

# THE CITY OF SANTA CLARA CALIFORNIA



## Adopted Five-Year Financial Plan 2012-13 through 2016-17



July 1, 2011

### **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 5.4% and 6.4% 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 8.5 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 1.8 million jobs have been created since March 2009, the unemployment rate has only declined to 9.0% as of April 2011.

California was at the epicenter of 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 February 2009, reached a peak of 12.5% in September 2010, and began declining in January 2011. While the rate has begun to decline, the most recent report for March 2011 still shows a 12.0% unemployment rate. Santa Clara County's experience was similar as its unemployment rate peaked at 11.8% in January 2010 and has been above 10% for 25 consecutive months. The most current reading for March 2011 is 10.3%. The impact on consumer spending continues to be a concern with the unemployment rate remaining so high.

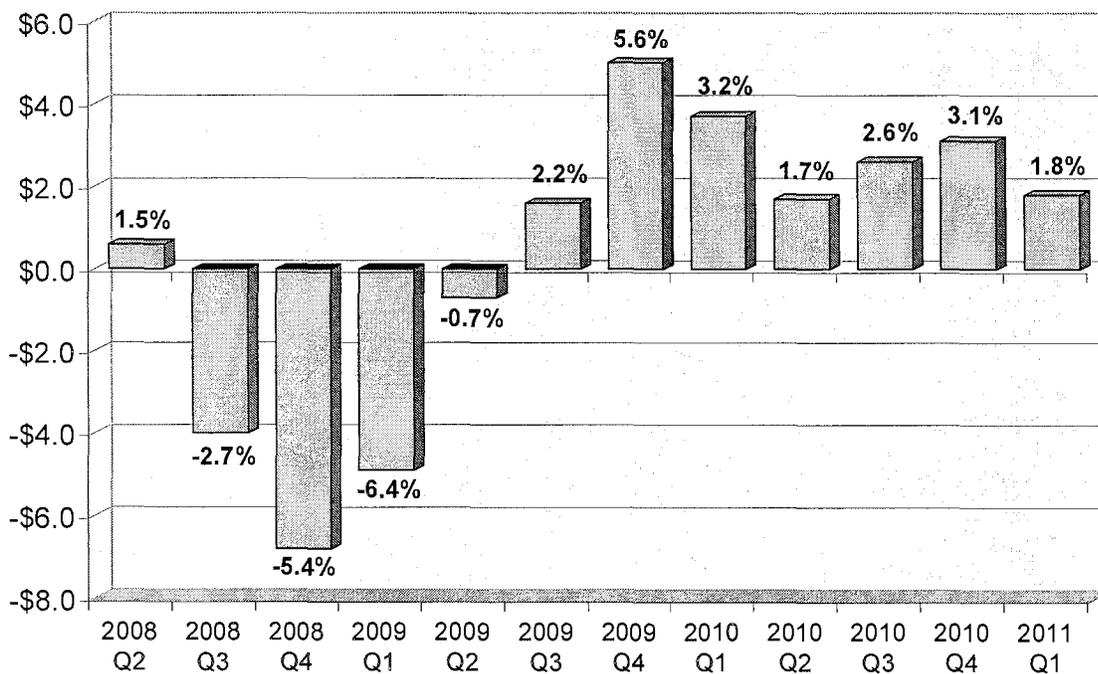
The collapsing bubble in home values was a major factor underlying the Great Recession. The nation's market for homes remains weak with prices still declining many places in recent months. According to a May 2011 release by the housing website Zillow.com, falling prices have increased the number of borrowers who are in a negative position. Nationally, Zillow estimates that 28% of homes with a mortgage are underwater while in Santa Clara County that number is an estimated 15%. The concern

with the number of homes worth less than what the owner owes is that it significantly increases the possibility of foreclosure should the owner lose their job or have some other sort of economic shock. With the current supply of housing including foreclosure sales, home prices are expected to remain depressed until the imbalance works its way through the market.

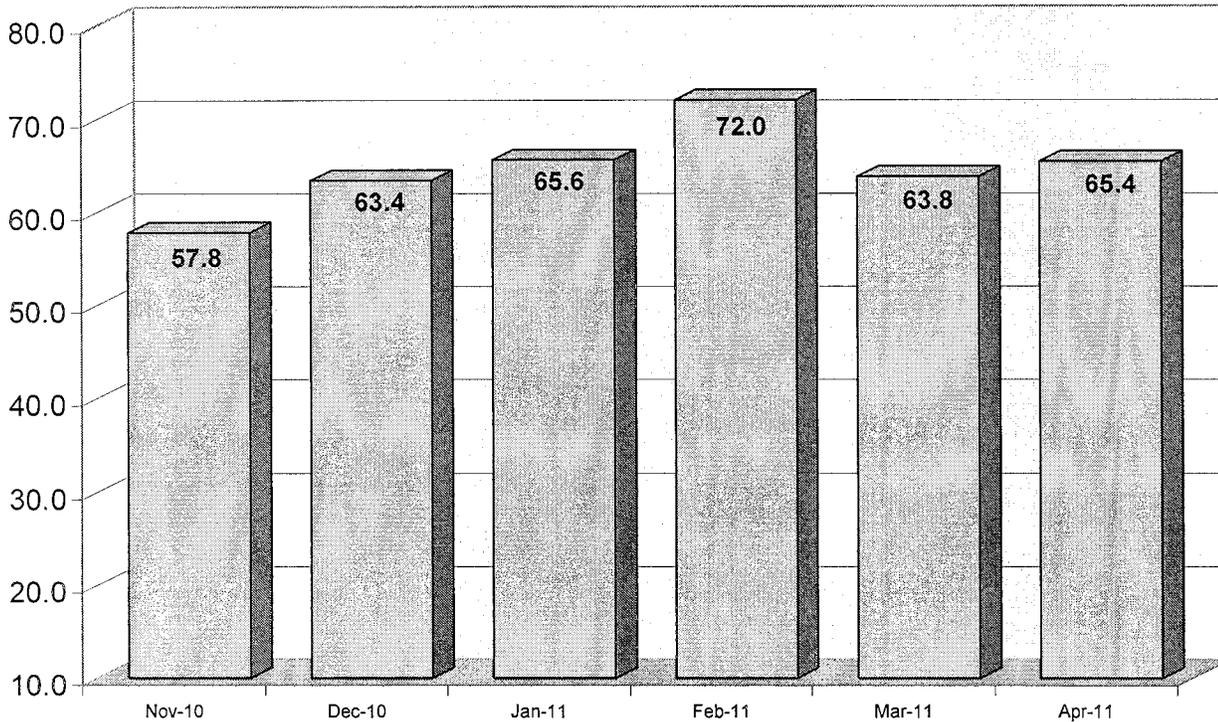
### **ECONOMIC OUTLOOK**

Economists believe that the recovery that began in the second half of 2009 is sustainable. GDP has now grown for seven 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 65.4 as of April 2011 (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, the April reading indicates that although confidence remains weak, the assessment of the current situation has "gained ground for the seventh straight month, a sign that the economic recovery continues."

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



**Chart 2**  
**Consumer Confidence Index**



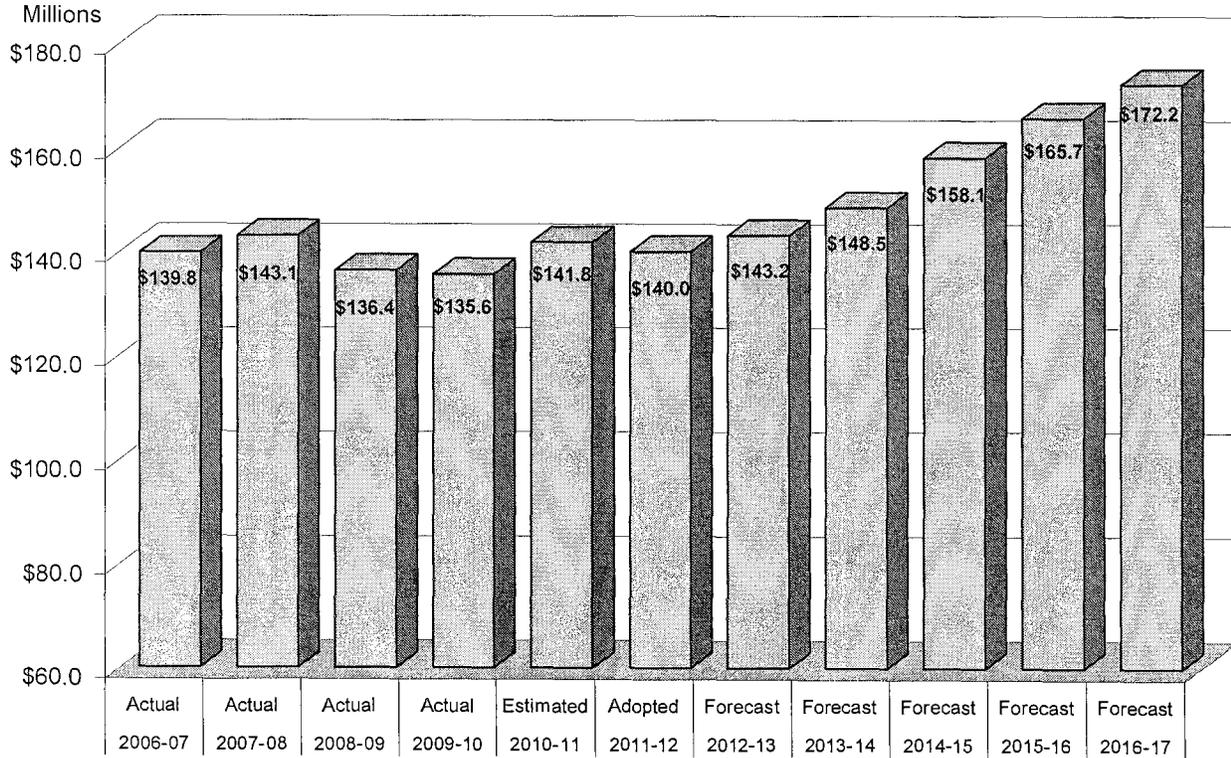
### ***Major Risks on the Horizon***

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. In addition, the recent dramatic rise in fuel prices is beginning to put a damper on consumer spending. As discretionary spending is already limited due to the employment picture, having to spend a higher proportion of income on fuel will undoubtedly lead to lower retail sales and impacts on the travel industry. Economists continue to believe that the economy will not sink back into a recession but caution that growth will likely be slow.

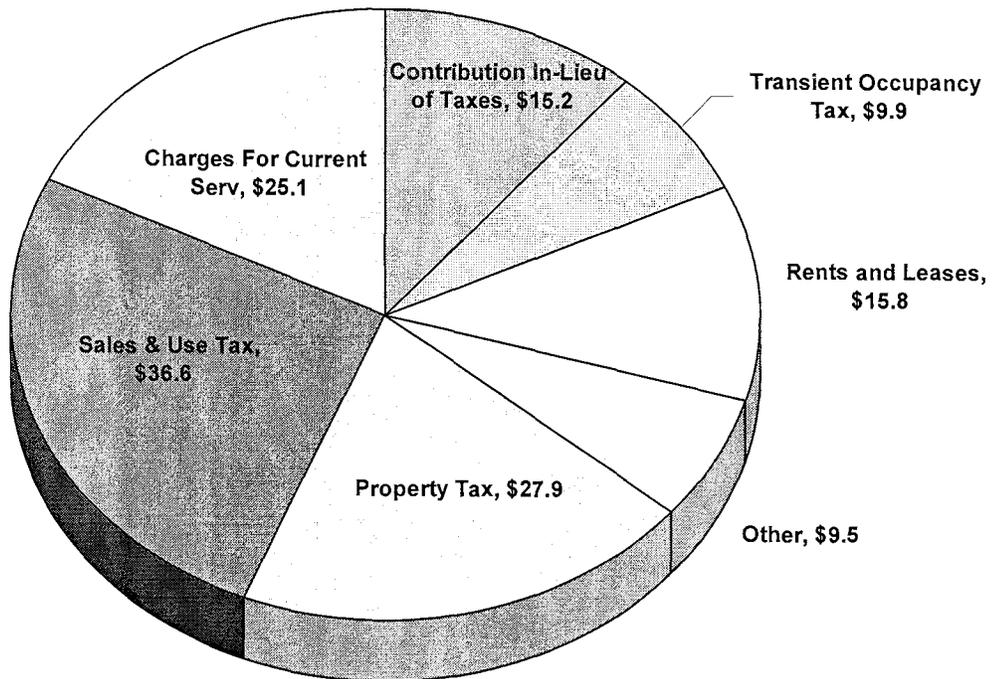
### ***SANTA CLARA'S FINANCES***

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 revenue is estimated at \$140.0 million in 2011-12, representing a decrease of 1.3% when compared to estimated 2010-11 year-end actuals. The primary reason for the decrease is that 2010-11 included the one-time infusion of \$5.5 million from the sale of the *Altamont Pass* property to the City's electric department, known as Silicon Valley Power (SVP). Without this item, projected 2011-12 revenues would be up 2.7% or \$3.7 million. As shown in Chart 3, General Fund revenue, which began to recover in 2010-11, is expected to grow at a moderate rate in the out years as the economy recovers, reaching the pre-recession level in 2012-13 and an estimated \$172.2 million in the final year (2016-17) of the forecast.

**Chart 3  
General Fund Revenues**



**Chart 4  
2011-12 General Fund Revenue Sources**



Total General Fund Revenue = \$140.0 Million

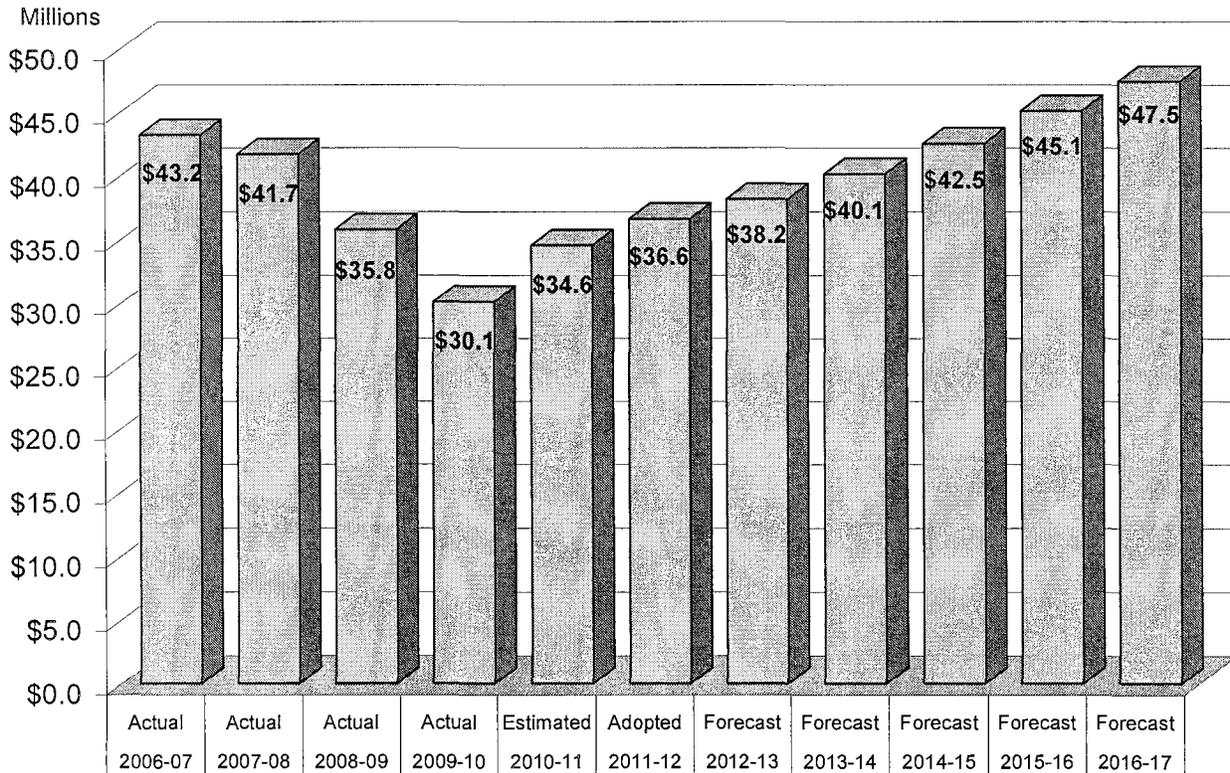
**Sources of General Fund Revenues**

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 \$64.5 million or 46.1% 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 (see Chart 5) 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 are expected to be \$34.6 million at year-end. Based on projections from our sales tax consultant, MuniServices, we expect sales tax collections to continue growing at a moderate rate through the forecast period, reaching pre-recession levels in 2015-16.

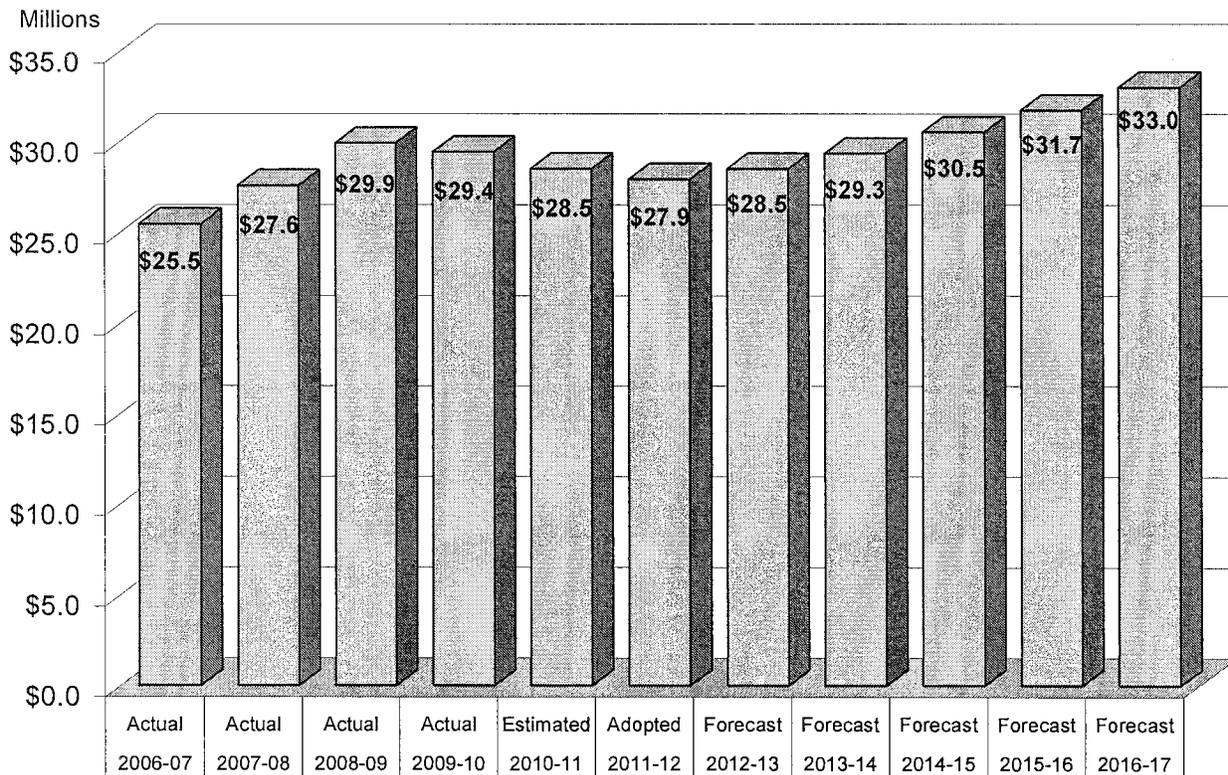
**Chart 5  
General Fund Sales Tax Revenue**



Property Tax

Property tax has traditionally been a stable source of revenue. This funding source includes both revenue from local property taxes and the vehicle license fee backfill which is now considered as property tax and paid by the County for the loss of motor vehicle license fees. 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 is projected to end with a further decline of \$0.9 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. For 2011-12, an additional reduction of 2% is expected (see Chart 6). Property tax revenues are then projected to gradually rise at a rate of 2% in 2012-13, 3% in 2013-14, and 4% through the remainder of the forecast period.

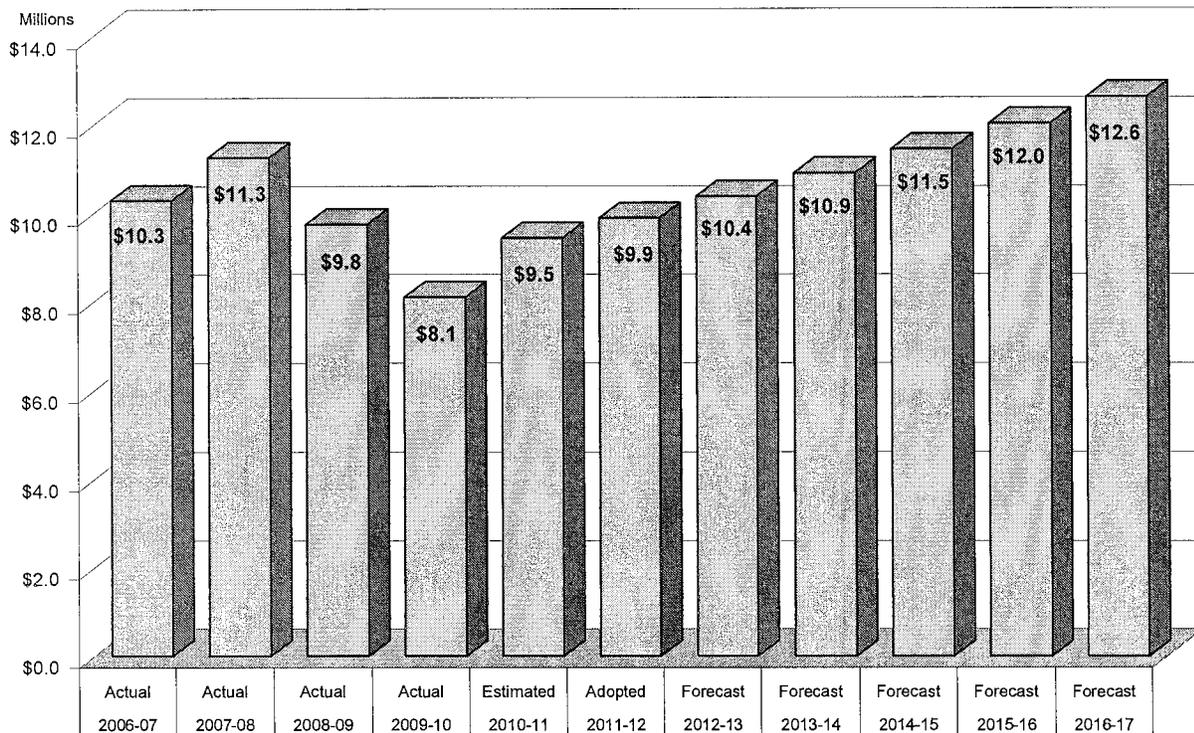
**Chart 6  
Property Tax Revenue**



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 have rebounded significantly in 2010-11 due to the combination of higher occupancy levels and increases in the average daily rate (ADR). The forecast projects that growth will continue at a rate of 5% per year as ADR continues to rise, occupancy returns to normal levels, and new properties come on-line. TOT revenues are expected to reach pre-recession levels in 2014-15 (see Chart 7).

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



Charges for Current Services

Charges for current services are estimated at \$25.1 million in 2011-12, up 0.8% over the 2010-11 estimate. Major sources of revenue for this category include charges for services provided to non-General Fund departments (\$17.1 million), recreation charges (\$1.8 million), fire prevention and HazMat charges (\$2.0 million), planning and engineering fees (\$2.5 million), and various other customer service fees. As a result of a comprehensive Fee Study in 2008-09, many fees have been increased to reflect gradual attainment of cost recovery for fees over the next several years.

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 2011-12, CLT is forecasted to be \$15.2 million. The forecast is that CLT will increase to a little over \$17 million by end of the forecast period. The forecast is primarily driven by market projections for electric consumption.

## Rents and Leases

In 2011-12, revenue reported in rents and leases is estimated to be \$15.8 million. This amount is expected to grow to \$18.3 million by the end of the forecast period. These accounts include lease payments from the Great America Theme Park (\$5.3 million), the Irvine Project (\$4.0 million), Hyatt Regency Hotel (\$1.1 million), the Techmart Building (\$1.1 million), and the Hilton Hotel (\$0.6 million), as well as about \$2.6 million in right-of-way rental fees charged to the water and sewer utilities. Revenue from the anticipated ground lease of the Stadium site is included in the forecast beginning in 2015-16.

## 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 2.88% in 2010-11. 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 has had to use reserves to balance declines in revenues over the last three fiscal years. Based on an expected further decline in returns, the General Fund is expected to receive \$2.4 million in interest in 2011-12. Returns are expected to bottom out in 2012-13 and grow gradually through the remaining years of the forecast period.

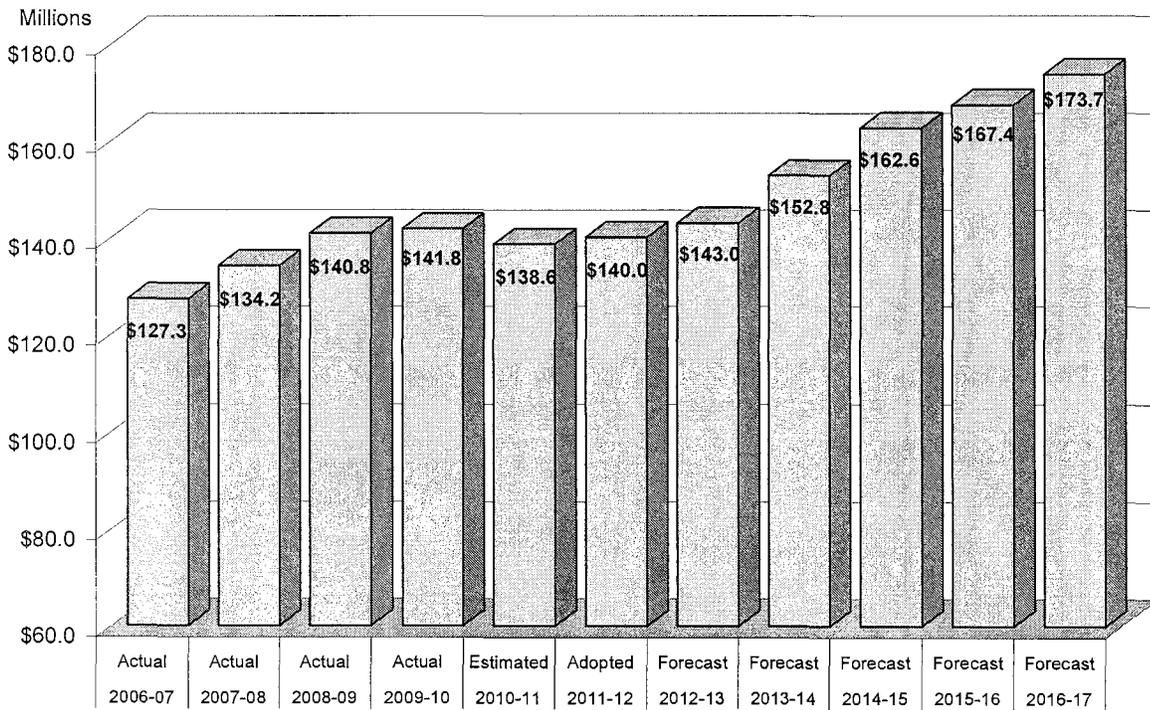
## ***Expenditures***

Chart 8 provides historic information on General Fund expenditures. As the chart shows, General Fund expenditures rose steadily through 2008-09 primarily due to steady 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 are expected to decline to \$138.6 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. For 2011-12 and each forecast year, the budget and forecast projections assume the frozen and held vacant positions continue. In addition, for 2011-12 and 2012-13, it is assumed that unpaid furloughs continue and that there are no general salary adjustments. Despite these actions, expenditures continue to grow, albeit at a slower rate, due primarily from 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 most bargaining groups) and a CPI based general salary adjustment is assumed for the second half of the fiscal year and each successive forecast year.

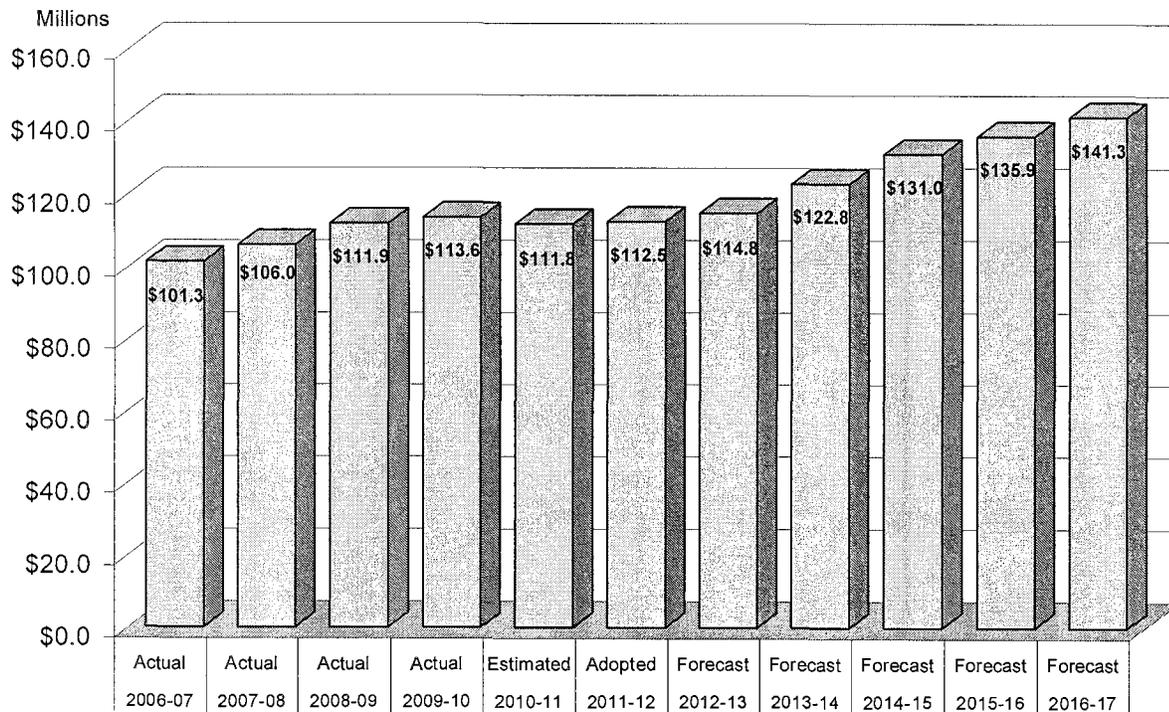
As shown in Charts 9 and 10, salary and benefits represent the lion's share (\$112.5 million) of forecasted 2011-12 operating expenditures. Salary and benefits as a percentage of total operating expenditures grew from 75.6% in 2001-02 to 80.3% in 2011-12 (Chart 11). During this same time period, other operating expenses, consisting mainly of materials, services, and supplies, fell from 24.4% to 19.7%. A significant factor driving this growth is negotiated labor agreements. These agreements were reached prior to the significant declines in revenues.

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.

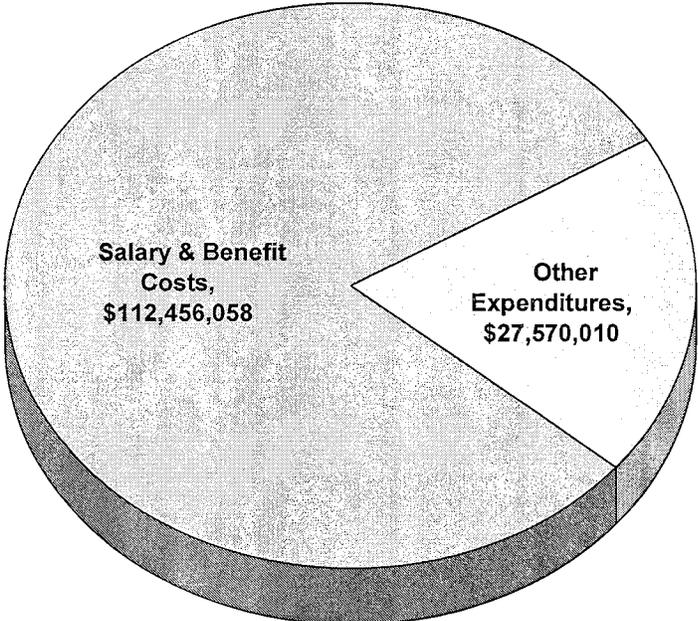
**Chart 8  
General Fund Expenditures**



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

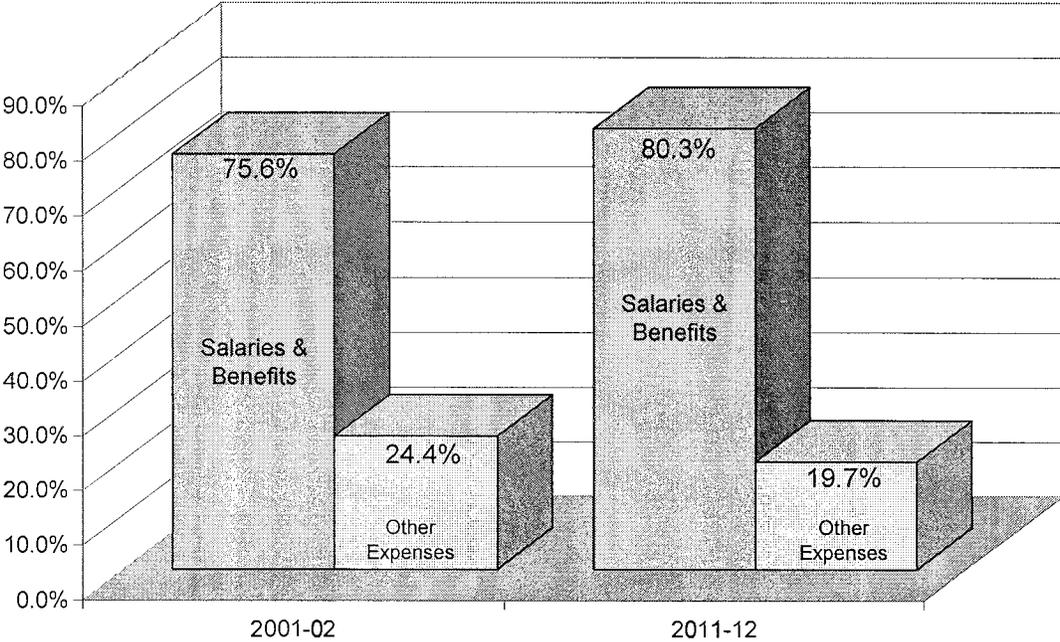


**Chart 10**  
**2011-12 General Fund Expenditure Components**



Total General Fund Expenditures = \$140.0 Million

**Chart 11**  
**Time Comparison of Major Expenditure Categories**



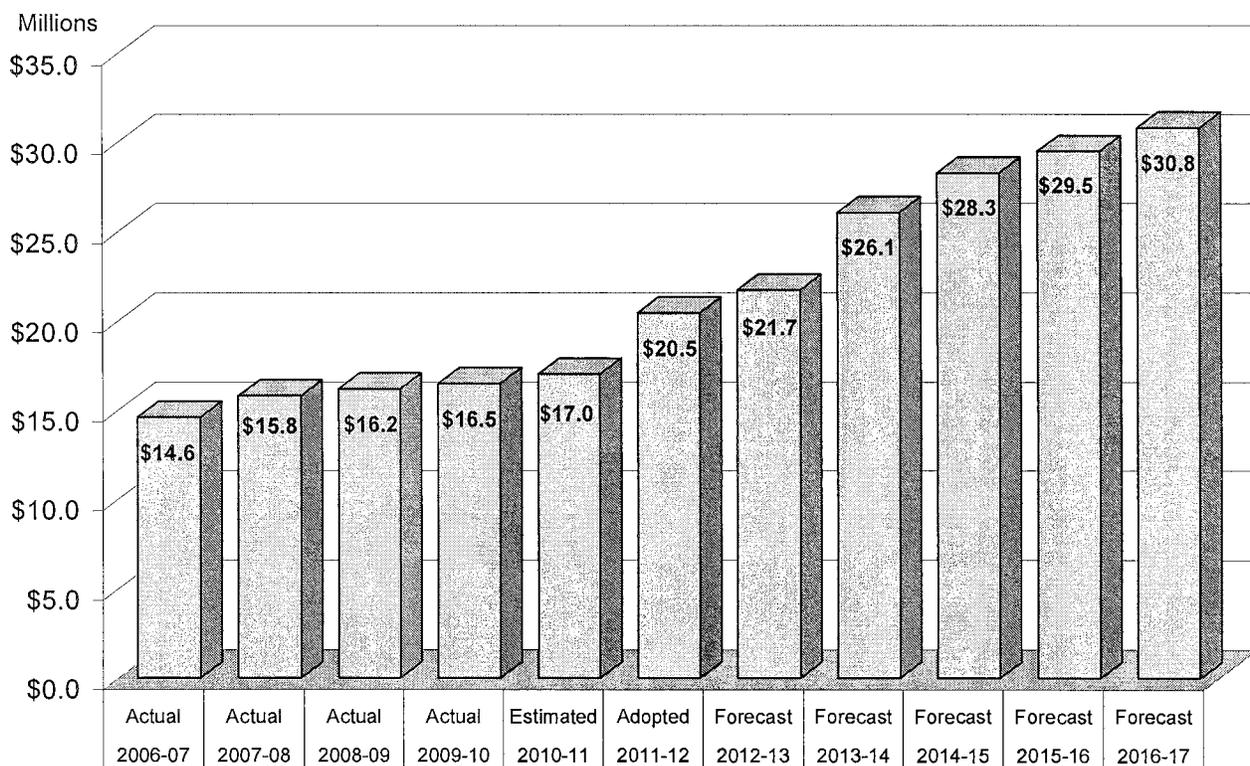
## Retirement Costs

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.

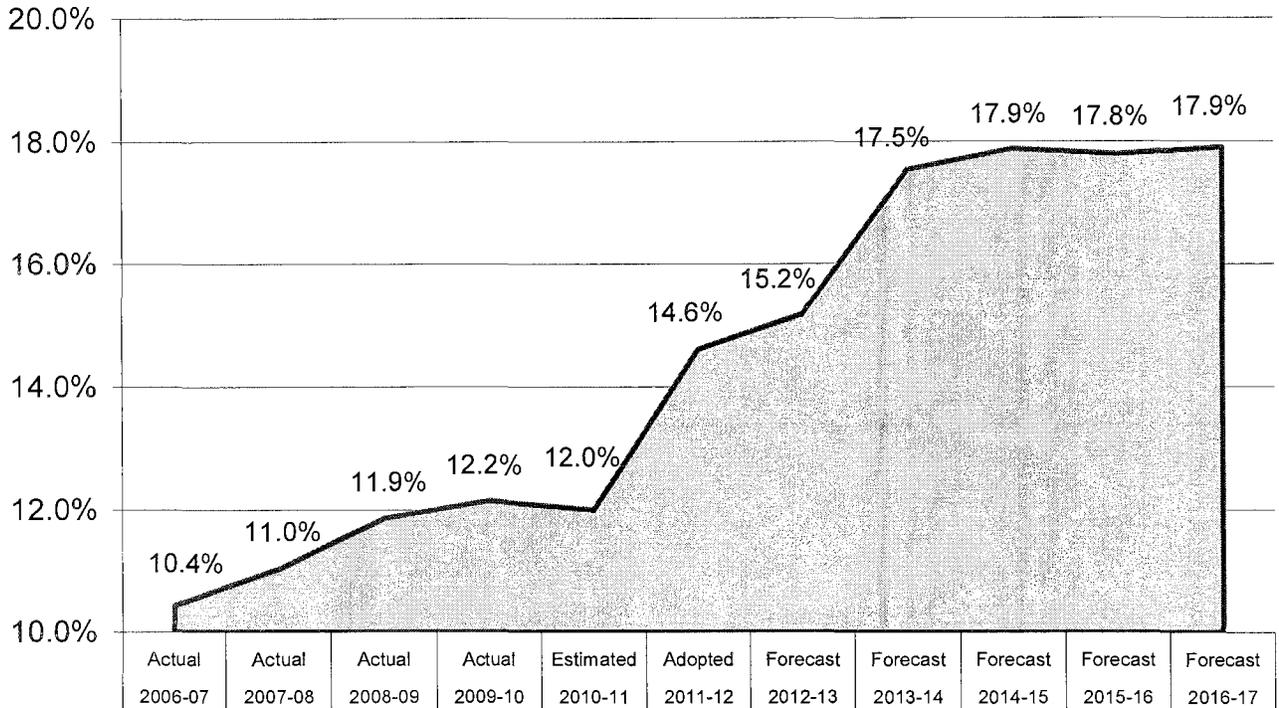
The City's two defined benefit pension plans (Miscellaneous Plan and Safety Plan) with CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits for employees in the Miscellaneous Plan and Safety Plan vest after 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. Seven years later, 2011-12 pension costs are projected to be \$20.5 million. As shown in Chart 12, retirement payments on behalf of employees are expected to rise dramatically over the next three years as required employer rate increases are rolled in to make up for investment losses in 2008-09. These increases will accelerate beginning in 2011-12 and reach an estimated \$30.8 million by the end of the Plan period, more than double the cost from 10 years earlier. By 2014-15, CalPERS expenditures will consume an estimated 17.9% of General Fund revenues (see Chart 13).

**Chart 12**  
**General Fund PERS Expenditures**



**Chart 13**  
**PERS Expenditures as a Percent of Annual Revenues**



Driving these higher costs are two factors, 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 is that it will earn an average 7.75% annual return; this is the rate of growth it needs 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.

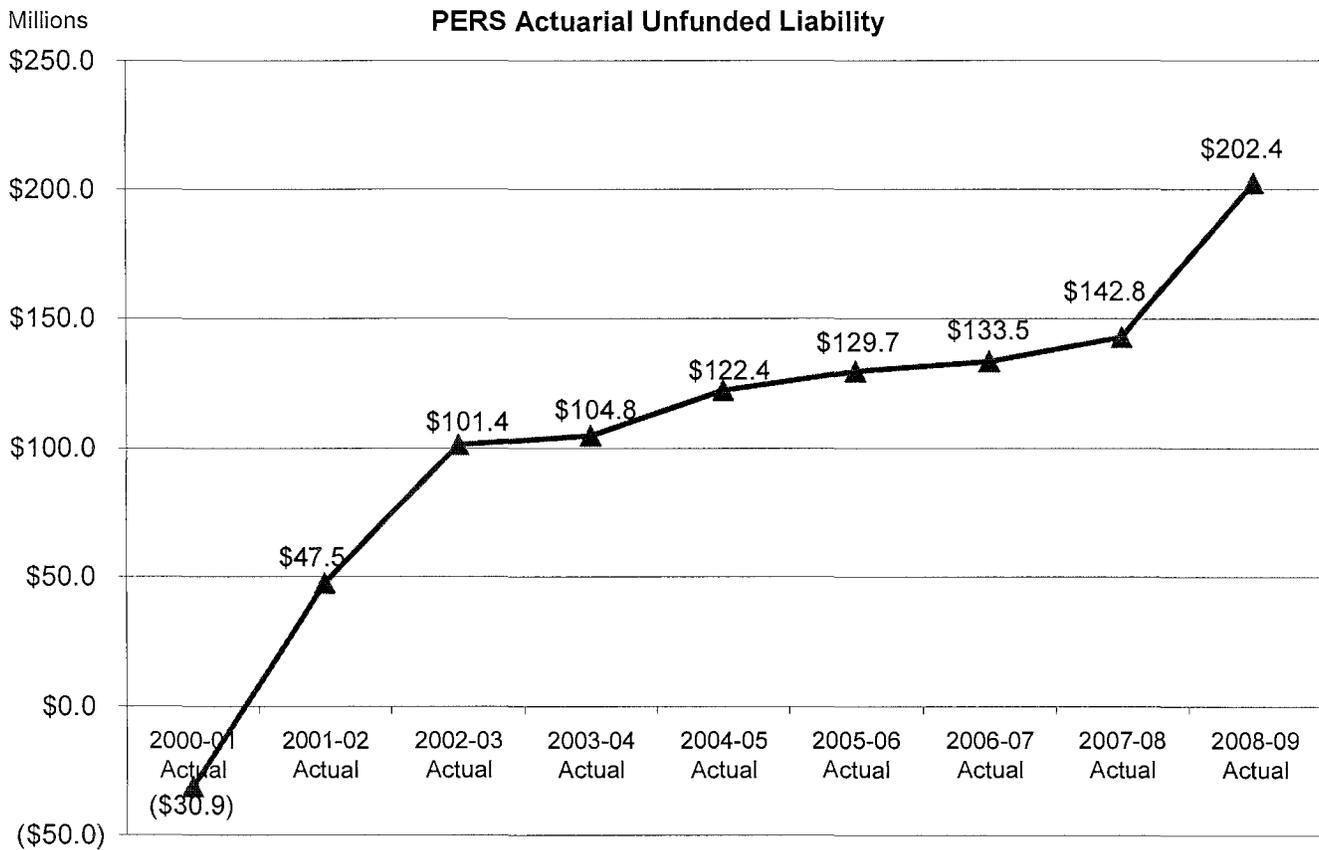
In addition, CalPERS recently completed a study updating the demographic assumptions it uses to calculate employer rates. The study determined that CalPERS members are living longer, retiring a little earlier, and earning higher salaries than previously assumed. The steep investment losses and the new demographic assumptions are driving 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.

Chart 14 (see next page) examines the City's trend of 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 \$202.4 million.

**Table 1**  
**Projected CalPERS Employer Rates**

| Fiscal Year | Percent of Salary: |             |
|-------------|--------------------|-------------|
|             | Miscellaneous Plan | Safety Plan |
| 2010-11     | 17.774%            | 27.223%     |
| 2011-12     | 22.676%            | 31.501%     |
| 2012-13     | 23.900%            | 33.200%     |
| 2013-14     | 27.000%            | 38.600%     |
| 2014-15     | 27.400%            | 39.200%     |
| 2015-16     | 27.600%            | 39.400%     |
| 2016-17     | 27.800%            | 39.600%     |

**Chart 14**  
**PERS Actuarial Unfunded Liability**

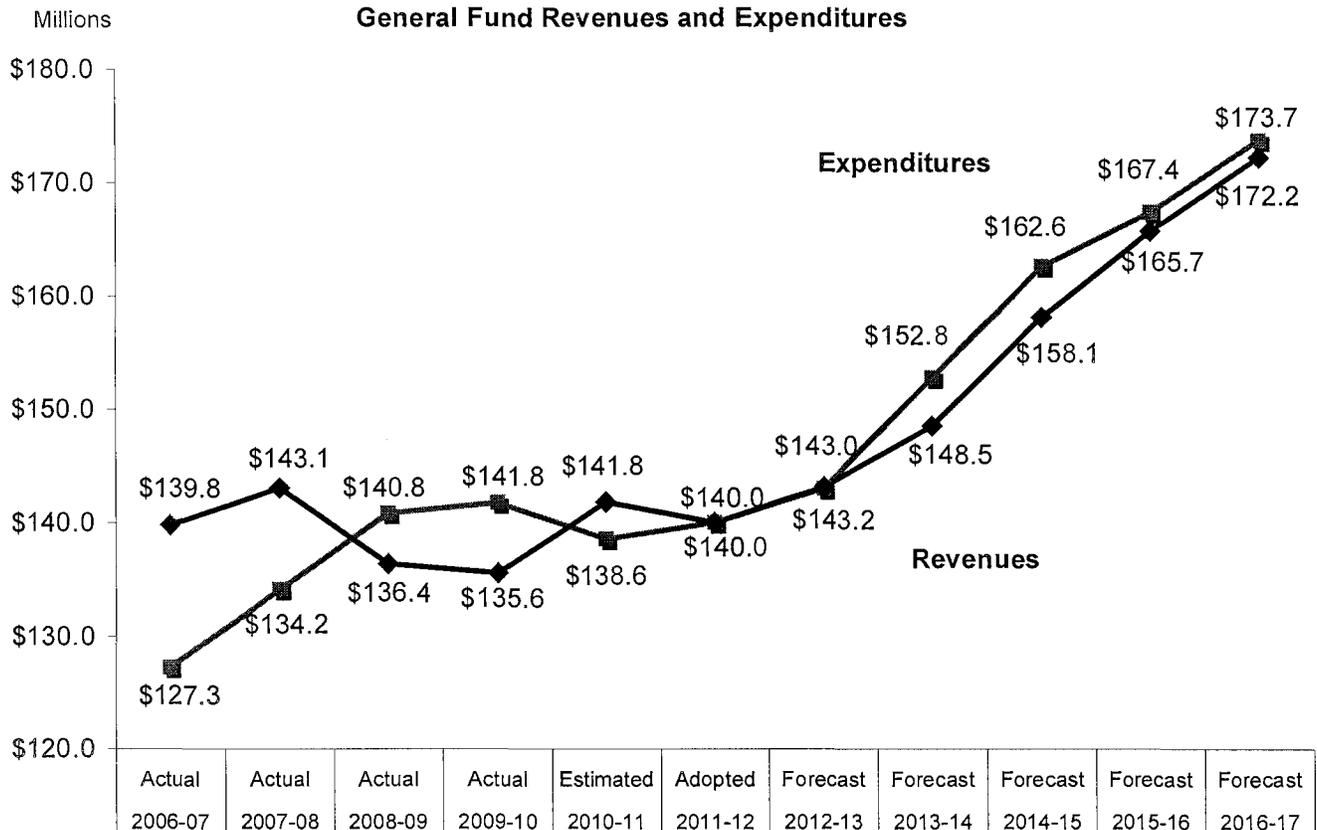


### Balancing the Structural Budget Deficit

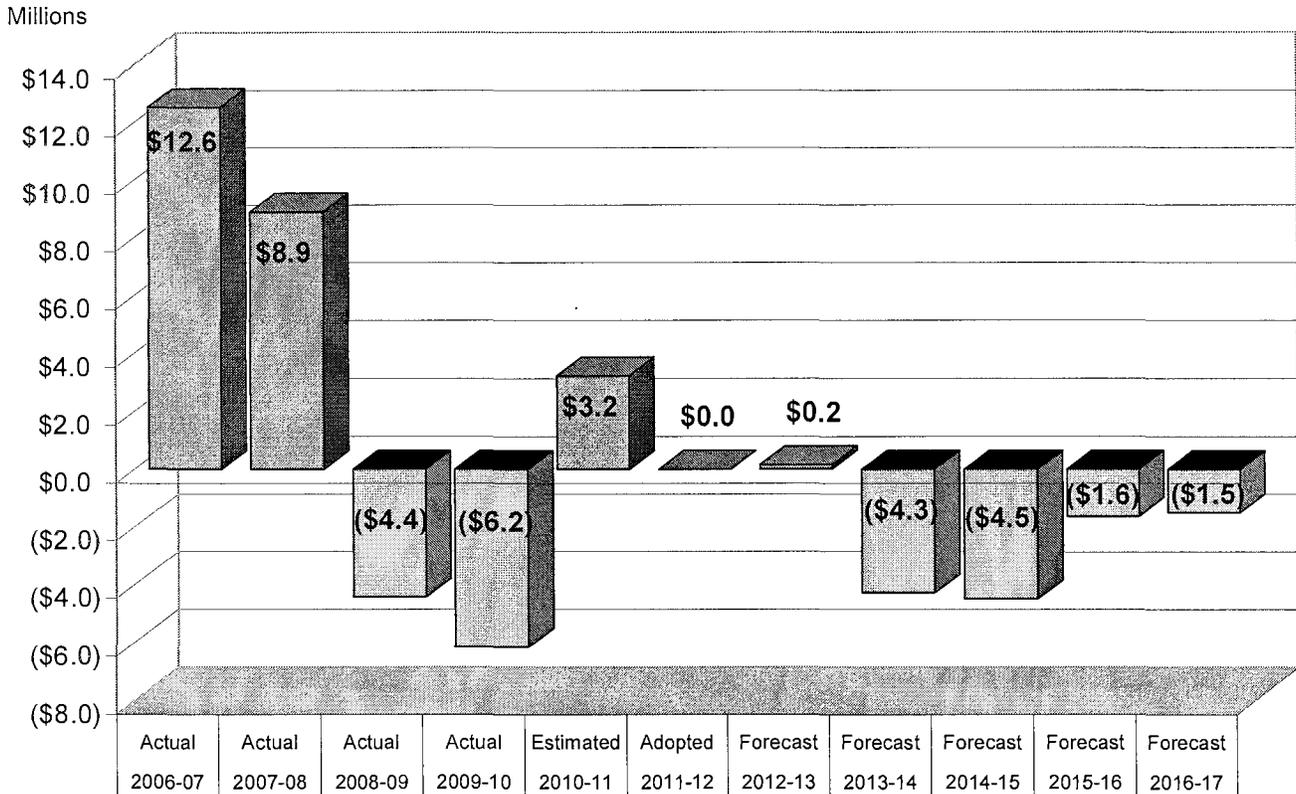
Prior to the recession, the City enjoyed three consecutive years of annual operating surpluses. As shown in Charts 15 and 16, General Fund revenues exceeded expenditures in 2006-07 and 2007-08, resulting in transfers to build the Working Capital (Emergency) Reserve. However, the Great Recession caused 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). Year-end projections indicate that a surplus of about \$3.2 million is expected allowing for a contribution to the reserve for the first time in three years. 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.

Beyond the balanced adopted budget for 2011-12, the individual revenue and expenditure projections described previously result in a roughly balanced bottom line for 2012-13, but then deficits return (based on the assumed end of unpaid furloughs mid-way through 2013-14) and continue on through the remainder of the forecast period. As the City is required to adopt balanced budgets, either revenues will have to grow more than expected, or more cuts are needed.

**Chart 15**  
**General Fund Revenues and Expenditures**



**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. Current policy for the Working Capital Reserve is to provide funding for 90 days of General Fund budgeted expenditures. For 2010-11 this would be approximately \$34.3 million compared to an estimated available balance of \$2.2 million as of July 1, 2011.

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 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**

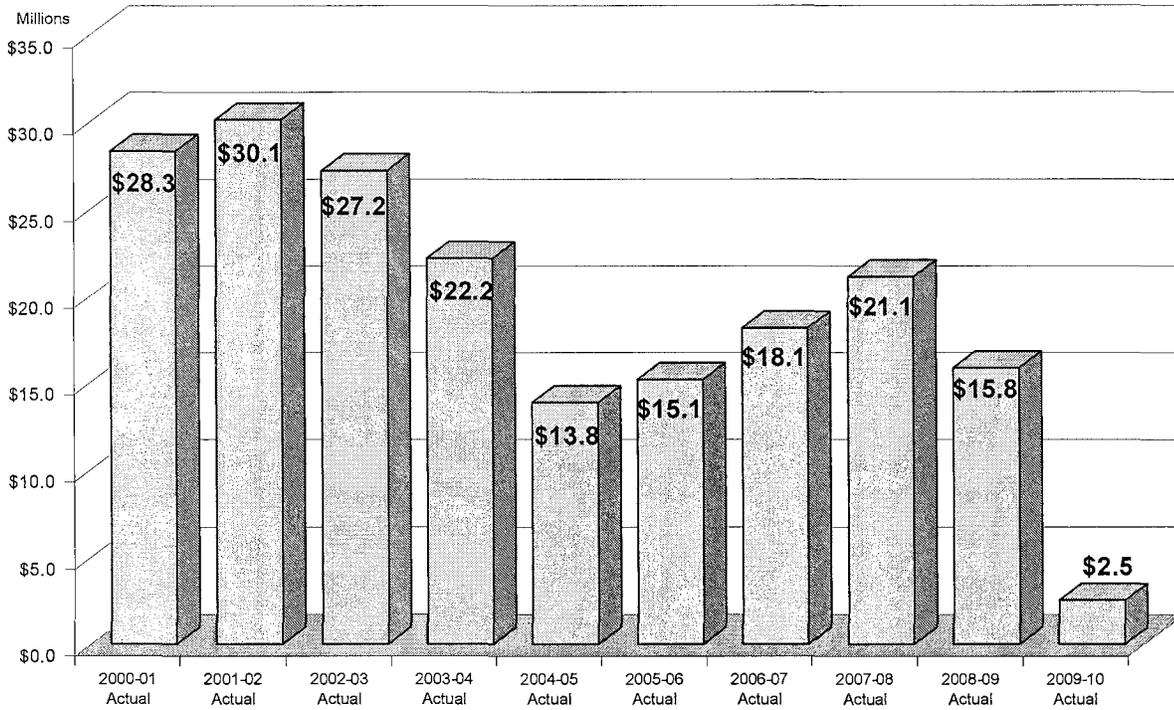
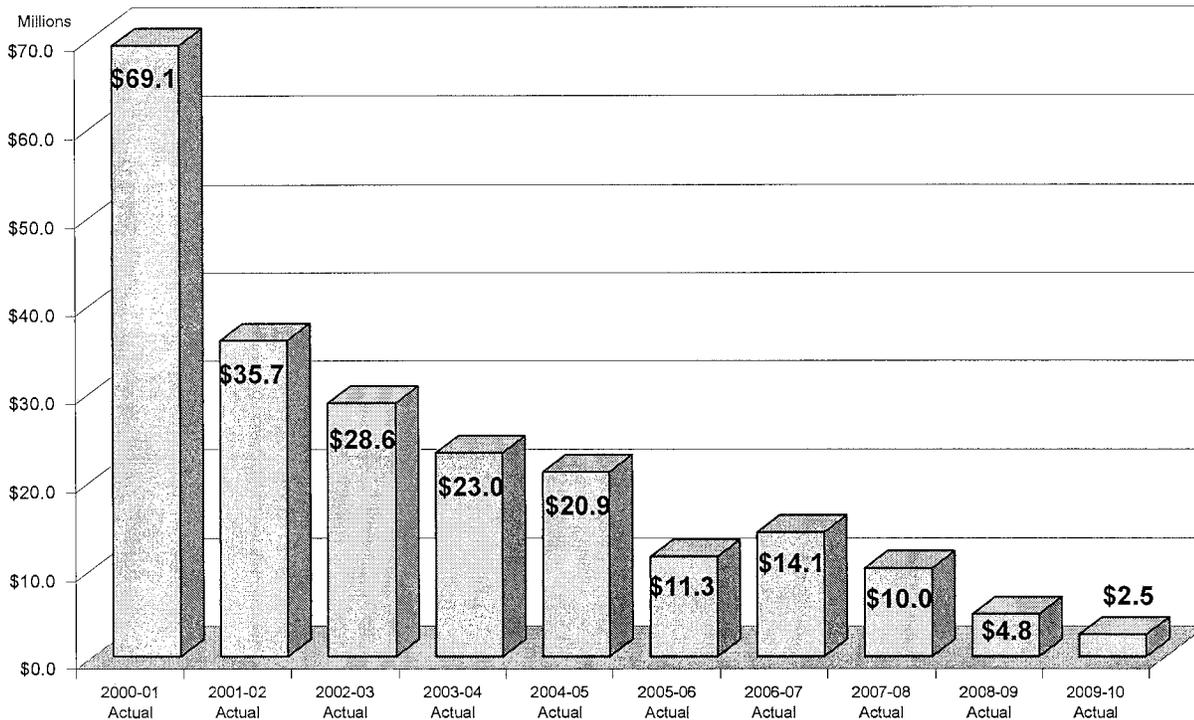


Chart 18 (see next page) paints a similar picture for the City's Capital Projects Reserve. This reserve is set aside to fund the City's capital spending program. The projects in the program maintain basic City infrastructure and quality facilities. The Council adopted a policy in 1996-97 to maintain 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 an estimated \$2.5 million on June 30, 2010.

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), the City's electric utility, operates in a favorable, but highly competitive business environment, providing electric power to nearly 51,500 City customers. 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, and continues to do so, SVP's dedication to its customers and its traditional values remains paramount. Each year SVP prepares a five-year financial plan (see Schedule C).

Currently, SVP is developing the infrastructure to operate in the power industry's new SmartGrid environment. Its 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.

Operating fund requirements for SVP in 2011-12 are estimated at \$276.7 million (including debt service), an increase of \$4.5 million or 1.7% over 2010-11. Including capital improvement projects of \$33.3 million brings the total projected SVP funding requirement to \$309.9 million, representing an overall projected decrease of \$1.0 million from 2010-11. This level of expenditure assumes a sales increase of about 1% over 2010-11 levels.

In the past, due to drought conditions and high energy prices, SVP drew from its Cost Reduction Fund reserve to cover capital and operating expenditures. The 2011-12 projection anticipates generating a small surplus for the second year in a row to continue rebuilding the reserves. This surplus is based on holding of operating expenses close to flat and the full effect of the 7% rate increases approved by the City Council for January 2010 and January 2011.

To meet safety and reliability requirements, SVP continues its third year of multi-year substation rebuilding. The forecast assumes capital expenditures of \$33.6 million, which includes the rebuilding of existing substations, the construction of new facilities to meet anticipated new electric load, and the relocation of the Tasman Substation.

Moreover, the capital project spending includes several continuing advanced technological and new business initiatives, including moving forward with the automation of water and electric meters to meet SmartGrid requirements, the expansion of the fiber infrastructure to meet customer work orders, the development of new business work orders, and the deployment of new cyber security systems to meet state and federal energy-related security standards.

In preparing for future customer needs, SVP is investing in the adopted Lodi Energy Center (LEC). The City of Santa Clara owns a 71 megawatt share of the Northern California Power Agency's (NCPA) adopted 280 megawatt state-of-the-art natural gas fired power plant. LEC is currently under construction and is expected to go online in 2012, at an estimated construction cost of \$375 million.

SVP underscores its commitment to energy efficiency and conservation by offering a variety of programs supported by the Electric Utility Public Benefits Charge (PBC). In 1998, the State of California mandated that 2.85% of customer electric rates be allocated for use of programs such as energy efficiency, energy renewable resources, research and development, and low income assistance programs. PBC Funds are typically budgeted in both the capital and operating budgets to fund services that meet the criteria of the PBC. Programs financed by this charge include a broad range of residential and business energy audit programs, energy efficiency rebate and incentive programs as well as solar development incentives.

Given the economy and need to fine-tune business fees, some rates in the City Enterprise activities will increase this year, while others will not. Any increases in the City enterprise activities are consistent with contractual cost of living adjustments for private contractors, implementation of mandated programs, and planned service cost recovery adjustments. For SVP no rate increases are planned for the 2011-12 fiscal year. However, over the past several years the City Council approved 5% rate increases in January and July 2006 (a compounded total of 10.25%), 3% rate increases in January 2008 and January 2009 (a compounded rate of 6.1%), and 7% rate increases in January 2010 and January 2011. Even with these rate increases, Santa Clara's Electric Utility has the lowest system average electric rates in California, helping to maintain the City's reputation as a low-cost commercial site to do business.

## ***Water and Sewer Utilities***

Water Utility – The Water Utility revenue and expenditures are projected to increase by 6.0% to 7.7% 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.

Recycled Water Utility – The Recycled Water Utility revenue and expenditures are projected to increase by 10% per year over the planning period. Increasing demand for, and sale of, recycled water are the primary component of the projected increases.

Sewer Utility – The Sewer Utility expenditures are projected to increase by 9.3% between 2012-13 and 2013-14. After 2013-14, the estimated expenditures are projected to decrease by 2.5% to 4.0% year over year. 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 between 35% to 51% 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 a total of \$29.0 million between fiscal year 2011-12 and 2014-15 to fund capital projects.

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 2011-12 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 2011-12 Adopted CIP includes expenditures of \$68.7 million (including Authority projects), a decrease of \$15.9 million (or 18.8%) from the 2010-11 Adopted Budget of \$84.6 million.

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

## ***NEXT STEPS***

The Five-Year 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 Plan was presented as part of a City Council budget study session on May 17, 2011 and a public hearing to adopt the 2011-12 Operating and CIP Budgets was held on June 14. The value of the Five-Year 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**

|                                      | 2006-07<br>Actual     | 2007-08<br>Actual     | 2008-09<br>Actual     | 2009-10<br>Actual     | 2010-11<br>Estimated  |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b><u>ESTIMATED RESOURCES</u></b>    |                       |                       |                       |                       |                       |
| Property Tax                         | \$ 25,468,193         | \$ 27,591,808         | \$ 29,918,830         | \$ 29,432,789         | \$ 28,500,000         |
| Sales Tax                            | 43,217,143            | 41,691,543            | 35,780,564            | 30,102,296            | 34,550,000            |
| Transient Occupancy Tax              | 10,306,555            | 11,278,026            | 9,762,655             | 8,106,319             | 9,450,000             |
| Franchise Tax                        | 3,166,797             | 3,281,082             | 3,369,990             | 3,000,696             | 3,100,000             |
| Documentary Transfer Tax             | 1,173,816             | 1,120,943             | 425,020               | 528,375               | 565,000               |
| <b>Subtotal</b>                      | <b>83,332,504</b>     | <b>84,963,402</b>     | <b>79,257,059</b>     | <b>71,170,475</b>     | <b>76,165,000</b>     |
| Licenses and Permits                 | 3,351,007             | 3,225,600             | 3,208,348             | 2,413,581             | 3,124,900             |
| Fines and Penalties                  | 1,740,805             | 2,032,371             | 1,764,850             | 1,811,708             | 1,575,400             |
| Interest                             | 5,114,239             | 5,551,741             | 4,434,402             | 3,359,513             | 2,000,000             |
| Rents and Leases                     | 3,057,519             | 3,172,387             | 3,199,918             | 5,172,350             | 5,447,000             |
| Vehicle License Fee                  | 735,999               | 487,247               | 331,943               | 346,272               | 434,900               |
| Revenue From Other Agencies          | 884,654               | 712,619               | 1,040,901             | 463,598               | 425,000               |
| Charges For Current Services         | 18,733,633            | 20,624,507            | 20,491,945            | 22,716,748            | 24,862,200            |
| Contribution In-Lieu of Taxes        | 14,722,138            | 14,731,755            | 15,149,536            | 13,448,039            | 14,527,000            |
| Other Revenue                        | 719,444               | 243,060               | 159,731               | 158,792               | 5,735,000             |
| <b>Subtotal</b>                      | <b>49,059,438</b>     | <b>50,781,287</b>     | <b>49,781,574</b>     | <b>49,890,601</b>     | <b>58,131,400</b>     |
| <b>Net Interfund Transfers</b>       | <b>7,417,826</b>      | <b>7,315,658</b>      | <b>7,373,134</b>      | <b>14,551,775</b>     | <b>7,530,800</b>      |
| <b>Total Estimated Resources</b>     | <b>\$ 139,809,768</b> | <b>\$ 143,060,347</b> | <b>\$ 136,411,767</b> | <b>\$ 135,612,851</b> | <b>\$ 141,827,200</b> |
| <b><u>ESTIMATED EXPENDITURES</u></b> |                       |                       |                       |                       |                       |
| Salaries                             | \$ 73,970,116         | \$ 76,735,187         | \$ 81,952,426         | \$ 82,489,629         | \$ 80,170,000         |
| Separation Payouts                   | 1,851,189             | 1,605,502             | 994,207               | 2,100,677             | 2,000,000             |
| Benefits                             | 25,494,565            | 27,651,769            | 28,951,070            | 28,966,323            | 29,600,000            |
| Materials, Services, and Supplies    | 20,567,112            | 21,416,354            | 21,758,994            | 20,729,690            | 18,825,000            |
| Interfund Services                   | 5,345,919             | 6,566,210             | 7,024,338             | 7,465,790             | 7,987,000             |
| Capital Outlay                       | 28,571                | 180,825               | 166,526               | 27,740                | 16,500                |
| CIP Incremental Operating Costs      | -                     | -                     | -                     | -                     | -                     |
| <b>Total Estimated Expenditures</b>  | <b>\$ 127,257,472</b> | <b>\$ 134,155,847</b> | <b>\$ 140,847,561</b> | <b>\$ 141,779,849</b> | <b>\$ 138,598,500</b> |
| <b>Surplus/(Deficit)</b>             | <b>\$ 12,552,296</b>  | <b>\$ 8,904,500</b>   | <b>\$ (4,435,794)</b> | <b>\$ (6,166,998)</b> | <b>\$ 3,228,700</b>   |

**RESOURCE AND EXPENDITURE TREND**  
**GENERAL FUND**

|                                      | 2011-12<br>Adopted    | 2012-13<br>Forecast   | 2013-14<br>Forecast   | 2014-15<br>Forecast   | 2015-16<br>Forecast   | 2016-17<br>Forecast   |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b><u>ESTIMATED RESOURCES</u></b>    |                       |                       |                       |                       |                       |                       |
| Property Tax                         | \$ 27,930,000         | \$ 28,489,000         | \$ 29,344,000         | \$ 30,518,000         | \$ 31,739,000         | \$ 33,009,000         |
| Sales Tax                            | 36,625,000            | 38,163,000            | 40,147,000            | 42,516,000            | 45,109,000            | 47,455,000            |
| Transient Occupancy Tax              | 9,900,000             | 10,395,000            | 10,915,000            | 11,461,000            | 12,034,000            | 12,636,000            |
| Franchise Tax                        | 3,185,900             | 3,217,000             | 3,248,000             | 3,279,000             | 3,311,000             | 3,343,000             |
| Documentary Transfer Tax             | 600,000               | 614,000               | 629,000               | 646,000               | 665,000               | 686,000               |
| <b>Subtotal</b>                      | <b>78,240,900</b>     | <b>80,878,000</b>     | <b>84,283,000</b>     | <b>88,420,000</b>     | <b>92,858,000</b>     | <b>97,129,000</b>     |
| Licenses and Permits                 | 3,190,000             | 3,263,000             | 3,345,000             | 3,435,000             | 3,535,000             | 3,645,000             |
| Fines and Penalties                  | 1,631,200             | 1,669,000             | 1,711,000             | 1,757,000             | 1,808,000             | 1,864,000             |
| Interest                             | 2,425,000             | 2,266,000             | 2,366,000             | 2,488,000             | 2,569,000             | 2,637,000             |
| Rents and Leases                     | 15,774,485            | 16,132,000            | 16,570,000            | 17,012,000            | 18,878,000            | 20,080,000            |
| Vehicle License Fee                  | 438,000               | 448,000               | 459,000               | 471,000               | 485,000               | 500,000               |
| Revenue From Other Agencies          | 424,000               | 434,000               | 445,000               | 457,000               | 470,000               | 485,000               |
| Charges For Current Services         | 25,063,065            | 25,230,000            | 25,861,000            | 26,559,000            | 27,329,000            | 28,176,000            |
| Contribution In-Lieu of Taxes        | 15,245,102            | 15,839,000            | 16,776,000            | 16,946,000            | 17,169,000            | 17,384,000            |
| Other Revenue                        | 600,200               | 605,000               | 610,000               | 616,000               | 622,000               | 229,000               |
| <b>Subtotal</b>                      | <b>64,791,052</b>     | <b>65,886,000</b>     | <b>68,143,000</b>     | <b>69,741,000</b>     | <b>72,865,000</b>     | <b>75,000,000</b>     |
| <b>Net Interfund Transfers</b>       | <b>(3,005,884)</b>    | <b>(3,607,224)</b>    | <b>(3,893,377)</b>    | <b>(23,670)</b>       | <b>20,949</b>         | <b>65,413</b>         |
| <b>Total Estimated Resources</b>     | <b>\$ 140,026,068</b> | <b>\$ 143,156,776</b> | <b>\$ 148,532,623</b> | <b>\$ 158,137,330</b> | <b>\$ 165,743,949</b> | <b>\$ 172,194,413</b> |
| <b><u>ESTIMATED EXPENDITURES</u></b> |                       |                       |                       |                       |                       |                       |
| Salaries                             | \$ 77,666,658         | \$ 78,288,000         | \$ 81,575,000         | \$ 87,089,000         | \$ 90,311,000         | \$ 93,833,000         |
| Separation Payouts                   | 1,500,000             | 1,545,000             | 1,591,000             | 1,639,000             | 1,688,000             | 1,739,000             |
| Benefits                             | 33,289,400            | 34,951,000            | 39,678,000            | 42,304,000            | 43,946,000            | 45,710,000            |
| Materials, Services, and Supplies    | 19,593,509            | 20,044,000            | 20,545,000            | 21,100,000            | 21,712,000            | 22,385,000            |
| Interfund Services                   | 7,965,301             | 8,149,000             | 8,353,000             | 8,579,000             | 8,828,000             | 9,102,000             |
| Capital Outlay                       | 11,200                | 25,000                | 25,000                | 25,000                | 25,000                | 25,000                |
| CIP Incremental Operating Costs      | -                     | -                     | 1,050,000             | 1,894,000             | 869,000               | 896,000               |
| <b>Total Estimated Expenditures</b>  | <b>\$ 140,026,068</b> | <b>\$ 143,002,000</b> | <b>\$ 152,817,000</b> | <b>\$ 162,630,000</b> | <b>\$ 167,379,000</b> | <b>\$ 173,690,000</b> |
| <b>Surplus/(Deficit)</b>             | <b>\$ -</b>           | <b>\$ 154,776</b>     | <b>\$ (4,284,377)</b> | <b>\$ (4,492,670)</b> | <b>\$ (1,635,051)</b> | <b>\$ (1,495,587)</b> |

**PROPOSED CAPITAL PROJECT COSTS**

| Fund                                  | Fund Name                       | Fiscal Year          |                      |                      |                      |                      |
|---------------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                       |                                 | 2012 - 13            | 2013-14              | 2014 - 15            | 2015 - 16            | 2016 - 17            |
| <b>Streets and Highways Programs:</b> |                                 |                      |                      |                      |                      |                      |
| 521                                   | Special Gas Tax (2105)          | \$ 422,095           | \$ 379,869           | \$ 437,915           | \$ 396,242           | \$ 454,861           |
| 522                                   | Special Gas Tax (2107)          | 1,642,000            | 1,525,000            | 1,125,000            | 725,000              | 725,000              |
| 524                                   | Collier-Unruh Act (2106)        | 495,000              | 495,000              | 495,000              | 495,000              | 495,000              |
| 525                                   | Traffic Mitigation              | 1,308,000            | 1,490,000            | 1,990,000            | 2,825,000            | 1,225,000            |
| 531                                   | Street Beautification           | 70,000               | 395,000              | 885,000              | 185,000              | 80,000               |
| 533                                   | Streets and Highways            | 2,362,000            | 75,000               | 75,000               | 75,000               | 75,000               |
|                                       | <b>Sub-Total</b>                | <b>\$ 6,299,095</b>  | <b>\$ 4,359,869</b>  | <b>\$ 5,007,915</b>  | <b>\$ 4,701,242</b>  | <b>\$ 3,054,861</b>  |
| <b>General Government Programs:</b>   |                                 |                      |                      |                      |                      |                      |
| 532                                   | Parks and Recreation            | \$ 1,990,000         | \$ 1,885,000         | \$ 35,160,000        | \$ 21,121,250        | \$ 14,225,000        |
| 535                                   | Storm Drains                    | 6,010,000            | 4,270,000            | 3,810,000            | 3,850,000            | 3,890,000            |
| 536                                   | Fire Department                 | 150,000              | 120,000              | 130,000              | 140,000              | 150,000              |
| 537                                   | Library                         | -                    | 12,825               | -                    | 6,000                | 42,000               |
| 538                                   | Public Buildings                | 2,495,000            | 11,285,000           | 3,095,000            | 990,000              | 525,000              |
| 539                                   | General Government-Other        | 2,795,670            | 3,097,170            | 2,082,790            | 1,997,290            | 1,706,290            |
| 562                                   | Community Services (HUD)        | 250,000              | 250,000              | 250,000              | 250,000              | 250,000              |
| 938                                   | University Project Area CIP     | -                    | -                    | -                    | -                    | -                    |
| 939                                   | Bayshore North Project Area CIP | 1,500,000            | -                    | -                    | -                    | -                    |
|                                       | <b>Sub-Total</b>                | <b>\$ 15,190,670</b> | <b>\$ 20,919,995</b> | <b>\$ 44,527,790</b> | <b>\$ 28,354,540</b> | <b>\$ 20,788,290</b> |
| <b>TOTAL PROPOSED COSTS</b>           |                                 | <b>\$ 21,489,765</b> | <b>\$ 25,279,864</b> | <b>\$ 49,535,705</b> | <b>\$ 33,055,782</b> | <b>\$ 23,843,151</b> |

**FUNDED / UNFUNDED PROJECT COSTS**

|   | Fiscal Year          |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2012 - 13            | 2013-14              | 2014 - 15            | 2015 - 16            | 2016 - 17            |
| <b>Funded Project Costs:</b>            |                      |                      |                      |                      |                      |
| Streets and Highways Program            | \$ 2,759,595         | \$ 1,642,369         | \$ 1,650,415         | \$ 1,258,742         | \$ 1,317,361         |
| General Government Program              | 2,845,400            | 1,461,025            | 1,360,150            | 1,330,650            | 1,033,650            |
| <b>Sub-Total</b>                        | <b>\$ 5,604,995</b>  | <b>\$ 3,103,394</b>  | <b>\$ 3,010,565</b>  | <b>\$ 2,589,392</b>  | <b>\$ 2,351,011</b>  |
| <b>Unfunded Project Costs:</b>          |                      |                      |                      |                      |                      |
| Streets and Highways Program            | \$ 3,539,500         | \$ 2,717,500         | \$ 3,357,500         | \$ 3,442,500         | \$ 1,737,500         |
| General Government Program              | 12,345,270           | 19,458,970           | 43,167,640           | 27,023,890           | 19,754,640           |
| <b>Sub-Total</b>                        | <b>\$ 15,884,770</b> | <b>\$ 22,176,470</b> | <b>\$ 46,525,140</b> | <b>\$ 30,466,390</b> | <b>\$ 21,492,140</b> |
| <b>TOTAL FUNDED AND UNFUNDED COSTS:</b> | <b>\$ 21,489,765</b> | <b>\$ 25,279,864</b> | <b>\$ 49,535,705</b> | <b>\$ 33,055,782</b> | <b>\$ 23,843,151</b> |

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

|   | Fiscal Year          |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2012-13              | 2013-14              | 2014-15              | 2015-16              | 2016-17              |
| <b>ESTIMATED REVENUE</b>  |                      |                      |                      |                      |                      |
| Charges for Current Service (1)                                 | \$303,961,088        | \$322,057,896        | \$325,278,617        | \$328,531,137        | \$331,816,711        |
| Public Benefit Charge, not subject to CLT (2)                   | 8,662,891            | 9,178,650            | 9,270,441            | 9,363,137            | 9,456,776            |
| Use of Money & Property   | 5,694,906            | 6,245,263            | 6,369,317            | 7,537,628            | 8,407,705            |
| Other Revenue (Except Bond Proceeds)                            | 7,126,171            | 7,220,138            | 7,270,242            | 7,311,740            | 7,443,777            |
| Beginning Balance - Capital Projects<br>To Be Funded - CIP #091 | -                    | -                    | -                    | -                    | -                    |
| Transfer to CIP #531, #534 & #539                               | (365,964)            | (375,113)            | (384,491)            | (394,103)            | (403,956)            |
| Transfer to CIP #539 (Unisys/MSEA)                              | (48,250)             | (48,250)             | (31,250)             | (31,250)             | (31,250)             |
| Budgeted CRF Withdrawal or Rate Increase                        | -                    | -                    | -                    | -                    | -                    |
| <b>Total Revenue</b>  | <b>325,030,842</b>   | <b>344,278,585</b>   | <b>347,772,875</b>   | <b>352,318,289</b>   | <b>356,689,763</b>   |
| <b>ESTIMATED EXPENDITURES</b>                                   |                      |                      |                      |                      |                      |
| Utility & Street Light Construction (3)                         | \$ 19,950,000        | \$ 14,350,000        | \$ 10,500,000        | \$ 10,450,000        | \$ 10,450,000        |
| Salaries & Benefits   | 23,289,195           | 23,871,425           | 24,468,211           | 25,079,916           | 25,706,914           |
| Other Operating Expenditures                                    | 18,572,250           | 19,036,556           | 19,512,470           | 20,000,282           | 20,500,289           |
| Resource & Production Costs                                     |                      |                      |                      |                      |                      |
| Purchased Power, Non-JPA  | 25,094,692           | 40,495,509           | 46,301,705           | 50,167,353           | 54,266,662           |
| Purchased Power, JPA  | 139,865,229          | 144,662,473          | 142,918,415          | 146,576,086          | 145,000,447          |
| Other Production Costs  | 42,829,439           | 43,828,324           | 44,059,485           | 44,867,382           | 46,669,484           |
| Public Benefit Expense (4)                                      | 8,662,891            | 9,178,650            | 9,270,441            | 9,363,137            | 9,456,776            |
| Internal Service Funds  | 9,378,734            | 9,519,415            | 9,662,206            | 9,807,139            | 9,954,246            |
| Contribution-in-lieu of Taxes                                   | 15,839,108           | 16,776,165           | 16,945,909           | 17,169,025           | 17,383,410           |
| Debt Service  | 17,127,754           | 17,189,795           | 17,261,880           | 17,288,462           | 17,338,743           |
| <b>Total Expenditures</b>                                       | <b>320,609,292</b>   | <b>338,908,312</b>   | <b>340,900,721</b>   | <b>350,768,782</b>   | <b>356,726,970</b>   |
| <b>TOTAL AVAILABLE REVENUE (5)</b>                              | <b>\$ 4,421,549</b>  | <b>\$ 5,370,273</b>  | <b>\$ 6,872,154</b>  | <b>\$ 1,549,507</b>  | <b>\$ (37,207)</b>   |
| Charges for Current Service (Excl PBC, SS) -\$/mwhr             | 100.71               | 100.71               | 100.71               | 100.71               | 100.71               |
| <b>CASH Balance - EOY</b>                                       | <b>\$246,784,387</b> | <b>\$252,154,660</b> | <b>\$259,026,814</b> | <b>\$260,576,321</b> | <b>\$260,539,114</b> |
| <b>CRF Balance</b>  | <b>\$96,770,566</b>  | <b>\$102,140,839</b> | <b>\$109,012,993</b> | <b>\$110,562,500</b> | <b>\$110,525,293</b> |

(1) Assumes Jan 2011 rates at \$100.71/Mwh (Excl. PBC, SS)

(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 Cost Reduction Fund

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

| ESTIMATED REVENUE                            | Fiscal Year          |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2012-13              | 2013-14              | 2014-15              | 2015-16              | 2016-17              |
| Transfers From (To) Reserves                 | \$ 58,000            | \$ (156,000)         | \$ (112,000)         | \$ 178,000           | \$ (4,000)           |
| Customer Service Charges (1)                 | 25,710,000           | 28,047,000           | 30,030,000           | 32,148,000           | 34,423,000           |
| Other Revenue (3)                            | 1,373,000            | 1,414,000            | 1,414,000            | 1,456,000            | 1,500,000            |
| Use of Money and Property (3)                | 471,000              | 485,000              | 500,000              | 515,000              | 530,000              |
| Additional Revenue from Rate Adjustments (2) | 2,059,000            | 1,686,000            | 1,800,000            | 1,934,000            | 2,069,000            |
| <b>Total Revenue</b>                         | <b>\$ 29,671,000</b> | <b>\$ 31,476,000</b> | <b>\$ 33,632,000</b> | <b>\$ 36,231,000</b> | <b>\$ 38,518,000</b> |
| <b>ESTIMATED EXPENDITURES</b>                |                      |                      |                      |                      |                      |
| Salaries and Benefits (4)                    | \$ 5,951,000         | \$ 6,189,000         | \$ 6,437,000         | \$ 6,694,000         | \$ 6,962,000         |
| Other Operating Expenditures (3)             | 1,068,000            | 1,100,000            | 1,133,000            | 1,167,000            | 1,202,000            |
| Resources and Production (5)                 | 15,560,000           | 17,050,000           | 18,682,000           | 20,734,000           | 22,737,000           |
| Internal Service Fund Allocations (3)        | 2,631,000            | 2,710,000            | 2,791,000            | 2,875,000            | 2,961,000            |
| Right of Way Fee (3)                         | 1,392,000            | 1,434,000            | 1,477,000            | 1,521,000            | 1,567,000            |
| Utility Capital Improvements                 | 3,069,000            | 2,993,000            | 3,112,000            | 3,240,000            | 3,089,000            |
| <b>Total Expenditures</b>                    | <b>\$ 29,671,000</b> | <b>\$ 31,476,000</b> | <b>\$ 33,632,000</b> | <b>\$ 36,231,000</b> | <b>\$ 38,518,000</b> |
| <b>TOTAL AVAILABLE REVENUE</b>               | <b>\$ -</b>          |

(1) Assumes a 1% decrease in water sales and 9% increase in rates in FY 2011-12.

(2) Assumes 8% increase in rates in FY 2012-13 and 6% thereafter.

(3) Assumes 3% per year increases.

(4) Assumes 4% per year increases.

(5) Assumes agency projections for wholesale rates, 1% decrease use in FY 2011-12, 0% increase in 2012-14 and 1% per year increase in use thereafter.

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

| ESTIMATED REVENUE                          | Fiscal Year          |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2012-13              | 2013-14              | 2014-15              | 2015-16              | 2016-17              |
| Transfers From (To) Reserves               | \$ 556,700           | \$ (372,800)         | \$ (725,000)         | \$ (2,278,300)       | \$ (5,277,900)       |
| Customer Service Charges & Fees (1)        | 21,300,000           | 25,347,000           | 30,162,900           | 35,893,900           | 39,483,300           |
| Other Misc. Revenue                        | 150,000              | 156,000              | 162,200              | 168,700              | 175,400              |
| Sewer Connection and Conveyance Fees       | 565,600              | 571,300              | 577,000              | 582,800              | 588,600              |
| Use of Money and Property                  | 454,500              | 437,800              | 449,000              | 470,700              | 539,100              |
| Bonds or Certificates of Participation (2) | 10,000,000           | 9,000,000            | 2,000,000            | 0                    | 0                    |
| Additional Revenue from Rate Adjustments   | 4,047,000            | 4,815,900            | 5,731,000            | 3,589,400            | 1,974,200            |
| <b>Total Revenue</b>                       | <b>\$ 37,073,800</b> | <b>\$ 39,955,200</b> | <b>\$ 38,357,100</b> | <b>\$ 38,427,200</b> | <b>\$ 37,482,700</b> |
| <b>ESTIMATED EXPENDITURES</b>              |                      |                      |                      |                      |                      |
| Salaries and Benefits (3)                  | \$ 2,014,800         | \$ 2,095,400         | \$ 2,179,200         | \$ 2,266,400         | \$ 2,357,100         |
| Other Operating Expenditures               | 357,000              | 371,000              | 386,000              | 401,000              | 417,000              |
| Resources and Production                   | 12,316,500           | 12,932,300           | 13,578,900           | 14,257,800           | 14,970,700           |
| Internal Service Fund Allocations          | 999,700              | 1,039,700            | 1,081,300            | 1,125,600            | 1,169,600            |
| Right of Way Fee                           | 1,325,900            | 1,566,400            | 1,854,100            | 2,035,300            | 2,240,900            |
| Utility Capital Improvements (2)           | 18,777,000           | 19,817,500           | 16,379,700           | 15,273,200           | 13,259,500           |
| Debt Service                               | 1,282,900            | 2,132,900            | 2,897,900            | 3,067,900            | 3,067,900            |
| <b>Total Expenditures</b>                  | <b>\$ 37,073,800</b> | <b>\$ 39,955,200</b> | <b>\$ 38,357,100</b> | <b>\$ 38,427,200</b> | <b>\$ 37,482,700</b> |
| <b>TOTAL AVAILABLE REVENUE</b>             | <b>\$ -</b>          |

(1) Assumes 19% increases in rates in FY 2012-13, FY 2013-14, FY 2014-15, a 10% increase in FY2015-16, and a 5% increase in FY 2016-17.

(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         |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2012-13             | 2013-14             | 2014-15             | 2015-16             | 2016-17             |
| Transfers From (To) Reserves                 | \$ 75,400           | \$ 90,661           | \$ 108,961          | \$ 131,747          | \$ 157,760          |
| Transfers From (To) Fund 092 (1)             | (500,000)           | (548,000)           | (601,000)           | (659,000)           | (722,000)           |
| Customer Service Charges (2)                 | 1,713,000           | 1,896,000           | 2,099,000           | 2,324,000           | 2,572,000           |
| Other Revenue                                | 358,000             | 372,000             | 387,000             | 402,000             | 418,000             |
| Use of Money and Property (3)                | 48,000              | 49,000              | 50,000              | 52,000              | 54,000              |
| Additional Revenue from Rate Adjustments (4) | 164,000             | 182,000             | 202,000             | 223,000             | 247,000             |
| <b>Total Revenue</b>                         | <b>\$ 1,858,400</b> | <b>\$ 2,041,661</b> | <b>\$ 2,245,961</b> | <b>\$ 2,473,747</b> | <b>\$ 2,726,760</b> |
| <b>ESTIMATED EXPENDITURES</b>                |                     |                     |                     |                     |                     |
| Salaries and Benefits (5)                    | \$ 273,000          | \$ 284,000          | \$ 295,000          | \$ 307,000          | \$ 319,000          |
| Other Operating Expenditures (5)             | 47,000              | 49,000              | 51,000              | 53,000              | 55,000              |
| Resources and Production (4)                 | 1,346,400           | 1,510,661           | 1,694,961           | 1,901,747           | 2,133,760           |
| Internal Service Fund Allocations (5)        | 105,000             | 108,000             | 111,000             | 114,000             | 117,000             |
| Right of Way Fee                             | 87,000              | 90,000              | 94,000              | 98,000              | 102,000             |
| <b>Total Expenditures</b>                    | <b>\$ 1,858,400</b> | <b>\$ 2,041,661</b> | <b>\$ 2,245,961</b> | <b>\$ 2,473,747</b> | <b>\$ 2,726,760</b> |
| <b>TOTAL AVAILABLE REVENUE</b>               | <b>\$ -</b>         |

(1) Compensate Fund 092 for "lost water sales revenue"

(2) Assumes 2% increase in sales in FY 2012-13 and 1% thereafter.

(3) Interest income assumes 3% per year increases."

(4) Assumes average 10% increase in rates in FY 2011-12 and thereafter.

(5) Assumes 4% increases in FY 2011-12 and thereafter.

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

|   | Fiscal Year                |                          |                          |                          |                          |
|---|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 2012-13                    | 2013-14                  | 2014-15                  | 2015-16                  | 2016-17                  |
| <b>ESTIMATED REVENUE *</b>                    |                            |                          |                          |                          |                          |
| Sales-Facilities (1)                          | \$ 550,000                 | \$ 400,000               | \$ 390,000               | \$ 409,500               | \$ 442,000               |
| Sales-Labor (2)                               | 275,000                    | 270,000                  | 263,000                  | 276,150                  | 297,675                  |
| Sales-Endowment Care (3)                      | 30,000                     | 25,000                   | 26,250                   | 27,563                   | 27,563                   |
| Sales-Material (4)                            | 180,000                    | 170,000                  | 160,000                  | 168,000                  | 187,425                  |
| Use of Money and Property (5)                 | 18,000                     | 18,000                   | 18,000                   | 18,900                   | 19,845                   |
| Loan from General Contingency Reserve (6)     | -                          | 20,000                   | 20,000                   | 20,000                   | 20,000                   |
| <b>Total Revenue</b>                          | <b><u>\$ 1,053,000</u></b> | <b><u>\$ 903,000</u></b> | <b><u>\$ 877,250</u></b> | <b><u>\$ 920,113</u></b> | <b><u>\$ 994,508</u></b> |
| <b>ESTIMATED EXPENDITURES *</b>               |                            |                          |                          |                          |                          |
| Salaries and Benefits                         | \$ 602,535                 | \$ 602,235               | \$ 602,235               | \$ 602,235               | \$ 602,235               |
| Other Operating Expenditures                  | 113,777                    | 95,806                   | 95,806                   | 95,806                   | 95,806                   |
| Internal Service Fund Allocations             | 184,694                    | 105,806                  | 105,806                  | 105,806                  | 105,806                  |
| Repayment of General Contingency Reserve loan | -                          | 20,000                   | 20,000                   | 20,000                   | 20,000                   |
| <b>Total Expenditures</b>                     | <b><u>\$ 901,006</u></b>   | <b><u>\$ 823,847</u></b> | <b><u>\$ 823,847</u></b> | <b><u>\$ 823,847</u></b> | <b><u>\$ 823,847</u></b> |
| <b>TOTAL AVAILABLE REVENUE</b>                | <b><u>\$ 151,994</u></b>   | <b><u>\$ 79,153</u></b>  | <b><u>\$ 53,403</u></b>  | <b><u>\$ 96,266</u></b>  | <b><u>\$ 170,661</u></b> |

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

(1) Less niche property selection available.

(2) Immediate need burials decline as previously purchased properties are filled.

(3) Related to quantity (volume) of new property purchases and increased fees.

(4) Sale of pre-installed crypt(s) at time of property purchase.

(5) Interest from endowment principal.

(6) Funding received to complete new projects (additional space).



# ***Appropriations Limit***



Meeting Date: \_\_\_\_\_

# AGENDA REPORT

Agenda Item # \_\_\_\_\_

Santa Clara

City of Santa Clara, California



Date: <sup>2001</sup> June 1, 2011

To: City Manager for Council Action

From: Director of Finance

Subject: Adoption of Resolution Establishing Fiscal Year 2011-12 Appropriations Limit

### EXECUTIVE SUMMARY:

In June of 1990 the methodology for arriving at the adjustment factor for the appropriations limit was changed by the passage of Proposition 111. The appropriations limit for 1990-91 was revised as allowed by Proposition 111. Proposition 111 also allows local governments to retroactively adjust past limits when factors become available subsequent to Council adoption.

In computing the fiscal year 2011-12 appropriations limit, the population growth of the City of Santa Clara and the California Per Capita Income change were used. For fiscal year 2011-12, the City of Santa Clara appropriations limit is \$291,996,814 (Schedule 1). An analysis of the request for appropriations from estimated proceeds of taxes, as reflected in the proposed fiscal year 2011-12 budget, indicates that for fiscal year 2011-12 the City will be at 33.0% of its limit.

Schedule 1 provides the history of the City's appropriations limits as adopted by Council for fiscal year 2002-03 through fiscal year 2010-11, including allowable retroactive adjustments, and the appropriations limit being recommended for adoption for fiscal year 2011-12.

### ADVANTAGES AND DISADVANTAGES OF ISSUE:

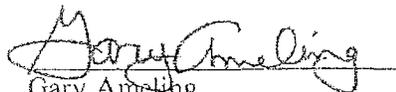
By adopting the fiscal year 2011-12 appropriations limit, the City will be in compliance with the existing State law.

### ECONOMIC/FISCAL IMPACT:

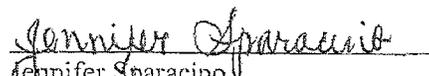
By adopting the resolution, the City will have a total increase of its appropriations limit by \$11,635,445.

### RECOMMENDATION:

That the Council adopt a resolution establishing the City's fiscal year 2011-12 appropriations limit of \$291,996,814.

  
Gary Ameling  
Director of Finance

APPROVED:

  
Jennifer Sparacino  
City Manager

*Documents Related to this Report:*  
1) Resolution for Appropriations Limit  
2) Schedule 1

**DISCUSSION:**

On November 6, 1979, the California electorate passed Proposition 4, which created Article XIII B of the State Constitution placing limits on the amount of revenue that can be spent by governmental agencies. This section of the Constitution placed a restriction on the amount of revenue that the City can appropriate in any fiscal year. Not all revenues are restricted by the limit, only those that are categorized as proceeds of taxes.

Historically, the City's limit has been based on actual appropriations during fiscal year 1978-79 increased annually by a factor comprised of the following:

1. The annual growth in the City's population as provided by the State Department of Finance,

AND

2. The lesser of the annual growth in the U.S. Consumer Price Index or the annual growth in California per capita income.

On June 5, 1990 the California electorate approved Proposition 111 which modified the method of adjusting the annual Appropriations Limit. Beginning with the 1990-91 appropriations limit, the City may choose from the following indices when arriving at an adjustment factor:

1. The annual growth in the City's population or the annual growth in the County's population as provided by the State Department of Finance.

AND

2. The annual growth in the California Per Capita Income or the growth in the non-residential assessed valuation due to new construction within the City.

On June 19, 1990 Council adopted Resolution 5516 establishing the City's Appropriations Limit for Fiscal year 1990-91. This limit was calculated using the pre-Proposition 111 method. In calculating future appropriations limits, the 1990-91 limit has been revised as allowed by Proposition 111.

RESOLUTION NO. 11-7857

A RESOLUTION OF THE CITY OF SANTA CLARA, CALIFORNIA, ESTABLISHING FISCAL YEAR 2011-12 APPROPRIATIONS LIMIT PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA STATE CONSTITUTION AS IMPLEMENTED BY TITLE 1, DIVISION 9 (ENTITLED "EXPENDITURE LIMITATIONS" – SECTION 7900 ET SEQ.) OF THE CALIFORNIA GOVERNMENT CODE

**BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:**

**WHEREAS**, Proposition 4, commonly known as the Gann Initiative, was adopted by voters on November 6, 1979;

**WHEREAS**, the Proposition created Article XIII B of the California State Constitution placing limits on the amount of revenue which can be spent by all entities of government;

**WHEREAS**, the limit based on the Proposition 4 formula is updated annually using growth data supplied by the State Department of Finance; and,

**WHEREAS**, the appropriation limit is required to be adopted by the legislative body of each government entity.

**NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:**

1. Appropriations Limit. That the appropriations limit for fiscal year 2011-12 be Two Hundred Ninety One Million Nine Hundred Ninety Six Thousand Eight Hundred and Fourteen Dollars (\$291,996,814);
2. Calculation Factors. Pursuant to Section 8 of Article XIII B of the California Constitution, the City Council determines that for 2011-12 the change in the cost of living shall be measured by the percentage change in California per capita personal income and the change in population shall be measured by the annual growth in the County or the City's population as provided by the State Department of Finance, whichever is higher;

3. Factors for 2011-12. That for purposes of computing the appropriations limit for 2011-12, the change in California per capita personal income is 2.51% and the annual percent change in population minus exclusions in the City's population as provided by the State Department of Finance is 1.6%; and

4. Notice of Action to be Taken. Pursuant to Government Code Section 7910, no judicial action or proceeding to attack, review, set aside, void, or annul the action of the City Council in establishing the appropriations limit for 2011-12 shall be brought unless such action or proceeding shall have been commenced within forty-five (45) days of the date of adoption of this resolution.

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5. Constitutionality, severability. If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the resolution. The City of Santa Clara, California, hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

6. Effective date. This resolution shall become effective immediately.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE 14<sup>th</sup> DAY OF JUNE, 2011, BY THE FOLLOWING VOTE:

|            |             |   |
|------------|-------------|---|
| AYES:      | COUNCILORS: | Gillmor, Kennedy, Kolstad, Mahan, McLeod and Moore and Mayor Matthews |
| NOES:      | COUNCILORS: | None  |
| ABSENT:    | COUNCILORS: | None  |
| ABSTAINED: | COUNCILORS: | None  |

ATTEST:

  
ROD DIRIDON, JR.  
CITY CLERK  
CITY OF SANTA CLARA

Attachments Incorporated by Reference:  
None

SCHEDULE 1

CITY OF SANTA CLARA  
 PROPOSITION 4 APPROPRIATIONS LIMIT  
 FYs 2002-03 THROUGH 2011-12

| FISCAL YEAR | BEGINNING APPROPRIATIONS LIMIT | PRICE FACTOR | POPULATION FACTOR | ADJUSTMENT FACTOR | ENDING APPROPRIATIONS LIMIT |
|-------------|--------------------------------|--------------|-------------------|-------------------|-----------------------------|
| 2011-12     | \$ 280,361,369                 | 1.0251       | X 1.0160          | = 1.0415          | \$291,996,814               |
| 2010-11     | 283,808,346                    | 0.9746       | X 1.0136          | = 0.9879          | 280,361,369                 |
| 2009-10     | 276,718,902                    | 1.0062       | X 1.0193          | = 1.0256          | 283,808,346                 |
| 2008-09     | 260,849,378                    | 1.0429       | X 1.0172          | = 1.0608          | 276,718,902                 |
| 2007-08     | 243,287,759                    | 1.0442       | X 1.0268          | = 1.0722          | 260,849,378                 |
| 2006-07     | 229,611,995                    | 1.0396       | X 1.0192          | = 1.0596          | 243,287,759                 |
| 2005-06     | 215,466,159                    | 1.0526       | X 1.0124          | = 1.0657          | 229,611,995                 |
| 2004-05     | 204,733,380                    | 1.0328       | X 1.0190          | = 1.0524          | 215,466,159                 |
| 2003-04     | 196,920,704                    | 1.0231       | X 1.0162          | = 1.0397          | 204,733,380                 |
| 2002-03     | 196,991,375                    | 0.9873       | X 1.0125          | = 0.9996          | 196,920,704                 |

On June 5, 1990, the California electorate passed Proposition 111 which modified the method of adjusting the annual appropriations limit. Beginning with the 1990-91 Appropriations Limit the City may choose from one of the following indices when determining the adjustment factor:

The annual growth in the City's population OR the annual growth in the County's population as provided by the State Department of Finance.

AND

The annual growth in the California Per Capita Income OR the growth in the non-residential assessed valuation due to new construction within the City.

The 1990-91 appropriations limit was revised by applying the new growth factors to the appropriations limits for 1986-87 and each subsequent year. In computing the FY 2005-06 appropriations limit, the population growth of Santa Clara City and the California Per Capita Income change were used.



# *Statistics*



**CITY OF SANTA CLARA  
LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years  
(In Thousands)**

Table 1

| <b>Fiscal Year</b>    | <b>Assessed Valuation</b> | <b>Debt Limit- 15% of Assessed Valuation*</b> | <b>Debt Applicable to Limit</b> | <b>Legal Debt Margin</b> |
|-----------------------|---------------------------|---|---------------------------------|--------------------------|
| <b>Ending June 30</b> |                           |   |                                 |                          |
| 2000 / 01             | 15,288,558                | 2,293,284                                     | 10,096                          | 2,273,284                |
| 2001 / 02             | 18,224,346                | 2,733,652                                     | 20,000                          | 2,723,556                |
| 2002 / 03             | 19,320,514                | 2,898,077                                     | 20,000                          | 2,878,077                |
| 2003 / 04             | 18,925,445                | 2,838,817                                     | 20,000                          | 2,818,817                |
| 2004 / 05             | 17,972,599                | 2,695,890                                     | 20,000                          | 2,675,890                |
| 2005 / 06             | 18,702,210                | 2,805,332                                     | 20,000                          | 2,785,332                |
| 2006 / 07             | 20,365,381                | 3,054,807                                     | 20,000                          | 3,034,807                |
| 2007 / 08             | 22,125,638                | 3,318,846                                     | -                               | 3,318,846                |
| 2008 / 09             | 24,362,076                | 3,654,311                                     | -                               | 3,654,311                |
| 2009 / 10             | 24,556,241                | 3,683,436                                     | -                               | 3,683,436                |

Notes: \* Section 1309 of the City Charter of the City states: "Bonded Debt Limit.  
The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation of property within the City, exclusive of revenue bonds or any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned utilities for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution and this Charter."

Sources: Santa Clara County, Department of Finance  
City of Santa Clara

**CITY OF SANTA CLARA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**  
**(In Thousands)**

**Table 2**

| Fiscal Year<br>Ending<br>June 30 | Net Local<br>Secured<br>Roll | SBE (2) | Net<br>Unsecured<br>Roll | Net<br>Assessed<br>Valuation (1) | Estimated<br>Actual<br>Value | Ratio of<br>Assessed Value<br>To Estimated<br>Value | % of Growth<br>of Assessed<br>Valuation | Total Direct<br>Tax<br>Rate |
|----------------------------------|------------------------------|---------|--------------------------|----------------------------------|------------------------------|---|---|-----------------------------|
| 2000 / 01                        | \$ 11,822,175                | 2,497   | \$ 3,463,886             | \$ 15,288,558                    | \$ 15,400,547                | 99.27%  | 7.61%                                   | 1.06%                       |
| 2001 / 02                        | \$ 13,744,409                | 2,554   | \$ 4,477,383             | \$ 18,224,346                    | \$ 18,335,454                | 99.39%  | 19.20%                                  | 1.08%                       |
| 2002 / 03                        | \$ 15,110,520                | 2,861   | \$ 4,207,133             | \$ 19,320,514                    | \$ 19,429,970                | 99.44%  | 6.01%                                   | 1.07%                       |
| 2003 / 04                        | \$ 15,283,368                | 2,803   | \$ 3,639,274             | \$ 18,925,445                    | \$ 19,033,631                | 99.43%  | -2.04%                                  | 1.07%                       |
| 2004 / 05                        | \$ 14,978,836                | 2,471   | \$ 2,991,292             | \$ 17,972,599                    | \$ 18,081,181                | 99.40%  | -5.03%                                  | 1.08%                       |
| 2005 / 06                        | \$ 15,663,135                | 1,756   | \$ 3,037,319             | \$ 18,702,210                    | \$ 18,813,195                | 99.41%  | 4.06%                                   | 1.15%                       |
| 2006 / 07                        | \$ 17,458,047                | 1,605   | \$ 2,905,729             | \$ 20,365,381                    | \$ 20,478,830                | 99.45%  | 8.89%                                   | 1.14%                       |
| 2007 / 08                        | \$ 19,148,464                | 909     | \$ 2,976,265             | \$ 22,125,638                    | \$ 22,241,709                | 99.48%  | 8.64%                                   | 1.08%                       |
| 2008 / 09                        | \$ 20,545,808                | 3,689   | \$ 3,812,579             | \$ 24,362,076                    | \$ 24,479,723                | 99.52%  | 10.11%                                  | 1.12%                       |
| 2009 / 10                        | \$ 20,707,612                | 3,689   | \$ 3,844,940             | \$ 24,556,241                    | \$ 24,674,410                | 99.52%  | 0.80%                                   | 1.13%                       |

Notes:

(1) Full cash value.

(2) Beginning in fiscal 1989, Chapter 921 of the Statutes of 1987 requires the establishment of a single County-wide tax rate area for the assignment of the assessed value of certain types of State-assessed utility property.

Source: Santa Clara County, Department of Finance

**CITY OF SANTA CLARA  
PRINCIPAL PROPERTY TAX PAYERS  
2009-10 AND 2002-03 COMPARISON FOR GENERAL FUND  
(In Thousands)**

Table 3

| Organization                             | 2009-10                    |                     | 2002-03                    |                     |
|--|----------------------------|---------------------|----------------------------|---------------------|
|  | Revenue<br>in<br>Thousands | Percent<br>of Total | Revenue<br>in<br>Thousands | Percent<br>of Total |
| Sobrato Development Company              | \$ 3,589                   | 6.69%               | \$ 311                     | 2.17%               |
| Santa Clara Towers LP                    | 2,301                      | 4.29%               |                            |                     |
| Hyatt Equities LLC                       | 2,187                      | 4.08%               |                            |                     |
| Yahoo, Inc.                              | 1,898                      | 3.54%               |                            |                     |
| Prudential Insurance Company of America  | 1,722                      | 3.21%               |                            |                     |
| Intel Corporation                        | 1,518                      | 2.83%               | 1,409                      | 9.83%               |
| Paramount Parks, Inc.                    | 1,257                      | 2.34%               |                            |                     |
| Carr NP Properties LLC                   | 1,147                      | 2.14%               |                            |                     |
| Silicon Valley California LLC            | 1,109                      | 2.07%               |                            |                     |
| Lake Marriott LLC                        | 815                        | 1.52%               |                            |                     |
| Applied Materials, Inc.                  |                            |                     | 537                        | 3.75%               |
| Oracle (formerly Sun Microsystems, Inc.) |                            |                     | 259                        | 1.81%               |
| Agilent Technologies, Inc.               |                            |                     | 204                        | 1.42%               |
| National Semiconductor Corporation       |                            |                     | 195                        | 1.36%               |
| Rivermark Partners LLC                   |                            |                     | 178                        | 1.24%               |
| 3Com Corporation                         |                            |                     | 159                        | 1.11%               |
| Exodus Communications, Inc.              |                            |                     | 147                        | 1.03%               |
| BRE San Tomas LLC                        |                            |                     | 132                        | 0.92%               |
| Top Ten Total                            | \$ 17,543                  | 32.71%              | \$ 3,531                   | 24.64%              |
| City Total                               | \$ 53,638                  |                     | \$ 14,333                  |                     |

Source: Santa Clara County Assessor 2009/10 Combined Tax Rolls through HdL Coren & Cone.  
Additional years of historical data are not available.

**CITY OF SANTA CLARA  
PRINCIPAL PRIVATE EMPLOYERS  
Current Year and Seven Years Ago**

Table 4

| Company                            | 2010                   |   | 2003                   |   |
|------------------------------------|------------------------|---|------------------------|---|
|                                    | Number of<br>Employees | Percentage of<br>Total City<br>Employment | Number of<br>Employees | Percentage of<br>Total City<br>Employment |
| Intel Corporation                  | 5,734                  | 10.3%                                     | 8,000                  | 15.6%                                     |
| Kaiser Permanente Medical Center   | 5,630                  | 10.1%                                     |                        |   |
| Applied Materials, Inc.            | 3,746                  | 6.7%                                      |                        |   |
| Oracle (formerly Sun Microsystems) | 2,700                  | 4.9%                                      | 3,500                  | 6.8%                                      |
| NVIDIA Corporation                 | 2,657                  | 4.8%                                      |                        |   |
| BAE Systems Land & Armaments       | 1,914                  | 3.4%                                      |                        |   |
| National Semiconductor Corporation | 1,500                  | 2.7%                                      | 2,000                  | 3.9%                                      |
| Agilent Technologies, Inc.         | 1,384                  | 2.5%                                      | 3,000                  | 5.8%                                      |
| Santa Clara University             | 1,350                  | 2.4%                                      |                        |   |
| Pacific Maintenance Company        | 1,000                  | 1.8%                                      |                        |   |
| NEC Electronics                    |                        |   | 1,200                  | 2.3%                                      |
| Coast Personnel                    |                        |   | 1,895                  | 3.7%                                      |
| Sanmina-SCI Corporation            |                        |   | 1,500                  | 2.9%                                      |
| Analog Devices                     |                        |   | 900                    | 1.8%                                      |
| 3Com Corporation                   |                        |   | 1,000                  | 1.9%                                      |
| Integrated Device Technology       |                        |   | 1,000                  | 1.9%                                      |
| <b>Total Top Ten</b>               | <b>27,615</b>          | <b>49.6%</b>                              | <b>23,995</b>          | <b>46.6%</b>                              |
| All Others                         | 27,985                 | 50.4%                                     | 27,305                 | 53.4%                                     |
| <b>Total Employment</b>            | <b>55,600</b>          | <b>100%</b>                               | <b>51,300</b>          | <b>100%</b>                               |

**Source:** 2009 California Planners' Book of Lists  
2003 Northern California Business Directory  
California Employment Development Department  
Until 10 years of data are available, only the available years will be presented.

CITY OF SANTA CLARA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
Last Eight Fiscal Years

Table 5

|                                       | Fiscal Year Ending June 30 |            |            |            |            |            |            |            |
|---------------------------------------|----------------------------|------------|------------|------------|------------|------------|------------|------------|
|                                       | 2010                       | 2009       | 2008       | 2007       | 2006       | 2005       | 2004       | 2003       |
| Culture and Recreation:               |                            |            |            |            |            |            |            |            |
| Number of community centers           | 4                          | 4          | 4          | 4          | 4          | 4          | 4          | 4          |
| Number of parks                       | 32                         | 32         | 32         | 32         | 31         | 30         | 30         | 28         |
| Park acreage                          | 273                        | 282        | 282        | 282        | 282        | 277        | 277        | 265        |
| Number of golf courses                | 1                          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Number of swimming pools              | 4                          | 4          | 4          | 4          | 4          | 4          | 4          | 4          |
| Number of tennis courts               | 28                         | 28         | 28         | 28         | 28         | 27         | 27         | 27         |
| Number of lawn bowling greens         | 1                          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Number of lighted soccer fields       | 3                          | 3          | 3          | 3          | 3          | 3          | 3          | 0          |
| Number of lighted softball fields     | 7                          | 7          | 7          | 7          | 7          | 7          | 7          | 7          |
| Number of neighborhood park buildings | 8                          | 8          | 8          | 8          | 8          | 8          | 8          | 8          |
| Number of gymnastic centers           | 1                          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Number of skate parks                 | 1                          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Number of community theaters          | 1                          | 1          | 1          | 1          | 1          | 1          | 0          | 0          |
| Number of libraries                   | 2                          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| Cemetery                              | 2                          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| Fire Protection:                      |                            |            |            |            |            |            |            |            |
| Number of stations                    | 10                         | 10         | 10         | 10         | 10         | 10         | 10         | 10         |
| Police Protection:                    |                            |            |            |            |            |            |            |            |
| Number of stations                    | 2                          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| Electric System:                      |                            |            |            |            |            |            |            |            |
| Number of meters                      | 52,090                     | 51,832     | 51,514     | 50,858     | 50,069     | 49,775     | 48,753     | 48,489     |
| Miles of high voltage lines           | 573                        | 573        | 548        | 479        | 479        | 477        | 475        | 471        |
| Number of substations                 | 18                         | 17         | 17         | 16         | 16         | 14         | 14         | 14         |
| Sewerage System:                      |                            |            |            |            |            |            |            |            |
| Miles of sanitary sewers              | 285                        | 279        | 279        | 282        | 282        | 282        | 277        | 275        |
| Miles of storm sewers                 | 140                        | 140        | 140        | 138        | 138        | 138        | 137        | 137        |
| Number of treatment plants            | 1 Tertiary                 | 1 Tertiary | 1 Tertiary | 1 Tertiary | 1 Tertiary | 1 Tertiary | 1 Tertiary | 1 Tertiary |
| Water System:                         |                            |            |            |            |            |            |            |            |
| Miles of water mains                  | 335                        | 335        | 335        | 335        | 334        | 301        | 301        | 298        |
| Number of fire hydrants               | 3,315                      | 3,313      | 3,285      | 3,261      | 3,249      | 3,249      | 3,143      | 3,143      |
| Miles of recycled water mains         | 21                         | 20         | 20         | 20         | 19         | 19         | 19         | 19         |
| Streets:                              |                            |            |            |            |            |            |            |            |
| Miles of Streets                      | 249                        | 249        | 249        | 249        | 249        | 249        | 248        | 248        |
| Number of Street Lights               | 7,990                      | 7,976      | 8,481      | 8,181      | 8,179      | 8,170      | 8,163      | 8,171      |
| Number of Traffic Signals             | 188                        | 188        | 187        | 187        | 184        | 182        | 178        | 175        |

Source: City of Santa Clara

Until 10 years of data are available, only the available years will be presented.

**CITY OF SANTA CLARA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years**

Table 6

| As of<br>June 30 | Population | Personal<br>Income<br>(\$000) | Per<br>Capita<br>Buying<br>Income | Median<br>Age | Public<br>School<br>Enrollment | County<br>Unemployment<br>Rate | City<br>Unemployment<br>Rate |
|------------------|------------|-------------------------------|-----------------------------------|---------------|--------------------------------|--------------------------------|------------------------------|
| 2000 / 01        | 102,895    | \$ 2,482,753                  | 24,129                            | 34.3          | 14,308                         | 2.0%                           | 1.9%                         |
| 2001 / 02        | 104,616    | \$ 2,920,983                  | 27,921                            | 34.5          | 13,565                         | 4.5%                           | 4.2%                         |
| 2002 / 03        | 104,306    | \$ 2,818,661                  | 27,023                            | 34.2          | 13,321                         | 8.4%                           | 7.9%                         |
| 2003 / 04        | 105,831    | \$ 2,677,383                  | 25,282                            | 35.2          | 13,188                         | 8.2%                           | 7.7%                         |
| 2004 / 05        | 107,200    | \$ 2,720,598                  | 26,465                            | 35.7          | 13,839                         | 6.2%                           | 5.9%                         |
| 2005 / 06        | 109,106    | \$ 2,765,258                  | 26,513                            | 35.3          | 13,317                         | 5.5%                           | 4.8%                         |
| 2006 / 07        | 110,771    | \$ 3,831,569                  | 34,590                            | -             | 13,366                         | 5.0%                           | 4.3%                         |
| 2007 / 08        | 115,503    | \$ 4,121,147                  | 35,680                            | 34.4          | 13,802                         | 4.7%                           | 4.3%                         |
| 2008 / 09        | 117,242    | \$ 4,225,531                  | 36,738                            | 34.4          | 14,729                         | 11.8%                          | 10.9%                        |
| 2009 / 10        | 118,830    | \$ 4,291,695                  | 36,607                            | 34.9          | 14,446                         | 11.3%                          | 10.4%                        |

Note: (-) Data unavailable

Sources:

- Population and the Unemployment Rate are provided by California Department of Finance Projections.
- Starting in FY 2006-07 Personal Income Data is determined using 2005 American Community Survey Data and adjusted for inflation in accordance with rates provided by the Bureau of Labor Statistics as provided by MuniServices LLC.
- Prior Years Personal Income Data are from Sales and Marketing Power Management-Survey Of Buying Power.

**CITY OF SANTA CLARA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Eight Fiscal Years  
(In Thousands)**

Table 7

| Fiscal<br>Year<br>Ending<br>June 30 | Governmental Activities             |                               |                     |                                     | Redevelopment<br>Agency | Business<br>Activities | Total Primary<br>Government | Population | Debt per<br>Capita | Total<br>Personal<br>Income<br>(\$000) | Debt/Income<br>Ratio |
|-------------------------------------|-------------------------------------|-------------------------------|---------------------|-------------------------------------|-------------------------|------------------------|-----------------------------|------------|--------------------|--|----------------------|
|                                     | Public Financing Authority          |                               |                     |                                     | Tax Allocation<br>Bonds | Revenue<br>Bonds       |                             |            |                    |  |                      |
|                                     | Certificates<br>of<br>Participation | Insurance<br>Funding<br>Bonds | Assessment<br>Bonds | Total<br>Governmental<br>Activities |                         |                        |                             |            |                    |  |                      |
| 2002 / 03                           | \$ 72,895                           | \$ 20,000                     | \$ 8,240            | \$ 101,135                          | \$ 159,727              | \$ 132,646             | \$ 393,508                  | 104,306    | \$ 3,773           | \$ 2,818,661                           | 13.96%               |
| 2003 / 04                           | 70,010                              | 20,000                        | 7,490               | 97,500                              | 151,214                 | 280,609                | 529,323                     | 105,831    | 5,002              | 2,677,383                              | 19.77%               |
| 2004 / 05                           | 66,725                              | 20,000                        | 6,700               | 93,425                              | 141,938                 | 275,360                | 510,723                     | 107,200    | 4,764              | 2,720,598                              | 18.77%               |
| 2005 / 06                           | 63,345                              | 20,000                        | 5,875               | 89,220                              | 140,225                 | 269,883                | 499,328                     | 109,106    | 4,577              | 2,765,258                              | 18.06%               |
| 2006 / 07                           | 59,850                              | 20,000                        | 5,015               | 84,865                              | 135,325                 | 258,015                | 478,205                     | 110,771    | 4,317              | 3,831,569                              | 12.48%               |
| 2007 / 08                           | 56,240                              | -                             | 4,110               | 60,350                              | 130,640                 | 230,970                | 421,960                     | 115,503    | 3,653              | 4,121,147                              | 10.24%               |
| 2008 / 09                           | 52,500                              | -                             | 3,155               | 55,655                              | 125,335                 | 227,390                | 408,380                     | 117,242    | 3,483              | 4,225,531                              | 9.66%                |
| 2009 / 10                           | 48,620                              | -                             | 2,155               | 50,775                              | 119,660                 | 223,170                | 393,605                     | 118,830    | 3,312              | 4,291,695                              | 9.17%                |

Sources: Note 11, Note 2; Statement of Net Assets; MuniServices LLC

The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.