City of Santa Clara
The Center of What's Possible

2017-18 through 2021-22
Five-Year Financial Plan

July 1, 2016

ABOUT THIS REPORT

The purpose of the Five-Year Financial Plan is to provide policy-makers and the public an updated assessment of the City's fiscal health that takes into account the latest economic developments. The report includes historical perspective on revenues and expenditures and a five-year financial outlook beyond the adopted budget year. The value of this type of analysis is to give the City Council, staff, and the public a tool to assist with strategic decision-making as they work to adopt the budget for the coming year.

The Five-Year Financial Plan is a collaborative effort between the City Manager's Office, Finance Department, and City departments. Individual projections of revenues and expenditures are developed based on trend analyses, input from economists, consultant recommendations (e.g., our sales tax consultant MuniServices), and input from other subject matter experts. The most current information available is incorporated into the City's Plan and refined on a moving forward basis as part of the City's commitment to fiscal responsibility.

EXECUTIVE SUMMARY

The combination of an improved economy, careful management of limited resources, development and redevelopment projects happening throughout the City, and monies flowing to the City from events at Levi's Stadium have generated General Fund budget surpluses the last several years which have allowed the City to fully fund its Working Capital Reserve and make additional contributions to the Capital Projects Reserve which will fund an increase in capital project funding, helping the City to begin to address deferred maintenance needs. In addition, the 2016-17 budget continues to restore and in some cases enhance service levels which had been reduced as a result of the impacts of the Great Recession. The Five-Year Financial Plan results show that, based on the best information available at this time, the City should be able to maintain these enhanced service levels throughout the first four years of the five-year horizon. However, as the projected average expenditure growth rate exceeds the expected average revenue growth rate, projected annual surpluses would diminish each year resulting in a small deficit by the fifth year. It is important to point out that the projected $1.4 million deficit in 2021-22 represents a shortfall of only 0.5%, well within the forecast margin of error.

As with any multi-year forecast, the accuracy of the results are only as good as the assumptions upon which they are based. While this Plan has been based on the primary assumption that the economy will continue to grow at a moderate rate, an appropriate amount of conservatism has been built into the projections given the typical amount of economic volatility in the local and regional economies. For example, although there are several large development projects currently under review that are likely to begin construction in the next couple of years, the forecast does not include the likely positive impact that these projects will have on General Fund tax collections.

ECONOMIC OUTLOOK

Most economists believe that the economic recovery that began in June 2009 will continue for at least the next few years. Commerce Department records show that the nation's Gross Domestic Product (GDP), the broadest measure of economic activity, has now risen for nine consecutive quarters. Although the growth has not been as strong as expected, due primarily to consumers being held back by turbulent financial markets and signs of global economic problems, economists are expecting that the economy will grow at a faster pace over the next few quarters. Consumers, whose spending on goods and services accounts for 68% of GDP, took a long time to feel optimistic about the outlook for the economy. However, over the last year, consumer spending has increased (e.g., U.S. auto sales hit record levels in 2015).

For several years after the recession ended, job growth was weak and the unemployment rate remained stubbornly high. Over the last three years, job growth picked up significantly and unemployment rates have declined to more healthy levels, particularly in Silicon Valley. According to data from the Bureau of Labor Statistics, the national unemployment rate peaked at 10.0% in October 2009, the first time the rate had been at 10% or above since 1983. Over the last 12 months, the U.S. unemployment rate has declined from 5.3% in June 2015 to 4.9% in June 2016.

California was hit harder than most states by the recession, largely due to the collapse in home values. The Employment Development Department reported California's unemployment rate rose past the 10% level in February 2009, reached a peak of 12.4% in early 2010, and began declining in late 2010. In the last year, the California unemployment rate declined from 6.2% in June 2015 to 5.4% in June 2016. Santa Clara County's and the City of Santa Clara's experience over the last year has been similar with unemployment rates declining to 4.0% and 3.6% respectively.

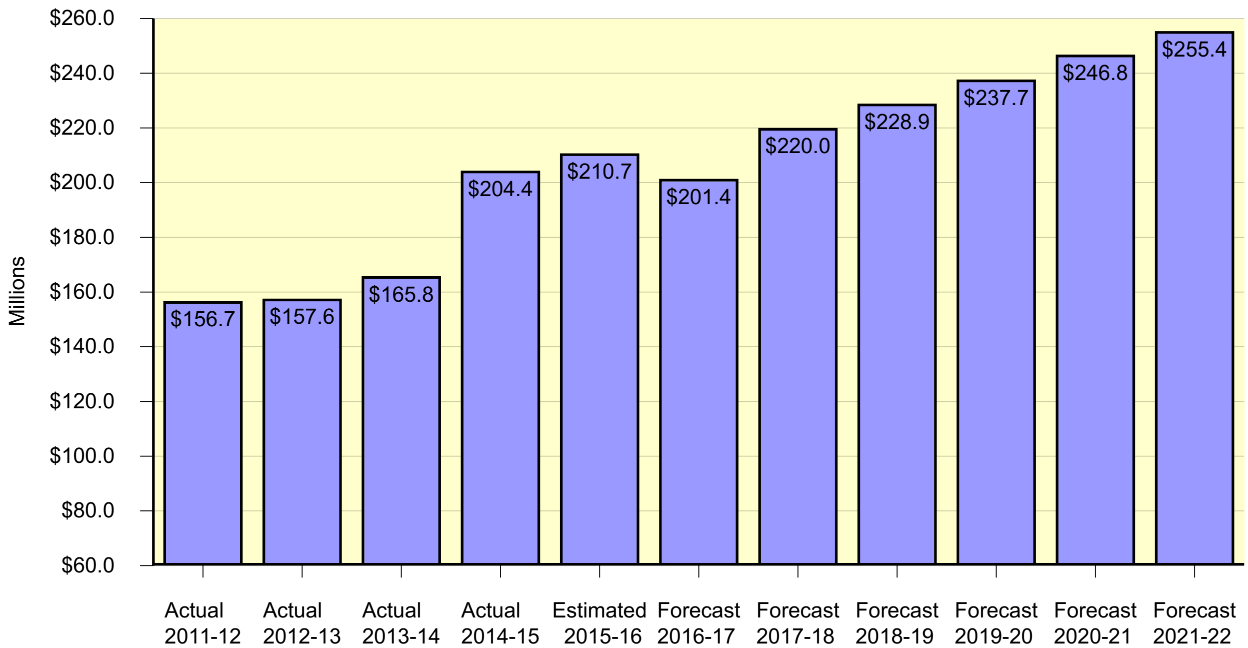
Since World War II, the average expansion (period between recessions) has lasted about five years. The current expansion has now exceeded the average by two years, making it the 4th longest expansion period since World War II. Due to the improved outlook, the Federal Reserve raised its benchmark interest rate for the first time in six years on December 17, 2015 to a range of 0.25% to 0.50% from a range of 0% to 0.25% which had been the rate since December 16, 2008. Economists expect the Federal Reserve to increase the benchmark interest rate one more time in 2016.

SANTA CLARA'S FINANCES

Total General Fund resources are estimated at $201.4 million in 2016-17, representing a decrease of $9.3 million or 4.4% when compared to estimated 2015-16 year-end actuals (see Chart 1). The primary reasons for the decline are due to one-time transfers to and from the General Fund. In 2014-15 and 2015-16, there were one-time transfers in from the Land Sale Reserve to cover the City's Redevelopment Agency dissolution obligations. These amounts totaled $23.0 million in 2014-15 and $13.9 million in 2015-16. The 2015-16 amount was partly offset by a one-time transfer out to the Capital Projects Reserve of $7.0 million which will help address the backlog of capital improvement projects. Total 2016-17 resources includes a one-time $7.0 million sales tax payment from the State as a result of the unwinding of the "triple flip" (see the sales tax section of this Five-Year Financial Plan for additional information).

As shown in Chart 1, General Fund resources, which began to recover in 2010-11, are expected to grow at an average annual rate of 3.7% in the out years as moderate economic growth continues, reaching an estimated $255.4 million by the end of the forecast period (i.e., 2021-22).

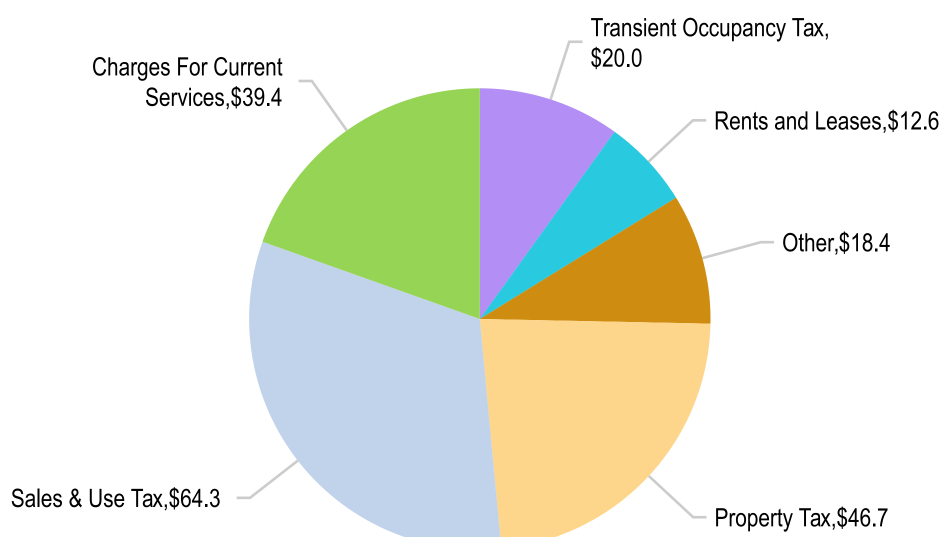
Chart 1
General Fund Resources



Sources of General Fund Revenues

Major sources of revenue for the General Fund are shown in Chart 2. Sales tax and property tax comprise the largest sources of General Fund revenues, representing a combined $111.0 million or 55.1% of the total. These and other major sources of revenue are described on the following pages.

Chart 2
2016-17 General Fund Resources
Total General Fund Resources = $201.4 Million



Sales Tax

Santa Clara's sales tax collections are directly influenced by local, regional, national, and international economic and business cycles. Because of this, sales tax collections are one of the most economically sensitive General Fund revenue sources. As the City's largest revenue source, sales tax collections reached a dot-com high of $51.1 million in 2000-01. After falling almost $17 million by 2002-03, collections rebounded to $43.2 million by 2006-07 as rising home values and stock prices fueled consumer spending. Over the next three years, sales tax revenues fell $13.1 million or 30% due to the impact of the Great Recession. Sales tax revenues began to grow again in 2010-11, and the strong growth in collections the last five fiscal years is expected to continue in 2016-17 (see Chart 3).

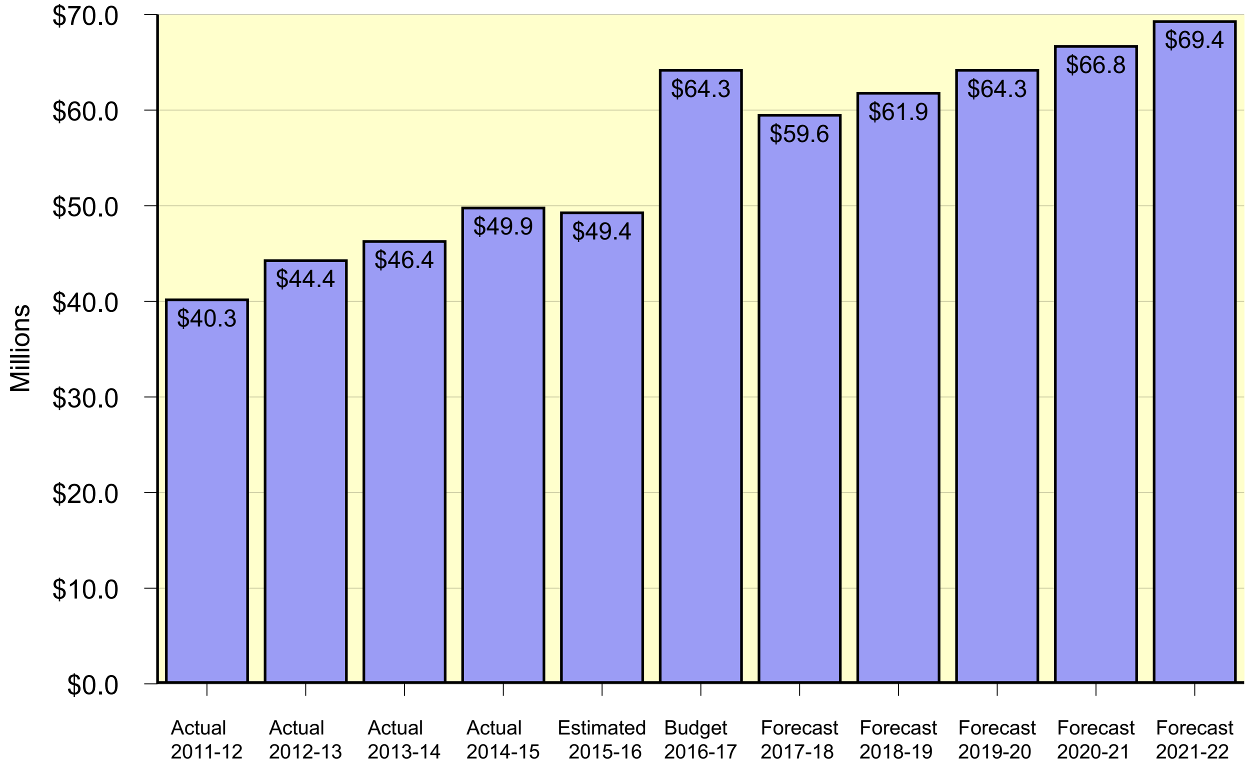
The 2016-17 projection of $64.3 million is 31.9% of total General Fund resources projected for 2016-17. The 2016-17 estimate represents a projected 30.2% or $14.9 million increase over the 2015-16 year-end estimate of $49.4 million. This expected increase is based on projections from our sales tax consultant, MuniServices. Their estimates are based on individual category/segment projections with adjustments for known individual business anomalies such as missed payments or misallocations.

MuniServices' projection also takes into account the unwinding of the State of California's "triple flip". The triple flip was due to the State's takeaway of ¼ of the local Bradley-Burns 1% sales tax rate which the State then used to guarantee their economic recovery bonds (flip 1). They then directed counties to backfill the loss to local agencies with property tax revenue from the County Education Revenue Augmentation Fund known as ERAF (flip 2). The shortfall in ERAF monies was then backfilled from the State General Fund (flip 3).

Due to the timing of when the triple flip began in 2004-05, the first flip resulted in cities being shorted half of one quarter of collections. This shortfall will be made up in a final true-up payment in 2016-17. Also included in this final true-up payment will be the final annual true-up. Annual true-ups have occurred each year to correct for any differences between the backfill amount (flip 2) and the amount that would have actually been distributed if flip 1 had not occurred (either positive or negative adjustments). This last annual true-up payment would normally have happened in fiscal year 2015-16, but because this is the final true-up, the State delayed it into 2016-17 resulting in a small expected decline in 2015-16 sales tax collections as compared to 2014-15 collections, and a large increase in expected collections in 2016-17 (the final true-up payment is estimated at $7.0 million).

Based on projections, we expect $64.3 million of sales tax collections in 2016-17 and collections to grow at an average annual rate of 3.9% over the last four years of the forecast period. Based on these projections, annual collections would surpass the previous all-time high of $51.1 million in 2016-17 (16 years later).

Chart 3
General Fund Sales Tax Revenue



Note: 2016-17 includes one-time $7.0 million true-up payment due to the unwinding of the State's Triple Flip.

Property Tax

Property tax has traditionally been one of the City's most stable sources of revenue. After strong growth for much of the last decade, property tax revenues reached a peak of $29.9 million in 2008-09. Property valuations, the basis for the 1% Proposition 13 property tax of which the City receives about 10%, tend to lag the economy by one to two years. Due to the recession-related decline in both home and commercial values in the late-2000s, property owners were able to request Proposition 8 temporary valuation adjustments based on comparable sales data. Additionally, the County Assessor's Office was proactive in implementing adjustments based on their own analysis of property values. These reductions in valuation resulted in actual property tax collection declines of $0.5 million in 2009-10 and $1.5 million in 2010-11.

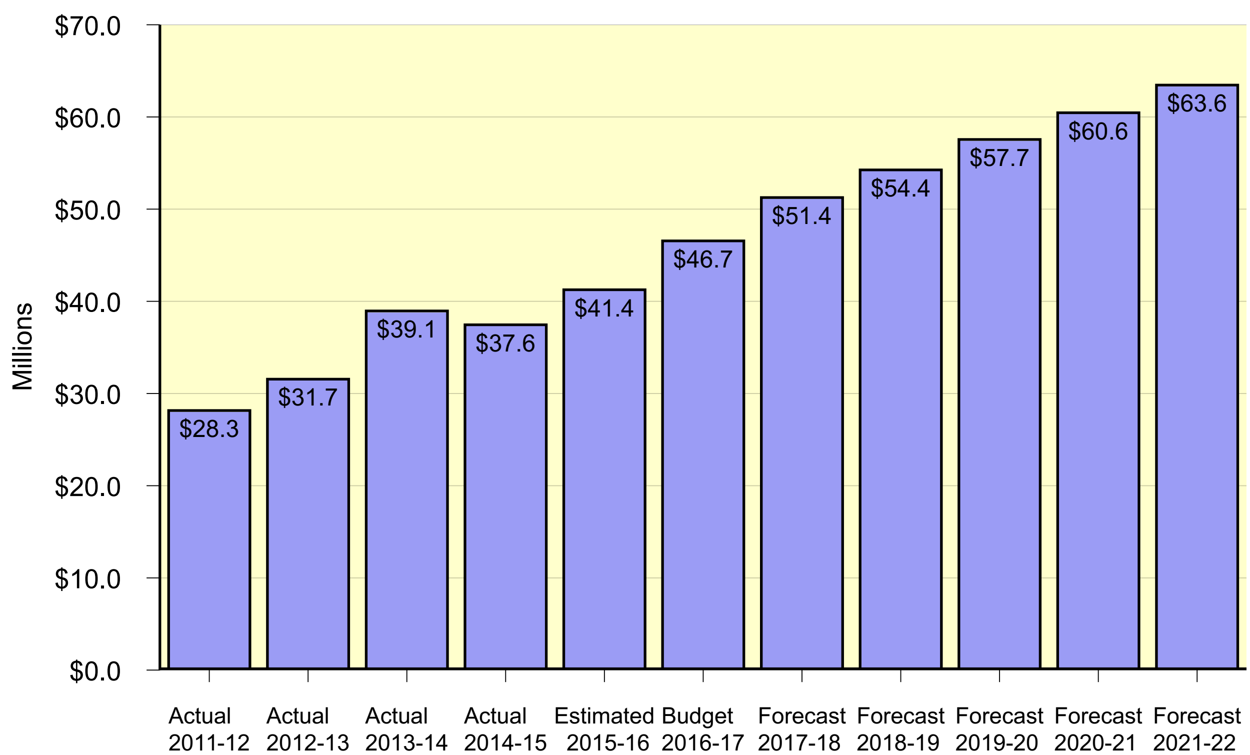
This trend reversed in 2011-12 when collections rose $0.4 million to $28.3 million. Growth continued in 2012-13 with actual collections of $31.7 million, passing the 2008-09 pre-recession high of $29.9 million (four years later). Note that 2012-13 actual collections included $1.1 million of one-time revenues for prior year overpayment of property tax administration fees. In 2013-14, collections continued to rise as the Proposition 8 temporary valuation adjustments began rolling off and $6.1 million of one-time monies were received as a result of the dissolution of the Redevelopment Agency (RDA). In 2014-15, base collections rose $4.6 million from the 2013-14 base without the one-time RDA distribution.

2015-16 year-end collections are currently projected at $41.4 million, growing to $46.7 million in 2016-17. 2015-16 projected year-end actual collections include $0.8 million in one-time monies from the County Education Revenue Augmentation Fund (known as ERAF) and an estimated $4.2 million in pass through and residual monies from the unwinding of the Redevelopment Agency. As the Successor Agency to the Redevelopment Agency is expected to sell its land assets generating sufficient revenue to pay off all of its enforceable obligations, it is estimated that all future property tax increment monies flowing into the County's Redevelopment Property Tax Trust Fund (RPTTF) will be sent out to the taxing entities as residual property tax, meaning that these distributions should now be considered ongoing rather than one-time monies.

Assessed valuation growth on secured property for 2016-17 was projected at 10% based on rising home values and the value of new construction projects being added to the rolls. More recent information from the County of Santa Clara indicates that actual growth is 11.3%. As this Five-Year Financial Plan ties to the 2016-17 adopted budget, no changes have been made at this time based on this information, meaning that the projections are conservative. Property tax collections are then projected to rise at a rate of 10% in 2017-18 as more of the projects currently under construction are added to the assessment rolls, by 6% per year in 2018-19 and 2019-20, and by 5% per year in 2020-21 and 2012-22 (see Chart 4).

Note that these projections do not include new property tax collections for development projects that are either already entitled (e.g., Yahoo!/LeEco) or currently under review (e.g., Related). This Five-Year Financial Plan only includes new development impacts once the projects are fully entitled and under construction. There are currently billions of dollars of construction projects in various stages of the development review process. Should any of these projects move forward, actual property tax collections should exceed the above projections.

Chart 4
General Fund Property Tax Revenue



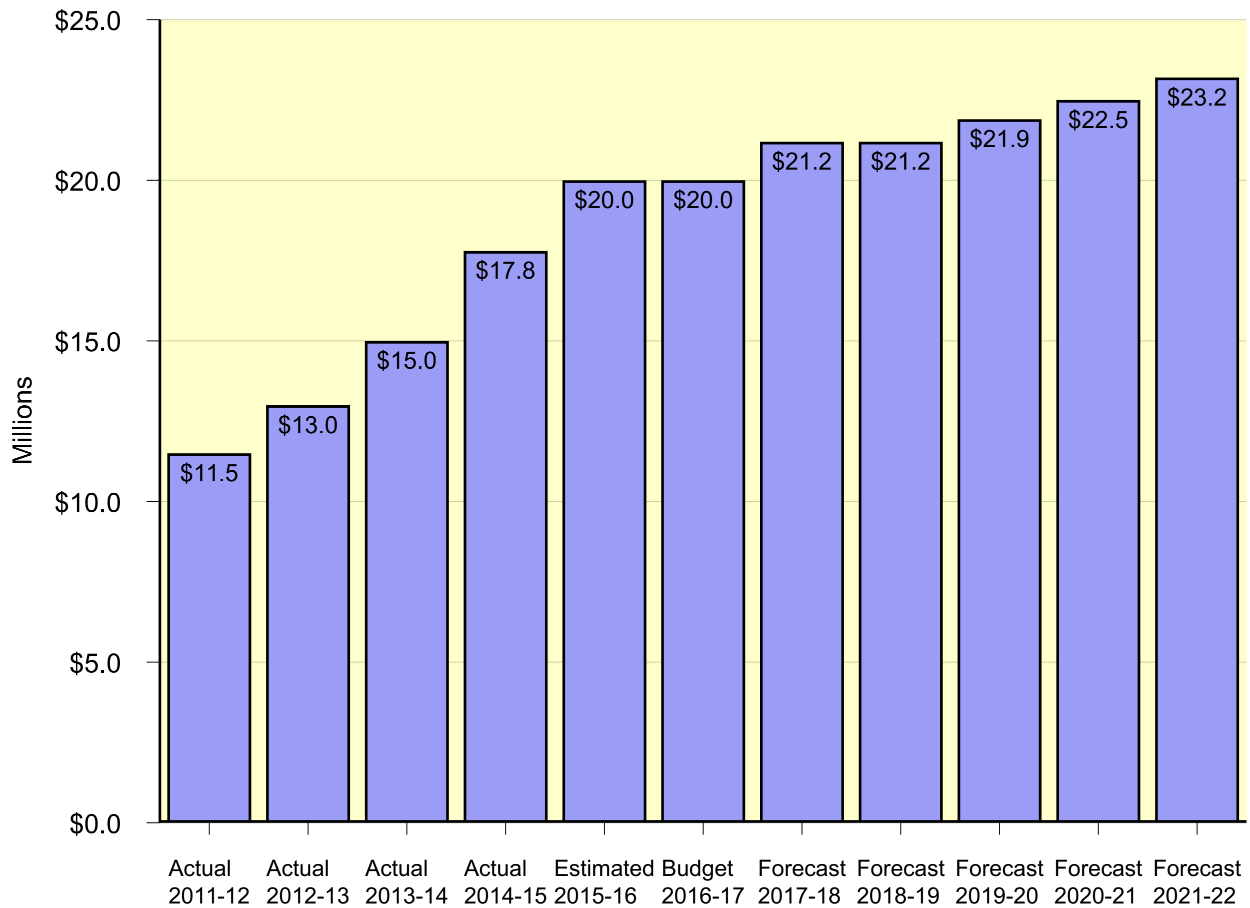
Note: 2013-14 includes one-time $6.1 million of one-time monies due to Redevelopment Agency dissolution.

Transient Occupancy Tax

Transient occupancy tax (TOT), also known as hotel/motel tax, is another key revenue source for the General Fund. As with sales tax, TOT is sensitive to business cycles and therefore prone to volatility. After reaching a pre-recession peak of $11.3 million in 2007-08, this revenue source fell to $8.1 million in 2009-10. Collections began to grow again in 2010-11 due to the combination of higher occupancy levels and increases in the average daily rate (ADR) and strong growth occurred each year through 2015-16 with year-end collections expected to reach $20.0 million (influenced by high weekday demand from tech companies, Convention and Visitors Bureau bookings, and Levi's Stadium events including the one-time impact of Super Bowl 50 which increased collections by an estimated $310,000).

The 2016-17 TOT budget projection is for collections to equal 2015-16 at $20.0 million (see Chart 5). The forecast model projects that out-year TOT collections will grow at a rate of 3% per year from 2017-18 through the end of the Plan horizon in 2021-22 (based on the assumption that ADR will rise with inflation). Although several new hotels have been proposed in the Stadium area, they will not be included in the forecast until they start construction.

Chart 5
General Fund Transient Occupancy Tax Revenue



Charges for Current Services

Charges for current services are estimated at $39.4 million in 2016-17, up $3.8 million or 10.6% over the 2015-16 budget of $35.6 million. The increases are primarily due to fee increases to move toward full cost recovery (based on the results of comprehensive fee studies conducted every three to five years) and higher levels of development activity, partially offset by lower Stadium-related public safety charges due to the prior year including the one-time charges for Super Bowl 50.

Major sources of revenue within this category include charges for services provided to outside entities and other funds such as the City's utility enterprise funds ($22.8 million), recreation charges ($2.3 million), fire prevention and HazMat charges ($4.2 million), planning and engineering fees ($8.1 million), and various other customer service fees. The amount charged to outside entities and other funds includes $6.5 million to reimburse the General Fund for stadium-related services provided to the San Francisco 49ers and the Santa Clara Stadium Authority.

Contribution In-Lieu of Taxes

In accordance with the City's charter, Silicon Valley Power pays 5% of gross revenues to the General Fund as contribution-in-lieu of taxes (CLT). For 2016-17, CLT is projected to total $19.7 million. The forecast is that CLT will increase to $22.1 million by the end of the forecast period. The forecast is primarily driven by market projections for electric consumption and any rate increases assumed in the Electric Five-Year Financial Plan.

Rents and Leases

In 2016-17, revenue recorded as rents and leases is estimated to total $12.6 million. The amount projected for 2016-17 includes lease payments from land leased to The Irvine Company for their Santa Clara Gateway project ($3.3 million), the ground lease with the Santa Clara Stadium Authority for the Levi's Stadium site (includes ground rent, performance rent, and the Senior and Youth Fee totaling $3.0 million), right-of-way rental fees charged to the water and sewer utilities ($3.3 million), and other smaller leases (about $3.0 million). Growth projections for the Five-Year Financial Plan are based on individual lease agreements.

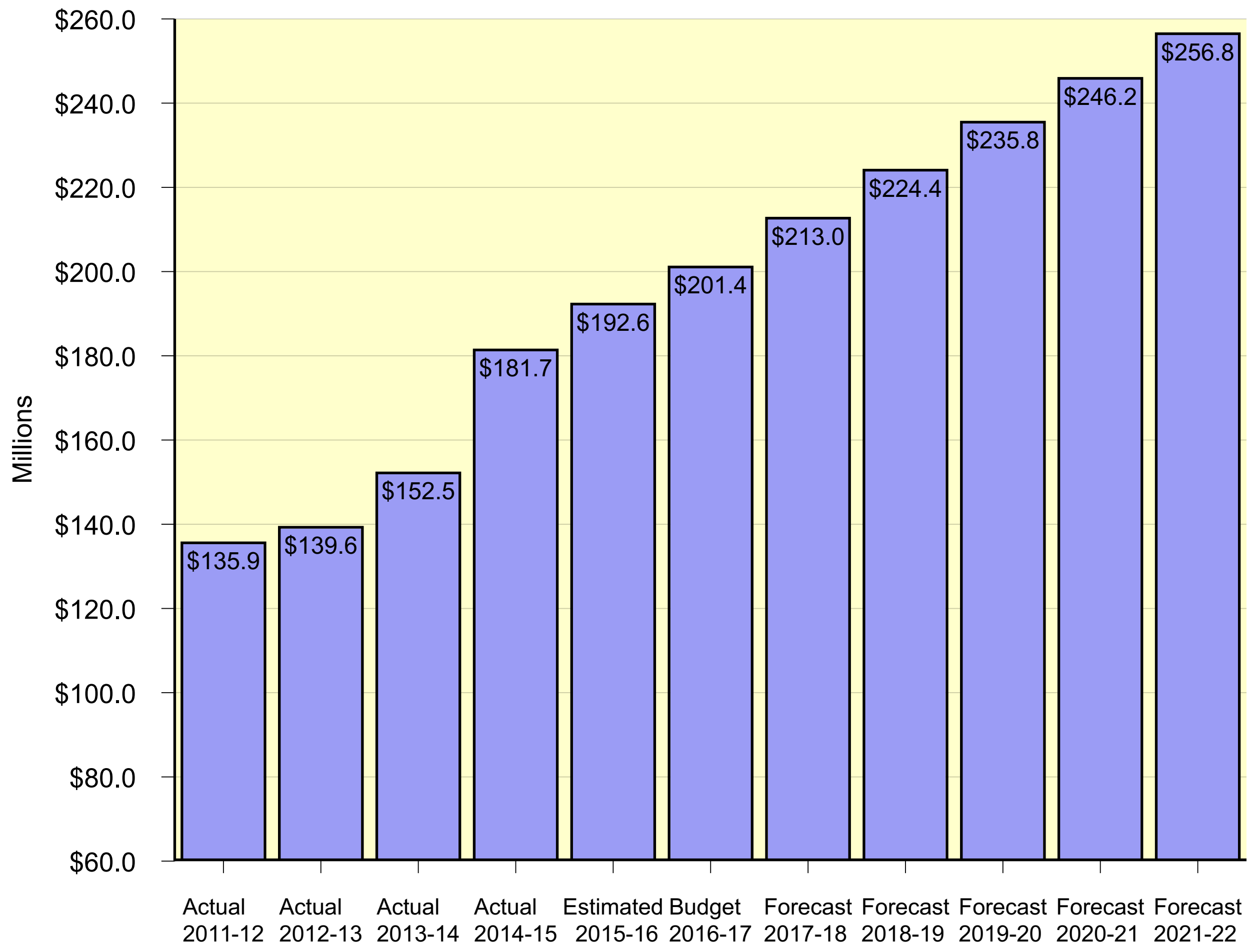
Interest Income

The City invests all funds not needed for current cash requirements in accordance with the City Council approved Investment Policy. These funds are invested in securities having a maximum maturity of five years. The factors that directly influence General Fund interest income include prevailing interest rates, the size of the portfolio, and the relative percentage of the portfolio allocated to the General Fund. Over the last several fiscal years, the return on the City's portfolio declined from 4.92% in 2005-06 to a low of 0.68% in August 2014. These declines are primarily due to the extraordinary actions by the Federal Reserve to hold interest rates low. In December 2015, the Federal Reserve raised the Federal Funds interest rate by 25 basis points, from a range of 0% to 0.25% to a range of 0.25% to 0.5%. The City's portfolio return has increased over the last year with the June 2016 earnings return coming in at 1.01%. Based on the expectation that the Federal Reserve will gradually increase interest rates over the next couple of years, the General Fund is expected to receive $1.0 million in interest in 2016-17 and earnings are projected to grow slowly through the remaining years of the forecast period.

Expenditures

Chart 6 provides historic information on General Fund expenditures. To help balance a structural budget deficit, General Fund expenditure growth was constrained in 2009-10 as a managed hiring freeze was put in place and positions were left unfilled. Actual expenditures declined in 2010-11 and 2011-12 due to an expanded hiring freeze, the elimination of positions, and the implementation of unpaid furloughs for most bargaining groups. In total, more than 100 positions were either eliminated, frozen, or held vacant, generating significant savings. In 2012-13, expenditures began to increase once again as unpaid furloughs rolled off and pension costs climbed. In 2013-14, the frozen and held vacant positions were carefully managed to cover additional revenue losses associated with the dissolution of the Redevelopment Agency. In 2014-15 and 2015-16, some positions were added, unfrozen, or restored resulting in a year-end estimate of $192.6 million for fiscal year 2015-16. This amount is projected to grow to $201.4 million in 2016-17 and to $256.8 million by the end of the forecast period.

Chart 6
General Fund Expenditures



Despite actions to reduce expenditure growth, the primary growth driver continues to be increases in benefit costs. Consistent with calendar year Memorandums of Understanding (MOUs), 2016-17 includes general salary adjustments and other benefit enhancements for bargaining groups that have current agreements with the City. Beyond the term of any existing MOU, a Consumer Price Index (CPI) based general salary adjustment is assumed for the each successive forecast year. Projections call for CPI to gradually increase from 3.0% in 2016-17 to 3.3% in 2021-22.

As shown in Charts 7 and 8, salary and benefits costs represent the majority ($159.9 million) of budgeted 2016-17 operating expenditures. Salary and benefits costs as a percentage of total operating expenditures grew from 75.6% in 2001-02 to 79.4% in 2016-17 (see Chart 9). Significant factors driving this growth include the addition of new funded positions, negotiated labor agreements, and rising pension costs. During this same time period, other operating expenses, consisting mainly of materials, services, and supplies, fell from 24.4% to 20.6% of total operating expenditures.

Chart 7
General Fund Salary & Benefit Expenditures

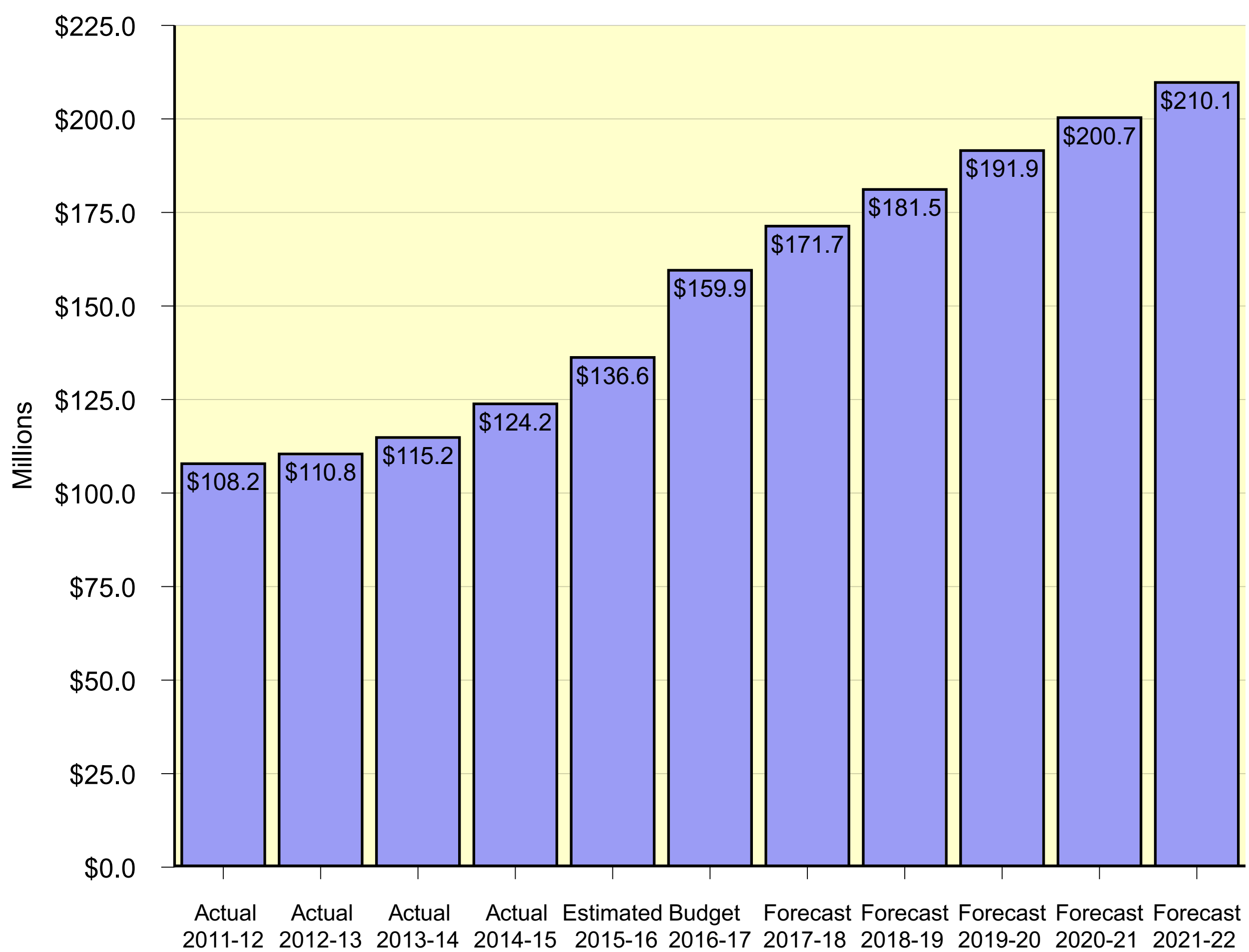


Chart 8
2016-17 General Fund Expenditure Components

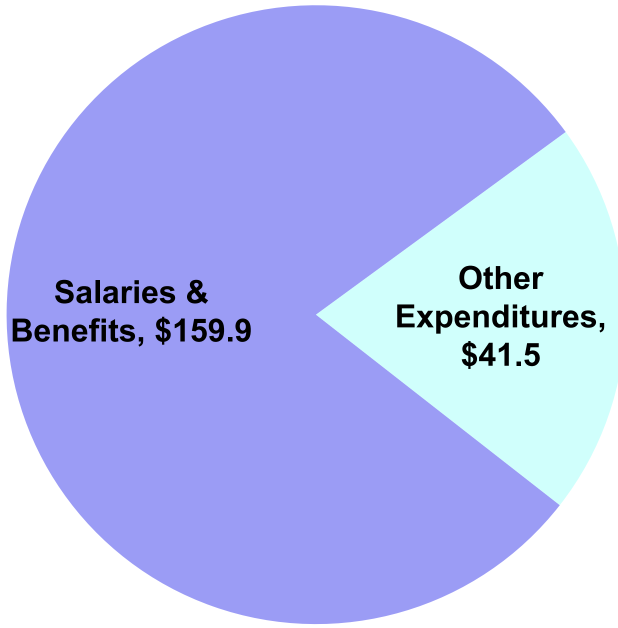
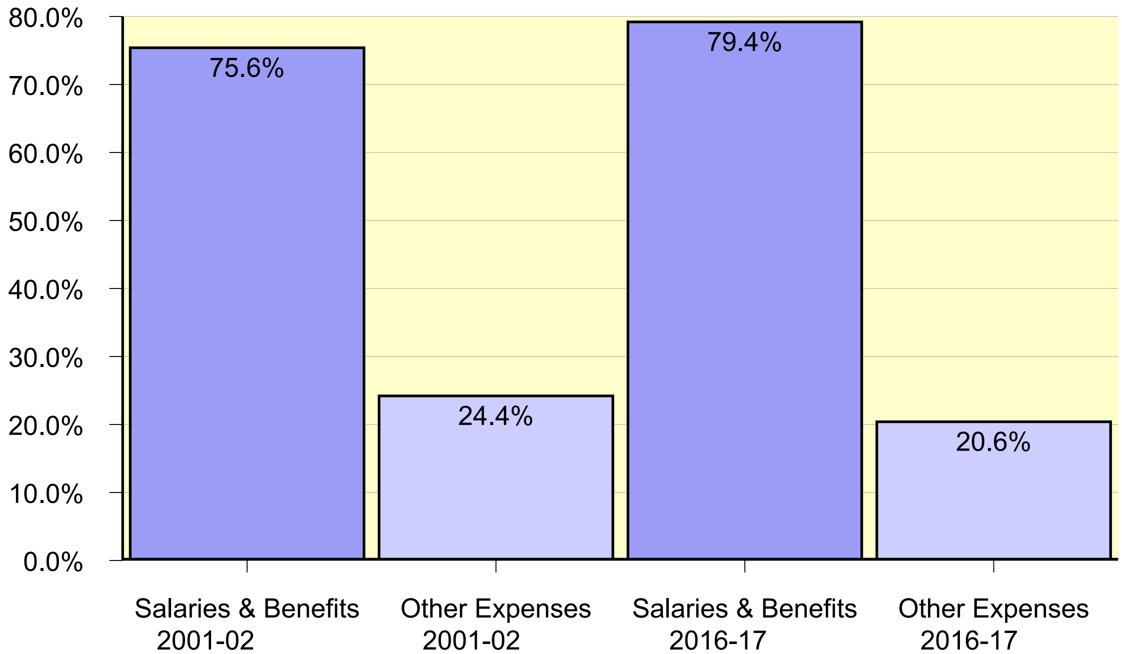


Chart 9
Time Comparison of Major Expenditure Categories



Retirement Costs

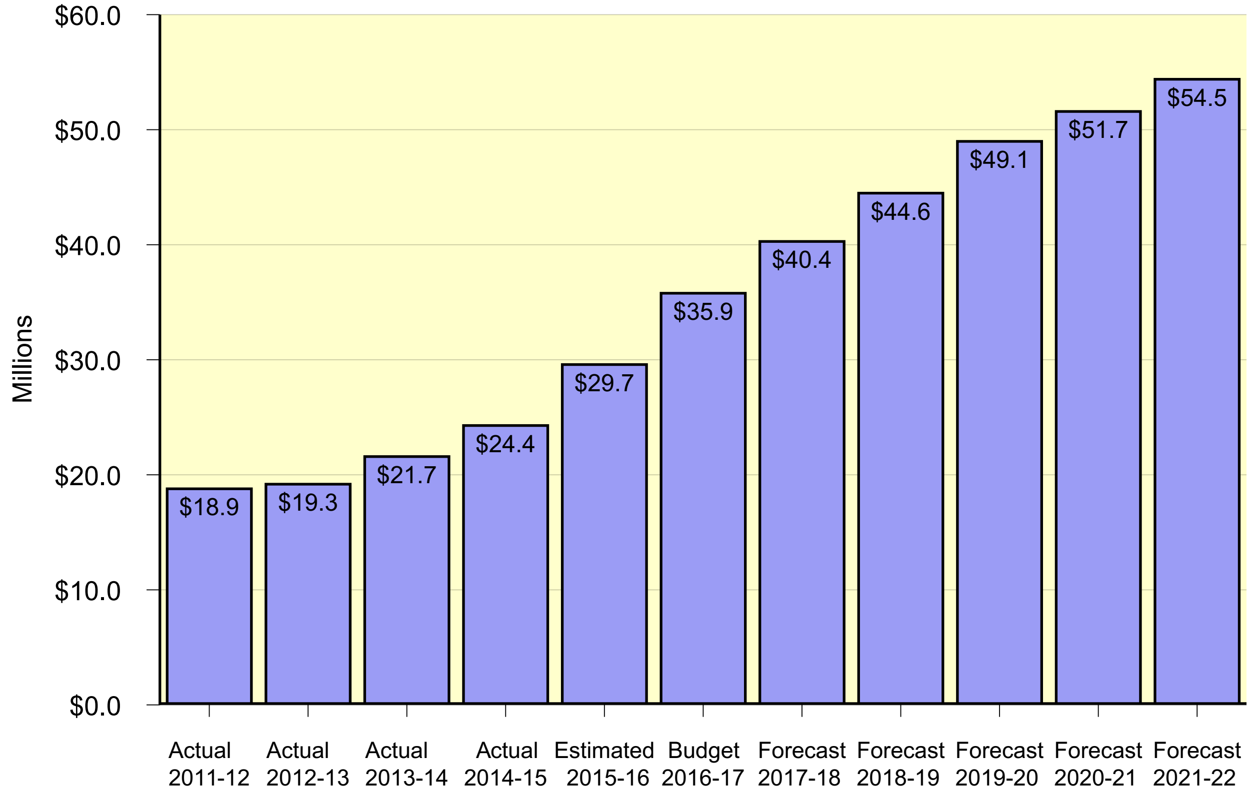
The City contributes to the California Public Employees Retirement System (CalPERS), which provides a defined benefit plan for participating public entities within the State of California. CalPERS offers a menu of benefit provisions that are established by State statutes within the Public Employee Retirement Law. The City selected its benefit provisions from the benefit menu by contract with CalPERS and adopted those benefits through local ordinance, following negotiations with employee bargaining groups.

The City's two defined benefit pension plans (Miscellaneous Plan and Safety Plan) with CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits for employees in the Miscellaneous Plan and Safety Plan vest after five years of CalPERS credited service. The retirement benefits under both plans are based on the retiree's age, years of CalPERS credited service, and a benefit factor of 2.7% at age 55 for Miscellaneous Plan members and 3% at age 50 for Safety Plan members.

In September 2012, the Governor signed AB 340, the Public Employees' Pension Reform Act of 2013 (PEPRA). This Act replaced existing pension benefit formulas for new hires with new lower benefit formulas for those new members who begin service January 1, 2013 or after. The City's PEPRA Miscellaneous Plan benefit formula is 2.0% at age 62 and the PEPRA Safety Plan benefit formula is 2.7% at age 57. Additionally, the salary basis for the retirement benefit is changed for all new hires from single highest year to highest average annual compensation over a three-year period. These changes are expected to slowly reduce rates over the next generation of employees.

CalPERS retirement costs rose sharply over the past decade as a result of the market losses in the early 2000s followed by benefit enhancements in the mid-2000s. In 2006-07, General Fund pension costs were $14.6 million. Ten years later, 2016-17 pension costs are projected to be $35.9 million. As shown in Chart 10, retirement payments on behalf of employees are expected to rise dramatically as required employer rate increases are rolled in to make up for investment losses in fiscal years 2007-08 and 2008-09, a lower investment return assumption, shorter smoothing and amortization periods, and other demographic assumption changes including longer lifespans for retirees. These increases accelerated beginning in 2011-12, and continue to ramp up as CalPERS phases each of them in. By the end of the Five-Year Financial Plan period, PERS expenditures are projected to reach an estimated $54.5 million, more than two and a half times the cost from ten years earlier, and consume an estimated 21.4% of General Fund revenues.

Chart 10
General Fund PERS Expenditures



The first major driver behind current and future rising retirement costs is the steep market losses experienced during the Great Recession. The CalPERS investment portfolio lost 4.9% in 2007-08 and 24.0% in 2008-09. CalPERS' actuarial assumption at that time was that it would earn a 7.75% annual investment return; this is the rate of growth needed to keep employer rates stable, all other things being equal. Given this assumption, CalPERS fell short of its actuarial estimate by 44.4% over this two year period, placing significant upward pressure on future rates. Rate increases to make up for these losses were phased in over three years beginning in 2011-12.

The second major driver behind pension rate increases are decisions made by the CalPERS Board. In 2012, the CalPERS Board revised their investment earnings assumption downward from 7.75% to 7.5% and in 2013 the Board modified smoothing policies from 15-year rolling average to five-year direct smoothing and changed the amortization period for investment gains and losses from a rolling to a fixed 30-year period. These changes were designed to help agencies move toward 100% funding faster than under the prior policies. The lower investment earnings assumption was incorporated into the calculation of rates beginning in 2014-15. The smoothing and amortization policy changes were implemented beginning in 2015-16. In 2014, the CalPERS Board approved new actuarial assumptions including mortality assumptions which show that retirees and their beneficiaries are expected to live longer than previously assumed, necessitating higher rates to fund higher lifetime pension payouts. These changes will be implemented over the five year period beginning in 2016-17.

Year-by-year pension rate projections are shown in Table 1.

Table 1
Projected CalPERS Employer Rates

	Percent of Salary:	
Fiscal Year	**Miscellaneous Plan**	**Safety Plan**
2015-16	29.562%	41.948%
2016-17	32.267%	44.431%
2017-18	34.393%	47.310%
2018-19	36.387%	50.120%
2019-20	38.480%	53.030%
2020-21	39.073%	53.440%
2021-22	39.467%	54.050%

Chart 11 examines the City's unfunded PERS liability. In 2000-01, after years of double-digit returns on PERS investments, the value of the City's assets held by CalPERS actually exceeded projected liabilities, resulting in a super-funded scenario that allowed rates for the Miscellaneous Plan to drop to zero. However, due to investment losses, changes in actuarial assumptions, and benefit enhancements, by June 30, 2012, the actuarial unfunded liability had grown to $398.9 million ($204.6 million for the Miscellaneous Plan and $194.3 million for the Safety Plan) and the funded status had declined to 61.4% of liabilities for the Miscellaneous Plan and 65.9% for the Safety Plan.

Based on higher employer contributions and positive investment returns for the year ending June 30, 2014 (the most recent actuarial valuation date), the unfunded liability declined to $371.2 million with the funded status increasing to 67.3% for the Miscellaneous Plan and 72.8% for the Safety Plan.

Chart 11
PERS Actuarial Unfunded Liability

Budget Surpluses Projected for Most of Forecast Horizon

General Fund revenues fell sharply while expenditures continued to rise as a result of the last recession, causing a structural budget deficit. However, as shown in Charts 12 and 13, beginning in 2010-11, revenues began to grown once again and since then the regional and local economies have grown faster than those of the State of California and the United States.

For the first time in three years, the General Fund ended 2010-11 with a surplus of $8.5 million, allowing for much needed contributions to reserves which had fallen to dangerously low levels. For 2011-12, a surplus of $20.8 million was primarily the result of growth in economically sensitive revenues and $6.1 million of restricted one-time revenues for the Levi's Stadium project (unspent monies from these restricted revenues were transferred at year-end to the Building Inspection Reserve in accordance with applicable laws and adopted Council policy). In 2012-13, a surplus of $18.0 million was the result of continuing revenue growth coupled with careful management of staffing costs. It is important to note that, through 2012-13, about $13 million per year of lease revenues from former Redevelopment Agency (RDA) properties flowed to the General Fund in accordance with cooperation agreements that have since been invalidated by the RDA Dissolution Act. These lease revenues were part of these surplus amounts. A fourth straight year of revenue growth and a managed hiring freeze led to a 2013-14 surplus of $13.3 million, with the loss of lease revenues from the properties tied to the former Redevelopment Agency being partly made up with a one-time $6.1 million residual property tax distribution representing the City's share of monies that were distributed to taxing entities from the dissolution process. In 2014-15, a fifth straight year of revenue growth coupled with the continuation of the managed hiring freeze resulted in a year end surplus of $22.7 million. A sixth straight year of revenue growth and additional vacancy savings are projected to result in a 2015-16 surplus of about $18.2 million. This amount is on top of the $7.0 million transfer to the reserves that was budgeted for this year.

Although the 2016-17 General Fund budget is balanced, it includes a $2.9 million transfer to the Working Capital Reserve, a $2.5 million transfer to the Building Inspection Reserve, and a $12.6 million transfer to the Capital Projects Reserve (the $18.0 million total of these three amounts is noted at the bottom of the second page of Schedule A).

Beyond another projected surplus in 2017-18, the individual revenue and expenditure projections described previously result in declining surpluses from 2018-19 through 2020-21 and a deficit in 2021-22 due to a higher projected growth rate in expenditures than revenues (i.e., an average annual growth rate over these four years of 3.7% for total resources vs. 4.8% for expenditures). The primary drivers behind the higher growth rate for expenditures continue to be rising pension rates and expected increases in other benefit costs which are projected to grow by 5% per year primarily due to health care cost projections.

It is important to note that revenue projections assume a moderately growing economy throughout the forecast period but do not include project specific revenues that may result from several large commercial and residential development projects currently under review or entitled but not yet under construction. If any of the development projects are completed and yield positive economic benefit, the outlook would improve.

Chart 12
General Fund Resources and Expenditures

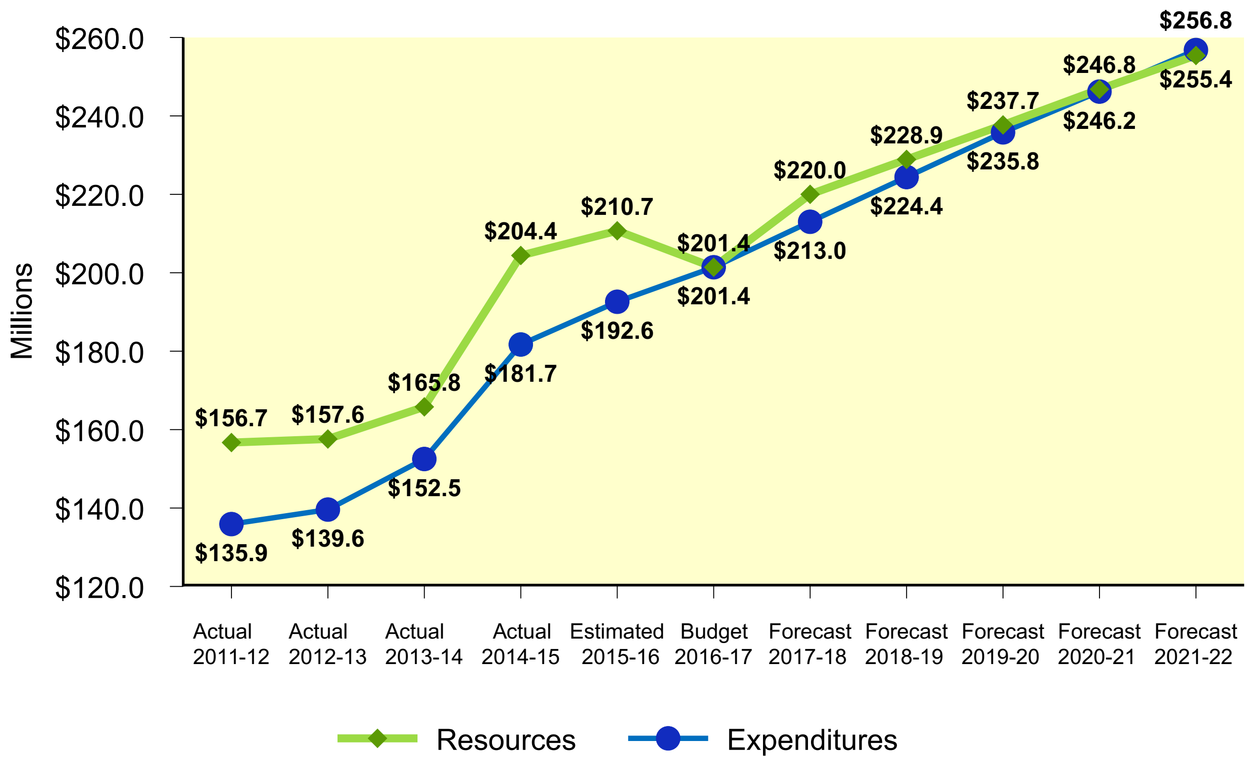
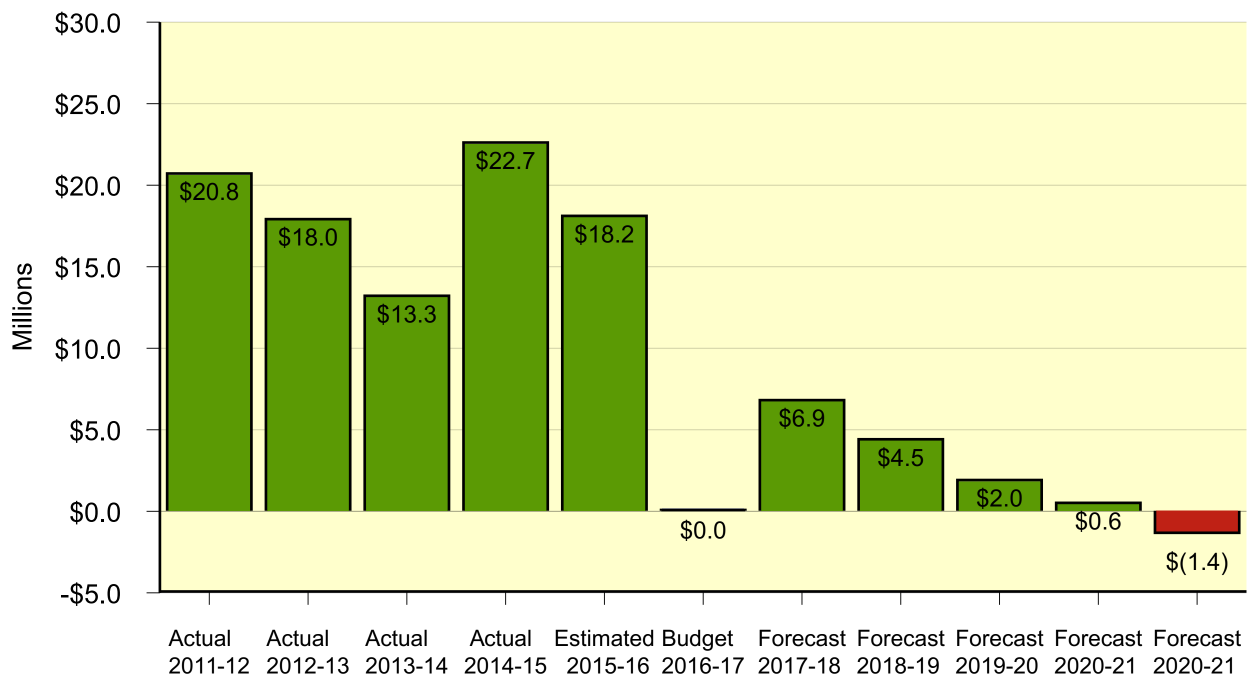


Chart 13
General Fund Operating Surplus/(Deficits)



Reserves

During 1985-86, the City Council established a policy regarding use of the City's General Contingency Reserve funds. Under that policy, two separate reserves were established: a *Working Capital Reserve* and a *Capital Projects Reserve*. The Working Capital Reserve is funded to protect vital General Fund services during economic downturns or to handle financial crisis or disaster situations. The target size for the Working Capital Reserve is 25% of General Fund expenditures or enough to provide funding for 90 days of operations.

During fiscal years 2002-03, 2003-04 and 2004-05, the City drew down its Working Capital Reserve to meet its financial needs. By 2004-05, the reserve ended with a balance of $13.8 million (see Chart 14). The City rebuilt the reserve to $21.1 million by 2007-08, thanks to strong economic growth and three consecutive years of operating surpluses. But as revenues began to fall in 2008-09, the City again had to turn to its reserves in an effort to protect vital services for its residents and other stakeholders, leaving a balance of only $2.5 million at June 30, 2010. Using the reserve helped sustain service levels but depleted a key source of funding that provides flexibility to respond to unanticipated operating events.

Economic recovery began to take hold in 2010-11 and as a result of five consecutive years of surpluses, the reserve level rose to $47.9 million as of June 30, 2015. A 2015-16 budgetary shortfall in the Cemetery Fund brought the reserve balance down to $47.5 million as of June 30, 2016, above the 25% target for 2015-16 which was $45.6 million.

Based on the adopted budget for 2016-17, the target would increase to $50.4 million and a $2.9 million General Fund transfer to the Working Capital Reserve has been budgeted to keep the balance in the reserve at the target.

Chart 14
Working Capital Reserve Ending Balances

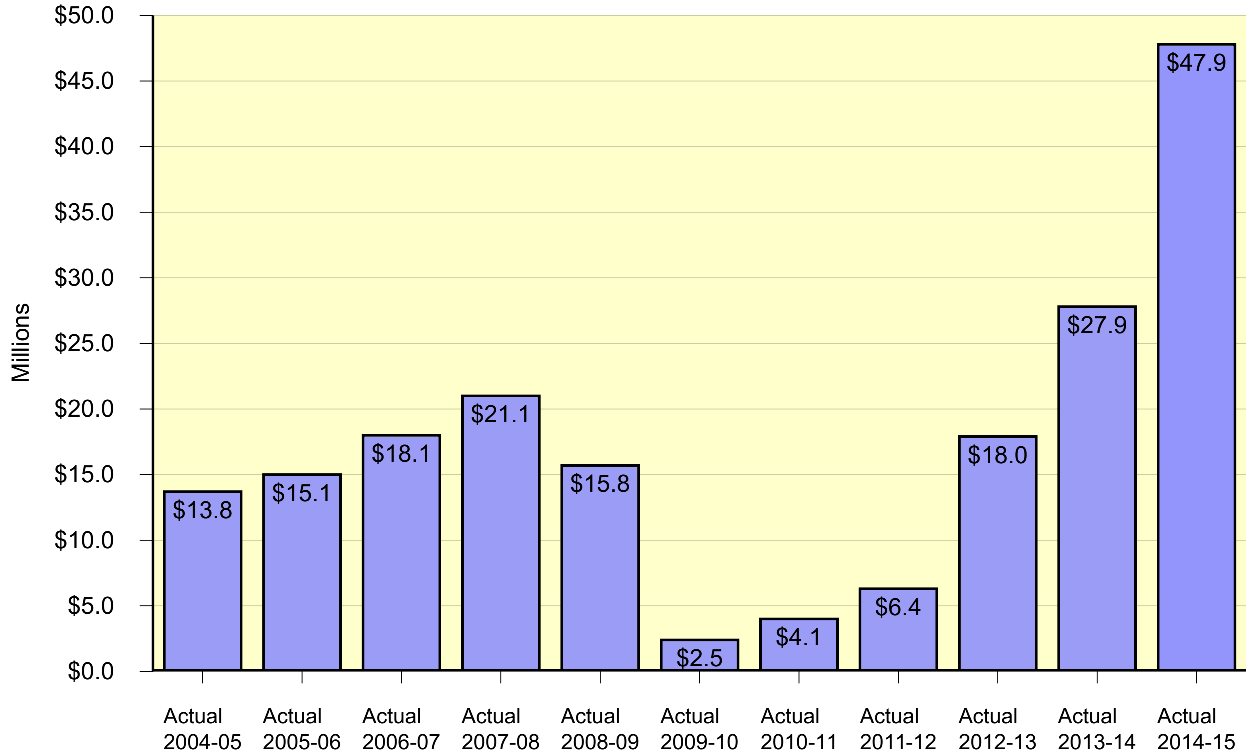


Chart 15 tells a similar story for the City's Capital Projects Reserve. This reserve is set aside to fund the portion of the City's capital spending program that has no other funding sources to support it. The projects funded from this critical reserve provide basic City infrastructure and quality facilities. The Council adopted a policy in 1996-97 to maintain a minimum of $5 million in the Capital Projects Reserve. Since 2000-01, the City drew down this key resource from $69.1 million to a low of $2.5 million on June 30, 2010. Surpluses the last five fiscal years have allowed for year-end contributions to the Capital Projects Reserve and the funding of capital projects that had been delayed during the recession. The balance has now exceeded the reserve target each of the last five years. At June 30, 2015, the balance stood at $12.2 million.

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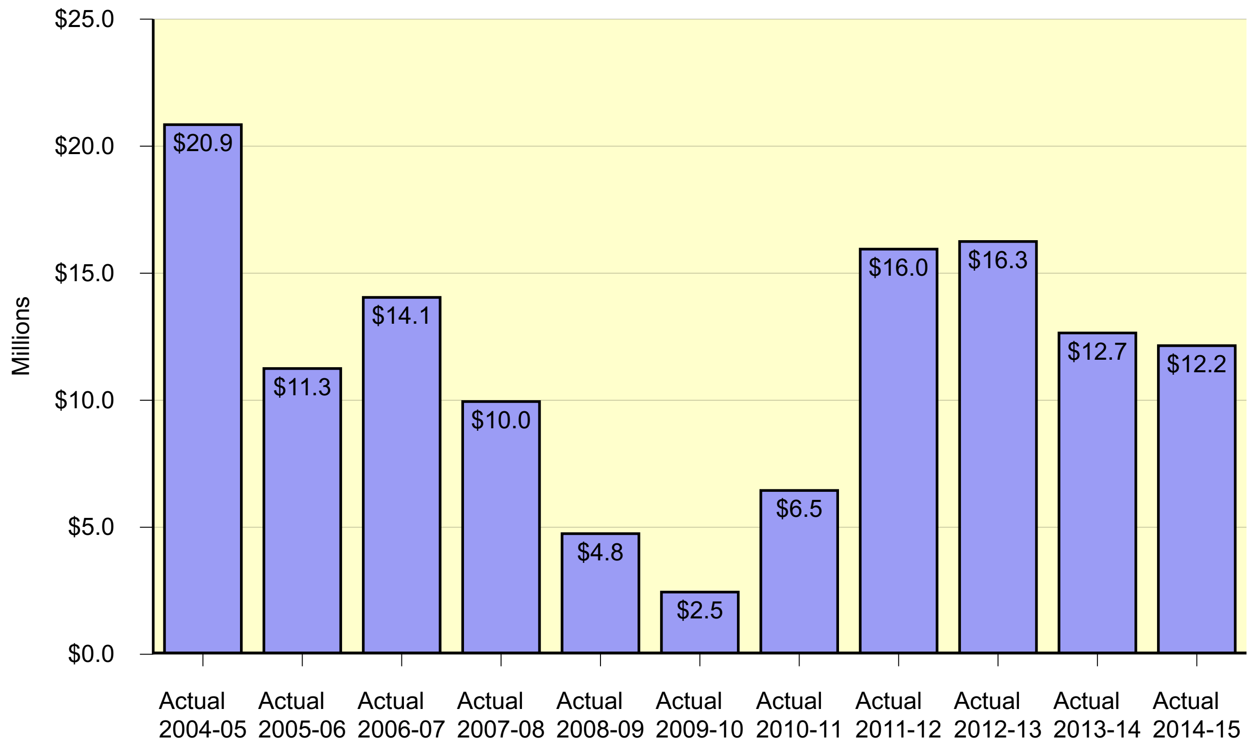
Chart 15
Capital Projects Reserve Ending Balances



Having well-funded reserves and good financial management practices allow Santa Clara to maintain its fiscal health. Now that the City has rebuilt its reserves, it is important that it keep them at or above their target levels.

ENTERPRISE TYPE ACTIVITIES

The City owns and operates various enterprise type activities including the Electric, Water, and Sewer utilities, City Cemetery, and Solid Waste program. A five-year projection of major enterprise fund revenues and expenses is included in the attached schedules. The projections were prepared by the respective entities with underlying economic and other pertinent assumptions that may differ from those outlined in this Plan. Presentation of enterprise fund information in this Plan is designed to draw attention to their financial relationship to the City's General Fund.

Silicon Valley Power

Silicon Valley Power (SVP) provides electric power and services to over 53,000 City customers. In calendar year 2015, the City of Santa Clara served approximately 1,681 industrial accounts that comprised more than 88% of the City's load and more than 87% of customer service revenues. The Electric Department provides diverse services including operating, maintaining and dispatching electric service, engineering, system design and planning, administrative and financial management, marketing, customer services, power trading, free outdoor Wi-Fi (powered by SVP Meter Connect) and dark fiber leasing services -- all of which make Silicon Valley Power a successful and reliable resource for the City and its citizens. SVP owns power generation facilities, invests in joint ventures that produce electric power, and trades power on the open market. Its primary goals are to provide safe, reliable service while remaining competitive in the marketplace and placing a premium on a high level of customer satisfaction. While the business environment has changed, SVP remains dedicated to responsive, low cost and reliable customer service.

Over the next five years, SVP will continue to build and expand its state-of-the-art power and communications infrastructure. SVP's mission is to be a progressive, service-oriented utility, offering reliable, competitively priced energy services for the benefit of Santa Clara and its customers. This means implementing energy efficiency programs, green technologies, ensuring reliable service, streamlining operations, and improving communications. SVP continually works with Santa Clara customers to enhance the value they receive from municipal ownership of their electric utility.

Also, over the coming years, significant activities will be required to comply with continually increasing legislative and regulatory mandates such as California State's Renewable Portfolio Standard (RPS) and the carbon cap-and-trade program. The State's RPS program requires electric service providers to increase procurement from eligible renewable energy resources to 33% of total procurement by 2020 and the governor has recently signed Senate Bill 350 increasing that to 50% of total procurement by 2030. While SVP already exceeds current state-wide RPS goals, the RPS requires the utility to continue its support of this broad range of programs encouraging wise use of energy resources, especially renewable energy generation. The California carbon cap-and-trade program began in mid-2012 and works to cap and reduce CO_2 emissions by auctioning emission allowances and investing the proceeds in consumer benefits such as energy efficiency, renewable energy, and other clean energy technologies. At a Federal level, the North American Electric Reliability Corporation (NERC) has issued new reliability standards with mandatory requirements to ensure power system reliability throughout the country. SVP has established a framework to assure that the City is in and stays in compliance with NERC mandatory standards. Finally, SVP's upgraded bond ratings have reinforced the need to maintain a positive net income in normal operating years and rebuild Electric Utility reserves to the $120 to $180 million target range.

The drought and related reduction in hydroelectric power output, and increased transmission costs are the major contributors to the increase in costs along with additional renewable projects in the near term. Because the additional renewable resources were acquired to meet future state mandates and are not immediately needed, the additional costs are being partially offset by wholesale sales of the renewable energy. Special efforts were made to assure that costs for the procurement of natural gas and emissions allowances for carbon are properly projected.

To ensure safety and reliability requirements, SVP continues its multi-year substation rebuilding projects. The forecast assumes capital expenditures including substation upgrades, equipment replacement, new technology deployment, and economic development projects. Two projects (Northern Receiving Station Phase Shifting Transformer and SVP Fiber Optic Expansion Project) will result in reduced operating costs as well as improving the Utility's communications and business opportunities. The Phase Shifting Transformer project has been funded by a short-term loan, which will be repaid through the operating cost savings. The Fiber Optic expansion will be funded by Electric Customer Service Charges.

In other ongoing capital projects, the Electric Department continues to improve, demonstrate, and implement new technologies to support tomorrow's power grid. Some key projects being deployed in this area are the continuing development of an Advanced Metering Infrastructure (AMI) Project; the SVP Meter Connect program (which powers the City's free outdoor Wi-Fi); the ongoing Operational and Technology Project, updating the power scheduling and back office systems required to schedule, track and settle power purchase, sales and delivery transactions; LED streetlight upgrade projects; and the improvement of the electric system cyber and physical security as required by mandatory federal reliability standards.

SVP continues to improve electric infrastructure to provide a reliable and low-cost business environment so Santa Clara's economy can grow and thrive. Rapid growth in energy demand, aging grids, communication technologies, and environmental impacts are driving change in how utilities do business and operate. New services, customer demand, and regulatory requirements continue to drive the need for advanced technology solutions to improve customer energy services.

The Electric Department's Five-Year Financial Plan (see Schedule B) assumes a potential rate increase of 3% in January 2017, subject to further review and to City Council approval. The potential rate increase maintains a positive net income required to rebuild reserve levels to the $120 million target range. Yet, even with the potential rate increase, Santa Clara's Electric Utility projects that it will continue to offer among the lowest system average electric rates in the State of California.

Water and Sewer Utilities

Water Utility (see Schedule C) - Water Utility expenditures are projected to increase by 9% between 2016-17 and 2017-18 primarily due to fluctuations in capital project spending. Expenditures are projected to increase by 6% to 9% per year over the five-year planning period. Projected increases in the wholesale cost of water are the primary component of the increases in 2017-18 through 2021-22. Moderate increases are also projected in Salaries and Benefits, Right-of-Way Fee, Other Operating Expenditures, and Internal Service Fund Allocations. The projected expenditures for Utility Capital Improvements are relatively stable over the planning period.

Sewer Utility (see Schedule D) - Sewer Utility expenditures are projected to increase by 36% between 2016-17 and 2017-18 due to a projected increase in Capital Improvements at the San Jose/Santa Clara Regional Wastewater Facility. The Sewer Utility expenditures are projected to decrease by 9% and 23% in 2018-19 and 2019-20 respectively in response to lower levels of Capital Project funding. Fiscal years 2020-21 and 2021-22 show an expenditure increase of 8% and 7% respectively, again related to the level of Capital funding required in that budget period. The fluctuations in the estimated expenditures for the Sewer Utility are significantly affected by the projected expenditures for Utility Capital Improvements. The projections indicate the Utility Capital Improvements represent from 41% to 63% of the total estimated expenditures for the Sewer Utility in any given year. The Utility Capital Improvement category includes capital projects at the San Jose/Santa Clara Regional Wastewater Facility and critical in-City rehabilitation and replacement of sewer system infrastructure. The level of capital funding required has dictated the use of debt financing to mitigate rate impacts. The Sewer Utility is assuming debt financing for a portion of the capital costs related to the Water Pollution Control Plant.

Recycled Water Utility (see Schedule E) - Recycled Water Utility revenue and expenditures are projected to increase by 9% between 2016-17 and 2017-18, and by 8% per year over the remainder of the planning period. Increasing demand for and sale of, recycled water are the primary component of the projected increases.

Even with the projected increases in revenues and expenditures, the Utilities anticipate maintaining combined water, sewer and electric rates at a level that is affordable for residents and attractive for businesses. The combined utility rates are expected to remain the lowest in the nine Bay Area counties.

NEXT STEPS

The Five-Year Financial Plan provides policy-makers and the public an updated assessment of the City's financial condition that takes into account the latest projections of economic conditions. The benefit of the Five-Year Financial Plan is to provide the City Council, staff, and community a clear assessment of the City's finances and facilitate an informed discussion during budget deliberations. The Plan serves as a starting point to provide perspective and analysis of what will happen if current financial decisions and operating practices continue into the future. The Five-Year Financial Plan was presented as part of the City Council budget study sessions on May 24, 2016 and a public hearing to adopt the 2016-17 Operating and CIP Budgets was held on June 21, 2016.

Schedule A

CITY OF SANTA CLARA
GENERAL FUND
FIVE-YEAR FINANCIAL PLAN

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Estimated
ESTIMATED RESOURCES					
Property Tax	$ 28,347,475	$ 31,747,458	$ 39,135,396	$ 37,576,165	$ 41,396,000
Sales Tax	40,322,018	44,351,021	46,408,534	49,933,156	49,350,000
Transient Occupancy Tax	11,483,363	13,046,576	15,042,438	17,843,363	20,000,000
Franchise Tax	3,361,039	3,342,501	3,515,786	3,698,326	3,825,000
Documentary Transfer Tax	727,688	1,004,613	1,189,605	1,251,217	1,700,000
Subtotal	**84,241,583**	**93,492,169**	**105,291,759**	**110,302,227**	**116,271,000**
Licenses and Permits	7,070,754	4,461,962	4,789,470	7,571,732	9,180,000
Fines and Penalties	2,068,367	2,157,223	2,059,613	1,897,719	2,115,000
Interest	2,250,304	2,153,871	1,676,679	1,528,318	1,275,000
Rents and Leases	16,204,608	16,876,124	5,399,653	8,832,662	10,960,000
Revenue From Other Agencies	650,674	390,988	613,147	2,908,422	1,750,000
Charges For Current Services	30,465,108	24,714,568	30,771,701	35,455,954	42,400,000
Contribution In-Lieu of Taxes	15,342,885	15,218,781	16,591,452	17,492,882	19,200,000
Other Revenue	203,421	354,204	955,512	393,614	515,000
Subtotal	**74,256,121**	**66,327,721**	**62,857,227**	**76,081,303**	**87,395,000**
Net Interfund Transfers	**(1,789,033)**	**(2,192,161)**	**(2,383,729)**	**17,999,949**	**7,062,400**
Total Estimated Resources	**$ 156,708,671**	**$ 157,627,729**	**$ 165,765,257**	**$ 204,383,479**	**$ 210,728,400**
ESTIMATED EXPENDITURES					
Salaries	75,372,860	76,153,460	78,634,215	85,107,542	92,730,000
Separation Payouts	2,301,884	2,388,903	1,290,295	828,690	2,000,000
Benefits	30,524,961	32,295,012	35,323,866	38,265,174	41,824,957
Materials, Services, and Supplies	19,741,648	20,878,681	28,701,805	48,572,118	46,500,000
Interfund Services	7,965,301	7,914,369	8,497,212	8,793,854	9,191,000
Capital Outlay	—	7,631	16,209	109,342	308,000
Total Estimated Expenditures	**$ 135,906,654**	**$ 139,638,056**	**$ 152,463,602**	**$ 181,676,720**	**$ 192,553,957**
Surplus/(Deficit)	**$ 20,802,017**	**$ 17,989,673**	**$ 13,301,655**	**$ 22,706,759**	**$ 18,174,443**

Schedule A

RESOURCE AND EXPENDITURE TREND
GENERAL FUND

	2016-17 Budget	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
ESTIMATED RESOURCES						
Property Tax	$ 46,690,000	$ 51,359,000	$ 54,440,500	$ 57,706,900	$ 60,592,200	$ 63,621,800
Sales Tax	64,267,475	59,620,000	61,930,000	64,340,000	66,810,000	69,380,000
Transient Occupancy Tax	20,000,000	20,600,000	21,218,000	21,854,500	22,510,100	23,185,400
Franchise Tax	3,853,800	3,916,300	3,979,800	4,044,400	4,110,100	4,176,900
Documentary Transfer Tax	1,500,000	1,546,500	1,592,900	1,642,300	1,694,900	1,750,800
Subtotal	**136,311,275**	**137,041,800**	**143,161,200**	**149,588,100**	**155,717,300**	**162,114,900**
Licenses and Permits	9,594,000	9,891,400	10,188,100	10,503,900	10,840,000	11,197,700
Fines and Penalties	1,870,300	1,928,300	1,986,100	2,047,700	2,113,200	2,182,900
Interest	1,000,000	1,250,000	1,350,000	1,410,000	1,560,000	1,700,000
Rents and Leases	12,578,347	11,244,900	11,485,600	11,806,300	12,503,900	12,763,200
Revenue From Other Agencies	370,000	381,500	392,900	405,100	418,100	431,900
Charges For Current Services	39,415,907	40,637,800	40,002,900	41,243,000	42,562,800	43,967,400
Contribution In-Lieu of Taxes	19,652,620	21,244,088	21,432,474	21,807,380	22,101,945	22,105,799
Other Revenue	460,006	474,300	488,500	503,600	519,700	537,000
Subtotal	**84,941,180**	**87,052,288**	**87,326,574**	**89,726,980**	**92,619,645**	**94,885,899**
Net Interfund Transfers	**(19,844,374)**	**(4,126,278)**	**(1,604,843)**	**(1,590,509)**	**(1,570,629)**	**(1,551,381)**
Total Estimated Resources	**$ 201,408,081**	**$ 219,967,810**	**$ 228,882,931**	**$ 237,724,571**	**$ 246,766,316**	**$ 255,449,418**
ESTIMATED EXPENDITURES						
Salaries	104,279,518	110,286,000	114,866,000	119,660,000	124,686,000	130,047,000
Separation Payouts	1,500,000	1,545,000	1,591,000	1,639,000	1,688,000	1,739,000
Benefits	54,081,534	59,878,900	65,051,400	70,644,600	74,350,700	78,290,000
Materials, Services, and Supplies	31,514,929	31,188,000	32,437,000	33,068,000	34,370,000	35,299,000
Interfund Services	9,629,546	9,928,000	10,226,000	10,543,000	10,880,000	11,239,000
Capital Outlay	402,554	200,000	200,000	200,000	200,000	200,000
Total Estimated Expenditures	**$ 201,408,081**	**$ 213,025,900**	**$ 224,371,400**	**$ 235,754,600**	**$ 246,174,700**	**$ 256,814,000**
Surplus/(Deficit)	**$ 0**	**$ 6,941,910**	**$ 4,511,531**	**$ 1,969,971**	**$ 591,616**	**$ (1,364,582)**

Note: Net interfund transfers includes one-time budgeted transfers to the Working Capital, Capital Projects. and Building Inspection Reserves totaling $18.0 million in 2016-17.

CITY OF SANTA CLARA
ELECTRIC UTILITY (FUND 091,191,491,534,591)
FIVE-YEAR FINANCIAL PLAN

	Budget	Forecast				
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
ESTIMATED REVENUE						
Transfers From (To) Reserves (3)	$ (19,021,399)	$ (4,034,880)	$ (3,495,720)	$ (8,904,742)	$ (6,339,102)	$ (2,206,983)
Customer Service Charges (2)	371,118,414	390,849,833	403,148,192	407,272,412	411,345,136	415,458,588
Mandated Revenues	10,576,875	11,139,220	11,489,723	11,607,264	11,723,336	11,840,570
Rents, Interest, & Other Fees	6,636,020	8,042,712	8,961,567	9,817,920	10,520,424	10,366,823
Other Revenue	4,900,000	14,850,000	5,050,000	7,450,000	8,450,000	4,450,000
Wholesale Revenues (REC Sales) (1)	5,048,300	4,202,485	3,111,140	4,323,592	—	—
Wholesale Revenues (GHG Sales) (1)	2,583,221	2,305,669	4,942,666	7,533,233	7,837,782	(997,820)
Land Sales	3,000,000	17,000,000	—	—	—	—
Transfers Out	(587,632)	(5,400,120)	(5,729,804)	(674,934)	(524,934)	(132,934)
Total Revenues	**$ 384,253,799**	**$ 438,954,919**	**$ 427,477,764**	**$ 438,424,745**	**$ 443,012,642**	**$ 438,778,244**
ESTIMATED EXPENDITURES						
Salaries and Benefits	$ 35,563,124	$ 36,665,581	$ 37,765,548	$ 38,936,280	$ 40,182,241	$ 41,508,255
Mat/Serv/Sup	17,776,352	18,327,419	18,877,241	19,462,436	20,085,234	20,748,047
Resource and Production	241,288,222	252,954,807	273,660,972	287,313,306	293,688,988	292,448,446
Interfund Services	10,458,940	10,761,524	11,084,370	11,427,986	11,793,681	12,182,873
Contribution In Lieu of Taxes	19,652,620	21,244,088	21,432,474	21,807,380	22,101,945	22,105,799
Public Benefits Expense	10,576,875	11,139,220	11,489,723	11,607,264	11,723,336	11,840,570
Capital Improvements & Outlay	30,871,000	68,018,701	33,236,362	27,825,159	23,270,164	17,666,455
Debt Service	18,066,666	19,843,579	19,931,074	20,044,934	20,167,053	20,277,799
Total Expenditures	**$ 384,253,799**	**$ 438,954,919**	**$ 427,477,764**	**$ 438,424,745**	**$ 443,012,642**	**$ 438,778,244**
Operating Surplus/(Deficit)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

1. Wholesale revenues from REC and GHG sales are used to purchase new renewables.

2. Assumes 3% rate increase in 2016-17 and 2017-18 and flat in each subsequent year.

3. Includes contributions to Rate Stabilization, which includes the Cost Reduction Fund.

Schedule C

CITY OF SANTA CLARA
WATER UTILITY (FUND 092,592)
REVENUE AND EXPENDITURE PROJECTIONS

	Budget 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-2020	Forecast 2020-21	Forecast 2021-22
REVENUE						
Transfers From (To) Reserves	$ 3,428,181	$ 1,817,798	$ 1,002,936	$ (201,617)	$ (733,653)	$ (526,615)
Cust. Serv. Charges & Fees1,2	38,750,000	44,607,063	48,223,803	52,133,789	56,360,797	60,930,530
Other Revenue	653,000	653,000	653,000	653,000	653,000	653,000
Use of Money and Property3	215,000	219,300	223,686	228,160	232,723	237,377
Developer Contributions	480,000	500,000	520,000	540,000	560,000	580,000
Total Revenues	**$ 43,526,181**	**$ 47,797,160**	**$ 50,623,425**	**$ 53,353,332**	**$ 57,072,867**	**$ 61,874,292**
EXPENDITURES						
Salaries and Benefits4	$ 8,028,258	$ 8,349,388	$ 8,683,364	$ 9,030,698	$ 9,391,926	$ 9,767,603
Other Operating Expenditures4	1,626,410	1,683,146	1,750,472	1,820,491	1,893,311	1,969,043
Resource and Production5	23,810,000	25,015,400	28,212,900	31,057,200	34,148,700	37,649,500
Internal Service Fund Allocations4	3,515,713	3,656,342	3,802,595	3,954,699	4,112,887	4,277,402
Right-of-Way Fee	1,710,800	1,788,200	1,841,800	1,898,900	1,959,700	2,024,400
Capital Improvements & Outlay	4,835,000	7,304,684	6,332,294	5,591,343	5,566,343	6,186,343
Total Expenditures	**$ 43,526,181**	**$ 47,797,160**	**$ 50,623,425**	**$ 53,353,332**	**$ 57,072,867**	**$ 61,874,292**
Operating Surplus/(Deficit)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

1. Assumes 0.10% increase in sales each year.
2. Assumes 15% rate increase in 2017-18, and 8% in each subsequent year.
3. Assumes 2% per year increases.
4. Assumes 4% per year increases.
5. Assumes agency projections for wholesale rates.

CITY OF SANTA CLARA
SEWER UTILITY (FUND 094,494,594)
REVENUE AND EXPENDITURE PROJECTIONS

	Budget 2016-17	Forecast 2017-18	2018-19	2019-20	2020-21	2021-22
REVENUE						
Transfers From (To) Reserves	$ 840,650	$ 1,954,070	$ 865,942	$ (10,866,901)	$ (7,855,535)	$ (4,771,662)
Cust. Serv. Charges & Fees1	37,378,875	39,060,924	44,920,063	49,412,069	49,659,130	49,907,425
Other Misc. Revenue	112,500	112,500	112,500	112,500	112,500	112,500
Use of Money and Property	426,376	434,904	443,602	452,474	461,523	470,754
Connection/Conveyence Fees	1,475,000	1,564,000	1,596,000	1,633,000	1,670,000	1,173,500
Debt Issuance2	—	15,000,000	5,000,000	—	—	—
Total Revenue	**$ 40,233,401**	**$ 58,126,398**	**$ 52,938,107**	**$ 40,743,142**	**$ 44,047,618**	**$ 46,892,517**
EXPENDITURES						
Salaries and Benefits3	$ 3,675,502	$ 3,713,322	$ 3,861,855	$ 4,016,329	$ 4,176,982	$ 4,344,062
Other Operating Expenditures	376,645	391,711	407,379	423,674	440,621	458,246
Resource and Production4	14,250,750	13,139,400	13,623,100	14,114,500	15,853,400	16,404,700
Internal Service Fund Allocations3	1,831,928	1,860,114	1,934,518	2,011,899	2,092,375	2,176,070
Right-of-Way Fee	1,432,500	1,497,200	1,542,100	1,589,900	1,640,800	1,694,900
Capital Improvements & Outlay	17,516,000	36,504,651	29,638,954	16,656,639	17,913,239	19,884,339
Debt Service	1,150,076	1,020,000	1,930,200	1,930,200	1,930,200	1,930,200
Total Expenditures	**$ 40,233,401**	**$ 58,126,398**	**$ 52,938,106**	**$ 40,743,141**	**$ 44,047,617**	**$ 46,892,517**
Operating Surplus/(Deficit)	**$ —**					

1. Assumes rate increases of 4.5% in 2017-18, 15% in 2018-19, and 10% in 2019-20, with no rate increase thereafter and 0.5% growth each year
2. Capital projects at the WPCP assumed to be partially funded through State Revolving Fund loans in 2017-18 and 2018-19.
3. Assumes 4% per year increase.
4. Assumes agency projections for wholesale rates.

CITY OF SANTA CLARA
RECYCLED WATER UTILITY (FUND 097, 597)
REVENUE AND EXPENDITURE PROJECTIONS

	Budget 2016-17	Forecast 2017-18	2018-19	2019-20	2020-21	2021-22
ESTIMATED REVENUE						
Transfers From (To) Reserves	$ (316,128)	$ (241,100)	$ (183,900)	$ (116,500)	$ (36,700)	$ 56,600
Customer Service Charges (1)	4,580,000	4,900,600	5,243,600	5,610,700	6,003,400	6,423,600
Other Revenue	310,000	310,000	310,000	310,000	310,000	310,000
Use of Money and Property (2)	23,000	23,500	24,000	24,500	25,000	25,500
Total Revenue	**$ 4,596,872**	**$ 4,993,000**	**$ 5,393,700**	**$ 5,828,700**	**$ 6,301,700**	**$ 6,815,700**
ESTIMATED EXPENDITURES						
Salaries and Benefits (3)	$ 493,164	$ 512,900	$ 533,400	$ 554,700	$ 576,900	$ 600,000
Other Operating Expenditures (3)	47,200	49,100	51,100	53,100	55,200	57,400
Resources and Production (4)	3,600,000	3,926,900	4,283,500	4,672,400	5,096,700	5,559,500
Internal Service Fund Allocations (3)	104,908	109,100	113,500	118,000	122,700	127,600
Right-of-Way Fee	201,600	245,000	262,200	280,500	300,200	321,200
Capital Improvements & Outlay	150,000	150,000	150,000	150,000	150,000	150,000
Total Expenditures	**$ 4,596,872**	**$ 4,993,000**	**$ 5,393,700**	**$ 5,828,700**	**$ 6,301,700**	**$ 6,815,700**
Operating Surplus/(Deficit)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**—**

1. Assumes 1% increase in sales and 6% increase in retail rates each year.
2. Assumes 2% per year increases.
3. Assumes 4% increase per year.
4. Assumes agency projections for wholesale rates.

CITY OF SANTA CLARA
CEMETERY
REVENUE AND EXPENDITURE PROJECTIONS

	Budget 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
ESTIMATED REVENUE						
Sales-Facilities (1)	$ 179,000	$ 184,728	$ 190,639	$ 196,740	$ 203,035	$ 209,533
Sales-Labor	255,000	263,160	271,581	280,272	289,240	298,496
Sales-Endowment Care (2)	150	155	160	165	170	176
Sales-Material (3)	147,000	151,704	156,559	161,568	166,739	172,074
Capital Projects Reserve	—	10,000	60,000	15,000	65,000	15,000
General Fund Subsidy (4)	353,653	372,448	392,144	412,781	434,402	457,052
Total Revenue	**$ 934,803**	**$ 982,195**	**$ 1,071,083**	**$ 1,066,526**	**$ 1,158,587**	**$ 1,152,331**
ESTIMATED EXPENDITURES						
Salaries and Benefits	$ 649,798	$ 675,790	$ 702,821	$ 730,934	$ 760,172	$ 790,578
Other Operating Expenditures	136,173	141,620	147,285	153,176	159,303	165,675
Internal Service Fund Allocations	148,832	154,785	160,977	167,416	174,112	181,077
Capital Improvements & Outlay	—	10,000	60,000	15,000	65,000	15,000
Total Expenditures	**$ 934,803**	**$ 982,195**	**$ 1,071,083**	**$ 1,066,526**	**$ 1,158,587**	**$ 1,152,331**
Operating Surplus/(Deficit)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

1. Pre-need sales in new Willow Bend area and throughout the Park.
2. Related to quantity (volume) of new property purchases and increased fees.
3. Sale of pre-installed crypt(s) at time of property purchase.
4. Includes loan from Working Capital Reserve to cover revenue shortfalls.