THE CITY OF SANTA CLARA CALIFORNIA

2014-15 through 2018-19
Five-Year Financial Plan

July 1, 2013

ABOUT THIS REPORT

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

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

CURRENT ECONOMIC ENVIRONMENT

What is now referred to as the Great Recession began in December 2007 and came to a technical end in the summer of 2009, making it the longest economic contraction since the Great Depression. Commerce Department records show that the nation's Gross Domestic Product (GDP), the broadest measure of economic activity, contracted four consecutive quarters, including steep declines of 8.9% and 5.3% 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 8.7 million jobs. The national unemployment rate peaked at 10.1% in October 2009, the first time the rate had been above 10% since 1983. Replacing this many jobs is taking longer than what would be seen in a typical recovery. While 6.2 million jobs have been created since March 2010, including job gains for 31 consecutive months, the unemployment rate remains high at 7.5% as of April 2013.

California was hit harder than most states by the recession, largely due to its more pronounced housing bubble and subsequent collapse in home values. The Employment Development Department reports California's unemployment rate rose past the 10% level in February 2009, reached a peak of 12.4% in early 2010, and began declining in late 2010. While the rate has declined, the most recent report for April 2013 still shows a 9.0% unemployment rate. Although this is 1.5% above the national average, it has declined from almost 3% above the national average a year ago. Santa Clara County's experience was similar as its unemployment rate peaked at 11.7%. The most current reading for April 2013 is 6.5%. 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 has now begun to rebound, especially in the Bay Area. According to the most recent S&P/Case-Shiller 20 City Home Price Index, all 20 cities experienced an increase in the 12 months ended February 2013, with the three California cities in the survey (Los Angeles, San Diego and San Francisco) up 14.1%, 10.2%, and 18.9% respectively. With fewer California homeowners now in a negative equity position, the number of homes entering foreclosure has declined significantly, providing a boost to consumer spending.

ECONOMIC OUTLOOK

Economists believe that the recovery that began in the second half of 2009 is sustainable. GDP has now grown for 15 consecutive quarters (see Chart 1). However, getting consumers to feel optimistic about the outlook for the economy has been challenging. The Conference Board's Consumer Confidence Index stands at 68.1 as of April 2013 (see Chart 2). While this is a significant improvement from the low of 25.0 reading during the Great Recession, the index remains well below where it normally would be several years into a recovery. According to Lynn Franco, Director of Economic Indicators for The Conference Board, "…consumers' confidence has been challenged several times over the past few months by such events as the fiscal cliff, the payroll tax hike and the sequester."

Chart 1
Gross Domestic Product Percent Change From Preceding Quarter

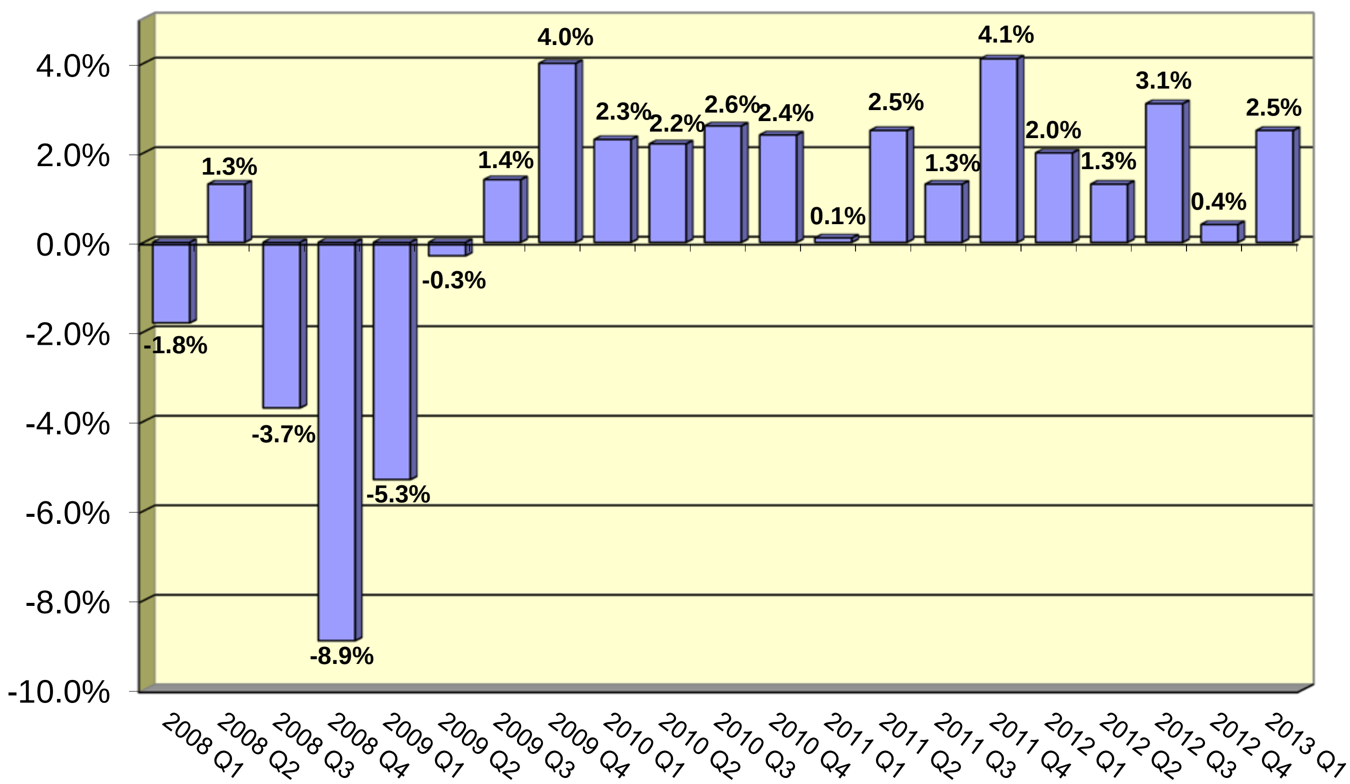
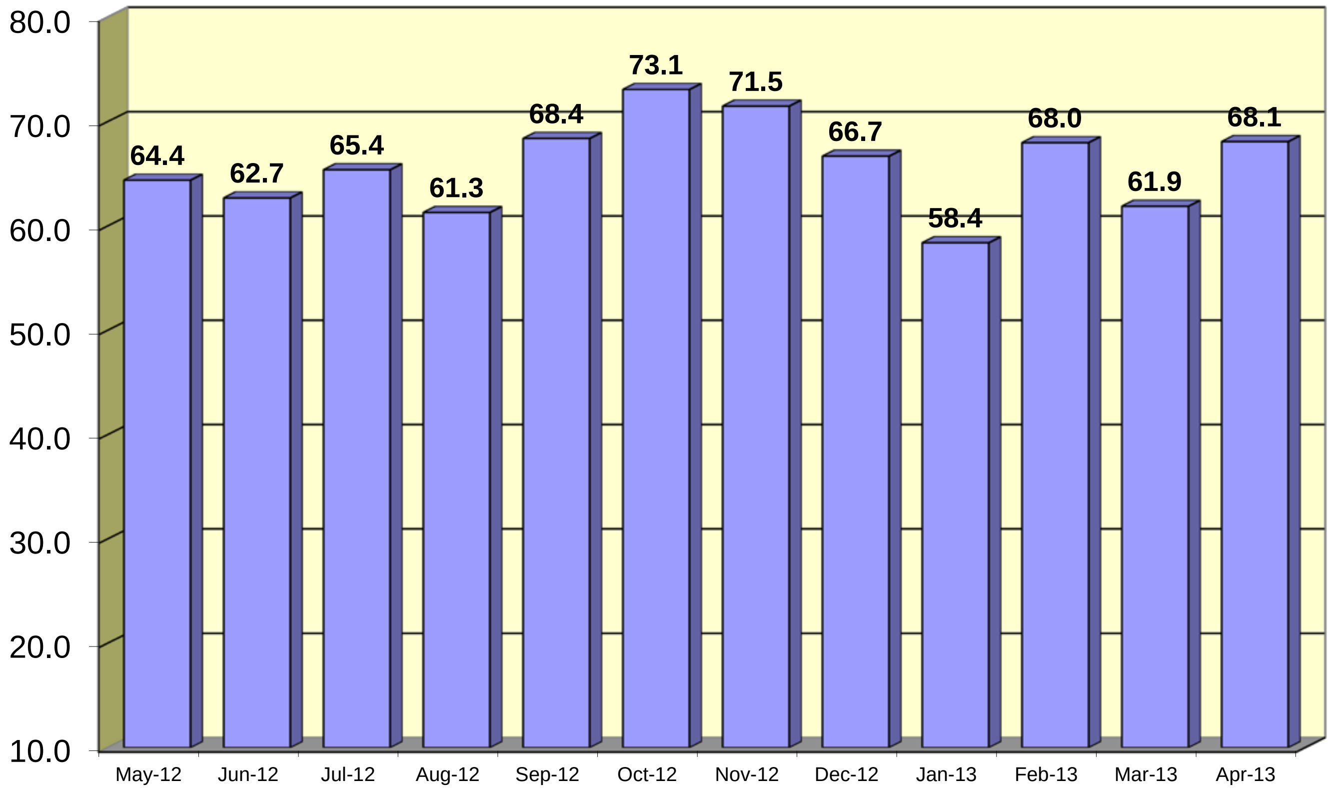


Chart 2
Consumer Confidence Index



Major Risks on the Horizon

Despite the positive turnaround in the economy, there continues to be serious risks. The primary concern is weak job growth with high rates of unemployment continuing for several more years. Economists are also concerned that the quality of the jobs that have been created is lower than the jobs that were lost with many outsourced jobs not expected to return and automation and efficiency improvements eliminating the need for certain jobs. Although, economists are projecting that the economic recovery will continue, they caution that continued economic turmoil in Europe, prolonged national debate on the Federal deficit, and eventual fiscal tightening by the Federal Reserve likely will cause growth to be slower than what would normally be experienced during a period of growth.

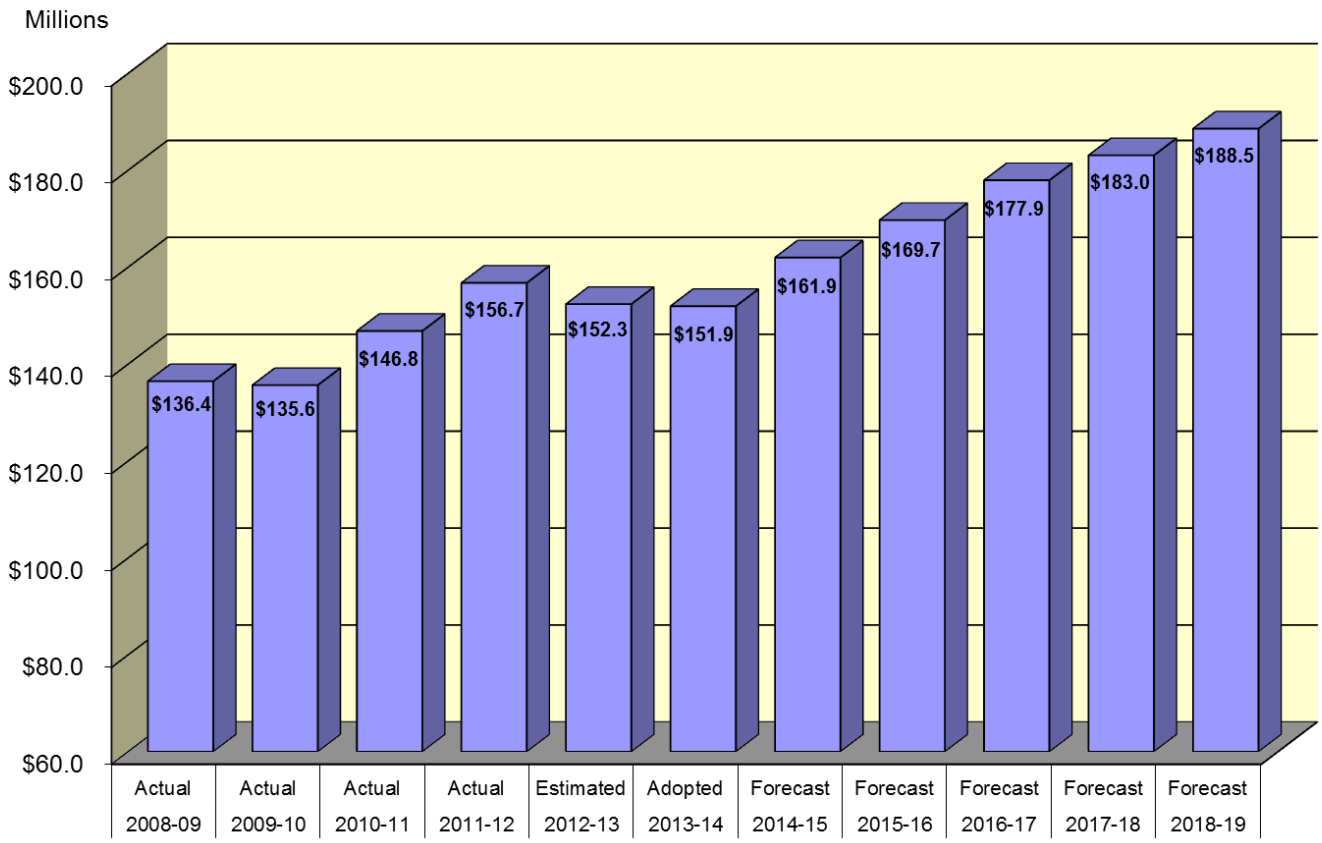
In addition, the recent State of California Redevelopment Agency dissolution has resulted in a loss of about $3.6 million in General Fund charges for current services revenues and left uncertain the continued collection of several key lease revenues. The dissolution process has consumed a significant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

SANTA CLARA'S FINANCES

The damage to the economy resulting from the steep recession profoundly affected City revenues, which tend to lag behind general economic conditions. Total General Fund resources are estimated at $151.9 million in 2013-14, representing a decrease of 0.3% when compared to estimated 2012-13 year-end actuals. The primary reasons for the decrease include a plan to lower the General Fund's reliance on lease revenues by $6.3 million, a drop in projected investment interest of $1.0 million, and the fact that 2012-13 property tax collections included a $1.1 million one-time correction for prior year overpayment of property tax administration fees. These declines are expected to be partially made up by a projected $4.8 million increase in tax revenues.

As shown in Chart 3, General Fund resources, which began to recover in 2010-11, are expected to grow at an average annual rate of 4.0% in the out years as the economy continues to recover, reaching an estimated $188.5 million in the final year (2018-19) of the forecast.

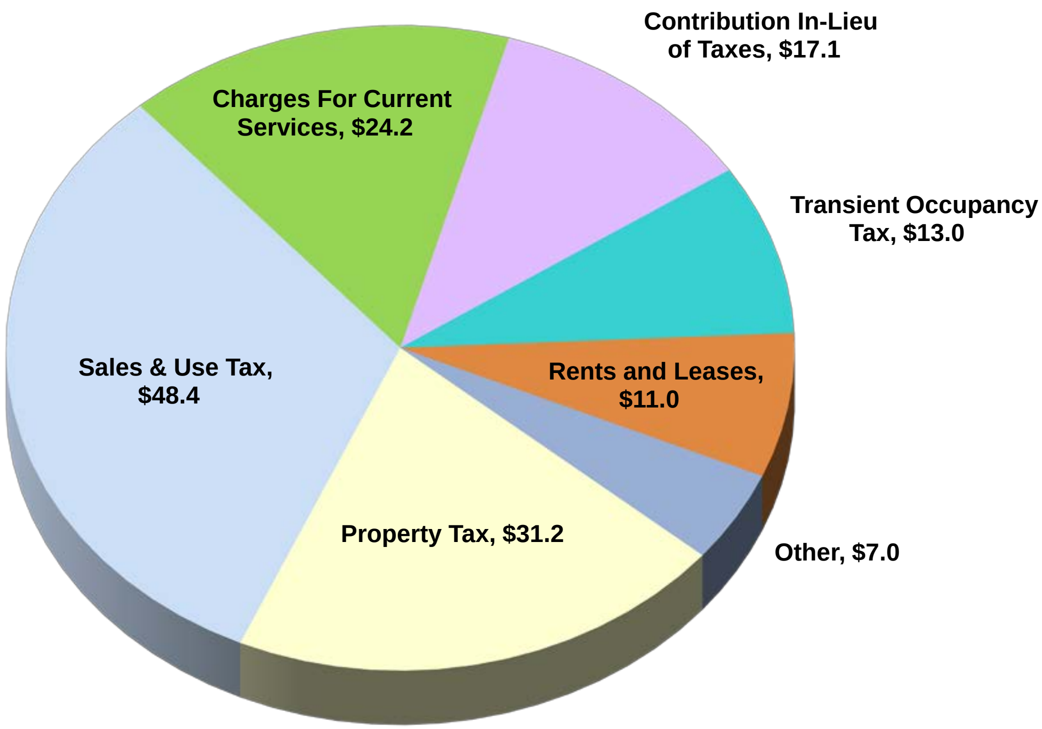
Chart 3
General Fund Resources



Sources of General Fund Revenues

Major sources of revenue for the General Fund are shown in Chart 4. Sales tax and property tax comprise the largest sources of General Fund revenues, representing a combined $79.6 million or 52.4% of the total. These and other major sources of revenue are described on the following pages.

Chart 4
2013-14 General Fund Resources



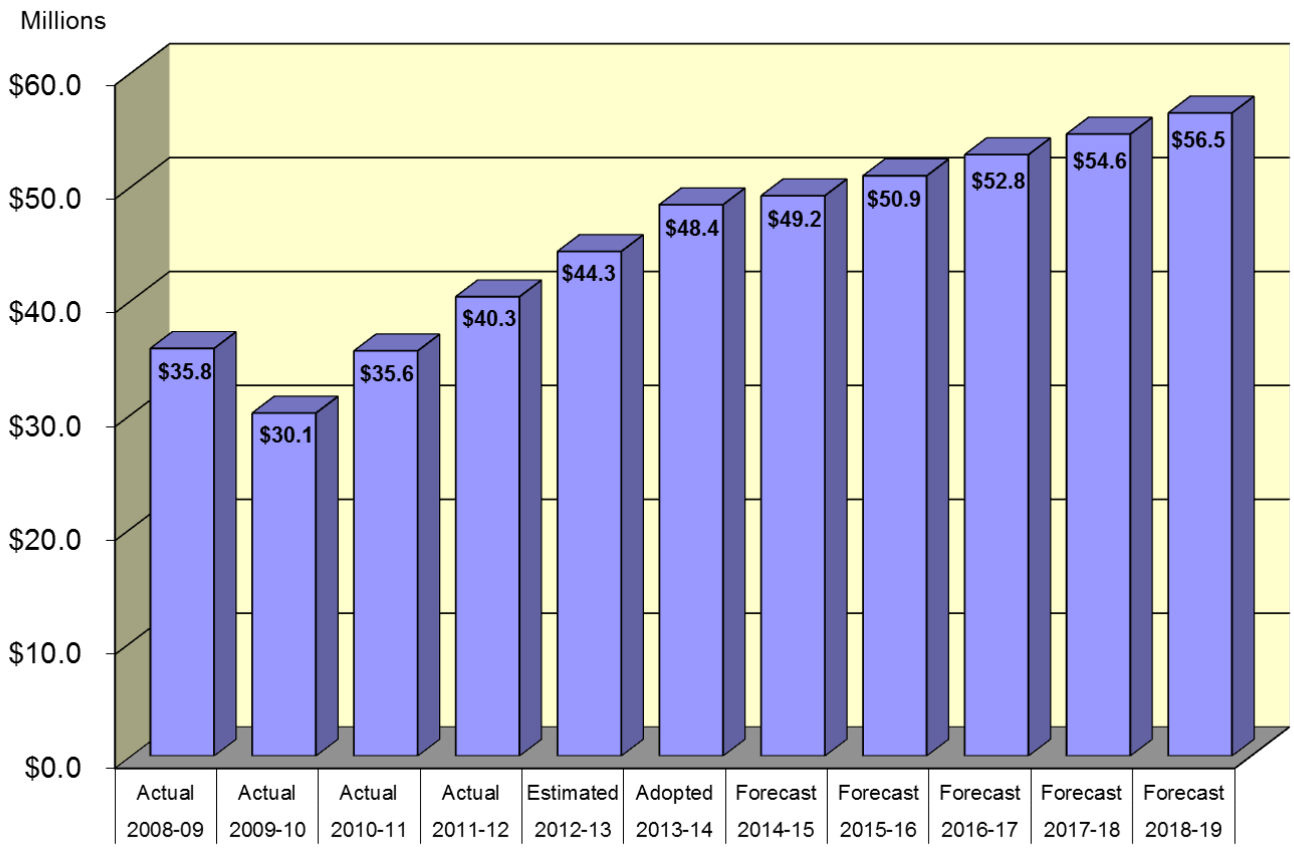
Total General Fund Revenue = $151.9 Million

Sales Tax

Sales tax revenue performance is directly linked to economic and business cycles and remains the largest, but most volatile General Fund revenue source. In prior years, sales tax was the City's dominant revenue source, reaching a dot-com high of $51.1 million in 2000-01. After falling almost $17 million by 2002-03, this key revenue source rebounded to $43.2 million by 2006-07 as rising home values and stock prices fueled consumer spending. Over the next three years, sales tax revenues fell $13.1 million or 30% due to the impact of the Great Recession (see Chart 5). Sales tax revenues began to grow again in 2010-11 with strong growth continuing in 2012-13. The year-end estimate for 2012-13 is 9.6% growth over actual 2011-12 collections or $44.3 million, passing pre-recession levels six years after the 2006-07 peak.

Based on projections from our sales tax consultant, MuniServices, we expect $48.4 million of sales tax collections in 2013-14 and for collections to continue growing but at a slower average annual rate of 3.1% through the forecast period.

Chart 5
General Fund Sales Tax Revenue

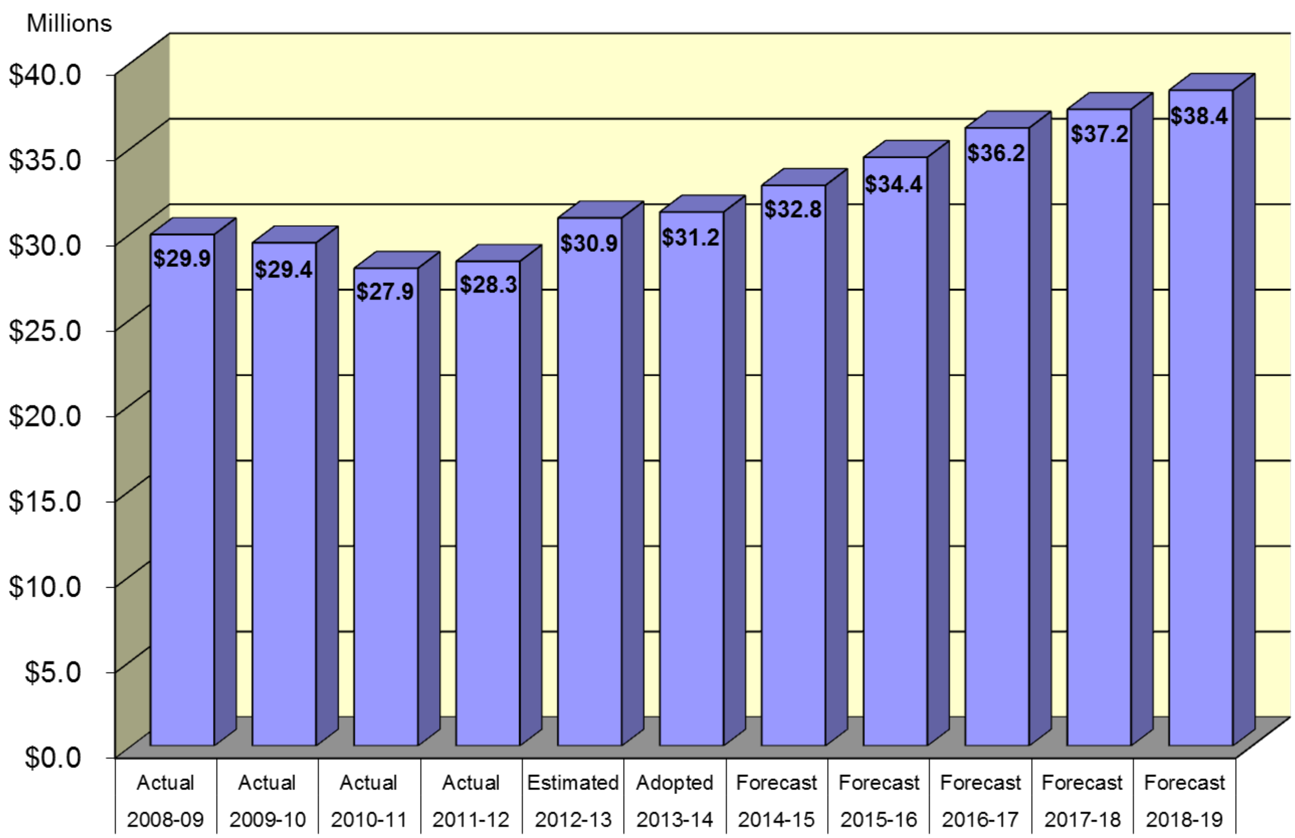


Property Tax

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

This trend reversed in 2011-12 when collections rose $0.4 million to $28.3 million. Growth continued in 2012-13 and the year-end projection of $30.9 million would pass the pre-recession high of $29.9 million in 2008-09 (four years later). Note that the 2012-13 year-end estimate includes $1.1 million of one-time revenues for prior year overpayment of property tax administration fees. For 2013-14, collections are projected to rise to $31.2 million as the Proposition 8 temporary valuation adjustments begin to be removed. Property tax collections are projected to rise at a rate of 5.0% per year in 2014-15 through 2016-17 as the remaining Proposition 8 temporary valuation adjustments are removed and new construction assessed valuation is added to the property tax rolls, and at a rate of 3% per year through the remainder of the forecast period (see Chart 6).

Chart 6
General Fund Property Tax Revenue

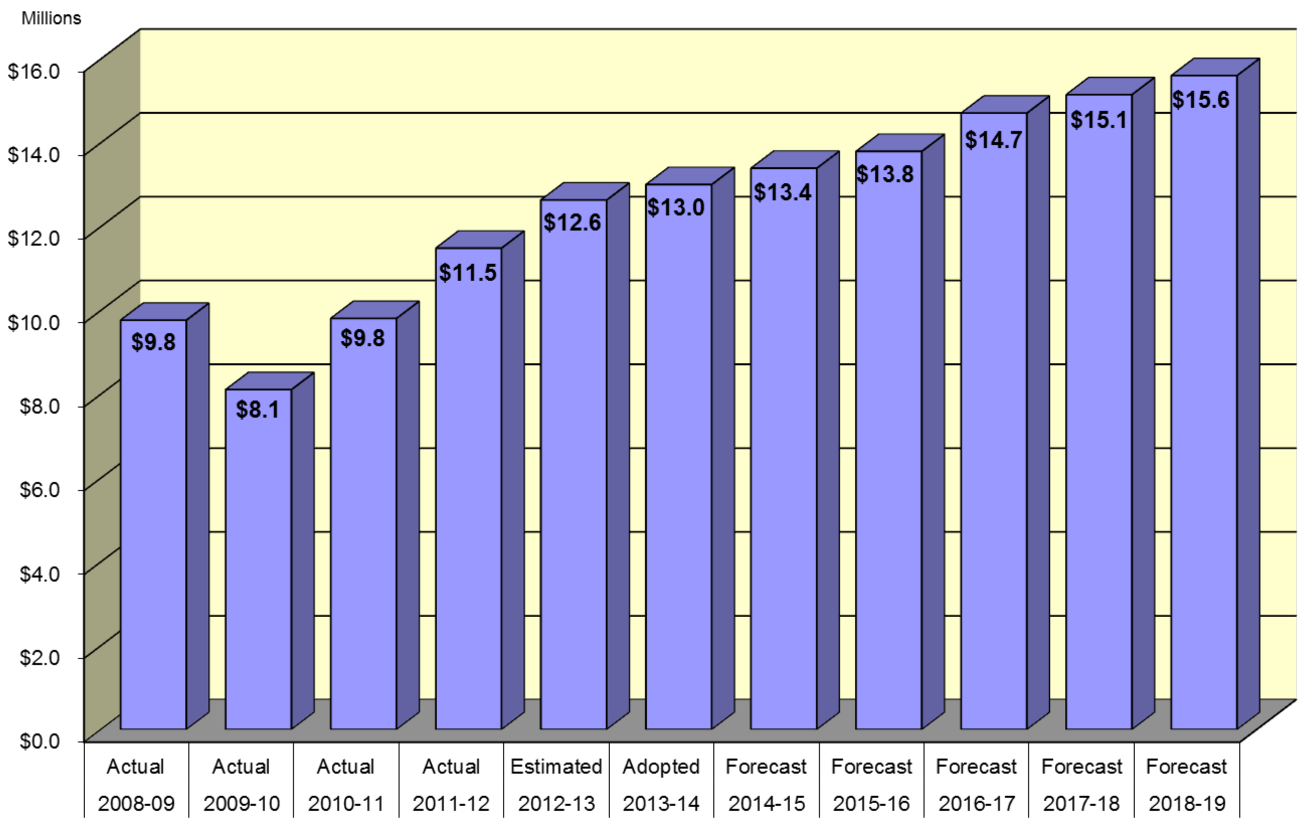


Transient Occupancy Tax

Transient occupancy tax (TOT), also known as hotel/motel tax, is another key revenue source for the City. Like the sales tax, TOT is sensitive to business cycles and therefore prone to volatility. After reaching a pre-recession peak of $11.3 million in 2007-08, these revenues fell sharply to $8.1 million in 2009-10. Collections rebounded in 2010-11 and 2011-12 due to the combination of higher occupancy levels and increases in the average daily rate (ADR). This growth has continued in 2012-13 with year-end collections expected to be $12.6 million.

The 2013-14 Budget projects TOT collections to rise to $13.0 million, and the forecast projects that growth will continue at a rate of 3% per year as ADR continues to rise. An additional increase of $0.5 million was added to the 2016-17 projection to reflect new hotel properties that are expected to open during the forecast horizon (see Chart 7).

Chart 7
General Fund Transient Occupancy Tax Revenue



Charges for Current Services

Charges for current services are estimated at $24.2 million in 2013-14, up 0.8% over the 2012-13 year-end estimate but down from a high of $30.5 million in 2011-12. The primary reason for the decrease in this category is the State of California's dissolution of the City's Redevelopment Agency (RDA) effective February 1, 2012. The City's General Fund provided all staffing services to the RDA. Under the Dissolution Act, the amount that can be reimbursed for administrative costs has been reduced to an estimated $0.5 million in 2013-14. This is a decrease of $3.6 million from the amount received in fiscal year 2011-12.

Major sources of revenue for this category include charges for services provided to other funds ($15.3 million), recreation charges ($1.9 million), fire prevention and HazMat charges ($2.5 million), planning and engineering fees ($3.2 million), and various other customer service fees. As a result of a comprehensive fee studies in 2008-09 and 2012-13, many fees have been increased to reflect gradual attainment of cost recovery for fees over a several year period. The amount charged to other funds includes $0.8 million to fully reimburse the General Fund for stadium-related services provided to the Santa Clara Stadium Authority.

Contribution In-Lieu of Taxes

In accordance with the City's charter, Silicon Valley Power pays 5% of gross revenues as contribution-in-lieu of taxes (CLT). For 2013-14, CLT is projected to total $17.1 million. The forecast is that CLT will increase to a little under $19 million by the end of the forecast period. The forecast is primarily driven by market projections for electric consumption.

Rents and Leases

In 2013-14, revenue recorded as rents and leases is estimated to total $17.3 million. These accounts include lease payments from the Great America Theme Park ($5.3 million), The Irvine Company Project ($4.4 million), Hyatt Regency Hotel ($1.7 million), the Techmart Building ($1.2 million), and the Hilton Hotel ($0.7 million), as well as payments on several other smaller leases and about $3.1 million in right-of-way rental fees charged to the water and sewer utilities. As mentioned previously, as a conservative measure, the 2013-14 Budget for the General Fund has reduced its reliance on rents and leases by $6.3 million. Revenue from the ground lease of the Stadium site is included in the forecast beginning in 2014-15.

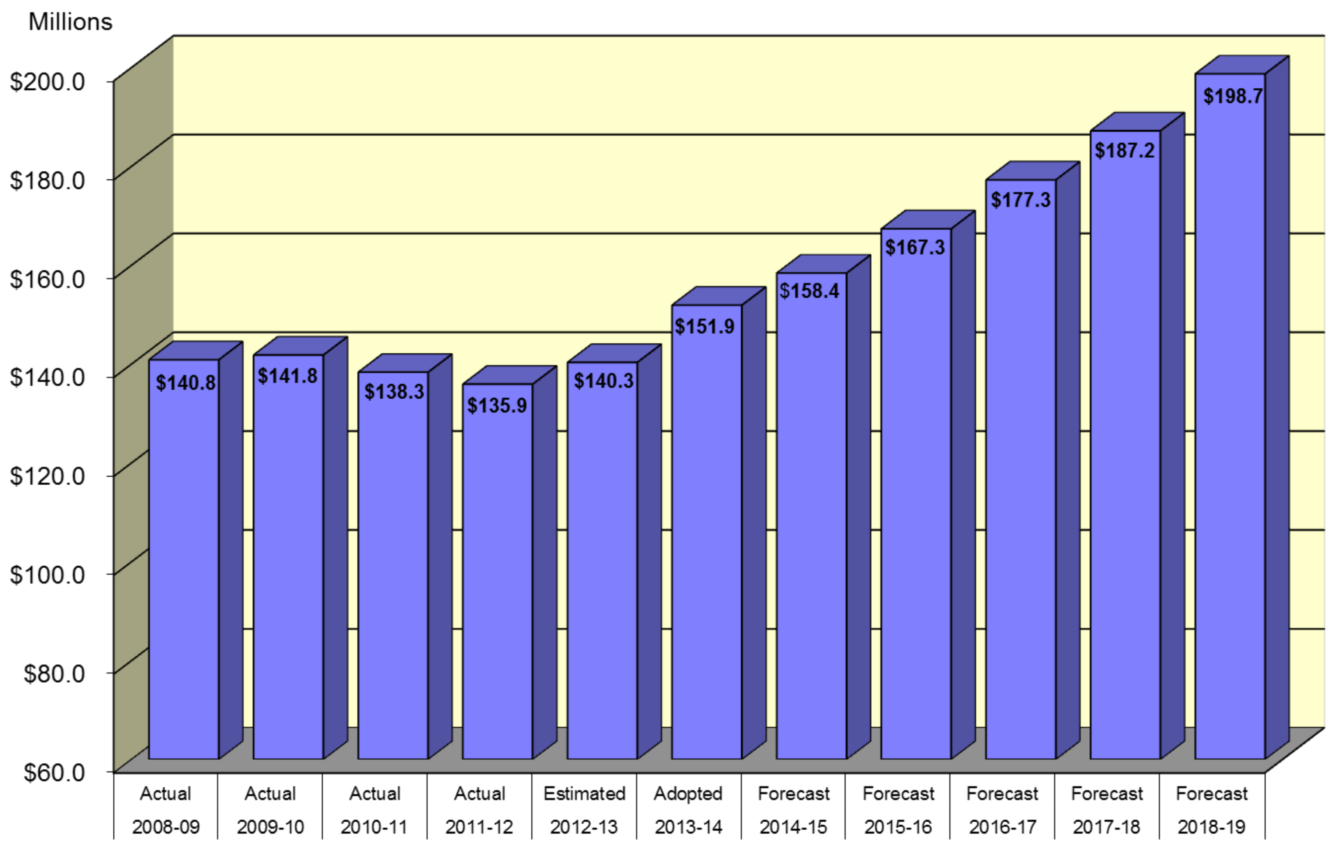
Interest Income

The City invests all funds not needed for current cash requirements in accordance with the City Council approved Investment Policy. These funds are invested in securities having a maximum maturity of five years. The factors that directly influence General Fund interest income include prevailing interest rates, the size of the portfolio, and the relative percentage of the portfolio allocated to the General Fund. Over the last several fiscal years, the return on the City's portfolio has declined from 4.92% in 2005-06 to an expected 0.73% in 2013-14. These declines are primarily due to the extraordinary actions by the Federal Reserve to hold interest rates low. Based on this expected decline in returns, the General Fund is expected to receive $1.1 million in interest in 2013-14. Returns are expected to bottom out in 2013-14 and grow slowly through the remaining years of the forecast period.

Expenditures

Chart 8 provides historic information on General Fund expenditures. General Fund expenditures rose steadily through 2008-09 primarily due to growth in salary and benefit costs. Growth was constrained in 2009-10 as a managed hiring freeze was put in place and positions were left unfilled. In 2010-11, expenditures declined to $138.3 million due to an expanded hiring freeze, the elimination of positions, and the implementation of unpaid furloughs for most bargaining groups. In total, more than 100 positions were either eliminated, frozen, or held vacant, generating significant savings. In 2012-13, the frozen and held vacant positions continued along with unpaid furloughs for most bargaining groups, resulting in a year-end estimate of $140.3 million. This amount is expected to grow to $151.9 million in 2013-14.

Chart 8
General Fund Expenditures



Despite past actions to constrain expenditure growth, the primary growth driver continues to be increases in benefit costs. Consistent with calendar year Memorandums of Understanding (MOUs), in 2013-14 furloughs are projected to end in the first half of the fiscal year for most bargaining groups. No general salary adjustment is assumed in the 2013-14 Budget. A Consumer Price Index (CPI) based general salary adjustment is assumed for the second half of fiscal year 2014-15 and each successive forecast year. Projections call for CPI to gradually increase from 1.9% in 2014-15 to 3% in 2018-19.

As shown in Charts 9 and 10, salary and benefits costs represent the majority ($120.9 million) of budgeted 2013-14 operating expenditures. Salary and benefits costs as a percentage of total operating expenditures grew from 75.6% in 2001-02 to 79.6% in 2013-14 (see Chart 11). Significant factors driving this growth include negotiated labor agreements and rising pension costs. During this same time period, other operating expenses, consisting mainly of materials, services, and supplies, fell from 24.4% to 20.4% of total operating expenditures.

Chart 9
General Fund Salary & Benefit Expenditures

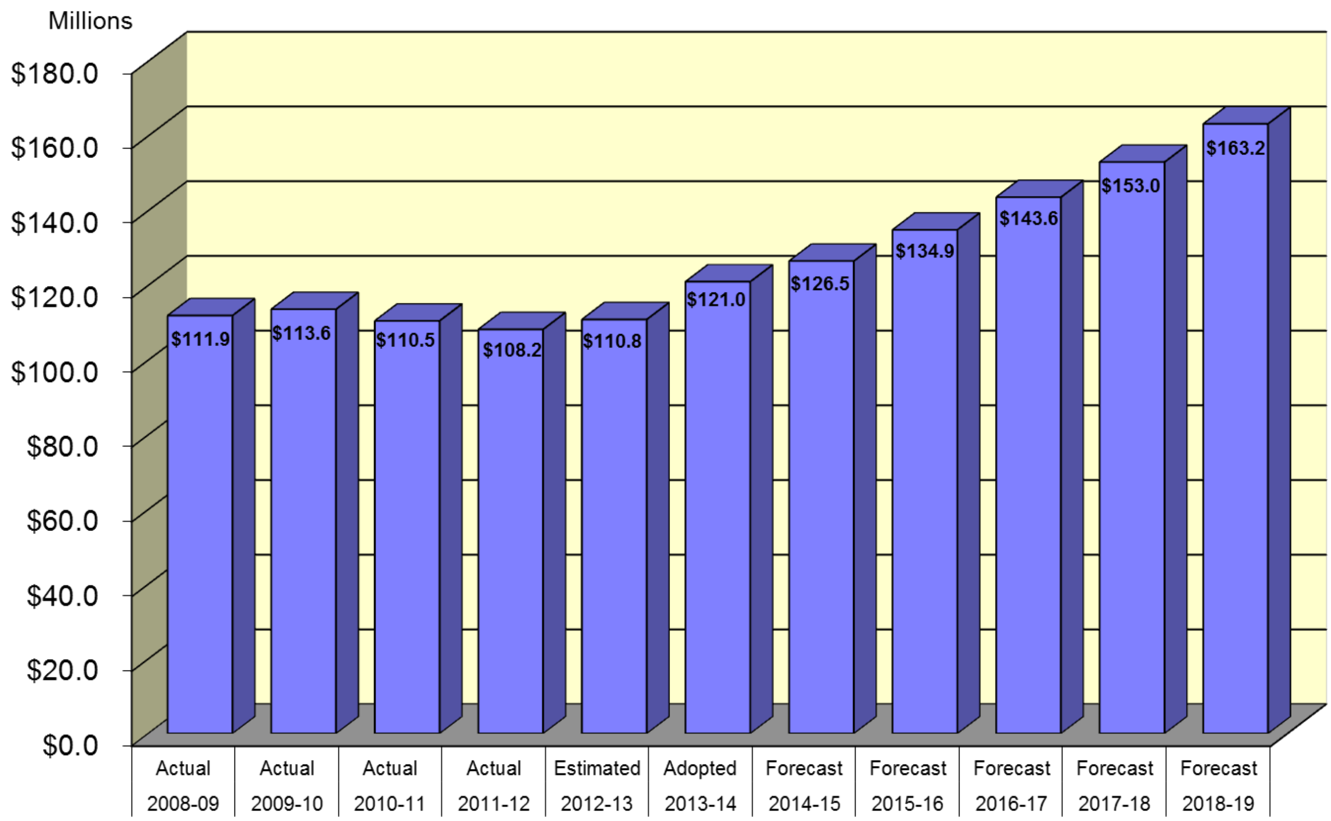
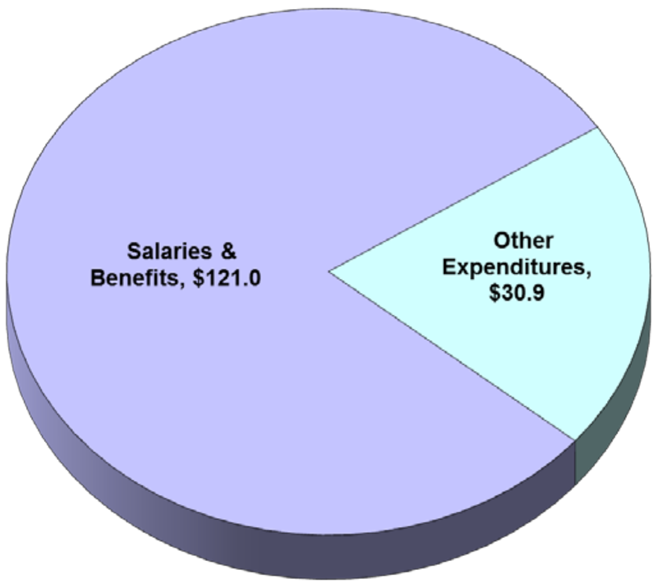
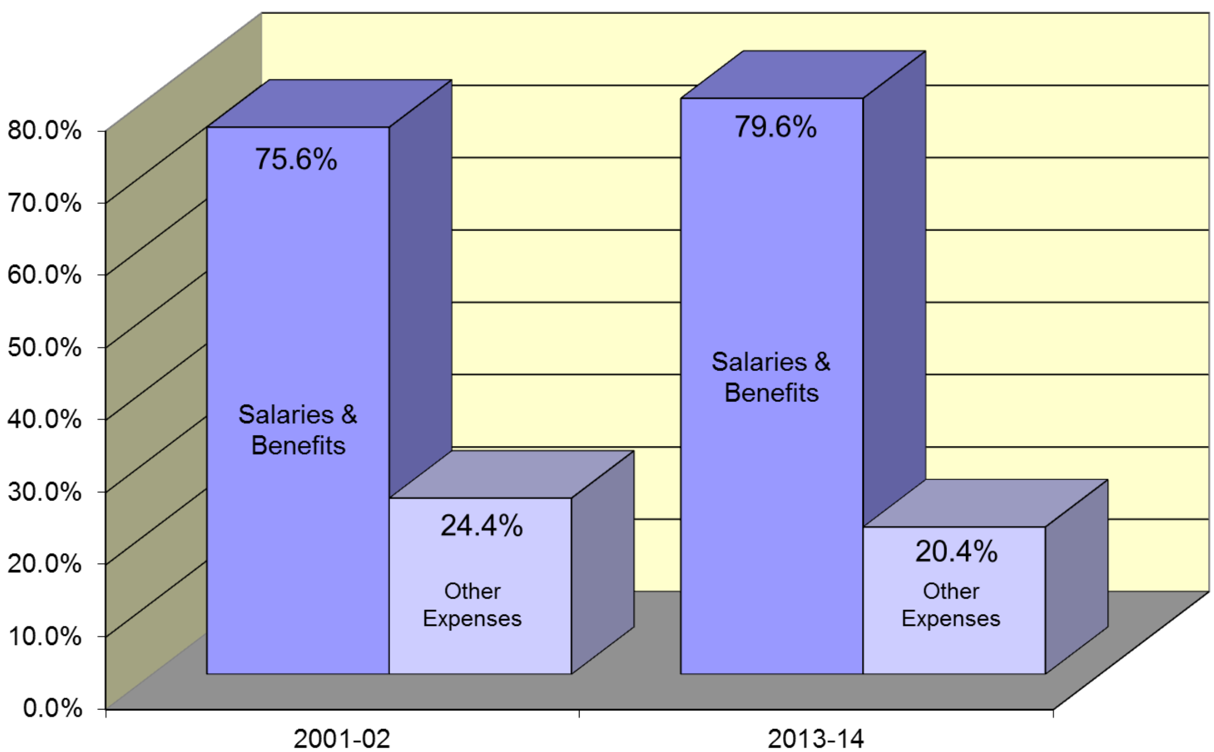


Chart 10
2013-14 General Fund Expenditure Components



Total General Fund Expenditures = $151.9 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 age 55 for Miscellaneous Plan members and 3% at age 50 for Safety Plan members.

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

CalPERS retirement costs rose sharply over the past decade as a result of the market losses in the early 2000s followed by benefit enhancements in the mid-2000s. In 2004-05, General Fund pension costs were $11.4 million. Nine years later, 2013-14 pension costs are projected to be $23.1 million. As shown in Chart 12, retirement payments on behalf of employees are expected to rise dramatically as required employer rate increases are rolled in to make up for investment losses in 2008-09, a lower investment return assumption, shorter smoothing periods, and other demographic assumption changes including longer lifespans for retirees. These increases accelerated beginning in 2011-12 and ramp up significantly starting in 2015-16. By the end of the Five-Year Financial Plan period, PERS expenditures are projected to reach an estimated $45.1 million, almost triple the cost from 10 years earlier, and consume an estimated 23.9% of General Fund revenues (see Chart 13).

Chart 12
General Fund PERS Expenditures

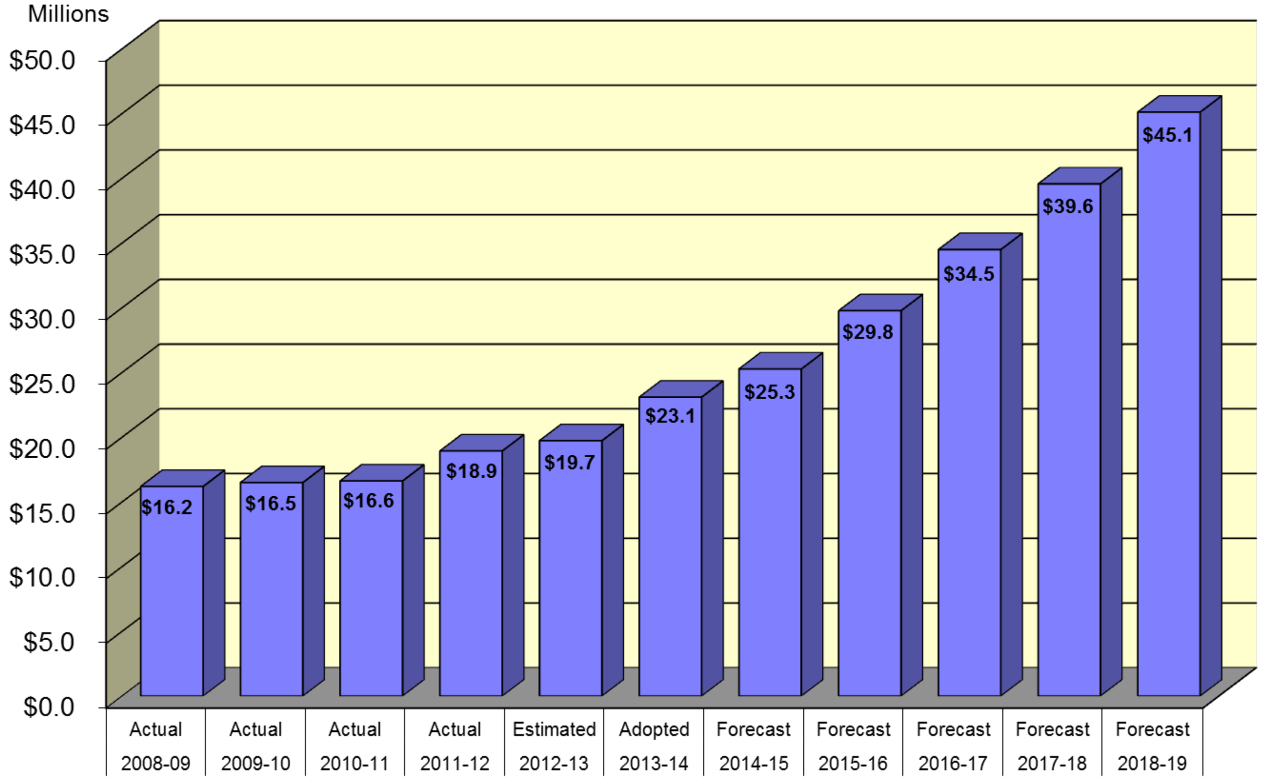
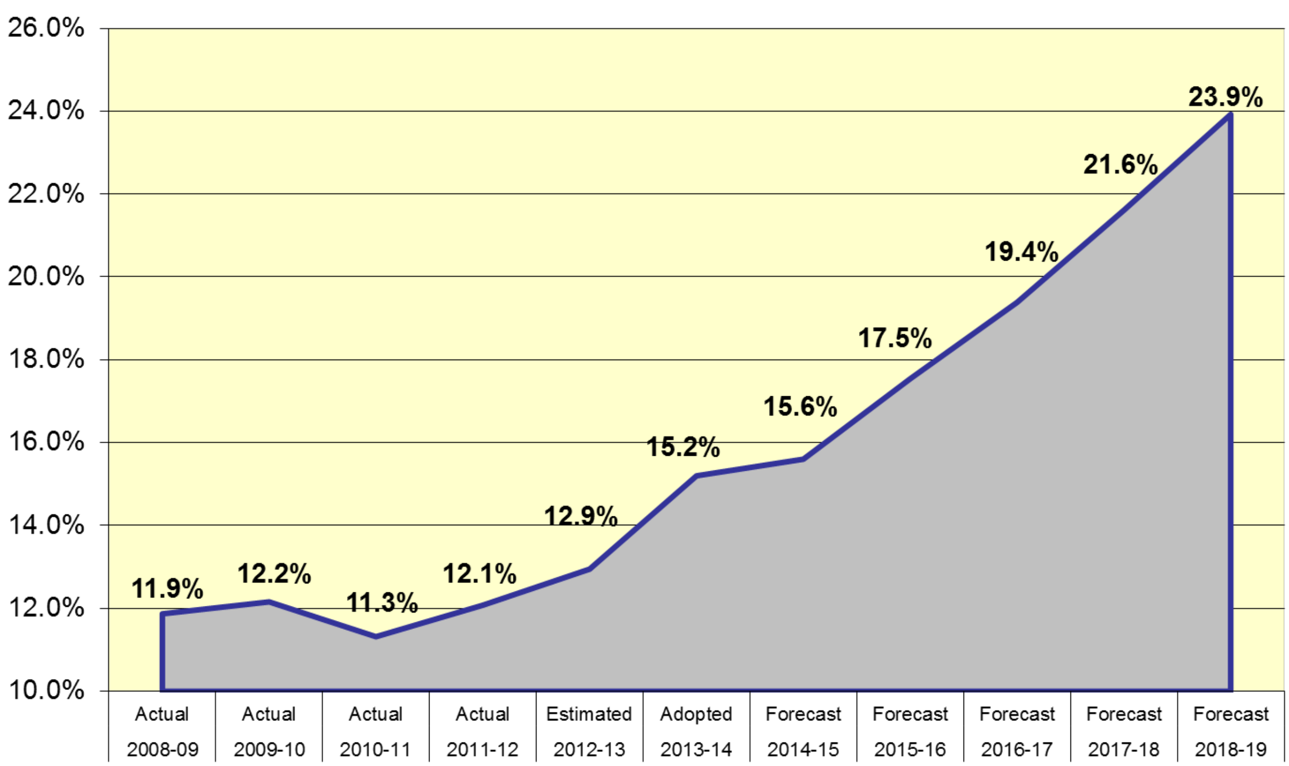


Chart 13
PERS Expenditures as a Percent of Annual Revenues



The first major driver behind current and future rising retirement costs is the steep market losses experienced during the Great Recession. The CalPERS investment portfolio lost 4.9% in 2007-08 and 24.0% in 2008-09. CalPERS' actuarial assumption was that it would earn an average 7.75% annual investment return; this is the rate of growth it needed to keep employer rates stable, all other things being equal. Given this assumption, CalPERS fell short of its actuarial estimate by 44.4% over this two year period, placing significant upward pressure on future rates. Rate increases to begin to make up for these losses were phased in over three years with 2013-14 being the third year of increase.

The second major driver behind upcoming rate increases are decisions made by the CalPERS Board. Last year the CalPERS Board revised their investment earnings assumption downward from 7.75% to 7.5% and this year modified smoothing policies from 15-year rolling average to five-year direct smoothing and changed the amortization period for investment gains and losses from a rolling to a fixed 30-year period. These changes were designed to help agencies move toward 100% funding faster than under the prior policies. The lower investment earnings assumption has already been incorporated into the calculation of rates for 2013-14. The smoothing and amortization policy changes are being implemented over a two year period beginning in 2015-16. These changes are expected to add about 6.8% to our Miscellaneous Plan rates and 11.2% to our Safety Plan rates by the end of the Five-Year Financial Plan period.

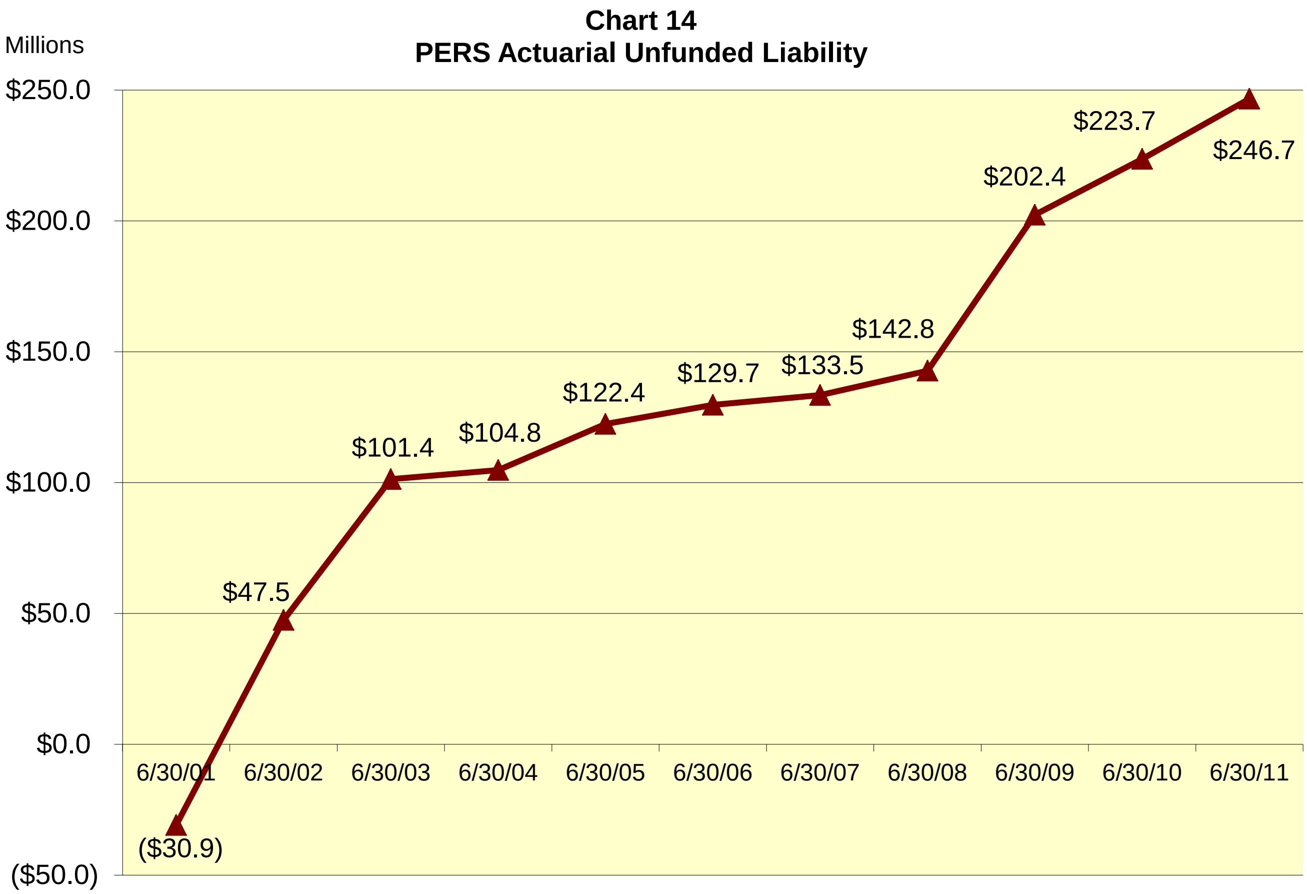
The third major driver behind projected rate increases are upcoming decisions that the CalPERS Board is expected to make. They are expected to again lower the investment earnings assumption from 7.5% to either 7.25% or 7.0%. They are also reviewing other actuarial assumptions including mortality assumptions which likely will show that retirees and their beneficiaries are expected to live longer than previously assumed. These additional changes may double the rate impacts discussed previously.

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

Table 1
Projected CalPERS Employer Rates

	Percent of Salary:	
Fiscal Year	**Miscellaneous Plan**	**Safety Plan**
2012-13	23.310%	31.939%
2013-14	25.216%	35.340%
2014-15	26.600%	37.700%
2015-16	29.793%	43.110%
2016-17	32.987%	48.520%
2017-18	36.120%	53.930%
2018-19	39.373%	59.340%

Chart 14 examines the City's increasing PERS unfunded liabilities. In 2000-01, after years of double-digit returns on PERS investments, the value of the City's assets held by CalPERS actually exceeded projected liabilities, resulting in an over-funded scenario that allowed rates for the miscellaneous plan to drop to zero. However, after two consecutive years of investment losses, the value of the City's assets held by CalPERS declined dramatically. Asset values did recover in the years that followed, but not at a rate sufficient to keep up with future liabilities. Years of salary increases and the benefit enhancements of the mid-2000s pushed unfunded retirement liabilities to $142.8 million by the end of 2007-08, and the investment losses from 2008-09 have pushed the unfunded liabilities to $246.7 million as of June 30, 2011 (the most recent actuarial valuation date).



Balancing the Structural Budget Deficit

Prior to the recession, the City enjoyed three consecutive years of annual operating surpluses. However, as shown in Charts 15 and 16, 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 reserve balance of only $2.5 million. For the first time in three years, the General Fund ended 2010-11 with a surplus of $8.5 million, allowing for much needed contributions to reserves. It should be noted that the 2010-11 budget included several one-time actions such as the $5.5 million sale of the Altamont Pass property to the Electric Utility. For 2011-12, a surplus of $20.8 million was primarily the result of strong growth in economically sensitive revenues and $6.1 million of restricted one-time revenues for the Levi's Stadium project (unspent monies from these restricted revenues were transferred at year-end to the Building Inspection Reserve in accordance with applicable laws and adopted Council policy).

Beyond the balanced budget for 2013-14, the individual revenue and expenditure projections described previously result in declining surpluses in 2014-15 through 2016-17 and deficits in 2017-18 and 2018-19 based on the assumed end of unpaid furloughs mid-way through 2014-15, general salary adjustments in line with projected changes in CPI, and rapidly rising pension rates. These projected shortfalls, would be even greater if not for stadium ground lease payments and additional transient occupancy tax that is expected from a possible new hotel.

Chart 15
General Fund Resources and Expenditures

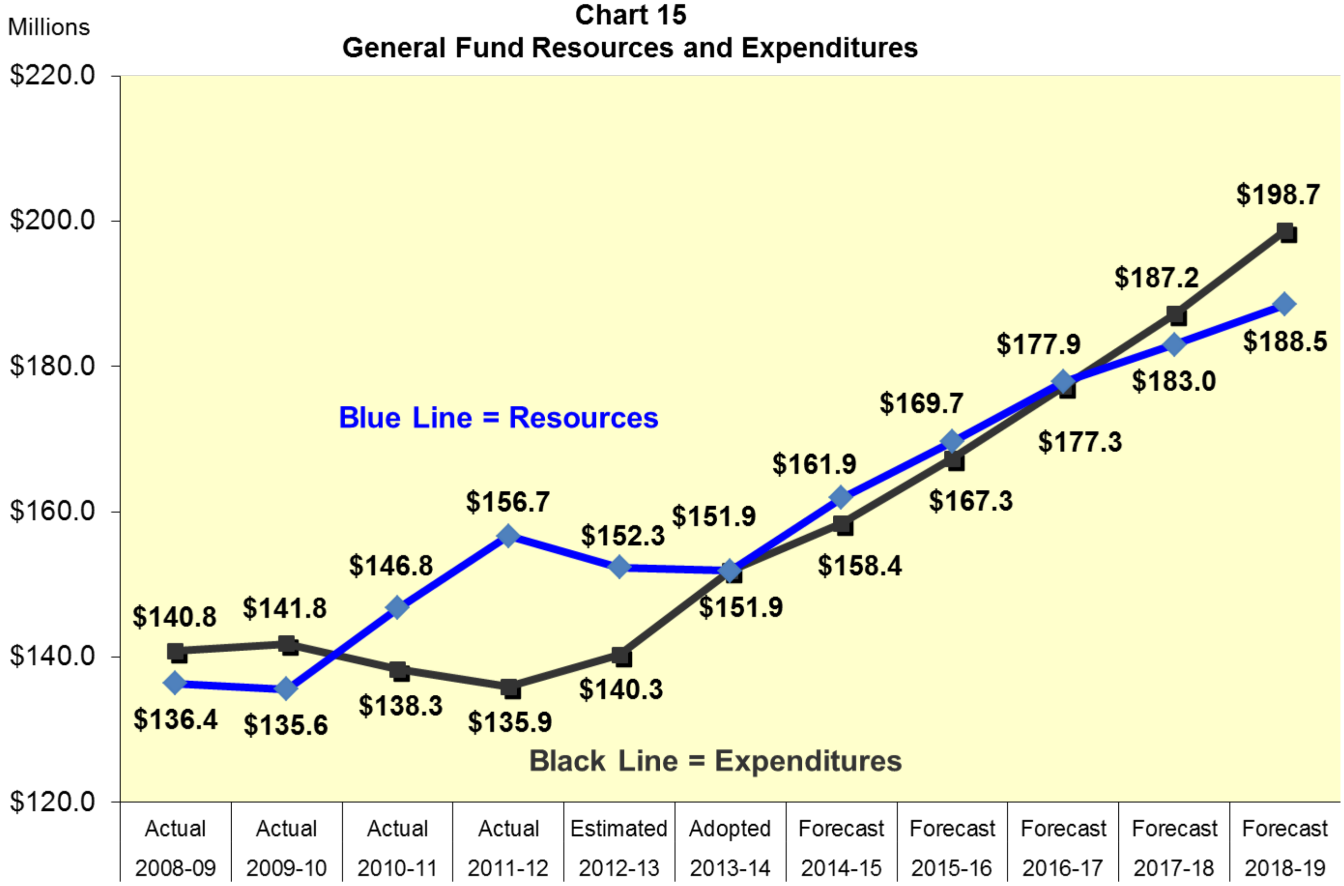
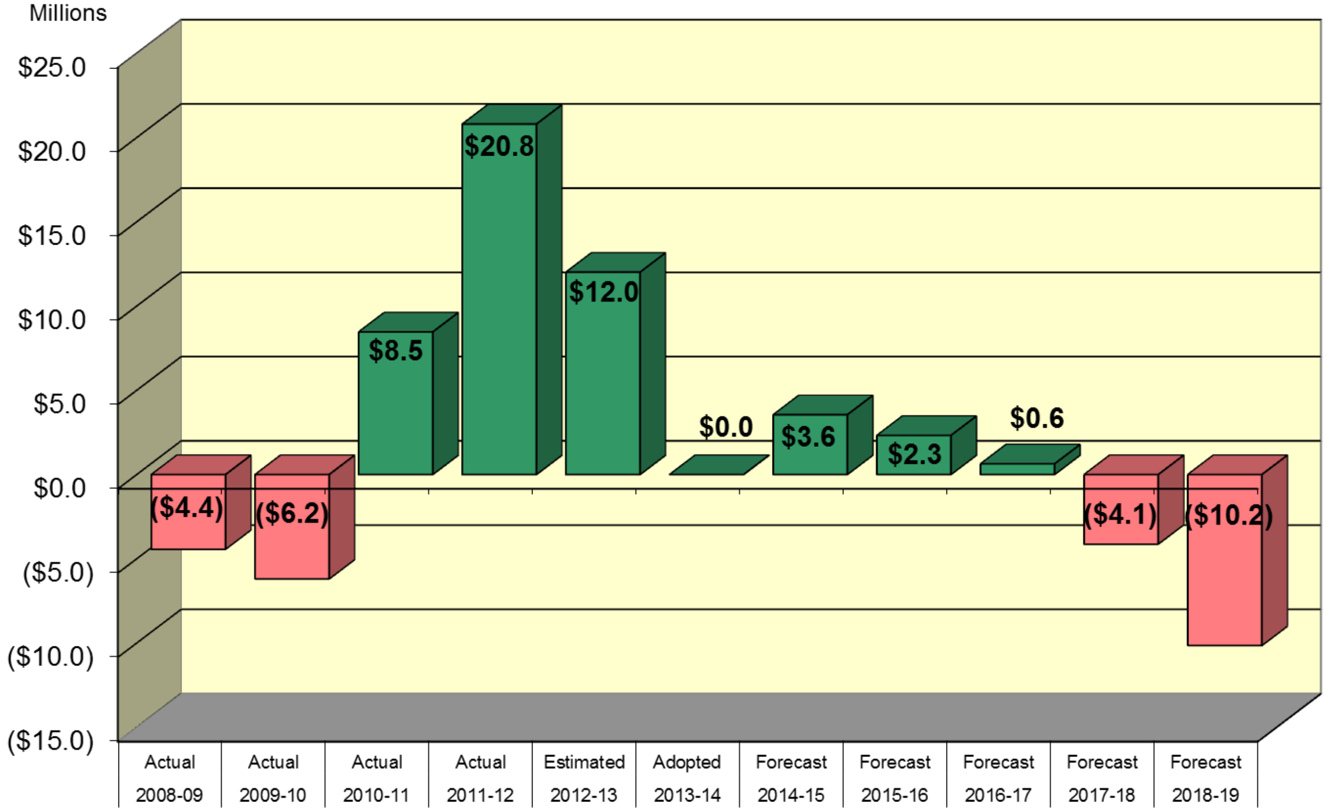


Chart 16
General Fund Operating Surplus/(Deficits)



Reserves

During 1985-86, the City Council established a policy regarding use of the City's General Contingency Reserve funds. Under that policy, two separate reserves were established: a *Working Capital (Emergency) Reserve* and a *General Contingency Reserve for Capital Projects*. The Working Capital Reserve is set aside for emergency, financial crisis or disaster situations. The target size for the Working Capital Reserve is 25% of General Fund expenditures or enough to provide funding for 90 days of operations. For 2012-13, this would be approximately $36.0 million compared to an available balance of $6.4 million as of June 30, 2012.

During fiscal years 2002-03, 2003-04 and 2004-05, the City drew down its Working Capital (Emergency) Reserve to meet its financial needs. By 2004-05, the reserve ended with a balance of $13.8 million (see Chart 17). The City re-built the reserve to $21.1 million by 2007-08, thanks to strong economic growth and three consecutive years of operating surpluses. But as revenues began to fall in 2008-09, the City again turned to its reserves in an effort to protect vital services for its residents and other stakeholders. The City budgeted another draw of $6.7 million in 2009-10, which would have brought the balance down to $9.1 million. However, revenues fell far below budget and an additional $6.2 million was needed, resulting in a balance of only $2.5 million at June 30, 2010 after funding shortfalls in other funds. Using the reserve helped sustain service levels but depleted an important source of funding that provides flexibility to respond to unanticipated operating events. As a result of surpluses at the end of 2010-11 and 2011-12, the reserve level rose to $6.4 million as of June 30, 2012.

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

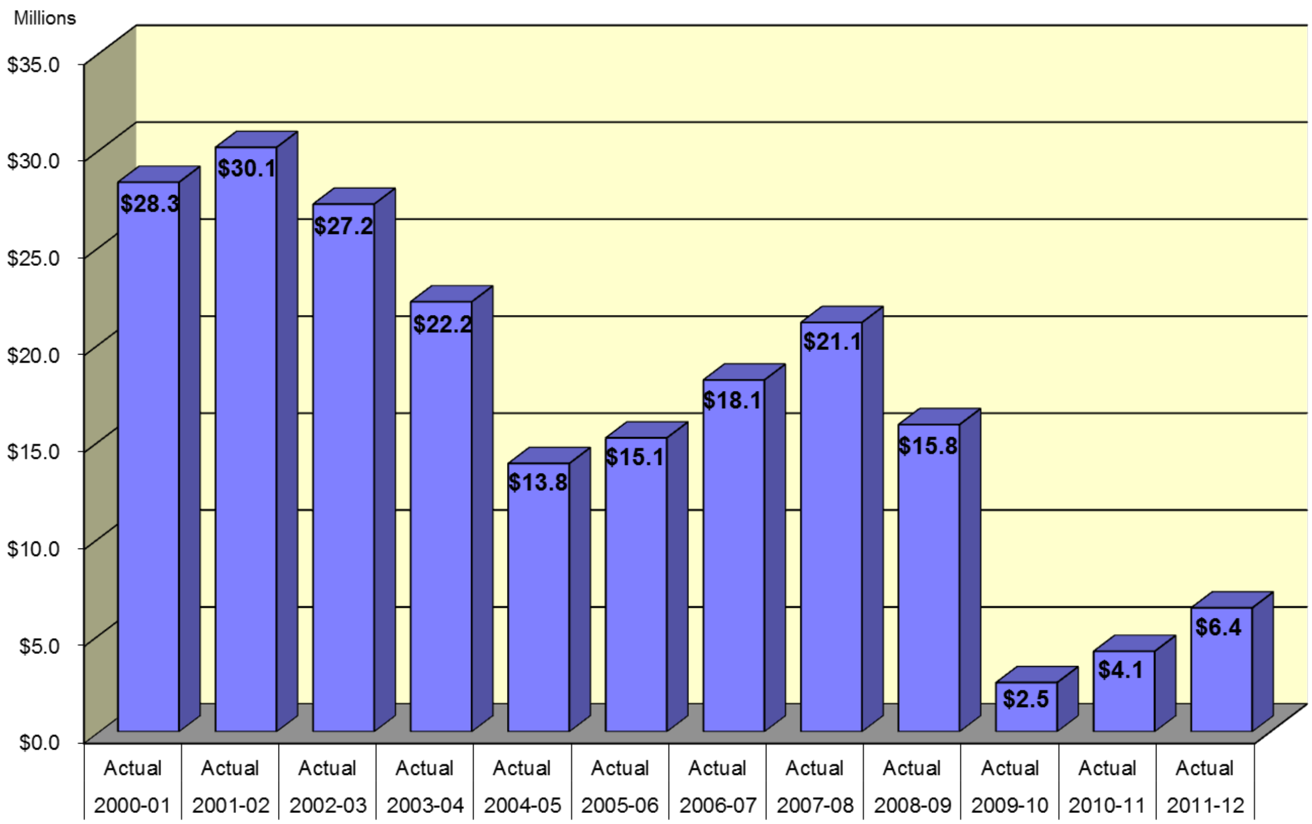
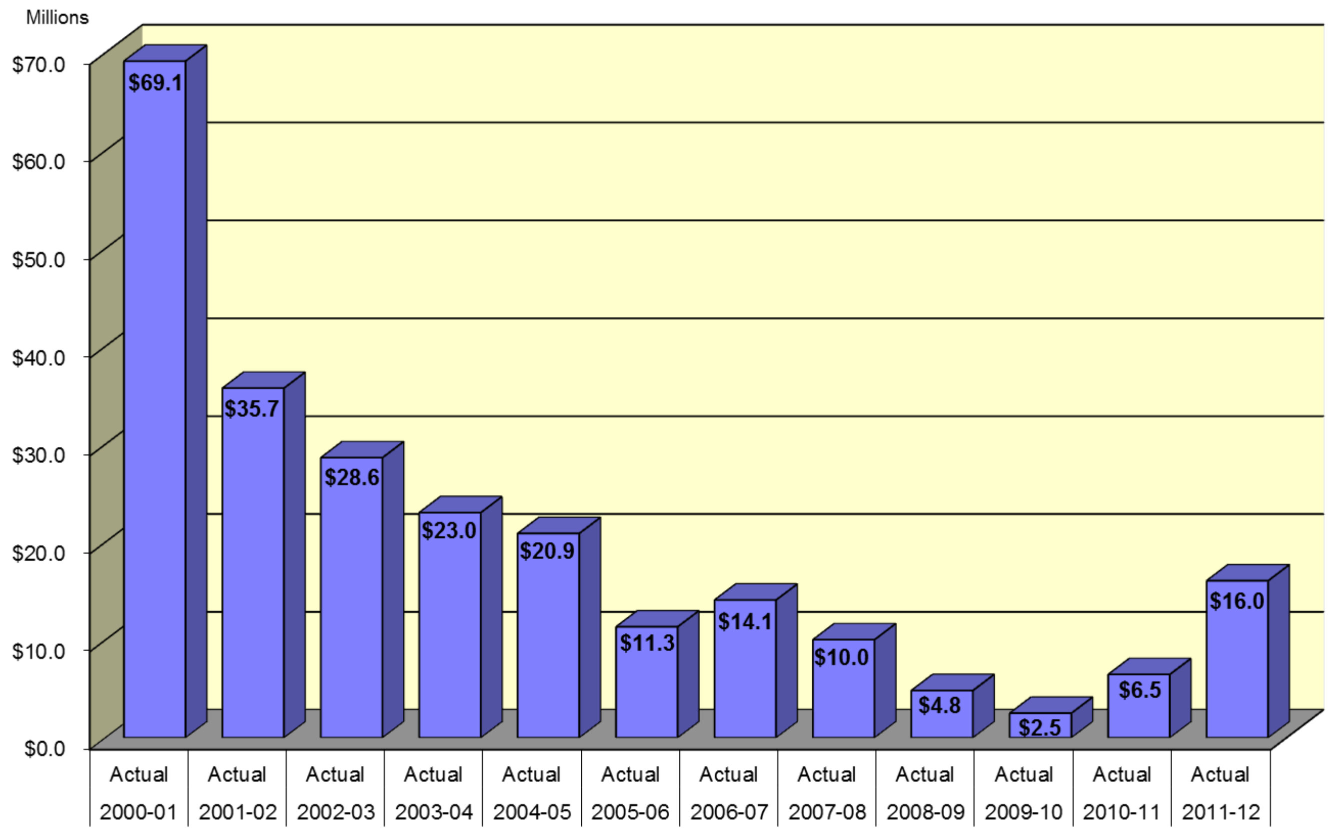


Chart 18 paints a similar picture for the City's Capital Projects Reserve. This reserve is set aside to fund a portion of the City's capital spending program. The projects in the program maintain basic City infrastructure and quality facilities. The Council adopted a policy in 1996-97 to maintain a minimum of $5 million in the Contingency Reserve for Capital Projects. Since 2000-01, the City drew down this key resource from $69.1 million to a low of $2.5 million on June 30, 2010. Surpluses in 2010-11 and 2011-12 allowed for contributions to the Capital Projects Reserve each of the last two years with the balance reaching $16.0 million at June 30, 2012. These contributions provided much needed funding for critical projects in 2012-13 and 2013-14. After funding the projects approved for 2013-14, the fund balance stands at $7.0 million, which is above the minimum target balance of $5 million.

Chart 18
General Fund Capital Projects Reserve Ending Balances



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.

ENTERPRISE TYPE ACTIVITIES

The City owns and operates various enterprise type activities including the Electric, Water, and Sewer utilities, City Cemetery, and Solid Waste program. A five-year projection of major enterprise fund revenues and expenses is included in the attached schedules. The projections were prepared by the respective entities with underlying economic and other pertinent assumptions that may differ from those outlined in this Plan. Also, this Plan does not include any analysis of the respective enterprise entities' reserves or plans for financing the listed projects. Presentation of enterprise fund information in this Plan is designed to draw attention to their financial relationship to the City's General Fund, and to give Council an overview of their major capital improvement projects over the next five years.

Silicon Valley Power

Silicon Valley Power (SVP) provides electric power and services to over 53,000 City customers. In calendar year 2012, the City of Santa Clara served approximately 1,768 industrial accounts that comprised more than 88% of the City's load and more than 87% of customer service revenues. The Electric Department provides diverse services including operating, maintaining and dispatching electric service, engineering, system design and planning, administrative and financial management, marketing, customer services, power trading, free Metro Wi-Fi (powered by SVP Meter Connect) and dark fiber leasing services -- all of which make Silicon Valley Power a successful and reliable resource for the City and its citizens. SVP owns power generation facilities, invests in joint ventures that produce electric power, and trades power on the open market. Its primary goals are to provide safe, reliable service while remaining competitive in the marketplace and placing a premium on a high level of customer satisfaction. While the business environment has changed, SVP remains dedicated to responsive, low cost and reliable customer service.

Over the next five years, SVP will continue to build and expand its state-of-the-art power and communications infrastructure to operate in the power industry's new SmartGrid environment. SVP's mission is to be a progressive, service-oriented utility, offering reliable, competitively priced energy services for the benefit of SVP and its customers. This means implementing energy efficiency programs, green technologies, ensuring reliable service, streamlining operations, and improving communications. SVP continually works with Santa Clara customers to enhance the value they receive from municipal ownership of their electric utility. Also, over the coming years, significant activities will be required to comply with continually increasing legislative and regulatory mandates such as California State's Renewable Portfolio Standard (RPS) and the carbon cap-and-trade program. The State's RPS program requires electric service providers to increase procurement from eligible renewable energy resources to 33% of total procurement by 2020. While SVP already exceeds state-wide RPS goals, the RPS requires the utility to continue its support of this broad range of programs encouraging wise use of energy resources, especially renewable energy generation. The California carbon cap-and-trade program began in mid-2012 and works to cap and reduce CO_2 emissions by auctioning emission allowances and investing the proceeds in consumer benefits such as energy efficiency, renewable energy, and other clean energy technologies. At a Federal level, the Northern Energy Reliability Council (NERC) has issued new reliability standards with mandatory requirements to ensure power system reliability throughout the country. SVP is in the process of establishing a framework to assure that the City is in compliance with NERC mandatory standards. Finally, SVP's upgraded bond ratings have reinforced the need to rebuild Electric Utility reserves to the $120 to $180 million target range in order to maintain a positive net income in normal operating years.

The projected resource and production costs include SVP's investment in the new Lodi Energy Center (LEC). Santa Clara's share of the Northern California Power Agency's (NCPA) 280 megawatt state-of-the-art natural gas fired power plant is 71 megawatts. LEC went online in the fall of 2012. As projected, the LEC debt service and fixed costs are the major contributors to the increase in costs along with additional renewable projects in the near term. The projects will be cost effective over their useful lives. Because the additional renewable resources were acquired to meet future state mandates and are not immediately needed, the additional costs are being partially offset by wholesale sales of the renewable energy.

Special efforts were made to assure that costs for the procurement of natural gas and emissions allowances for carbon (new law going into effect) are properly projected.

To ensure safety and reliability requirements, SVP continues its multi-year substation rebuilding projects. The forecast assumes capital expenditures including substation upgrades, equipment replacement, new technology deployment, and economic development projects. Two new projects (Northern Receiving Station Phase Shift Transformer and SVP Fiber Optic Expansion Project) will result in reduced operating costs as well as improving the Utility's communications infrastructure for more robust service and business opportunities, and are anticipated to be funded by Electric Customer Service Charges.

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

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

The Electric Department's Five-Year Financial Plan (see Schedule C) assumes a potential rate increase of 3% in January 2014, subject to further review and to City Council approval. The potential rate increase maintains a positive net income required to build reserves and maintain reserve levels within the $120 to $180 million target range. Yet, even with the potential rate increase, Santa Clara's Electric Utility projects that it will continue to maintain the lowest system average electric rates in the State of California.

Water and Sewer Utilities

Water Utility (see Schedule D) – Water Utility expenditures are projected to increase by 5.2% to 7.5% per year over the five-year planning period. Projected increases in the wholesale cost of water is the primary component of these increases. Moderate increases are also projected in Salaries and Benefits, Right-of-Way Fee, Other Operating Expenditures, and Internal Service Fund Allocations. The projected expenditures for Utility Capital Improvements are relatively stable over the planning period.

Sewer Utility (see Schedule E) – Sewer Utility expenditures are projected to decrease by 19.7% between 2014-15 and 2015-16 primarily due to fluctuations in capital project spending. Expenditures are projected to increase by 8.7% between 2015-16 and 2016-17. Sewer Utility expenditures are expected to decrease by 19.9% between 2016-17 and 2017-18, and 9.8% between 2017-18 and 2018-19. The estimated expenditures for the Sewer Utility are significantly affected by the projected expenditures for Utility Capital Improvements. The projections indicate the Utility Capital Improvements represent from 24% to 65% of the total estimated expenditures for the Sewer Utility in any given year. The Utility Capital Improvements 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. Plant staff is developing a financing plan for a portion of the Plant capital costs. The Sewer Utility is assuming debt financing for a portion of the capital costs related to the Water Pollution Control Plant.

Recycled Water Utility (see Schedule F) – Recycled Water Utility revenue and expenditures are projected to increase by 12.2% to 12.9% per year over the planning period. Increasing demand for, and sale of, recycled water are the primary component of the projected increases.

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

CAPITAL IMPROVEMENT PLAN

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

The Adopted Capital Improvement Project (CIP) funding for 2013-14 was developed with consideration of the mission and vision statement, current economic conditions, limited financing resources and Council priorities. The 2013-14 Adopted CIP includes $77.5 million of new project appropriations (including Authority projects), an increase of $24.8 million or 47.1% from the 2012-13 Adopted Budget of $52.7 million. A $23.5 million increase in Enterprise-funded projects account for the vast majority of the increase. As a result of the Great Recession, the City's Capital Projects Reserve declined below target and projects were deferred. As a result of surpluses the past two years, the reserve balance has now grown to above the target level of at least $5 million. The projected reserve balance after funding recommended General Government projects is $7.0 million.

Due to insufficient monies being available over the last several years, many capital projects were delayed. The current list of unfunded project needs totals more than $85 million during the forecast period. Note that this excludes monies needed to rebuild the International Swim Center. A summary of the Proposed Capital Project Costs is contained in Schedule B along with available project funding.

NEXT STEPS

The Five-Year Financial Plan provides policy-makers and the public an updated assessment of the City's financial condition that takes into account the latest economic developments. The Plan serves as a starting point to provide perspective and analysis of what will happen if current financial decisions and operating practices continue into the future. The Five-Year Financial Plan was presented as part of the City Council budget study session on May 21, 2013 and a public hearing to adopt the 2013-14 Operating and CIP Budgets was held on June 11, 2013. The value of the Five-Year Financial Plan is to provide the City Council, staff, and public a clear assessment of the City's finances and facilitate an informed discussion during budget deliberations.

RESOURCE AND EXPENDITURE TREND
GENERAL FUND

	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Estimated
ESTIMATED RESOURCES					
Property Tax	$ 29,918,830	$ 29,432,789	$ 27,945,684	$ 28,347,475	$ 30,890,000
Sales Tax	35,780,564	30,102,296	35,567,421	40,322,018	44,300,000
Transient Occupancy Tax	9,762,655	8,106,319	9,805,926	11,483,363	12,630,000
Franchise Tax	3,369,990	3,000,696	3,146,270	3,361,039	3,357,700
Documentary Transfer Tax	425,021	528,375	543,681	727,688	945,000
Subtotal	**79,257,060**	**71,170,475**	**77,008,982**	**84,241,583**	**92,122,700**
Licenses and Permits	3,208,348	2,413,581	3,721,952	7,070,754	3,753,700
Fines and Penalties	1,764,850	1,811,708	1,961,566	2,068,367	1,891,000
Interest	4,434,402	3,359,513	3,122,571	2,250,304	2,070,000
Rents and Leases	3,199,918	5,172,350	9,030,640	16,204,608	16,860,269
Revenue From Other Agencies	1,372,843	809,870	776,734	650,674	430,900
Charges For Current Services	20,491,945	22,716,748	26,508,966	30,465,108	24,018,300
Contribution In-Lieu of Taxes	15,149,536	13,448,039	14,912,599	15,342,885	15,868,938
Other Revenue	159,731	158,792	5,714,513	203,421	230,000
Subtotal	**49,781,573**	**49,890,601**	**65,749,541**	**74,256,121**	**65,123,107**
Net Interfund Transfers	**7,373,134**	**14,551,775**	**4,034,987**	**(1,789,033)**	**(4,918,404)**
Total Estimated Resources	**$ 136,411,767**	**$ 135,612,851**	**$ 146,793,510**	**$ 156,708,671**	**$ 152,327,403**
ESTIMATED EXPENDITURES					
Salaries	$ 81,952,426	$ 82,489,629	$ 79,757,265	$ 75,372,860	$ 75,840,000
Separation Payouts	994,207	2,100,677	1,763,225	2,301,884	2,500,000
Benefits	28,951,070	28,996,323	28,963,250	30,524,961	32,500,000
Materials, Services, and Supplies	21,758,994	20,729,690	19,842,331	19,741,648	21,500,000
Interfund Services	7,024,338	7,465,790	7,987,001	7,965,301	7,965,000
Capital Outlay	166,526	27,740	14,707	-	11,000
Total Estimated Expenditures	**$ 140,847,561**	**$ 141,809,849**	**$ 138,327,779**	**$ 135,906,654**	**$ 140,316,000**
Surplus/(Deficit)	$ (4,435,794)	$ (6,196,998)	**$ 8,465,731**	**$ 20,802,017**	**$ 12,011,403**

RESOURCE AND EXPENDITURE TREND
GENERAL FUND

	2013-14 Adopted	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast
ESTIMATED RESOURCES						
Property Tax	$ 31,233,000	$ 32,795,000	$ 34,435,000	$ 36,157,000	$ 37,242,000	$ 38,359,000
Sales Tax	48,400,000	49,190,000	50,934,000	52,795,000	54,601,000	56,460,000
Transient Occupancy Tax	13,000,000	13,390,000	13,792,000	14,706,000	15,147,000	15,601,000
Franchise Tax	3,363,200	3,418,818	3,475,379	3,532,900	3,591,396	3,650,885
Documentary Transfer Tax	900,000	917,000	938,000	962,000	989,000	1,019,000
Subtotal	**96,896,200**	**99,710,818**	**103,574,379**	**108,152,900**	**111,570,396**	**115,089,885**
Licenses and Permits	4,119,000	4,197,000	4,294,000	4,406,000	4,529,000	4,665,000
Fines and Penalties	1,907,300	1,944,000	1,989,000	2,041,000	2,098,000	2,161,000
Interest	1,064,300	1,064,300	1,108,100	1,239,300	1,501,700	1,793,300
Rents and Leases	10,976,100	12,884,200	15,553,100	17,722,400	18,071,600	18,522,600
Revenue From Other Agencies	350,000	357,000	365,000	374,000	384,000	396,000
Charges For Current Services	24,223,539	24,896,000	25,453,000	26,097,000	26,809,000	27,593,000
Contribution In-Lieu of Taxes	17,051,615	17,708,159	18,126,892	18,612,537	18,802,234	18,996,550
Other Revenue	200,200	204,000	209,000	214,000	220,000	227,000
Subtotal	**59,892,054**	**63,254,659**	**67,098,092**	**70,706,237**	**72,415,534**	**74,354,450**
Net Interfund Transfers	**(4,884,787)**	**(1,028,272)**	**(999,649)**	**(970,967)**	**(942,413)**	**(908,793)**
Total Estimated Resources	**$ 151,903,467**	**$ 161,937,205**	**$ 169,672,822**	**$ 177,888,169**	**$ 183,043,517**	**$ 188,535,543**
ESTIMATED EXPENDITURES						
Salaries	$ 80,970,724	$ 83,474,000	$ 86,512,000	$ 89,626,000	$ 93,032,000	$ 96,753,000
Separation Payouts	2,300,000	2,369,000	2,440,000	2,513,000	2,588,000	2,666,000
Benefits	37,696,289	40,638,000	45,908,000	51,435,000	57,356,000	63,793,000
Materials, Services, and Supplies	22,427,467	23,222,000	23,606,000	24,566,000	24,831,000	25,828,000
Interfund Services	8,497,212	8,659,000	8,858,000	9,088,000	9,342,000	9,622,000
Capital Outlay	11,775	25,000	25,000	25,000	25,000	25,000
Total Estimated Expenditures	**$ 151,903,467**	**$ 158,387,000**	**$ 167,349,000**	**$ 177,253,000**	**$ 187,174,000**	**$ 198,687,000**
Surplus/(Deficit)	**$ -**	**$ 3,550,205**	**$ 2,323,822**	**$ 635,169**	**$ (4,130,483)**	**$ (10,151,457)**

Schedule B

PLANNED FUTURE CAPITAL PROJECT COSTS

Fund	Fund Name	2014 - 15	2015 - 16	2016 - 17	2017 - 18	2018 - 19
		Fiscal Year				
Streets and Highways Programs:						
521	Special Gas Tax (2105)	$ 414,322	$ 371,823	$ 429,587	$ 387,622	$ 445,939
522	Special Gas Tax (2107)	525,000	725,000	725,000	725,000	725,000
523	Special Gas Tax (2103)	300,000	300,000	300,000	300,000	300,000
524	Collier-Unruh Act (2106)	300,000	300,000	300,000	300,000	300,000
525	Traffic Mitigation	1,787,500	787,500	687,500	687,500	687,500
531	Street Beautification	60,000	60,000	60,000	60,000	60,000
533	Streets and Highways	688,000	688,000	688,000	688,000	688,000
	Subtotal	**$ 4,074,822**	**$ 3,232,323**	**$ 3,190,087**	**$ 3,148,122**	**$ 3,206,439**
General Government Programs:						
532	Parks and Recreation	$ 2,117,175	$ 2,890,836	$ 801,750	$ 11,070,000	$ 17,273,011
535	Storm Drains	8,790,000	6,885,000	2,800,000	2,825,000	2,850,000
536	Fire Department	268,000	120,000	125,000	130,000	135,000
537	Library	50,000	120,000	113,000	20,000	20,000
538	Public Buildings	13,195,000	3,295,000	435,000	435,000	435,000
539	General Government-Other	2,627,860	2,346,860	1,984,360	2,055,750	2,098,750
562	Community Services (HUD)	250,000	250,000	250,000	250,000	250,000
565	City Affordable Housing Fund	-	-	-	-	-
938	University Project Area CIP	-	-	-	-	-
939	Bayshore North Project Area CIP	-	-	-	-	-
	Subtotal	**$ 27,298,035**	**$ 15,907,696**	**$ 6,509,110**	**$ 16,785,750**	**$ 23,061,761**
Authority Programs:						
Sports and Open Space Authority		$ 594,000	$ 640,000	$ 110,000	$ 110,000	$ -
TOTAL PROPOSED COSTS		**$ 31,966,857**	**$ 19,780,019**	**$ 9,809,197**	**$ 20,043,872**	**$ 26,268,200**

Schedule B

FUNDED / UNFUNDED PROJECT COSTS

	Fiscal Year				
	2014 - 15	**2015 - 16**	**2016 - 17**	**2017 - 18**	**2018 - 19**
Funded Project Costs:					
Streets and Highways Program	$ 2,257,322	$ 2,414,823	$ 2,472,587	$ 2,430,622	$ 2,488,939
General Government Program	2,575,860	2,298,860	1,994,360	2,038,750	1,758,750
Authority Program	-	-	-	-	$ -
Subtotal	$ 4,833,182	$ 4,713,683	$ 4,466,947	$ 4,469,372	$ 4,247,689
Unfunded Project Costs:					
Streets and Highways Program	$ 1,817,500	$ 817,500	$ 717,500	$ 717,500	$ 717,500
General Government Program	24,722,175	13,608,836	4,514,750	14,747,000	21,303,011
Authority Program	594,000	640,000	110,000	110,000	$ -
Subtotal	$ 27,133,675	$ 15,066,336	$ 5,342,250	$ 15,574,500	$ 22,020,511
TOTAL FUNDED AND UNFUNDED COSTS:	**$ 31,966,857**	**$ 19,780,019**	**$ 9,809,197**	**$ 20,043,872**	**$ 26,268,200**

CITY OF SANTA CLARA
ELECTRIC UTILITY
REVENUE AND EXPENDITURE PROJECTIONS

	Fiscal Year				
	2014-15	2015-16	2016-17	2017-18	2018-19
ESTIMATED REVENUE					
Charges for Current Service (1)	$ 334,197,809	$ 341,649,287	$ 351,041,132	$ 354,551,543	$ 358,097,059
Public Benefit Charge	9,524,638	9,737,005	10,004,672	10,104,719	10,205,766
Use of Money & Property	2,616,948	3,320,000	3,355,648	3,420,178	3,538,000
Other Revenue (Except Bond Proceeds)	7,823,781	7,831,542	7,849,286	7,968,234	8,090,182
Wholesale Revenues from REC Sales (3)	12,029,937	14,709,442	15,472,206	17,986,010	14,242,614
Wholesale Revenues from GHG / Carbon Sales (3)	2,929,334	1,973,798	2,119,462	2,910,273	3,538,582
Funding for Phase Shifting Transformer	6,000,000	-	-	-	-
Total Revenue	**$ 375,122,446**	**$ 379,221,073**	**$ 389,842,406**	**$ 396,940,957**	**$ 397,712,203**
ESTIMATED EXPENDITURES					
Utility & Street Light Construction (4)	$ 19,035,000	$ 20,535,000	$ 8,785,000	$ 8,285,000	$ 8,285,000
Salaries & Benefits	26,153,810	26,807,655	27,477,846	28,164,793	28,868,912
Other Operating Expenditures	19,741,899	20,235,446	20,741,332	21,259,866	21,791,362
Resource & Production Costs					
Purchased Power, Non-JPA	73,893,918	79,758,523	85,959,267	92,534,175	97,159,354
Purchased Power, JPA	134,842,863	132,974,921	138,351,534	134,623,303	139,240,654
Other Production Costs	40,421,459	39,422,864	38,420,406	40,101,141	41,824,473
Public Benefit Expense (5)	9,524,638	9,737,005	10,004,672	10,104,719	10,205,766
Internal Service Funds	10,792,680	10,954,570	11,118,888	11,285,672	11,454,957
Contribution-in-lieu of Taxes	17,708,159	18,126,892	18,612,537	18,802,234	18,996,550
Debt Service	17,591,333	18,955,353	19,177,778	19,408,678	19,611,978
Total Expenditures	**$ 369,705,758**	**$ 377,508,228**	**$ 378,649,261**	**$ 384,569,580**	**$ 397,439,008**
TOTAL AVAILABLE REVENUE (6)	**$ 5,416,689**	**$ 1,712,845**	**$ 11,193,145**	**$ 12,371,378**	**$ 273,196**
Charges for Current Service (Excl PBC, SS) -$/mwhr	**104.69**	**106.00**	**107.84**	**107.84**	**107.84**
CASH Balance - EOY	**$272,881,439**	**$275,502,712**	**$290,000,472**	**$299,256,763**	**$298,316,951**
Rate Stabilization Fund Balance (7)	**$123,041,863**	**$124,754,708**	**$135,947,853**	**$148,319,231**	**$148,592,427**

(1) Assumes January 2013 rates at $101.64/Mwh (Excl. PBC, SS), and includes potential
3% rate increase effective January 1, 2014, and 3% rate increase effective January 1, 2016
(2) Public Benefits Charge is 2.85% of Charges for Current Serivice
(3) REC and carbon revenues are used to cover the power costs for new renewables
(4) Electric Utility General Operating Funds 591 and 534.
(5) Public Benefits Expense is equivalent to Public Benefits Charge
(6) Surplus to be added to Cost Reduction Fund
(7) Rate Stabilization Fund (RSF) includes the Cost Reduction Fund, which is a sub-account of the RSF

Schedule D

CITY OF SANTA CLARA
WATER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS

	Fiscal Year				
ESTIMATED REVENUE	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Transfers From (To) Reserves	$ (1,800)	$ (142,400)	$ (539,200)	$ (254,400)	$ 186,200
Transfers From (To) Fund 097	700,000	700,000	700,000	700,000	700,000
Customer Service Charges 1, 2.	29,976,000	32,106,000	34,227,000	36,488,000	38,899,000
Other Revenue 3.	1,059,000	1,080,000	1,102,000	1,124,000	1,146,000
Use of Money and Property 3.	204,000	208,000	212,000	216,000	220,000
Additional Revenue from Rate Adjustments 2.	2,098,000	2,087,000	2,225,000	2,372,000	2,528,000
Total Revenue	**$ 34,035,200**	**$ 36,038,600**	**$ 37,926,800**	**$ 40,645,600**	**$ 43,679,200**
ESTIMATED EXPENDITURES					
Salaries and Benefits 4.	$ 6,015,000	$ 6,256,000	$ 6,506,000	$ 6,766,000	$ 7,037,000
Other Operating Expenditures 4.	1,234,000	1,283,000	1,334,000	1,387,000	1,442,000
Resources and Production 5.	19,164,000	20,775,000	22,355,000	24,548,000	26,833,000
Internal Service Fund Allocations 4.	2,775,000	2,886,000	3,001,000	3,121,000	3,246,000
Right-of-Way Fee	1,625,200	1,662,600	1,705,800	1,753,600	1,806,200
Utility Capital Improvements	3,222,000	3,176,000	3,025,000	3,070,000	3,315,000
Total Expenditures	**$ 34,035,200**	**$ 36,038,600**	**$ 37,926,800**	**$ 40,645,600**	**$ 43,679,200**
TOTAL AVAILABLE REVENUE	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

1. Assumes a 0.1% increase in water sales and 7% increase in rates in FY 2013-14.
2. Assumes 0.1% increase in sales and 7% increase in rates in FY 2014-15 and 6.5% thereafter.
3. Assumes 2% per year increases.
4. Assumes 4% per year increases.
5. Assumes agency projections for wholesale rates, 0.1% increase use in FY 2013-14 and thereafter.

CITY OF SANTA CLARA
SEWER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS

	Fiscal Year				
ESTIMATED REVENUE	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Transfers From (To) Reserves	$ (248,320)	$ (1,235,820)	$ 522,480	$ (974,820)	$ (4,870,496)
Customer Service Charges & Fees (1)	29,942,700	33,835,300	33,835,300	35,865,400	37,658,700
Other Misc. Revenue	126,200	131,200	136,400	141,900	147,600
Sewer Connection and Conveyence Fees	1,360,000	1,360,000	1,365,000	1,370,000	1,370,000
Use of Money and Property	261,600	342,900	430,300	493,800	580,400
Bonds or Certificates of Participation (2)	20,000,000	10,000,000	10,000,000	-	-
Additional Revenue from Rate Adjustments	3,892,600	-	2,030,100	1,793,300	-
Total Revenue	**$ 55,334,780**	**$ 44,433,580**	**$ 48,319,580**	**$ 38,689,580**	**$ 34,886,204**
ESTIMATED EXPENDITURES					
Salaries and Benefits (3)	$ 2,398,600	$ 2,494,500	$ 2,594,300	$ 2,698,100	$ 2,806,000
Other Operating Expenditures	371,000	386,000	401,000	417,000	434,000
Resources and Production	12,705,200	13,340,500	14,007,500	14,707,900	15,443,300
Internal Service Fund Allocations	1,082,100	1,125,400	1,170,400	1,217,200	1,265,900
Right of Way Fee	1,360,900	1,392,200	1,428,400	1,468,400	1,512,500
Utility Capital Improvements (2)	35,709,080	22,287,080	24,460,080	13,073,080	8,316,604
Debt Service	1,707,900	3,407,900	4,257,900	5,107,900	5,107,900
Total Expenditures	**$ 55,334,780**	**$ 44,433,580**	**$ 48,319,580**	**$ 38,689,580**	**$ 34,886,204**
TOTAL AVAILABLE REVENUE	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

(1) Assumes 13% increases in rates in FY 2014-15, no rate increase in FY2015-16, a 6% rate increase in FY2016-17, a 5% increase in FY2017-18, and no increase in rates in FY2018-19

(2) Capital projects at the WPCP assumed to be partially funded debt financing through the Clean Water Financing Authority.

(3) Assumes 4% per year increase.

CITY OF SANTA CLARA
RECYCLED WATER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS

	Fiscal Year				
ESTIMATED REVENUE	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Transfers From (To) Reserves	$ 194,000	$ 103,721	$ (19,645)	$ (163,608)	$ (358,575)
Transfers From (To) Fund 092 1.	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)
Customer Service Charges 2.	2,464,000	2,837,000	3,266,000	3,760,000	4,329,000
Other Revenue	319,300	328,879	338,745	348,908	359,375
Use of Money and Property 3.	56,000	57,000	58,000	59,000	60,000
Additional Revenue from Rate Adjustments 2.	345,000	397,000	457,000	526,000	606,000
Total Revenue	**$ 2,678,300**	**$ 3,023,600**	**$ 3,400,100**	**$ 3,830,300**	**$ 4,295,800**
ESTIMATED EXPENDITURES					
Salaries and Benefits 5.	$ 317,000	$ 330,000	$ 343,000	$ 357,000	$ 371,000
Other Operating Expenditures 5.	47,000	49,000	51,000	53,000	55,000
Resources and Production 4.	2,069,000	2,374,000	2,707,000	3,089,000	3,501,000
Internal Service Fund Allocations 5.	102,000	106,000	110,000	114,000	119,000
Right-of-Way Fee	143,300	164,600	189,100	217,300	249,800
Total Expenditures	**$ 2,678,300**	**$ 3,023,600**	**$ 3,400,100**	**$ 3,830,300**	**$ 4,295,800**
TOTAL AVAILABLE REVENUE	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

1. Compensate Fund 092 for "lost water sales revenue"
2. Assumes 1% increase in sales and 15% increase in retail rates in FY2014-15 and thereafter.
3. Assumes 2% per year increases.
4. Assumes agency projections for wholesale rates.
5. Assumes 4% increase per year.

CITY OF SANTA CLARA
CEMETERY
REVENUE AND EXPENDITURE PROJECTIONS

	Fiscal Year				
	2014-15	2015-16	2016-17	2017-18	2018-19
ESTIMATED REVENUE *					
Sales-Facilities (1)	$ 130,000	$ 135,000	$ 140,000	$ 145,000	$ 150,000
Sales-Labor (2)	270,000	$ 278,000	$ 280,000	$ 280,000	$ 280,000
Sales-Endowment Care (3)	150	$ 31,000	$ 32,000	$ 32,000	$ 33,000
Sales-Material (4)	114,130	150,000	$ 153,000	$ 155,000	$ 160,000
Use of Money and Property (5)	21,000	$ 19,000	$ 20,000	$ 20,000	$ 20,000
Loan from General Contingency Reserve (6)	432,982	321,500	315,500	314,000	308,500
Total Revenue	**$ 968,262**	**$ 934,500**	**$ 940,500**	**$ 946,000**	**$ 951,500**
ESTIMATED EXPENDITURES *					
Salaries and Benefits	$ 655,378	$ 625,000	$ 629,000	$ 632,000	$ 635,000
Other Operating Expenditures	117,544	114,000	115,000	116,000	117,000
Internal Service Fund Allocations	195,340	195,500	196,500	198,000	199,500
Repayment of General Contingency Reserve loan	-	-	-	-	-
Total Expenditures	**$ 968,262**	**$ 934,500**	**$ 940,500**	**$ 946,000**	**$ 951,500**
TOTAL AVAILABLE REVENUE	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

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

(1) Pre-need sales in new Willow Bend area.
(2) Burials vary from year to year.
(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) Loan needed to cover expenditures.