

THE CITY OF SANTA CLARA CALIFORNIA



Adopted Five-Year Financial Plan 2013-14 through 2017-18



July 1, 2012

ABOUT THIS REPORT

The purpose of the Five-Year Plan is to provide policy-makers and the public an updated assessment of the City's financial condition 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 kind of analysis is to give the City Council, staff, and the public a tool to assist with strategic decision-making as they work to balance the budget.

The Five-Year Plan is a collaborative effort between the City Manager's Office, Finance Department, and City departments. Forecasts for revenues and expenditures are incorporated into the City's economic projections and refined on a moving forward basis as part of the City's commitment to fiscal responsibility.

CURRENT ECONOMIC ENVIRONMENT

What is now referred to as the *Great Recession* began in December 2007 and came to a technical end in the summer of 2009, making it the longest economic contraction since the *Great Depression*. Commerce Department records show that the nation's Gross Domestic Product (GDP), the broadest measure of economic activity, contracted four consecutive quarters, including steep declines of 8.9% and 6.7% in the last quarter of 2008 and the first quarter of 2009, respectively. According to data from the Bureau of Labor Statistics, non-farm employment declined for 25 consecutive months from February 2008 through February 2010 with businesses cutting 8.8 million jobs. The national unemployment rate peaked at 10.1% in October 2009, the first time the rate had been above 10% since 1983. Many of the lost jobs are not expected to return as companies automated more tasks, improved efficiency, or moved assembly lines overseas. Replacing these jobs is expected to take many years and while 3.7 million jobs have been created since March 2010 including job gains for 19 consecutive months, the unemployment rate remains high at 8.1% as of April 2012.

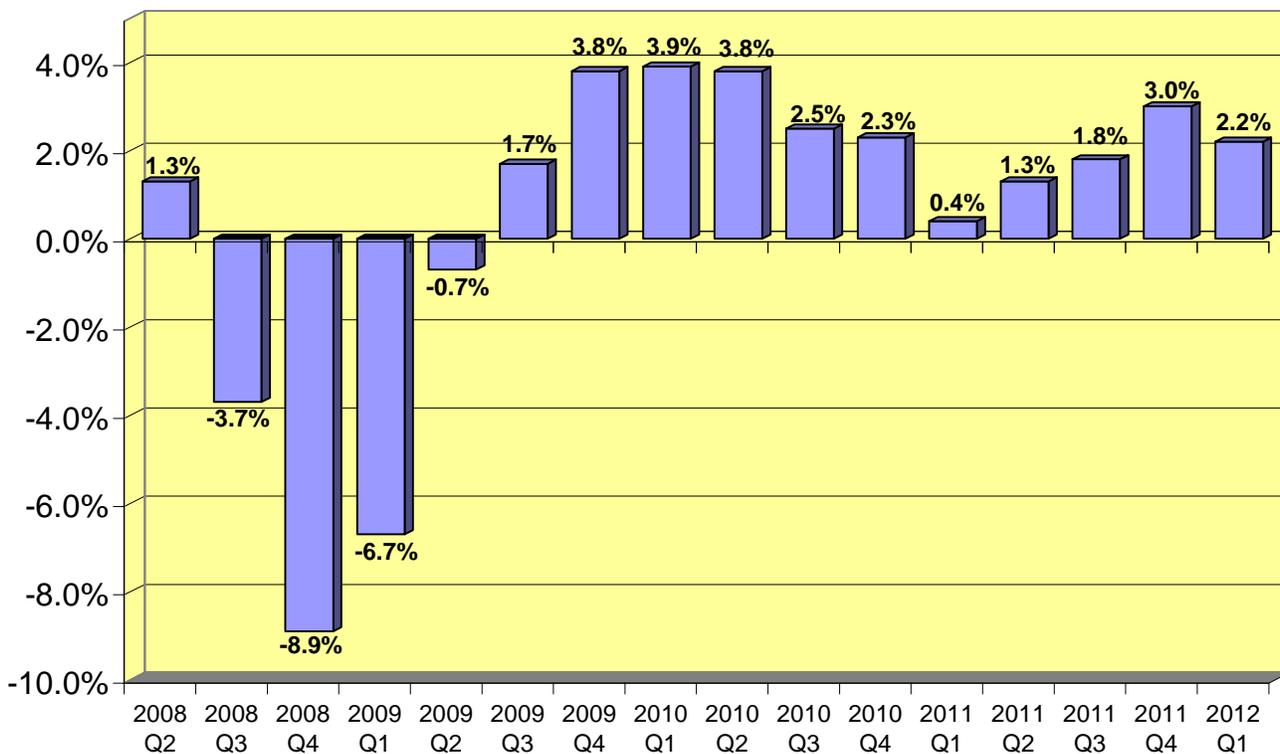
California was hit harder than most states by the recession, largely due to its more pronounced housing bubble and subsequent collapse in home values. The Employment Development Department reports California's unemployment rate rose past the 10% level in January 2009, reached a peak of 12.4% in early 2010, and began declining in late 2010. While the rate has declined, the most recent report for March 2012 still shows an 11.0% unemployment rate, almost 3% above the national average. Santa Clara County's experience was similar as its unemployment rate peaked at 11.7%. The most current reading for March 2012 is 9.0%. The impact on consumer spending continues to be a concern with the unemployment rate remaining so high.

The collapsing bubble in home values was a major factor underlying the Great Recession. The nation's market for homes remains weak with prices still declining in many cities in recent months. According to the most recent S&P/Case-Shiller 20 City Home Price Index, 15 of the 20 cities experienced a decline in the 12 months ended February 2012, including the three California cities in the survey (Los Angeles, San Diego and San Francisco). Falling prices in California have increased the number of borrowers who are in a negative position. Despite the additional price declines, the number of homes entering foreclosure has declined.

ECONOMIC OUTLOOK

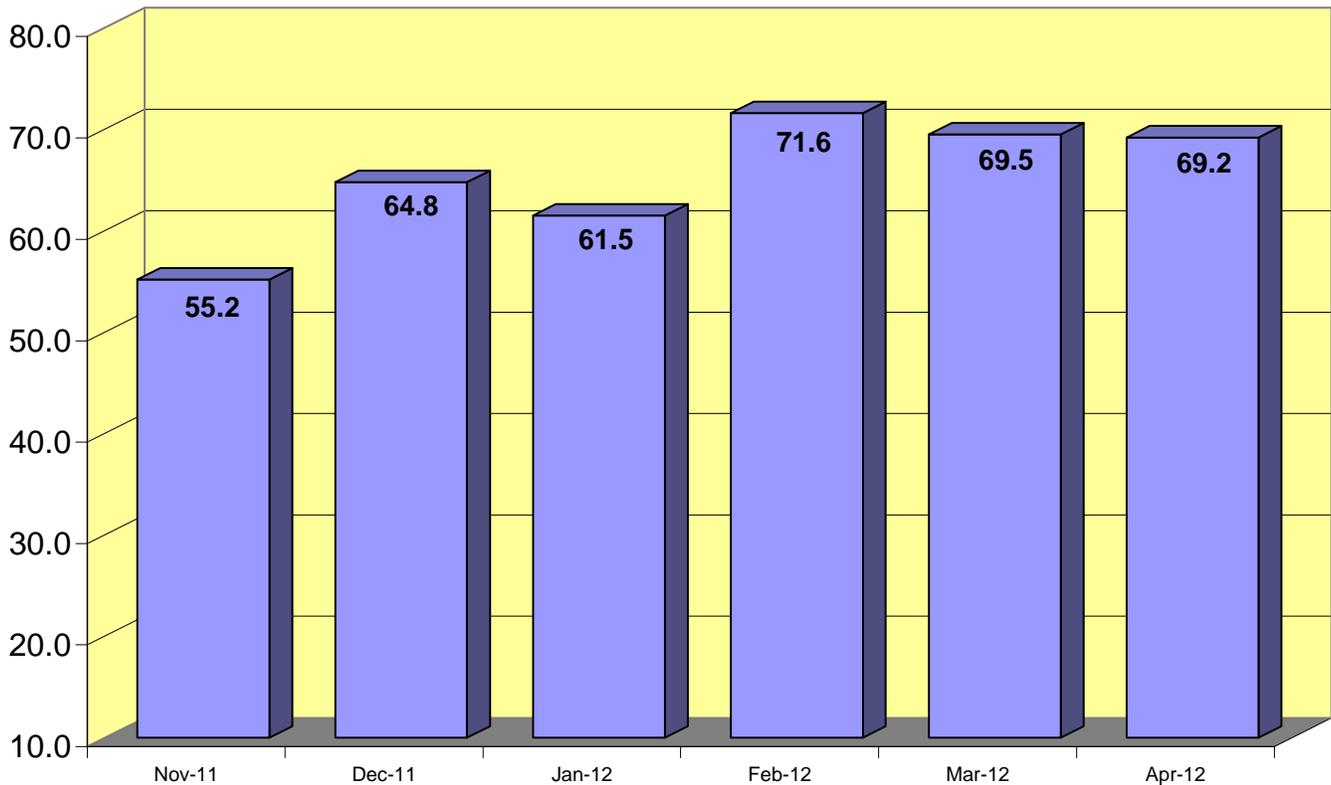
Economists believe that the recovery that began in the second half of 2009 is sustainable. GDP has now grown for eleven consecutive quarters (see Chart 1) and consumers are feeling more optimistic about the outlook for the economy than they were during the downturn. The New York based Conference Board's Consumer Confidence Index stands at 69.2 as of April 2012 (see Chart 2), a significant improvement from the low of 25.0 reading during the Great Recession. According to Lynn Franco, Director of the Conference Board's Consumer Research Center, "consumers are more upbeat about the state of the economy, but they remain cautiously optimistic."

**Chart 1
Gross Domestic Product Percent Change From Preceding Quarter**



The most recent UCLA Anderson Forecast, released in March 2012, projects that the U.S. economic recovery will continue, but with weak GDP and employment growth. According to a special report entitled *California's Unemployment High*, the UCLA Anderson Forecast suggests that it will not be until 2013 or 2014 that California's high unemployment rate will begin to decline at a faster rate than the U.S. unemployment rate.

Chart 2
Consumer Confidence Index



Major Risks on the Horizon

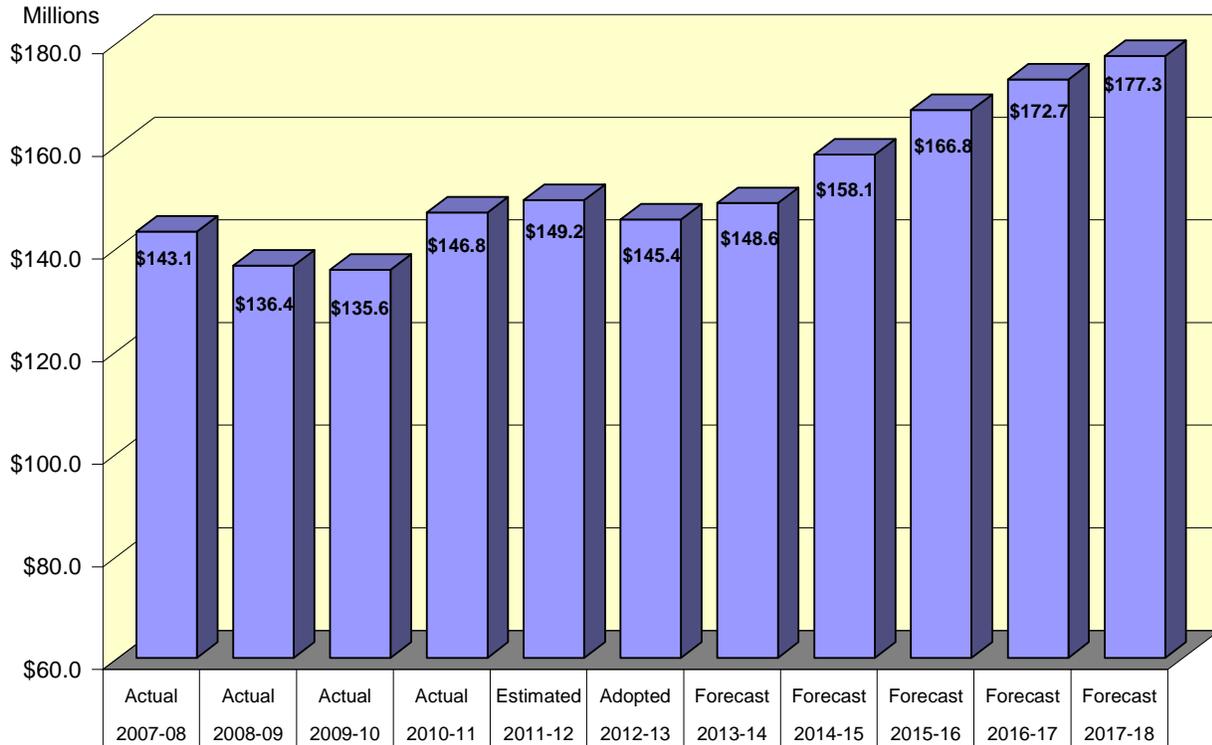
Despite the positive turn around in the economy, there continues to be serious risks. The primary concern is weak job growth with high rates of unemployment continuing for several more years. Economists are projecting that the economic recovery will continue but caution that the economic turmoil in Europe (in particular Greece, Portugal, Spain, and Ireland), the rapid rise in fuel prices, and the continued drag from the depressed housing market likely will cause the growth to be slower than what would normally be experienced in a recovery. So far, consumer spending does not appear to have been significantly impacted by the rise in fuel prices. In fact, automobile sales are up, especially in fuel efficient models.

In addition, the recent State of California Redevelopment Agency dissolution has resulted in a loss of about \$3.6 million in General Fund charges for current services revenues and left uncertain the continued collection of several key lease revenues. The dissolution process has consumed a significant amount of staff time and the ultimate impact on General Fund revenues is expected to become more clear over the next several months. Staff will keep the City Council informed of any significant impacts.

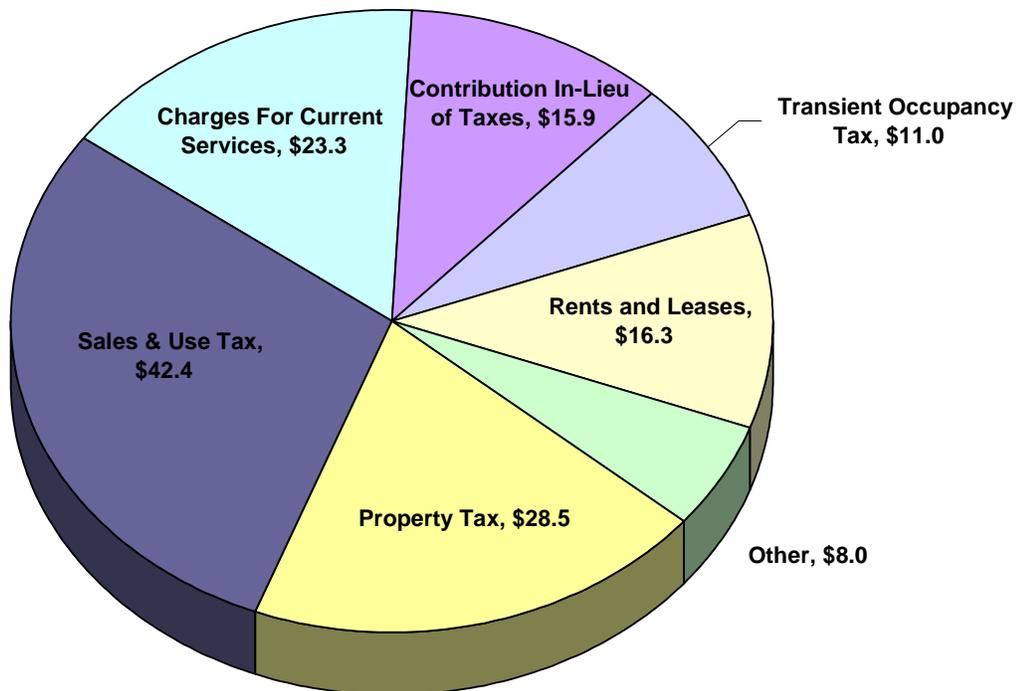
SANTA CLARA'S FINANCES

The damage to the economy resulting from the steep recession profoundly affected City revenues, which tend to lag behind general economic conditions. Total General Fund resources are estimated at \$145.4 million in 2012-13, representing a decrease of 2.5% when compared to estimated 2011-12 year-end actuals. The primary reason for the decrease is that 2011-12 included one-time Stadium development fees estimated at \$6.1 million. Without this item, projected 2012-13 resources would be up 1.6% or \$2.3 million. As shown in Chart 3, General Fund resources, which began to recover in 2010-11, are expected to grow at an average annual rate of 4.0% in the out years as the economy continues to recover, reaching an estimated \$177.3 million in the final year (2017-18) of the forecast.

**Chart 3
General Fund Resources**



**Chart 4
2012-13 General Fund Resources**



Total General Fund Revenue = \$145.4 Million

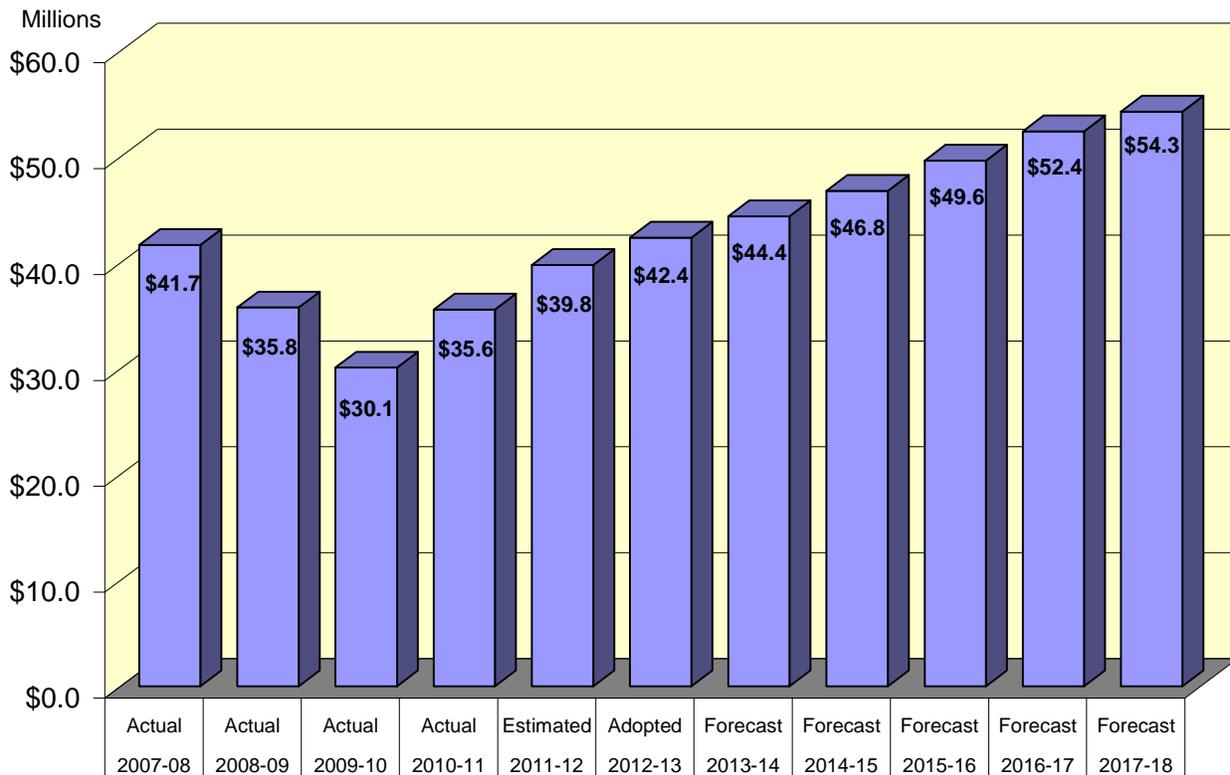
Sources of General Fund Revenues

Major sources of revenue for the General Fund are shown in Chart 4 (prior page). Sales tax and property tax comprise the largest sources of General Fund revenues, representing a combined \$70.9 million or 48.7% of the total. These and other major sources of revenue are described below.

Sales Tax

Sales tax revenue performance is directly linked to economic and business cycles and remains the largest, but most volatile General Fund revenue source. In prior years, sales tax was the City’s dominant revenue source, reaching a dot-com high of \$51.1 million in 2000-01. After falling almost \$17 million by 2002-03, this key revenue source 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 (see Chart 5). Sales tax revenues began to grow again in 2010-11 with strong growth continuing in 2011-12. The year-end estimate for 2011-12 is \$39.8 million, or 11.8% higher than actual 2010-11 collections. Based on projections from our sales tax consultant, MuniServices, we expect sales tax collections to continue growing at an average annual rate of 5.1% through the forecast period, reaching pre-recession levels in 2013-14 (seven years after the 2006-07 pre-recession peak).

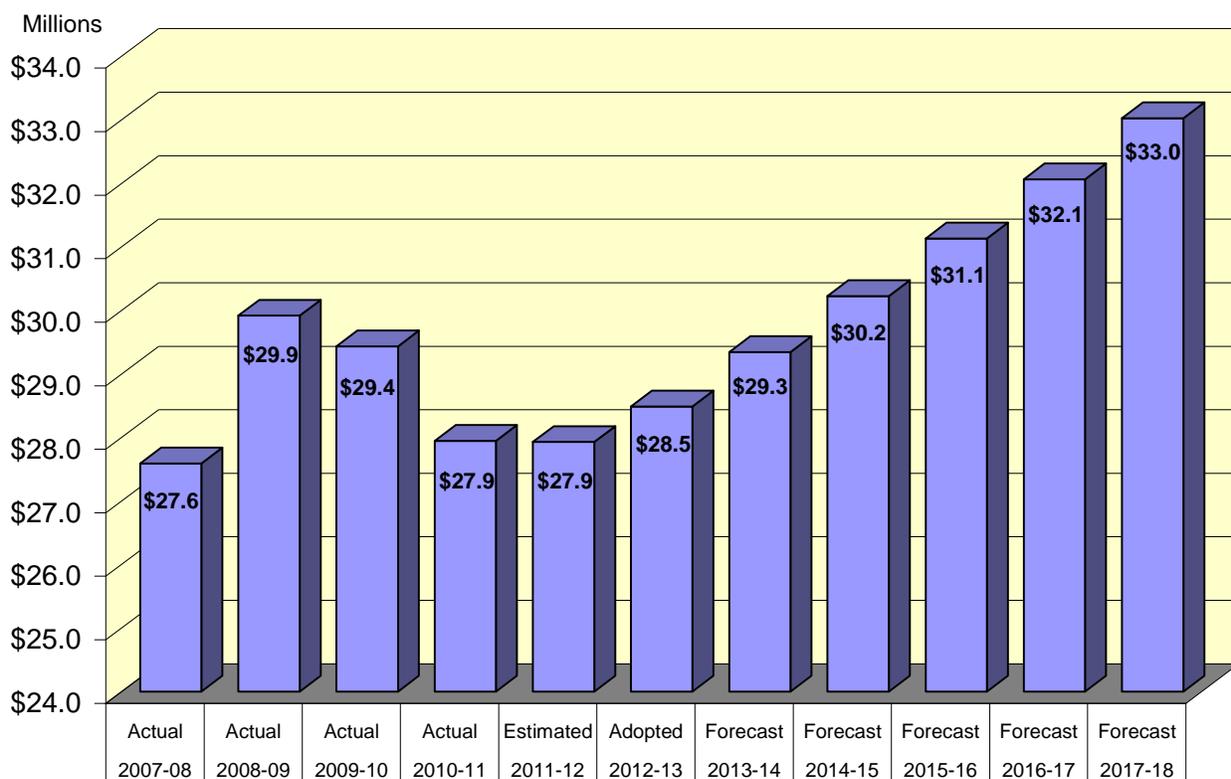
**Chart 5
General Fund Sales Tax Revenue**



Property Tax

Property tax has traditionally been a stable source of revenue. After strong growth for much of the last decade, property tax revenues reached a peak in 2008-09. 2009-10 saw a decline of \$0.5 million and 2010-11 saw a further decline of \$1.5 million. Property valuations, the basis for the 1% Proposition 13 property tax which the City receives about 10% of, tend to lag the economy by one to two years. Due to the decline in home values, and more recently declines in commercial values, owners are able to request Proposition 8 temporary valuation adjustments based on comparable sales data. Additionally, the County Assessor's Office has been proactive in implementing these adjustments based on their own analysis of property values. In 2011-12, collections have stabilized and the forecast is that they will begin to rise again in 2012-13 (see Chart 6). Property tax revenues are projected to rise at a rate of 2% in 2012-13 and 3% per year through the remainder of the forecast period.

Chart 6
General Fund Property Tax Revenue



Transient Occupancy Tax

Transient occupancy tax (TOT), also known as hotel/motel tax, is another key revenue source for the City. Like the 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, these revenues fell sharply to \$8.1 million in 2009-10. Collections rebounded significantly in 2010-11 due to the combination of higher occupancy levels and increases in the average daily rate (ADR). This rebound has continued in 2011-12 with year-end collections expected to be \$10.7 million. The forecast projects that growth will continue at a rate of 3% per year as ADR continues to rise and occupancy returns to normal levels. An additional increase of \$0.5 million was added to the 2015-16 projection to reflect new properties expected to open. TOT revenues are expected to reach pre-recession levels in 2013-14 (see Chart 7 on the following page).

**Chart 7
General Fund Transient Occupancy Tax Revenue**



Charges for Current Services

Charges for current services are estimated at \$23.4 million in 2012-13, down 13.8% over the 2011-12 year-end estimate. The primary reason for the decrease in this category is the State of California's dissolution of the City's Redevelopment Agency (RDA) effective February 1, 2012. The City's General Fund provided all staffing services to the RDA. Under the Dissolution Act, the amount that can be reimbursed for administrative costs has been reduced to an estimated \$0.5 million in 2012-13. This is a decrease of \$3.6 million from the amount budgeted for 2011-12.

Major sources of revenue for this category include charges for services provided to other funds (\$15.3 million), recreation charges (\$1.9 million), fire prevention and HazMat charges (\$2.4 million), planning and engineering fees (\$2.4 million), and various other customer service fees. As a result of a comprehensive Fee Study in 2008-09 and 2009-10, many fees have been increased to reflect gradual attainment of cost recovery for fees over a several year period. The amount charged to other funds includes \$1.1 million to fully reimburse the General Fund for Stadium-related services provided to the Stadium Authority. This amount is in addition to Stadium-related fees collected in 2011-12 which support regulatory position costs.

Contribution In-Lieu of Taxes

In accordance with the City's charter, Silicon Valley Power pays 5% of gross revenues as contribution-in-lieu of taxes (CLT). For 2012-13, CLT is projected to total \$15.9 million. The forecast is that CLT will increase to a little over \$18 million by the end of the forecast period. The forecast is primarily driven by market projections for electric consumption.

Rents and Leases

In 2012-13, revenue reported in rents and leases is estimated to be \$16.4 million. This amount is expected to grow to \$20.8 million by the end of the forecast period. These accounts include lease payments from the Great America Theme Park (\$5.3 million), The Irvine Company Project (\$4.0 million), Hyatt Regency Hotel (\$1.7 million), the Techmart Building (\$1.1 million), and the Hilton Hotel (\$0.6 million), as well as about \$2.7 million in right-of-way rental fees charged to the water and sewer utilities. Revenue from the ground lease of the Stadium site is included in the forecast beginning in 2014-15.

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 has declined from 4.92% in 2005-06 to an expected 1.53% in 2012-13. These declines are primarily due to the extraordinary actions by the Federal Reserve to hold interest rates low. Interest income has also declined as the City had to use reserves to balance declines in revenues. Based on this expected decline in returns, the General Fund is expected to receive \$2.1 million in interest in 2012-13. Returns are expected to bottom out in 2013-14 and grow gradually through the remaining years of the forecast period.

Expenditures

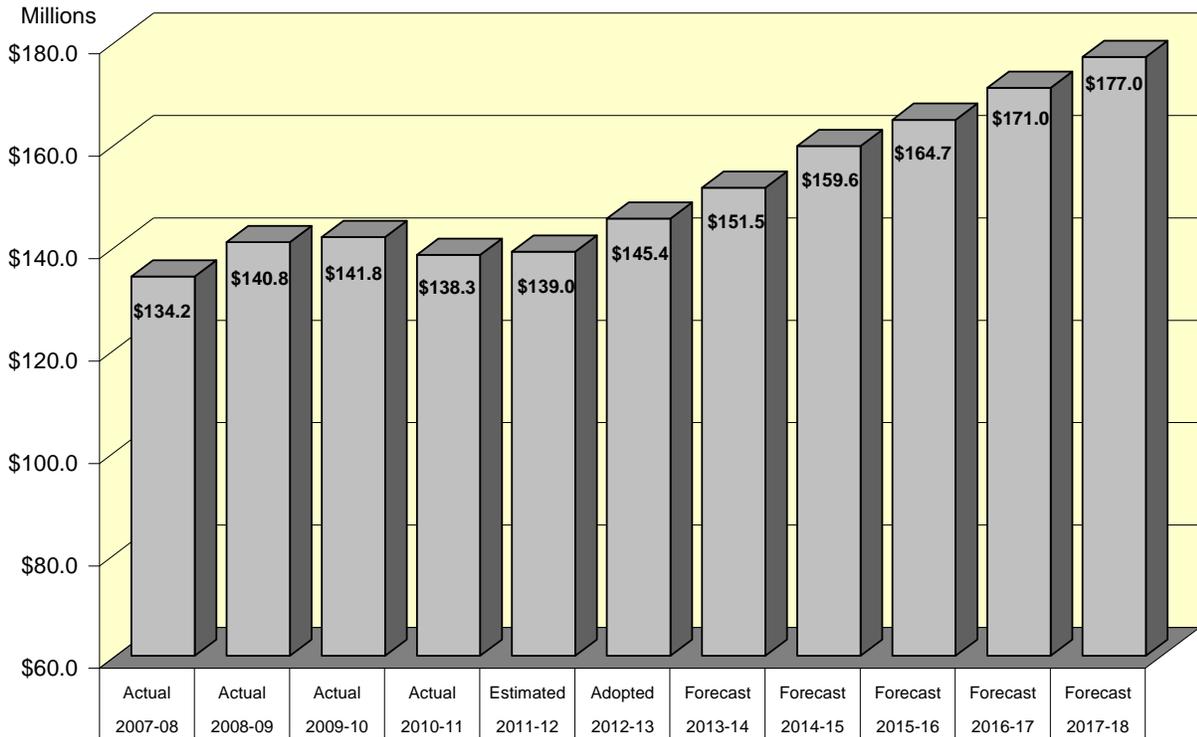
Chart 8 provides historic information on General Fund expenditures. General Fund expenditures rose steadily through 2008-09 primarily due to growth in salary and benefit costs. Growth was constrained in 2009-10 as a managed hiring freeze was put in place and positions were left unfilled. In 2010-11, expenditures declined to \$138.3 million due to the 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 2011-12, the frozen and held vacant positions continued and a full-year impact of unpaid furloughs will result in a year-end estimate of \$139.0 million. For 2012-13, unpaid furloughs continue to those bargaining units that have them and no general salary adjustment is assumed.

Despite these actions, expenditures continue to grow, though at a slower rate, due primarily to increases in benefit costs. For 2013-14, furloughs are projected to end in the first half of the fiscal year (consistent with what was agreed to by bargaining groups) and a CPI based general salary adjustment is assumed for the second half of the fiscal year and each successive forecast year.

As shown in Charts 9 and 10, salary and benefits costs represent the lion's share (\$116.7 million) of budgeted 2012-13 operating expenditures. Salary and benefits costs as a percentage of total operating expenditures grew from 75.6% in 2001-02 to 80.2% in 2012-13 (Chart 11). A significant factor driving this growth is negotiated labor agreements. These agreements were reached prior to the significant declines in revenues. During this same time period, other operating expenses, consisting mainly of materials, services, and supplies, fell from 24.4% to 19.8% of total operating expenditures.

During 2010-11, the City reached agreement with eight of the ten bargaining groups on concessions including foregoing scheduled December 2010 general salary adjustments that had been previously negotiated, agreeing to no general salary adjustments for one or two additional years, and implementation of unpaid furloughs averaging 96 hours per employee (or the equivalent for safety personnel). In the other two bargaining groups who did not agree to concessions, layoffs were implemented, and 15 positions were eliminated.

**Chart 8
General Fund Expenditures**



**Chart 9
General Fund Salary & Benefit Expenditures**

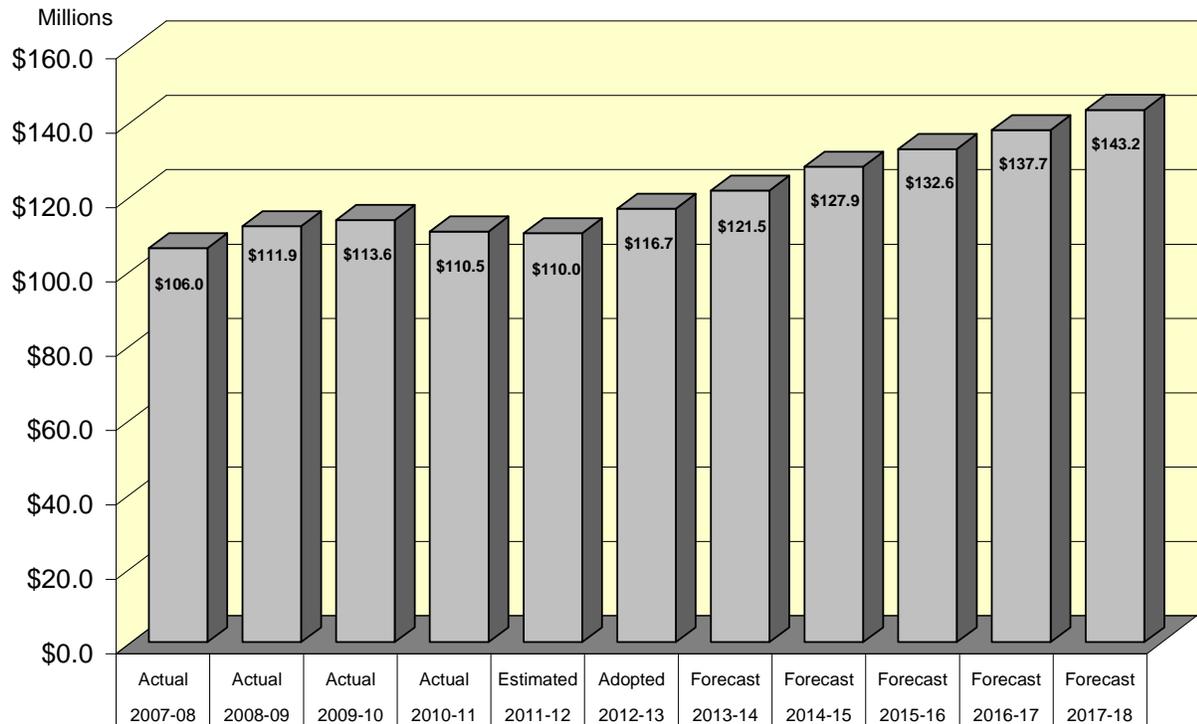
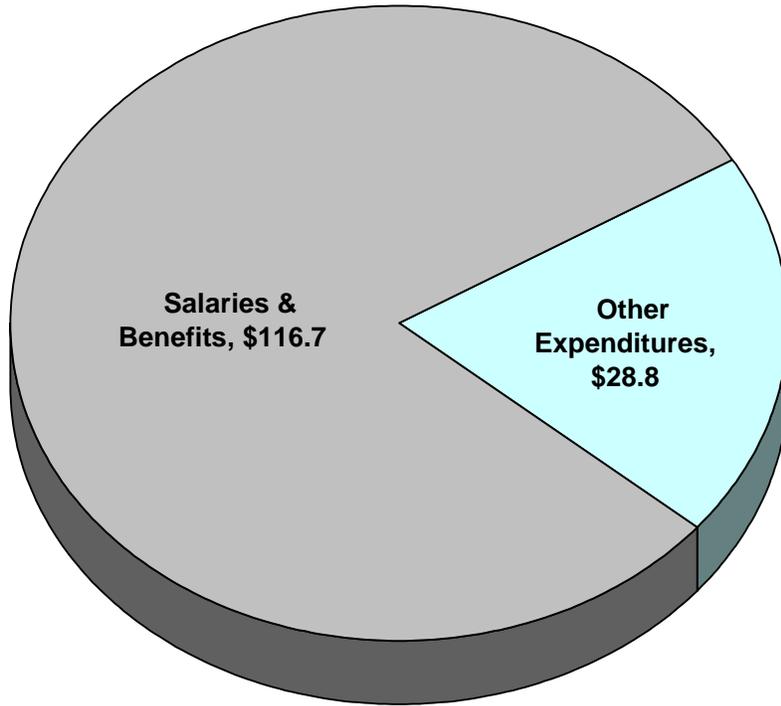
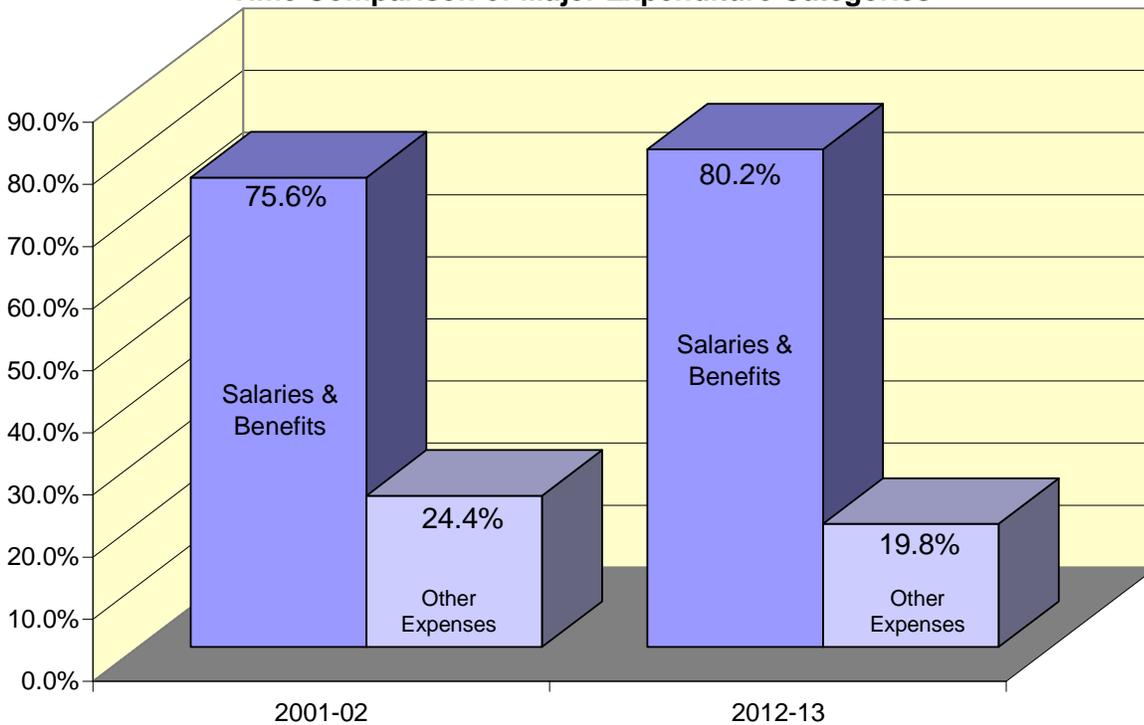


Chart 10
2012-13 General Fund Expenditure Components



Total General Fund Expenditures = \$145.4

Chart 11
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 selects its benefit provisions from the benefit menu by contract with CalPERS and adopts 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 55 for Miscellaneous Plan members and 3% at 50 for Safety Plan members.

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 2004-05, General Fund pension costs were \$11.4 million. Eight years later, 2012-13 pension costs are projected to be \$21.3 million. As shown in Chart 12, 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 2008-09. These increases accelerated beginning in 2011-12. By the end of the Five-Year Financial Plan period, PERS expenditures are projected to reach an estimated \$28.5 million, 80% greater than the cost from 10 years earlier, and consume an estimated 16.1% of General Fund revenues (see Chart 13).

**Chart 12
General Fund PERS Expenditures**

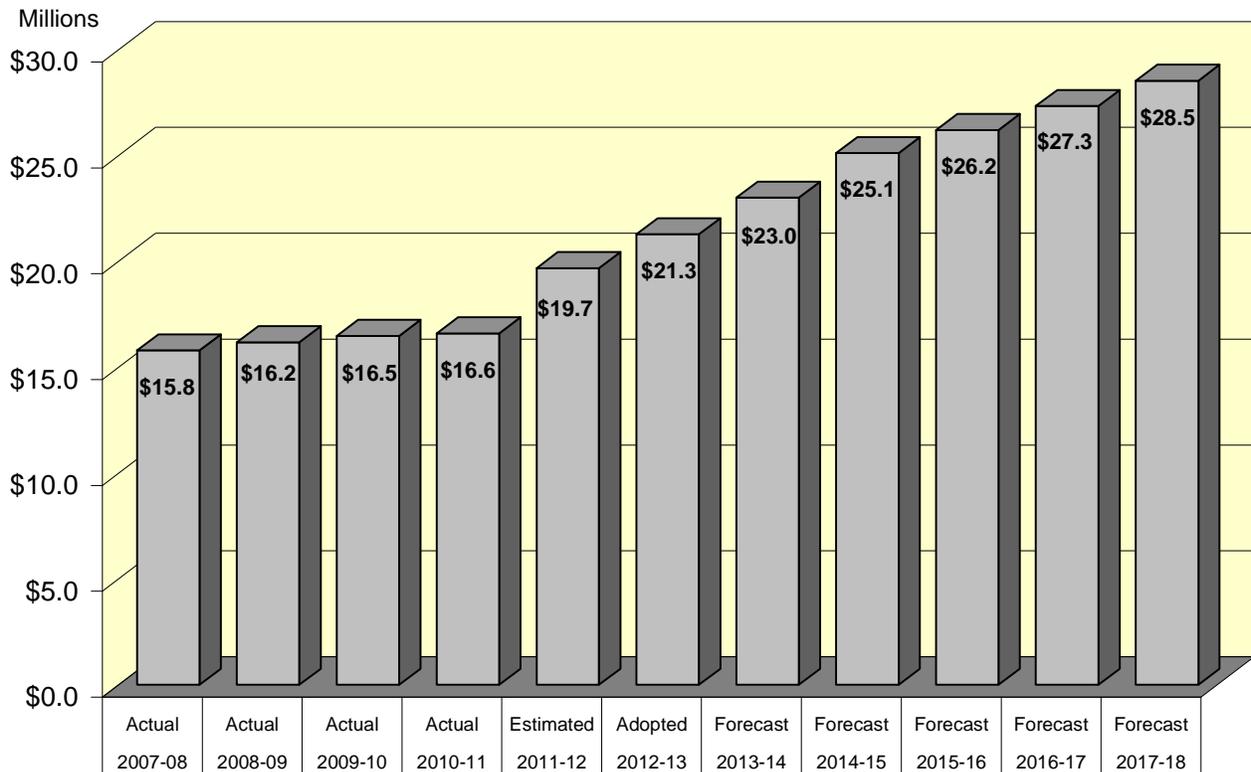
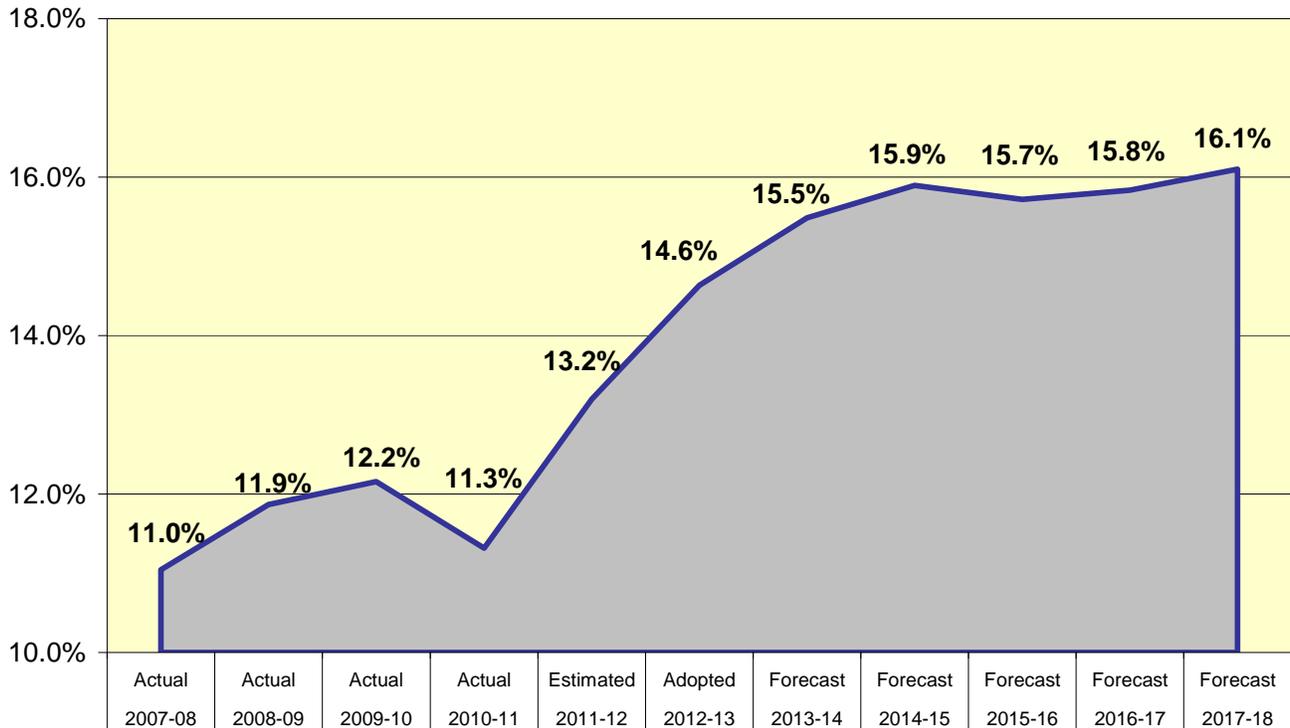


Chart 13
PERS Expenditures as a Percent of Annual Revenues



Retirement costs have risen primarily due to steep market losses and changes in demographic assumptions. The CalPERS investment portfolio lost 4.9% in 2007-08 and 24.0% in 2008-09. CalPERS' actuarial assumption was that it would earn an average 7.75% annual investment return; this is the rate of growth it needed to keep employer rates stable, all other things 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.

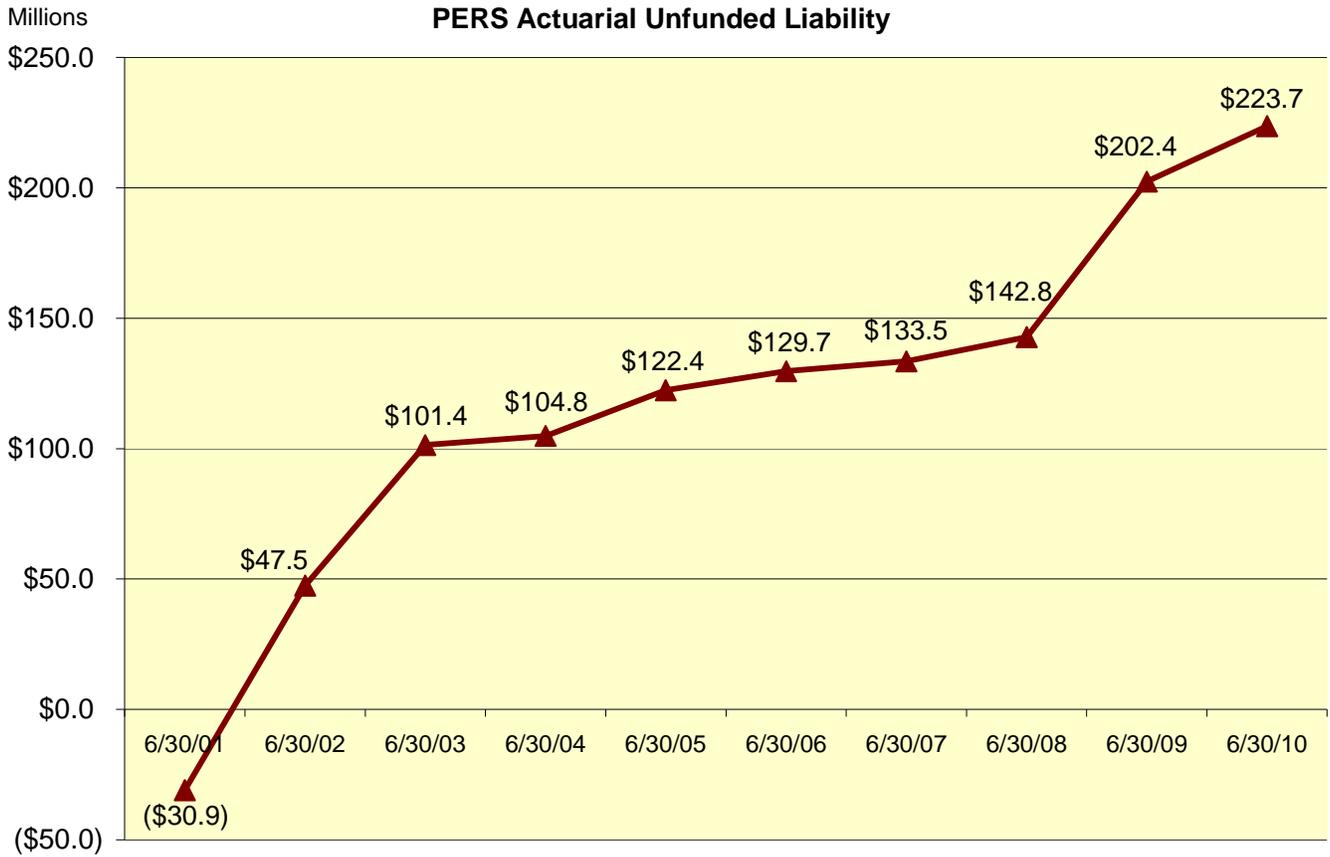
In addition, CalPERS completed a study updating the demographic assumptions it uses to calculate employer rates. The study determined that CalPERS members are living longer, retiring earlier, and earning higher salaries than previously assumed. The steep investment losses and the new demographic assumptions drove rates significantly higher beginning in 2011-12 as shown in Table 1, translating into millions of dollars in higher retirement contributions at a time when revenues are in short supply. It is important to note that our retirement cost projections are lower than in the prior Five-Year Financial Plan due to a 20.9% investment return for the year ended June 30, 2011, partially offset by a reduction in CalPERS' assumed annual investment return from 7.75% to 7.5% which will begin to impact our rates beginning in 2013-14.

Chart 14 (see next page) examines the City's increasing PERS unfunded liabilities. 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 an over-funded scenario that allowed rates for the miscellaneous plan to drop to zero. However, after two consecutive years of investment losses, the value of the City's assets held by CalPERS declined dramatically. Asset values did recover in the years that followed, but not at a rate sufficient to keep up with future liabilities. Years of salary increases and the benefit enhancements of the mid-2000s pushed unfunded retirement liabilities to \$142.8 million by the end of 2007-08, and the investment losses from 2008-09 pushed the unfunded liabilities to \$223.7 million.

**Table 1
Projected CalPERS Employer Rates**

Fiscal Year	Percent of Salary:	
	Miscellaneous Plan	Safety Plan
2011-12	22.676%	31.501%
2012-13	23.310%	31.939%
2013-14	24.350%	33.650%
2014-15	25.400%	35.300%
2015-16	25.600%	35.700%
2016-17	25.800%	36.000%
2017-18	26.000%	36.200%

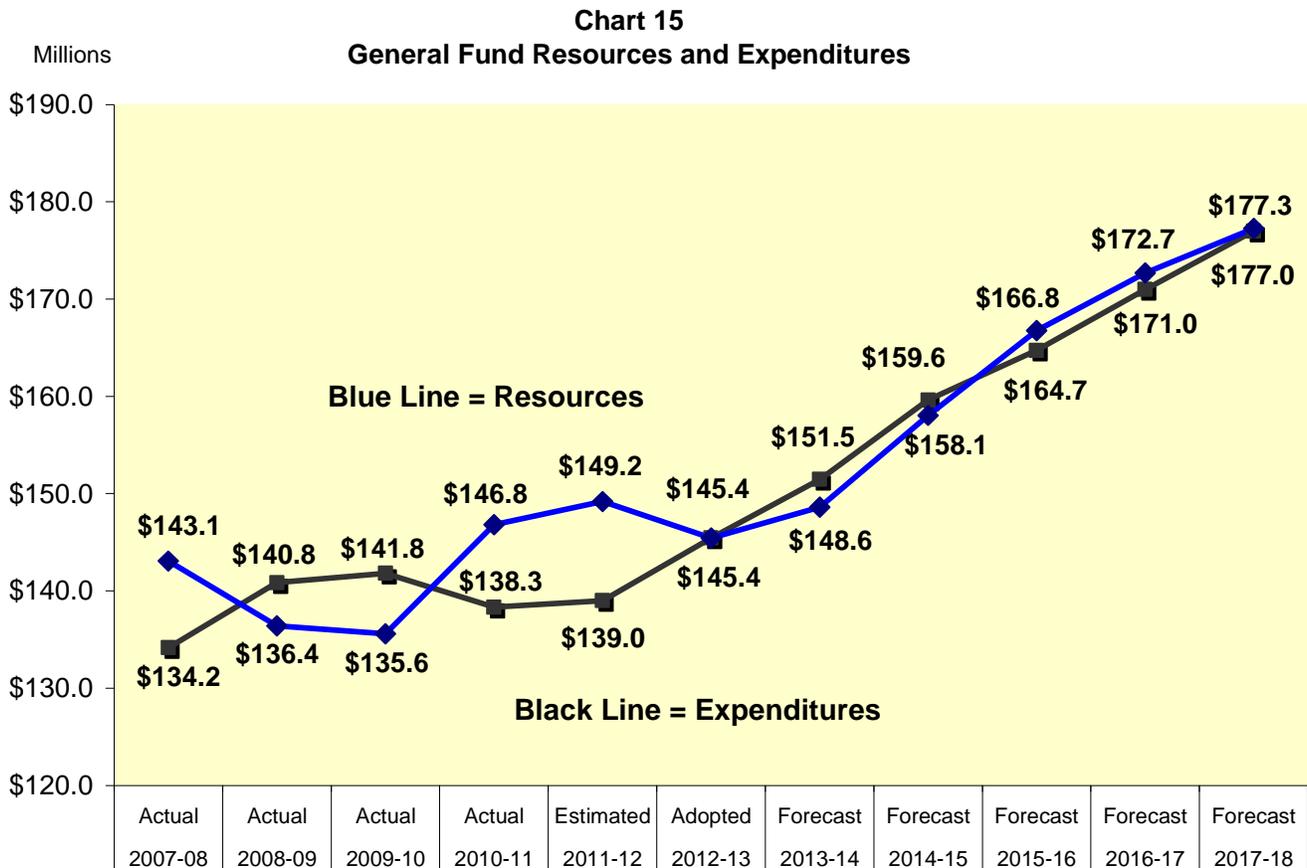
**Chart 14
PERS Actuarial Unfunded Liability**



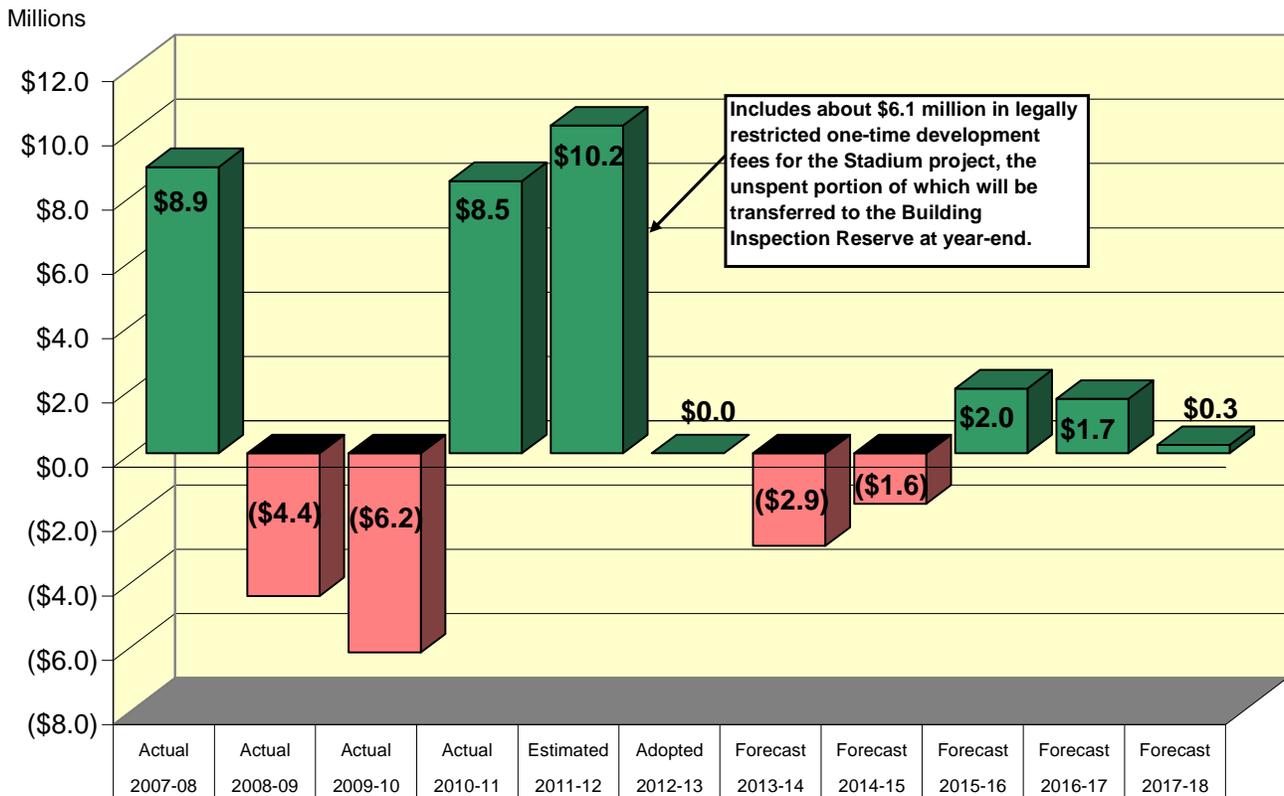
Balancing the Structural Budget Deficit

Prior to the recession, the City enjoyed three consecutive years of annual operating surpluses. As shown in Charts 15 and 16, General Fund revenues exceeded expenditures in 2007-08, resulting in transfers to build the Working Capital (Emergency) Reserve. However, the Great Recession caused revenues to fall sharply while expenditures continued to climb, resulting in a structural budget deficit. A shortfall of \$4.4 million emerged in 2008-09 as revenues began to decline. In 2009-10, the City's Adopted Budget planned for a shortfall using \$6.7 million from the Working Capital (Emergency) Reserve to cover the gap. However, revenues fell short of expectations and an additional \$6.2 million deficit had to be covered by a transfer from the reserve, leaving a balance of only \$2.5 million. The 2010-11 Adopted Budget was balanced with minimal use of reserves (\$0.3 million to support the Solid Waste and Cemetery Funds). 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. It should be noted that the 2010-11 budget included several one-time actions such as the \$5.5 million sale of the Altamont Pass property to the Electric Utility. For 2011-12, year-end projections indicate that a surplus of about \$10.2 million is expected, allowing for another contribution to the reserves. The projected surplus of \$10.2 million includes about \$6.1 million of restricted one-time revenues for the Stadium project and any unspent monies from these restricted revenues will be transferred at year-end to the Building Inspection Reserve in accordance with applicable laws and adopted Council policy.

Beyond the balanced budget for 2012-13, the individual revenue and expenditure projections described previously result in deficits in 2013-14 and 2014-15 based on the assumed end of unpaid furloughs mid-way through 2013-14 and general salary adjustments in line with projected changes in CPI. However, projections show that beginning in 2015-16 and through the end of the forecast period, these deficits may be covered by Stadium ground lease payments and additional transient occupancy tax that is expected from a possible new hotel.



**Chart 16
General Fund Operating Surplus/(Deficits)**



Declining 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 (Emergency) Reserve* and a *General Contingency Reserve for Capital Projects*. The Working Capital Reserve is set aside for emergency, 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. For 2011-12 this would be approximately \$35.0 million compared to an available balance of \$4.1 million as of June 30, 2011.

During fiscal years 2002-03, 2003-04 and 2004-05, the City drew down its Working Capital (Emergency) Reserve to meet its financial needs. By 2004-05, the reserve ended with a balance of \$13.8 million (see Chart 17). The City re-built 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 turned to its reserves in an effort to protect vital services for its residents and other stakeholders. The City budgeted another draw of \$6.7 million in 2009-10, which would have brought the balance down to \$9.1 million. However, revenues fell far below budget and an additional \$6.2 million was needed, resulting in a balance of only \$2.5 million at June 30, 2010 after funding shortfalls in other funds. Using the reserve helped sustain service levels but depleted an important source of funding that provides flexibility to respond to unanticipated operating events. Depleting this reserve also reduces the size of the General Fund investment portfolio and, hence, the amount of potential interest income that can be earned.

**Chart 17
General Fund Working Capital (Emergency) Reserve Ending Balances**

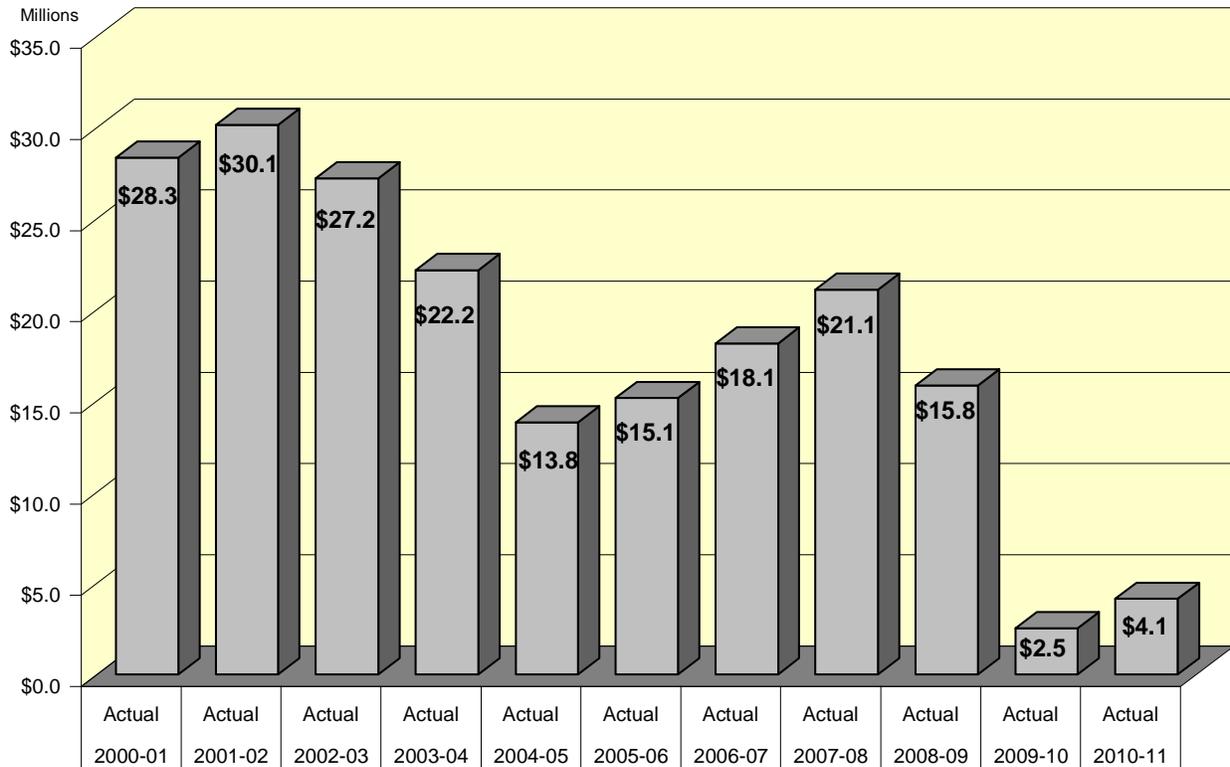
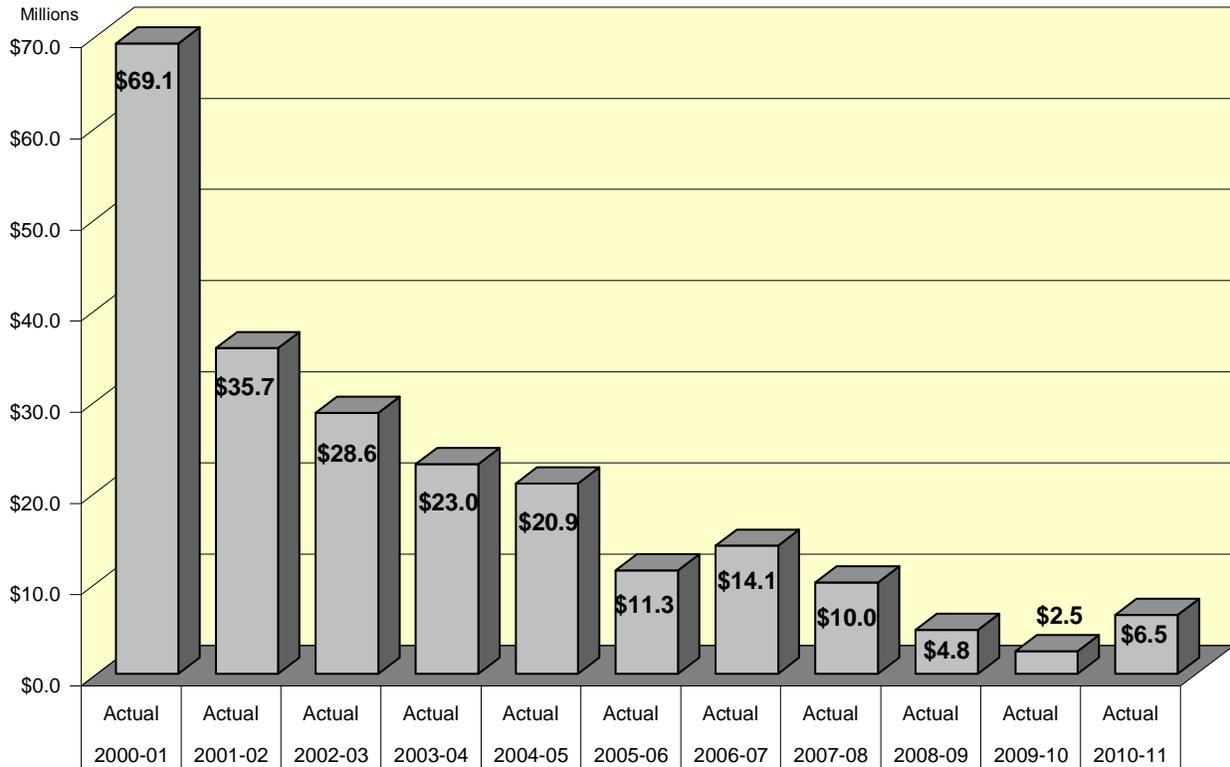


Chart 18 (see next page) paints a similar picture for the City’s Capital Projects Reserve. This reserve is set aside to fund the City’s capital spending program. The projects in the program maintain basic City infrastructure and quality facilities. The Council adopted a policy in 1996-97 to maintain a minimum of \$5 million in the Contingency Reserve for Capital Projects. 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. Although the balance increased to \$6.5 million as a result of a surplus in 2010-11, there are unfunded project needs totaling more than \$125 million during the forecast period (see Schedule B later in this document).

Historically, well funded reserves, good fiscal management practices, an excellent credit rating, and better than required revenue coverage of its obligations have allowed Santa Clara to maintain its sound financial position. Like many other cities in the region struggling to recover from the Great Recession, it is imperative that we rebuild these reserves to make a stronger Santa Clara.

Chart 18
General Fund Capital Projects Reserve Ending Balances



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. Also, this Plan does not include any analysis of the respective enterprise entities' reserves or plans for financing the listed projects. Presentation of enterprise fund information in this Plan is designed to draw attention to their financial relationship to the City's General Fund, and to give Council an overview of their major capital improvement projects over the next five years.

Silicon Valley Power

Silicon Valley Power (SVP) provides electric power to over 52,000 City customers. In calendar year 2011, the City had a monthly average of approximately 1,800 industrial accounts that comprise more than 87% of the City's load and more than 86% of customer service revenues. The Electric Department provides diverse services including operating, maintaining and dispatching electric service, engineering, system planning, administrative and financial management, marketing, customer services, power trading, and dark fiber leasing services -- all of which work together to make Silicon Valley Power successful 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. One of its primary goals is to remain competitive in the marketplace and maintain its continuous focus on customer service. 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 develop a state-of-the-art power and communications infrastructure to operate in the power industry's new SmartGrid environment. SVP's mission is to be a progressive, service-oriented utility, offering reliable, competitively priced energy services for the benefit of SVP and its customers. This means implementing energy efficiency programs, green technologies, ensuring reliable service, streamlining operations, and continually working 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. While SVP already exceeds 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 begins in mid-2012 and is designed to cap and reduce CO₂ emission, 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 Northern Energy Reliability Council (NERC) has issued new reliability standards with mandatory requirements to ensure power system reliability throughout the country. SVP is in the process of establishing a framework to assure that the City is in compliance with NERC mandatory standards.

Finally, the recently upgraded bond ratings received by the utility have reinforced the need to rebuild Electric Utility reserves to the \$120 to \$150 million target range in order to maintain a positive net income in normal operating years.

The projected resource and production costs include SVP's investment in the new Lodi Energy Center (LEC). Santa Clara's share of the Northern California Power Agency's (NCPA) 280 megawatt state-of-the-art natural gas fired power plant is 71 megawatts. LEC is currently under construction and is expected to go online in August 2012, at an estimated construction cost of \$375 million.

As projected, the LEC debt service and fixed costs are the major contributors to the increase in costs along with additional renewable projects in the near term. The projects will be cost effective over their useful lives. 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 (new law going into effect) are properly projected.

To meet 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 new projects (Northern Receiving Station Phase Shift Transformer and SVP Fiber Optic Expansion Project) will result in reduced operating costs as well as improving the Utility's communications infrastructure for more robust service and business opportunities, and are anticipated to 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 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, and the improvement of the electric system cyber security as required by mandatory federal reliability standards.

SVP continues to improve electric infrastructure to provide a reliable and low-cost business environment so the community can grow and thrive. Rapid growth in energy demand, aging grids, 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 Forecast (see Schedule C) assumes a potential rate increase of 3% in January 2014, subject to further review and to City Council approval. The potential rate increase maintains a positive net income required to build reserves and maintain reserves levels within the \$120 to \$150 million target range. Yet, even with the potential rate increase, Santa Clara's Electric Utility projects that it will continue to maintain the lowest system average electric rates in the State of California.

Water and Sewer Utilities

Water Utility (see Schedule D) – Water Utility expenditures are projected to increase by 6.5% to 7.7% per year over the five-year planning period. Projected increases in the wholesale cost of water is the primary component of these increases. 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 E) – Primarily due to fluctuations in capital project spending, Sewer Utility expenditures are projected to decrease by 11.1% between 2013-14 and 2014-15. Expenditures are projected to decrease by 14.0% between 2014-15 and 2015-16. Sewer Utility expenditures are expected to increase by 0.3% between 2015-16 and 2016-17, and 3.1% between 2016-17 and 2017-18. 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 22% to 47% 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 Water Pollution Control Plant 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 projecting the need to borrow \$9.0 million in 2013-14 to fund capital projects and minimize rate impacts.

Recycled Water Utility (see Schedule F) – Recycled Water Utility revenue and expenditures are projected to increase by 11.5% to 12.0% per year over 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.

CAPITAL IMPROVEMENT PLAN

General information regarding the City's current land use, development potential, and specific plans as outlined in the City General Plan (2010–2035) adopted in November 2010, have been considered in the preparation of the Plan. Several significant projects are scheduled for completion during the forecast period.

The Adopted Capital Improvement Project (CIP) funding for 2012-13 was developed with consideration of the mission and vision statement, current economic conditions, limited financing resources and Council priorities. As the City's Capital Projects Reserve balance has declined, extraordinary efforts have been taken to balance the capital project needs and the funds available. The 2012-13 Adopted CIP includes expenditures of \$52.7 million (including Authority projects), a decrease of \$16.0 million (or 23.3%) from the 2011-12 Adopted Budget of \$68.7 million.

A summary of the Adopted Capital Project Costs is contained in Schedule B along with available project funding.

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 economic developments. 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 session on May 15, 2012 and a public hearing to adopt the 2012-13 Operating and CIP Budgets was held on June 12, 2012. The value of the Five-Year Financial Plan is to provide the City Council, staff, and public a clear assessment of the City's finances and facilitate an informed discussion during budget deliberations.

**RESOURCE AND EXPENDITURE TREND
GENERAL FUND**

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Estimated
<u>ESTIMATED RESOURCES</u>					
Property Tax	\$ 27,591,808	\$ 29,918,830	\$ 29,432,789	\$ 27,945,684	\$ 27,930,000
Sales Tax	41,691,543	35,780,564	30,102,296	35,567,421	39,768,000
Transient Occupancy Tax	11,278,026	9,762,655	8,106,319	9,805,926	10,700,000
Franchise Tax	3,281,082	3,369,990	3,000,696	3,146,270	3,324,000
Documentary Transfer Tax	1,120,943	425,020	528,375	543,681	625,000
Subtotal	84,963,402	79,257,059	71,170,475	77,008,982	82,347,000
Licenses and Permits	3,225,600	3,208,348	2,413,581	3,721,952	6,330,000
Fines and Penalties	2,032,371	1,764,850	1,811,708	1,961,566	1,780,000
Interest	5,551,741	4,434,402	3,359,513	3,122,571	2,000,000
Rents and Leases	3,172,387	3,199,918	5,172,350	9,030,640	15,996,000
Vehicle License Fee	487,247	331,943	346,272	381,541	305,000
Revenue From Other Agencies	712,619	1,040,901	463,598	395,193	300,000
Charges For Current Services	20,624,507	20,491,945	22,716,748	26,508,966	27,100,000
Contribution In-Lieu of Taxes	14,731,755	15,149,536	13,448,039	14,912,599	15,245,000
Other Revenue	243,060	159,731	158,792	5,714,513	200,000
Subtotal	50,781,287	49,781,574	49,890,601	65,749,541	69,256,000
Net Interfund Transfers	7,315,658	7,373,134	14,551,775	4,034,987	(2,409,000)
Total Estimated Resources	\$ 143,060,347	\$ 136,411,767	\$ 135,612,851	\$ 146,793,510	\$ 149,194,000
<u>ESTIMATED EXPENDITURES</u>					
Salaries	\$ 76,735,187	\$ 81,952,426	\$ 82,489,629	\$ 79,757,265	\$ 75,520,000
Separation Payouts	1,605,502	994,207	2,100,677	1,763,225	2,300,000
Benefits	27,651,769	28,951,070	28,996,323	28,963,250	32,200,000
Materials, Services, and Supplies	21,416,354	21,758,994	20,729,690	19,842,331	21,000,000
Interfund Services	6,566,210	7,024,338	7,465,790	7,987,001	7,965,000
Capital Outlay	180,825	166,526	27,740	14,707	11,000
CIP Incremental Operating Costs	-	-	-	-	-
Total Estimated Expenditures	\$ 134,155,847	\$ 140,847,561	\$ 141,809,849	\$ 138,327,779	\$ 138,996,000
Surplus/(Deficit)	\$ 8,904,500	\$ (4,435,794)	\$ (6,196,998)	\$ 8,465,731	\$ 10,198,000

**RESOURCE AND EXPENDITURE TREND
GENERAL FUND**

	2012-13 Adopted	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast
<u>ESTIMATED RESOURCES</u>						
Property Tax	\$ 28,490,000	\$ 29,345,000	\$ 30,225,000	\$ 31,132,000	\$ 32,066,000	\$ 33,028,000
Sales Tax	42,364,000	44,392,000	46,797,000	49,644,000	52,420,000	54,273,000
Transient Occupancy Tax	11,021,000	11,352,000	11,693,000	12,544,000	12,920,000	13,308,000
Franchise Tax	3,357,700	3,392,000	3,427,000	3,462,000	3,498,000	3,534,000
Documentary Transfer Tax	625,000	636,000	650,000	665,000	682,000	700,000
Subtotal	85,857,700	89,117,000	92,792,000	97,447,000	101,586,000	104,843,000
Licenses and Permits	3,753,700	3,818,000	3,902,000	3,992,000	4,092,000	4,202,000
Fines and Penalties	1,891,000	1,923,000	1,965,000	2,010,000	2,060,000	2,116,000
Interest	2,070,000	1,214,000	1,587,000	1,932,000	2,277,000	2,622,000
Rents and Leases	16,356,344	16,737,000	17,187,000	19,976,000	20,452,000	20,778,000
Vehicle License Fee	-	-	-	-	-	-
Revenue From Other Agencies	313,000	318,000	325,000	332,000	340,000	349,000
Charges For Current Services	23,357,314	23,221,000	23,921,000	24,433,000	25,002,000	25,632,000
Contribution In-Lieu of Taxes	15,868,938	16,756,000	17,399,000	17,617,000	17,841,000	18,032,000
Other Revenue	600,200	604,000	608,000	613,000	618,000	224,000
Subtotal	64,210,496	64,591,000	66,894,000	70,905,000	72,682,000	73,955,000
Net Interfund Transfers	(4,625,208)	(5,111,000)	(1,631,000)	(1,600,000)	(1,570,000)	(1,539,000)
Total Estimated Resources	\$ 145,442,988	\$ 148,597,000	\$ 158,055,000	\$ 166,752,000	\$ 172,698,000	\$ 177,259,000
<u>ESTIMATED EXPENDITURES</u>						
Salaries	\$ 80,085,288	\$ 82,458,000	\$ 85,992,000	\$ 88,830,000	\$ 91,939,000	\$ 95,341,000
Separation Payouts	1,500,000	1,545,000	1,591,000	1,639,000	1,688,000	1,739,000
Benefits	35,073,292	37,488,000	40,320,000	42,168,000	44,105,000	46,137,000
Materials, Services, and Supplies	20,870,039	20,875,000	21,703,000	22,050,000	22,948,000	23,148,000
Interfund Services	7,914,369	8,049,000	8,226,000	8,415,000	8,625,000	8,858,000
Capital Outlay	-	25,000	25,000	25,000	25,000	25,000
CIP Incremental Operating Costs	-	1,042,000	1,767,900	1,609,800	1,675,100	1,750,500
Total Estimated Expenditures	\$ 145,442,988	\$ 151,482,000	\$ 159,624,900	\$ 164,736,800	\$ 171,005,100	\$ 176,998,500
Surplus/(Deficit)	\$ 0	\$ (2,885,000)	\$ (1,569,900)	\$ 2,015,200	\$ 1,692,900	\$ 260,500

ADOPTED CAPITAL PROJECT COSTS

Fund	Fund Name	Fiscal Year				
		2013-14	2014 - 15	2015 - 16	2016 - 17	2017 - 18
Streets and Highways Programs:						
521	Special Gas Tax (2105)	\$ 357,074	\$ 414,322	\$ 371,823	\$ 429,587	\$ 387,622
522	Special Gas Tax (2107)	525,000	525,000	725,000	725,000	725,000
523	Special Gas Tax (2103)	300,000	300,000	300,000	300,000	300,000
524	Collier-Unruh Act (2106)	300,000	300,000	300,000	300,000	300,000
525	Traffic Mitigation	687,500	2,325,000	1,500,000	2,160,000	2,007,500
531	Street Beautification	300,000	970,000	175,000	70,000	70,000
533	Streets and Highways	675,000	675,000	675,000	675,000	675,000
	Sub-Total	\$ 3,144,574	\$ 5,509,322	\$ 4,046,823	\$ 4,659,587	\$ 4,465,122
General Government Programs:						
532	Parks and Recreation	\$ 1,925,000	\$ 1,225,000	\$ 35,135,000	\$ 20,975,000	\$ 16,465,000
535	Storm Drains	5,880,000	4,091,000	3,602,000	3,613,000	3,624,000
536	Fire Department	130,000	115,000	120,000	125,000	130,000
537	Library	275,000	130,000	53,000	20,000	20,000
538	Public Buildings	13,150,000	2,840,000	390,000	590,000	390,000
539	General Government-Other	2,998,780	2,000,859	2,043,359	1,588,609	1,714,609
562	Community Services (HUD)	100,000	-	-	-	-
565	City Affordable Housing Fund	-	-	-	-	-
938	University Project Area CIP	-	-	-	-	-
939	Bayshore North Project Area CIP	-	-	-	-	-
	Sub-Total	\$ 24,458,780	\$ 10,401,859	\$ 41,343,359	\$ 26,911,609	\$ 22,343,609
TOTAL PROPOSED COSTS		\$ 27,603,354	\$ 15,911,181	\$ 45,390,182	\$ 31,571,196	\$ 26,808,731

FUNDED / UNFUNDED PROJECT COSTS

	Fiscal Year				
	2013-14	2014 - 15	2015 - 16	2016 - 17	2017 - 18
Funded Project Costs:					
Streets and Highways Program	\$ 2,844,574	\$ 3,651,822	\$ 3,059,323	\$ 3,117,087	\$ 3,037,622
General Government Program	1,949,780	1,173,859	1,179,359	1,122,609	1,102,609
Sub-Total	\$ 4,794,354	\$ 4,825,681	\$ 4,238,682	\$ 4,239,696	\$ 4,140,231
Unfunded Project Costs:					
Streets and Highways Program	\$ 300,000	\$ 1,857,500	\$ 987,500	\$ 1,542,500	\$ 1,427,500
General Government Program	22,509,000	9,228,000	40,164,000	25,789,000	21,241,000
Sub-Total	\$ 22,809,000	\$ 11,085,500	\$ 41,151,500	\$ 27,331,500	\$ 22,668,500
TOTAL FUNDED AND UNFUNDED COSTS:	\$ 27,603,354	\$ 15,911,181	\$ 45,390,182	\$ 31,571,196	\$ 26,808,731

**CITY OF SANTA CLARA
ELECTRIC UTILITY
REVENUE AND EXPENDITURE PROJECTIONS**

	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
ESTIMATED REVENUE					
Charges for Current Service (1)	\$ 321,440,294	\$ 334,197,809	\$ 337,423,436	\$ 340,797,670	\$ 344,205,647
Public Benefit Charge, not subject to CLT (2)	9,161,048	9,524,638	9,616,568	9,712,734	9,809,861
Use of Money & Property	6,173,081	6,313,495	7,428,071	8,484,374	8,728,648
Other Revenue (Except Bond Proceeds)	7,504,993	7,468,986	7,496,899	7,545,105	7,703,325
Beginning Balance - Capital Projects	-	-	-	-	-
To Be Funded - CIP #091	-	-	-	-	-
Transfer to CIP #539 & #531	-	-	-	-	-
Transfer to CIP #539 (Unisys/MSEA)	(48,250)	(31,250)	(31,250)	(31,250)	(31,250)
Budgeted CRF Withdrawal or Rate Increase	-	-	-	-	-
Total Revenue	\$ 344,231,166	\$ 357,473,678	\$ 361,933,724	\$ 366,508,633	\$ 370,416,231
ESTIMATED EXPENDITURES					
Utility & Street Light Construction (3)	\$ 21,500,000	\$ 15,500,000	\$ 8,000,000	\$ 8,000,000	\$ 7,500,000
Salaries & Benefits	23,396,061	23,980,962	24,580,486	25,194,998	25,824,873
Other Operating Expenditures	19,035,584	19,511,473	19,999,260	20,499,241	21,011,722
Resource & Production Costs					
Purchased Power, Non-JPA	42,010,723	55,335,710	62,165,770	67,628,632	77,168,818
Purchased Power, JPA	135,109,730	141,849,262	139,510,055	143,247,284	139,945,934
Other Production Costs	43,374,860	40,673,456	40,786,286	41,703,893	44,097,899
Public Benefit Expense (4)	9,161,048	9,524,638	9,616,568	9,712,734	9,809,861
Internal Service Funds	9,643,799	9,788,456	9,935,283	10,084,312	10,235,577
Contribution-in-lieu of Taxes	16,755,918	17,399,014	17,617,420	17,841,357	18,031,881
Debt Service	17,149,911	17,667,611	17,785,229	18,248,640	17,727,387
Total Expenditures	\$ 337,137,633	\$ 351,230,583	\$ 349,996,357	\$ 362,161,092	\$ 371,353,952
TOTAL AVAILABLE REVENUE (5)	\$ 7,093,533	\$ 6,243,095	\$ 11,937,367	\$ 4,347,542	\$ (937,722)
Charges for Current Service (Excl PBC, SS) -\$/mwhr	102.91	104.69	104.69	104.69	104.69
CASH Balance - EOY	\$249,651,534	\$255,894,629	\$267,831,996	\$272,179,538	\$271,241,816
CRF Balance	\$125,136,534	\$131,379,629	\$143,316,996	\$147,664,538	\$146,726,816

(1) Assumes CY 2011 rates at \$101.64/Mwh (Excl. PBC, SS)

Includes potential rate increase of 3% Jan 2014, subject to council approval

(2) Public Benefits Charge is 2.85% of Charges for Current Service

(3) Electric Utility General Operating Funds 591 and 534.

(4) Public Benefits Expense is equivalent to Public Benefits Charge

(5) Surplus to be added to Rate Stabilization Fund

**CITY OF SANTA CLARA
WATER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS**

ESTIMATED REVENUE	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
Transfers From (To) Reserves	\$ 340,150	\$ 220,000	\$ 497,300	\$ 388,800	\$ 480,700
Transfers From (To) Fund 097	700,000	700,000	700,000	700,000	700,000
Customer Service Charges 1, 2.	27,486,000	29,426,000	31,504,000	33,728,000	36,109,000
Other Revenue 3.	1,028,000	1,101,000	1,160,000	1,200,000	1,240,000
Use of Money and Property 3.	120,000	157,000	188,000	220,000	250,000
Additional Revenue from Rate Adjustments 2.	1,649,000	1,766,000	1,890,000	2,024,000	2,167,000
Total Revenue	31,323,150	33,370,000	35,939,300	38,260,800	40,946,700
ESTIMATED EXPENDITURES					
Salaries and Benefits 4.	\$ 6,049,000	\$ 6,291,000	\$ 6,542,000	\$ 6,804,000	\$ 7,076,000
Other Operating Expenditures 4.	1,078,000	1,100,000	1,122,000	1,144,000	1,167,000
Resources and Production 5.	16,783,000	18,408,000	20,415,000	22,449,000	24,632,000
Internal Service Fund Allocations 4.	2,728,000	2,837,000	2,950,000	3,068,000	3,191,000
Right-of Way Fee	1,514,150	1,622,000	1,659,300	1,700,800	1,746,700
Utility Capital Improvements	3,171,000	3,112,000	3,251,000	3,095,000	3,134,000
Total Expenditures	31,323,150	33,370,000	35,939,300	38,260,800	40,946,700
TOTAL AVAILABLE REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -

1. Assumes a 0% increase in water sales and 6% increase in rates in FY 2012-13.

2. Assumes 1% increase in sales and 6% increase in rates in FY 2013-14 and thereafter.

3. Assumes Finance Department projections

4. Assumes 4% per year increases.

5. Assumes agency projections for wholesale rates, 0% increase use in FY 2012-13, 1% increase in use in FY 2012-13 and thereafter.

**CITY OF SANTA CLARA
SEWER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS**

ESTIMATED REVENUE	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
Transfers From (To) Reserves	(1,200,145)	(72,332)	(4,963,195)	(5,208,719)	(4,436,119)
Customer Service Charges & Fees (1)	25,300,000	29,095,000	32,586,400	32,586,400	32,586,400
Other Misc. Revenue	156,000	162,200	168,700	175,400	182,400
Sewer Connection and Conveyance Fees	1,360,000	1,360,000	1,365,000	1,370,000	1,375,200
Use of Money and Property	566,500	595,600	611,300	941,700	1,086,400
Bonds or Certificates of Participation (2)	9,000,000	-	-	-	-
Additional Revenue from Rate Adjustments	3,795,000	3,491,400	-	-	-
Total Revenue	\$ 38,977,355	\$ 34,631,868	\$29,768,205	\$ 29,864,781	\$ 30,794,281
ESTIMATED EXPENDITURES					
Salaries and Benefits (3)	2,062,100	2,144,600	2,230,400	2,319,600	2,412,400
Other Operating Expenditures	371,000	386,000	401,000	434,000	434,000
Resources and Production	12,978,600	13,627,500	14,308,900	15,024,300	15,775,500
Internal Service Fund Allocations	1,044,900	1,086,700	1,130,200	1,175,400	1,222,400
Right of Way Fee	1,329,000	1,358,200	1,389,400	1,424,100	1,462,600
Utility Capital Improvements (2)	18,503,855	13,340,968	7,620,405	6,799,481	6,799,481
Debt Service	2,687,900	2,687,900	2,687,900	2,687,900	2,687,900
Total Expenditures	\$ 38,977,355	\$ 34,631,868	\$29,768,205	\$ 29,864,781	\$ 30,794,281
TOTAL AVAILABLE REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Assumes 15% increases in rates in FY 2013-14, 12 % in FY 2014-15, and no rate increase in FY2015-16, FY2016-17, and FY2017-18

(2) Capital projects will require debt financing.

(3) Assumes 4% per year increase.

**CITY OF SANTA CLARA
RECYCLED WATER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS**

ESTIMATED REVENUE	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
Transfers From (To) Reserves	\$ 104,000	\$ 91,000	\$ 77,000	\$ 71,000	\$ 42,000
Transfers From (To) Fund 092 1.	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Customer Service Charges 2.	1,989,000	2,191,000	2,412,000	2,655,000	2,926,000
Other Revenue	307,000	319,000	332,000	345,000	359,000
Use of Money and Property 3.	35,000	46,000	56,000	66,000	76,000
Additional Revenue from Rate Adjustments 5.	179,000	197,000	217,000	242,000	284,000
Total Revenue	1,914,000	2,144,000	2,394,000	2,679,000	2,987,000
ESTIMATED EXPENDITURES					
Salaries and Benefits 6.	\$ 276,000	\$ 287,000	\$ 298,000	\$ 310,000	\$ 323,000
Other Operating Expenditures 6.	46,000	47,000	48,000	49,000	50,000
Resources and Production 4.	1,373,000	1,575,000	1,796,000	2,050,000	2,323,000
Internal Service Fund Allocations 6.	109,000	113,000	118,000	122,000	127,000
Right-of-Way Fee	110,000	122,000	134,000	148,000	164,000
Total Expenditures	1,914,000	2,144,000	2,394,000	2,679,000	2,987,000
TOTAL AVAILABLE REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -

1. Compensate Fund 092 for "lost water sales revenue"

2. Assumes 1% increase in sales on FY12/13 and 1% per year increases thereafter.

3. Assumes Finance Department Projections

4. Assumes agency projections for wholesale rates, 1% increase use in FY 2012-13, 1% increase in use in FY 2013-14 and thereafter.

5. Assumes 9.4% increase in FY12/13 and 9% per year increases thereafter.

6. Assumes 4% increase per year

**CITY OF SANTA CLARA
CEMETERY
REVENUE AND EXPENDITURE PROJECTIONS**

	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
ESTIMATED REVENUE *					
Sales-Facilities (1)	\$ 315,000	\$ 320,000	\$ 325,000	\$ 325,000	\$ 330,000
Sales-Labor (2)	275,000	\$ 278,000	\$ 280,000	\$ 280,000	\$ 280,000
Sales-Endowment Care (3)	30,000	\$ 31,000	\$ 32,000	\$ 32,000	\$ 33,000
Sales-Material (4)	180,000	180,000	\$ 180,000	\$ 180,000	\$ 180,000
Use of Money and Property (5)	18,000	\$ 19,000	\$ 20,000	\$ 20,000	\$ 20,000
Loan from General Contingency Reserve (6)	113,280	99,000	96,000	101,000	100,000
Total Revenue	\$ 931,280	\$ 927,000	\$ 933,000	\$ 938,000	\$ 943,000
ESTIMATED EXPENDITURES *					
Salaries and Benefits	\$ 629,948	\$ 625,000	\$ 629,000	\$ 632,000	\$ 635,000
Other Operating Expenditures	113,777	114,000	115,000	116,000	117,000
Internal Service Fund Allocations	187,555	188,000	189,000	190,000	191,000
Repayment of General Contingency Reserve loan	-	-	-	-	-
Total Expenditures	\$ 931,280	\$ 927,000	\$ 933,000	\$ 938,000	\$ 943,000
TOTAL AVAILABLE REVENUE	\$ -				

* Includes Cemetery Operating Fund 093. Does not include Cemetery Capital Projects Fund 593.

- | | |
|--|--|
| (1) Pre-need sales in new Willow Bend area. | (4) Sale of pre-installed crypt(s) at time of property purchase. |
| (2) Burials vary from year to year. | (5) Interest from endowment principal. |
| (3) Related to quantity (volume) of new property purchases and increased fees. | (6) Loan needed to cover expenditures. |