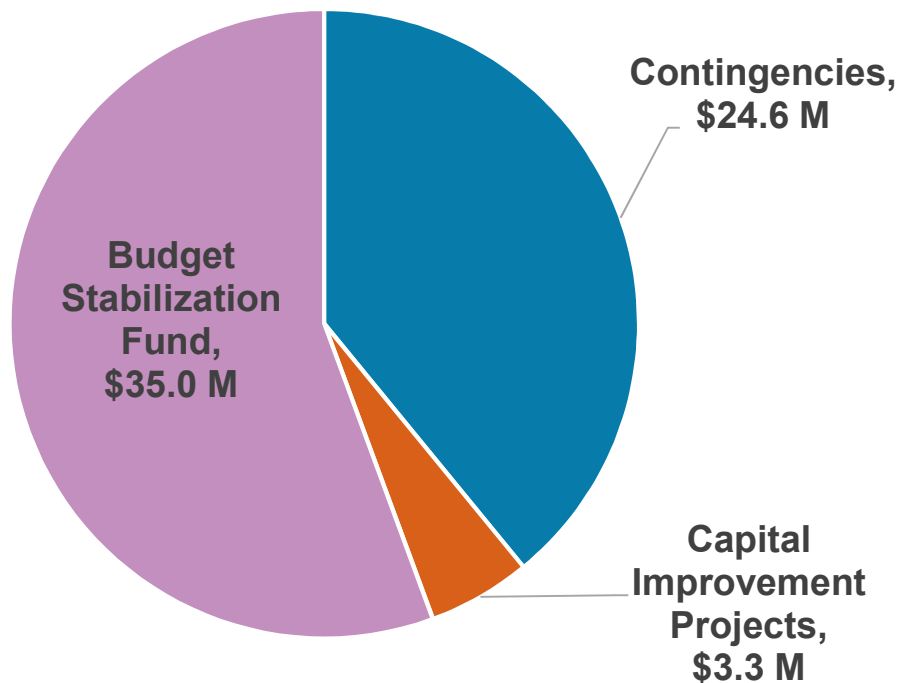
Utility Enterprises

- Contingency – 25% of operations (3 months)
- Stabilization – allows for consistent and predictable rate adjustments
- CIP – held for future projects



General Fund Reserves

FY 2018/19 Designated Reserves



Contingency Reserve

Council Policy to be 15% of the operating budget in the first year of the long-term plan

Capital Improvement Projects Reserve

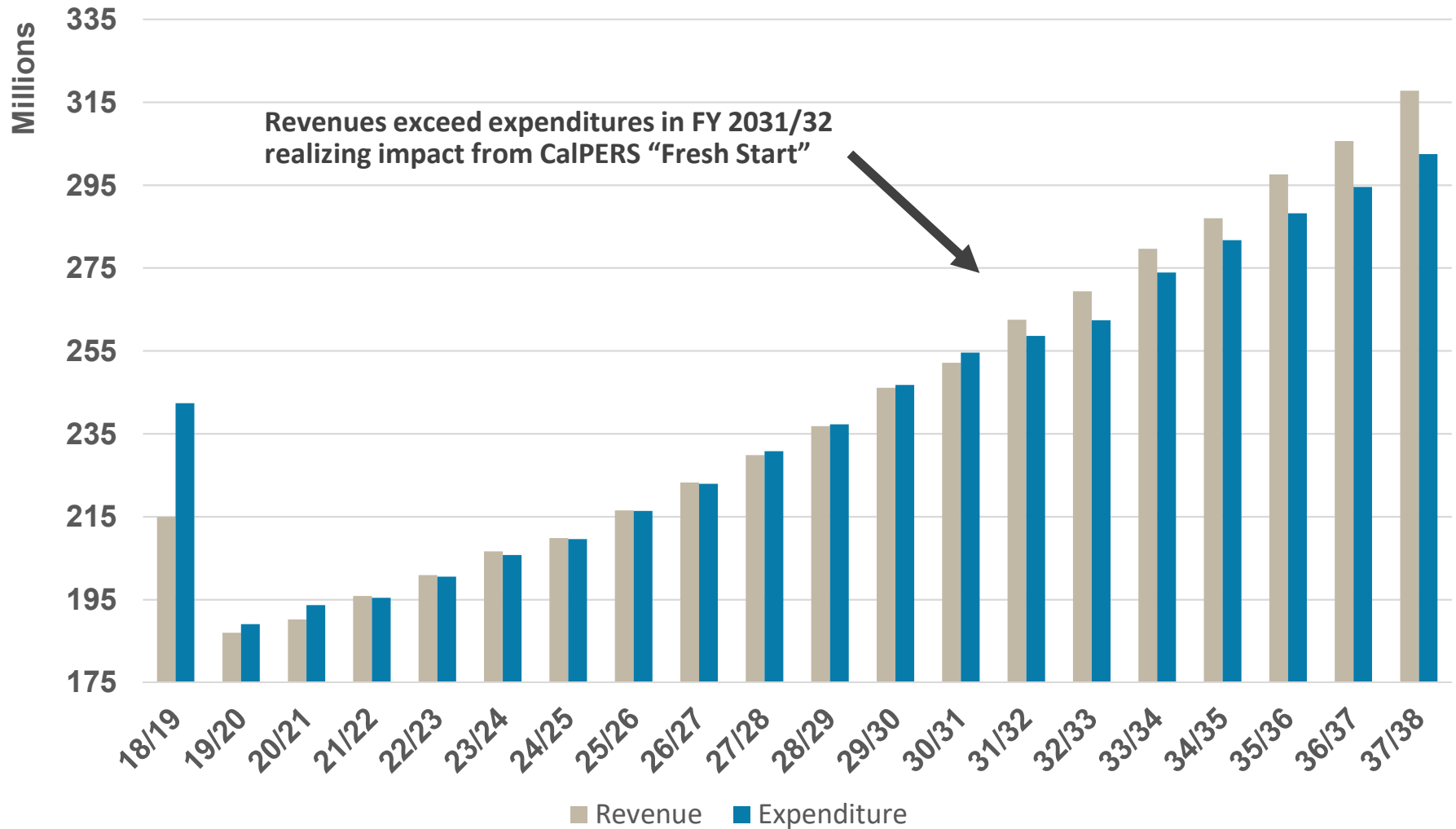
Funds held from one-time sources to fund CIP projects

Budget Stabilization Fund

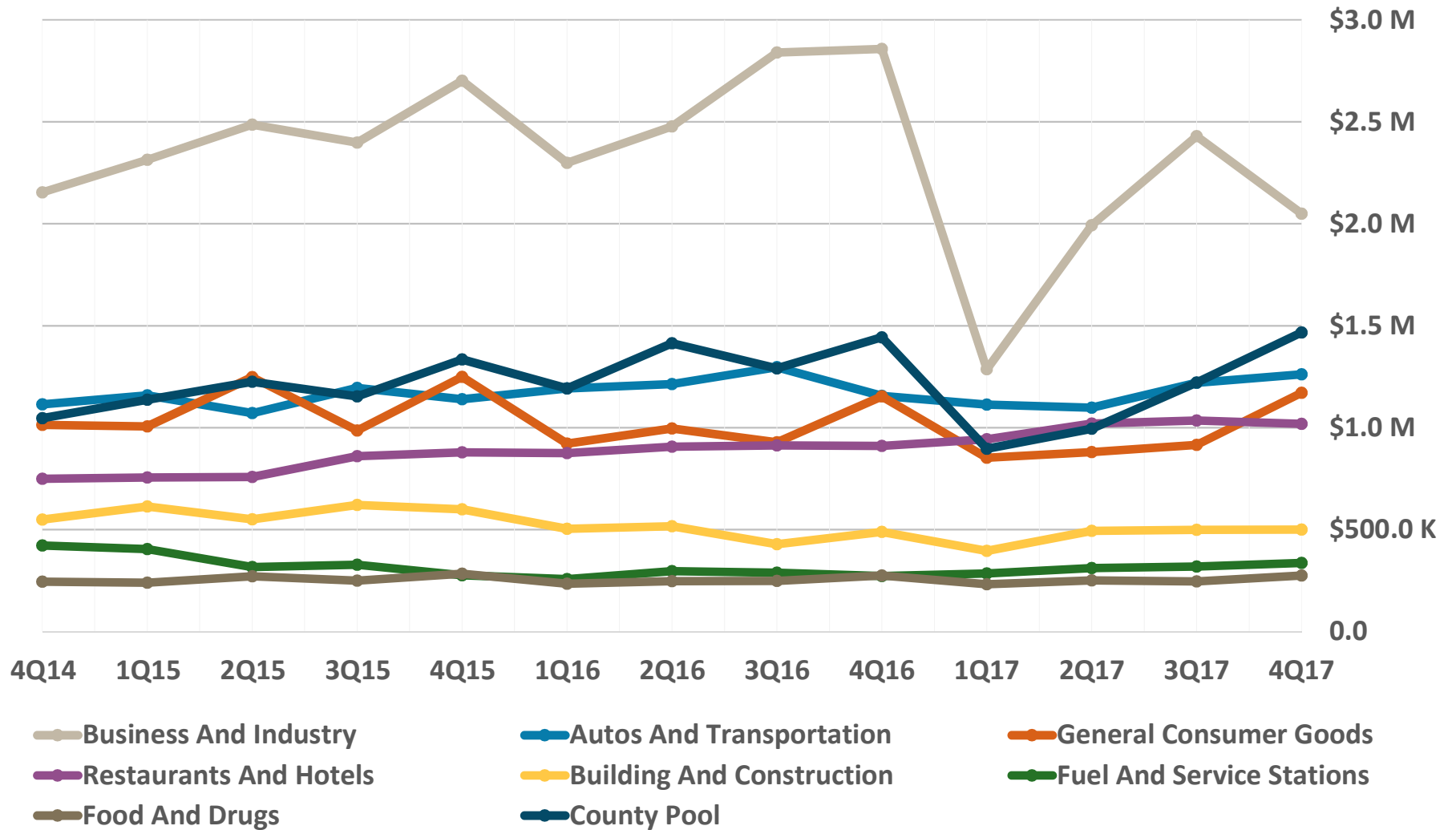
Functions to normalize service levels

Council Policy to be at least 15% of total projected revenues for years 1 & 2

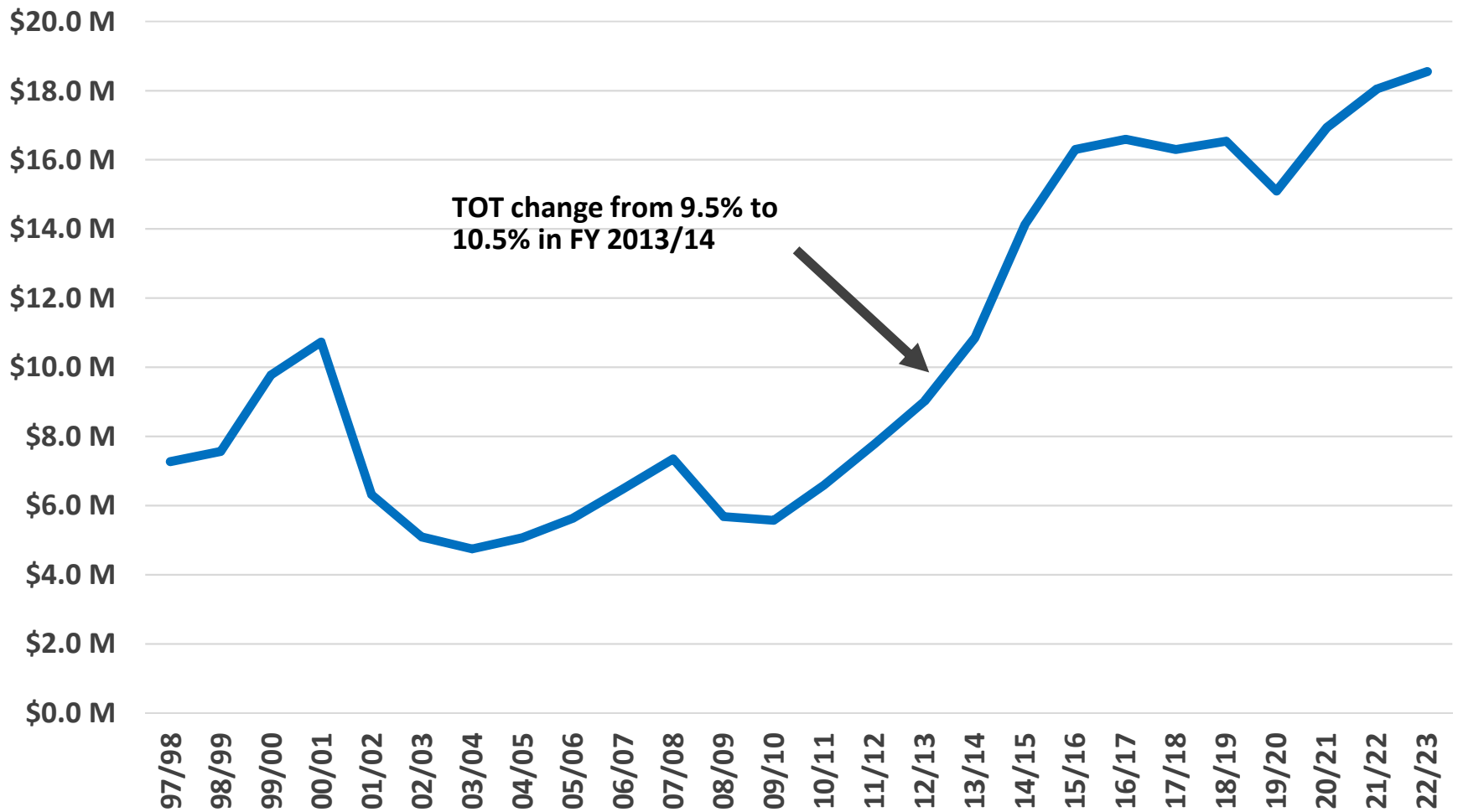
General Fund Revenue vs. Expenditure Growth



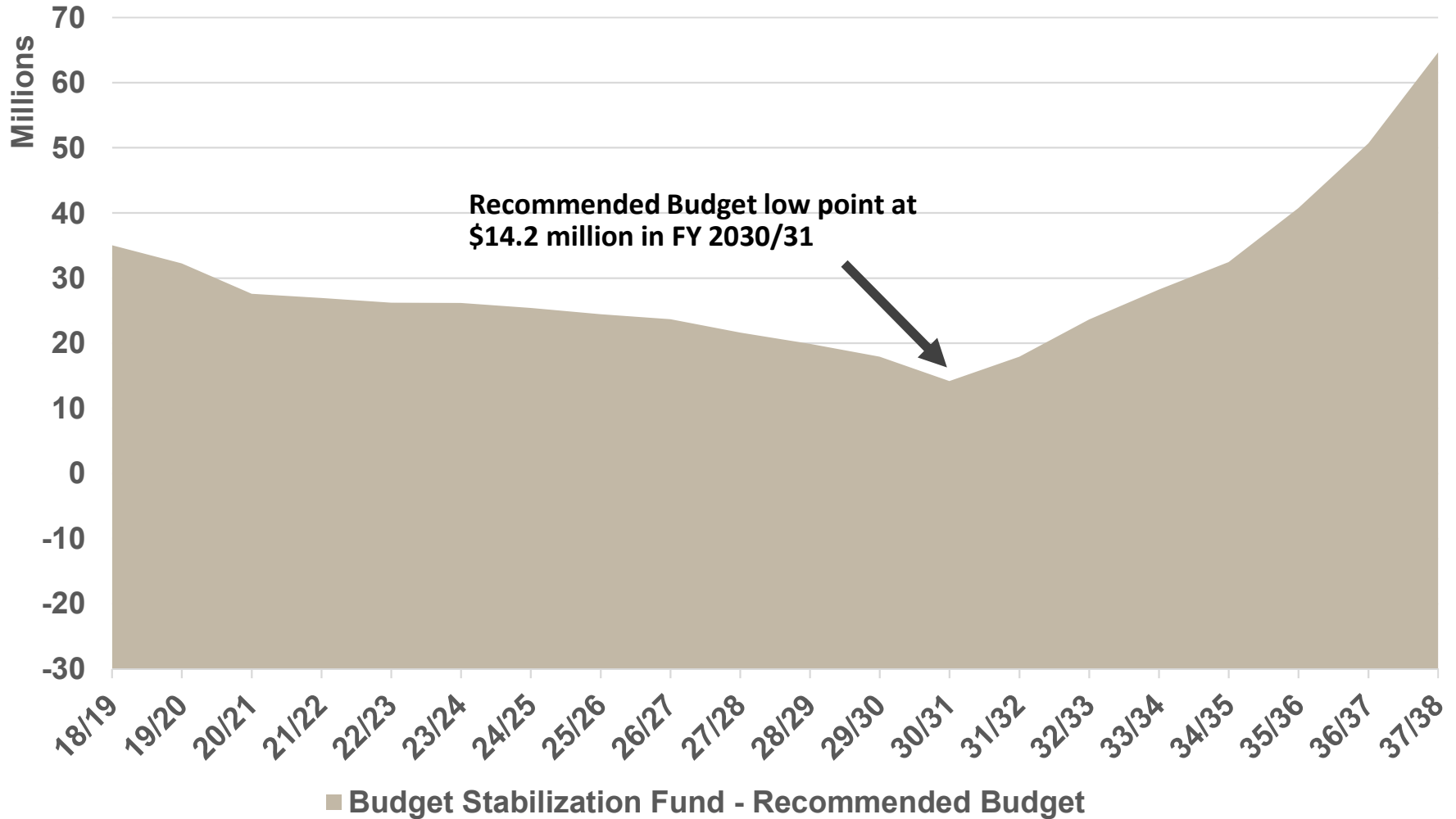
Sales Tax by Major Industry Group



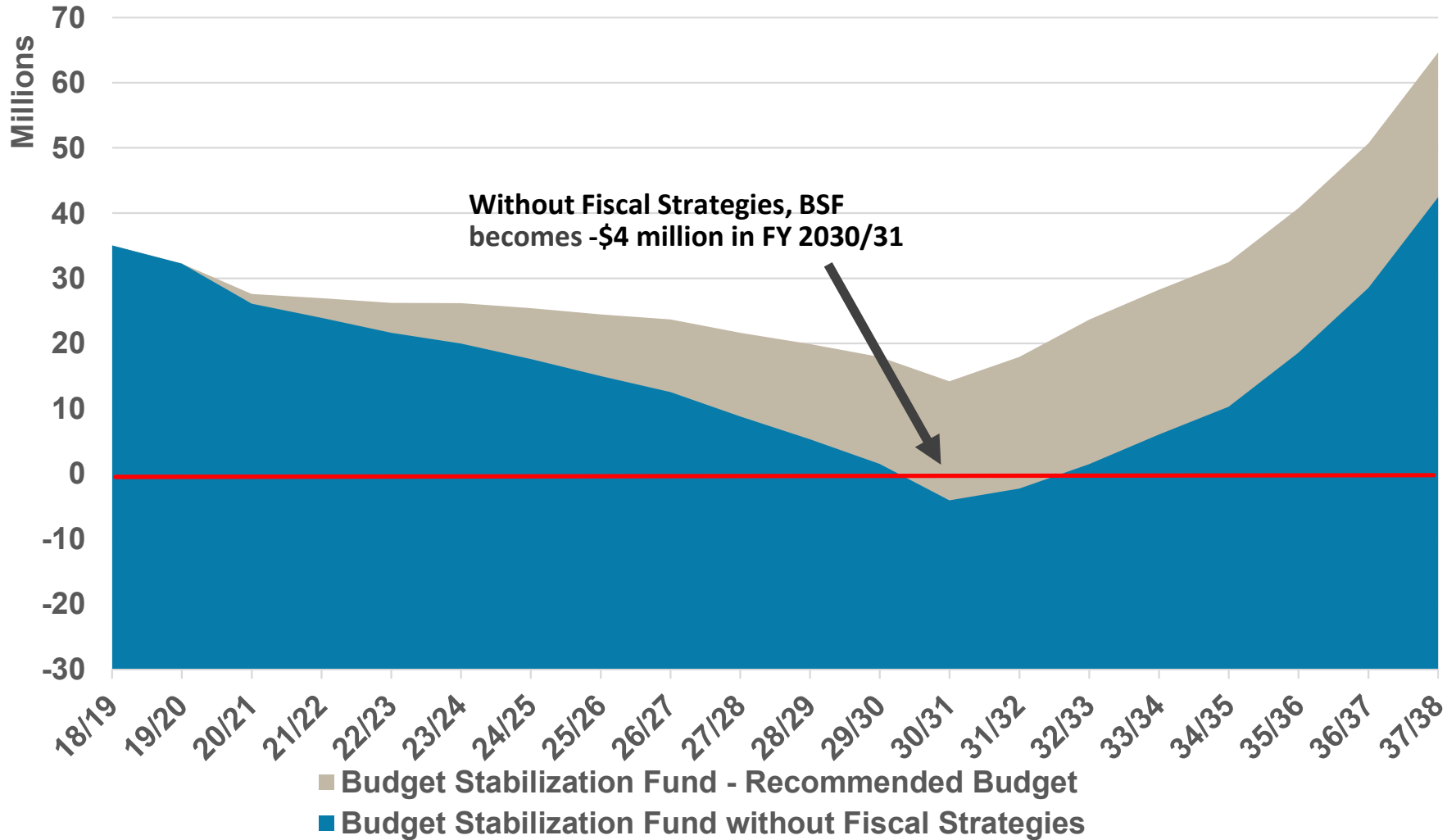
Transient Occupancy Tax



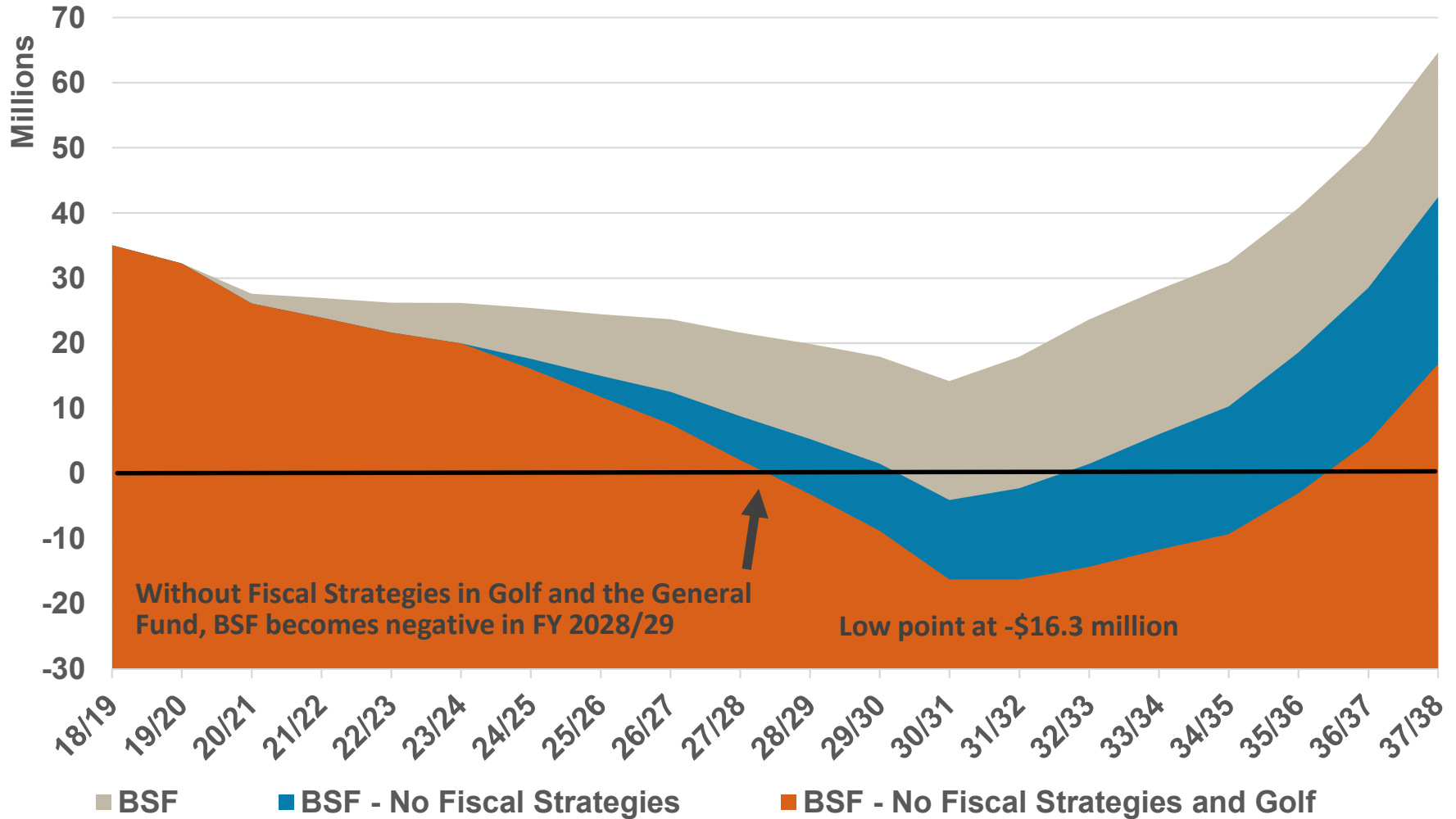
General Fund Budget Stabilization Fund



General Fund Budget Stabilization Fund



General Fund Budget Stabilization Fund



Conclusion

- Strong Council adopted policies
- Driving the discussion towards reserves and fiscal sustainability
- Reserve one-time funds for one-time expenses
- Address volatility