THE CITY OF SANTA CLARA CALIFORNIA

2015-16 through 2019-20
Five-Year Financial Plan

July 1, 2014

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. Individual projections of revenues and expenditures are incorporated into the City's Plan and refined on a moving forward basis as part of the City's commitment to fiscal responsibility.

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 8.3% and 5.4% 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 23 consecutive months from February 2008 through December 2009 with businesses cutting 8.7 million jobs. The national unemployment rate peaked at 10.0% in October 2009, the first time the rate had been at 10% or above since 1983. Replacing this many jobs took longer than what would be seen in a typical recovery. While 8.6 million jobs have been created since March 2010, including job gains for 43 consecutive months, the unemployment rate has declined to 6.3% as of April 2014.

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 reported California's unemployment rate rose past the 10% level in February 2009, reached a peak of 12.4% in early 2010, and began declining in late 2010. While the rate has declined, the most recent report for March 2014 still shows a 8.1% unemployment rate. Although this is 1.8% above the national average, this difference has declined from almost 3% above the national average two years ago. Santa Clara County's experience was similar as its unemployment rate peaked at 11.7%. The most current reading for March 2014 is 6.1%. Although significantly lower than the State as a whole, the impact on consumer spending continues to be a concern with the unemployment rate remaining so high.

ECONOMIC OUTLOOK

Economists believe that the recovery that began in the second half of 2009 has now firmly taken hold. GDP has now grown for 18 of the last 19 quarters including 12 consecutive quarters (see Chart 1). Consumers who took a long time to feel optimistic about the outlook for the economy have recently been more confident about spending. The Conference Board's Consumer Confidence Index stands at 82.3 as of April 2014 (see Chart 2). This is a significant improvement from the low reading of 25.0 during the Great Recession and well above the 58.4 reading just 15 months ago in January 2013. According to Lynn Franco, Director of Economic Indicators at The Conference Board, "Overall, consumers expect the economy to continue improving and believe it may even pick up a little steam in the months ahead."

Chart 1
Gross Domestic Product Percent Change From Preceding Quarter

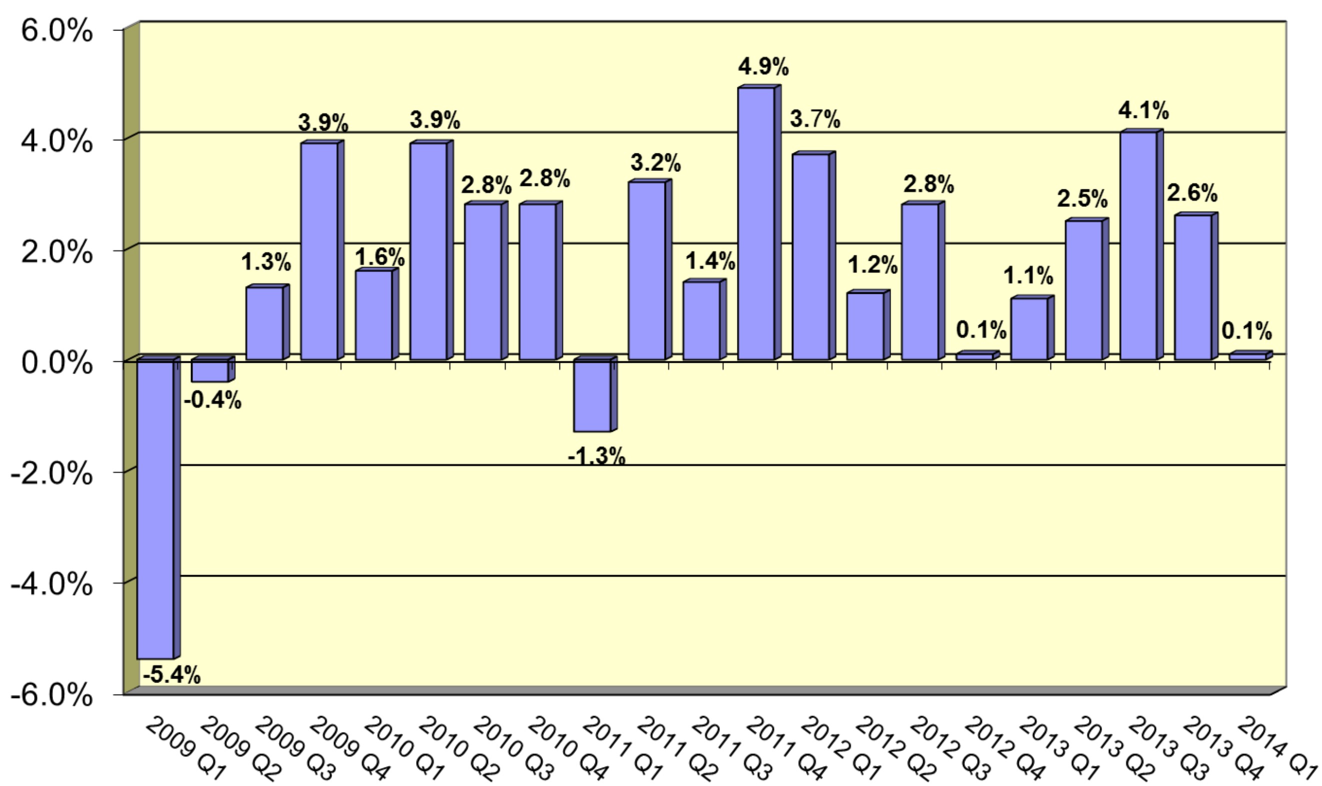
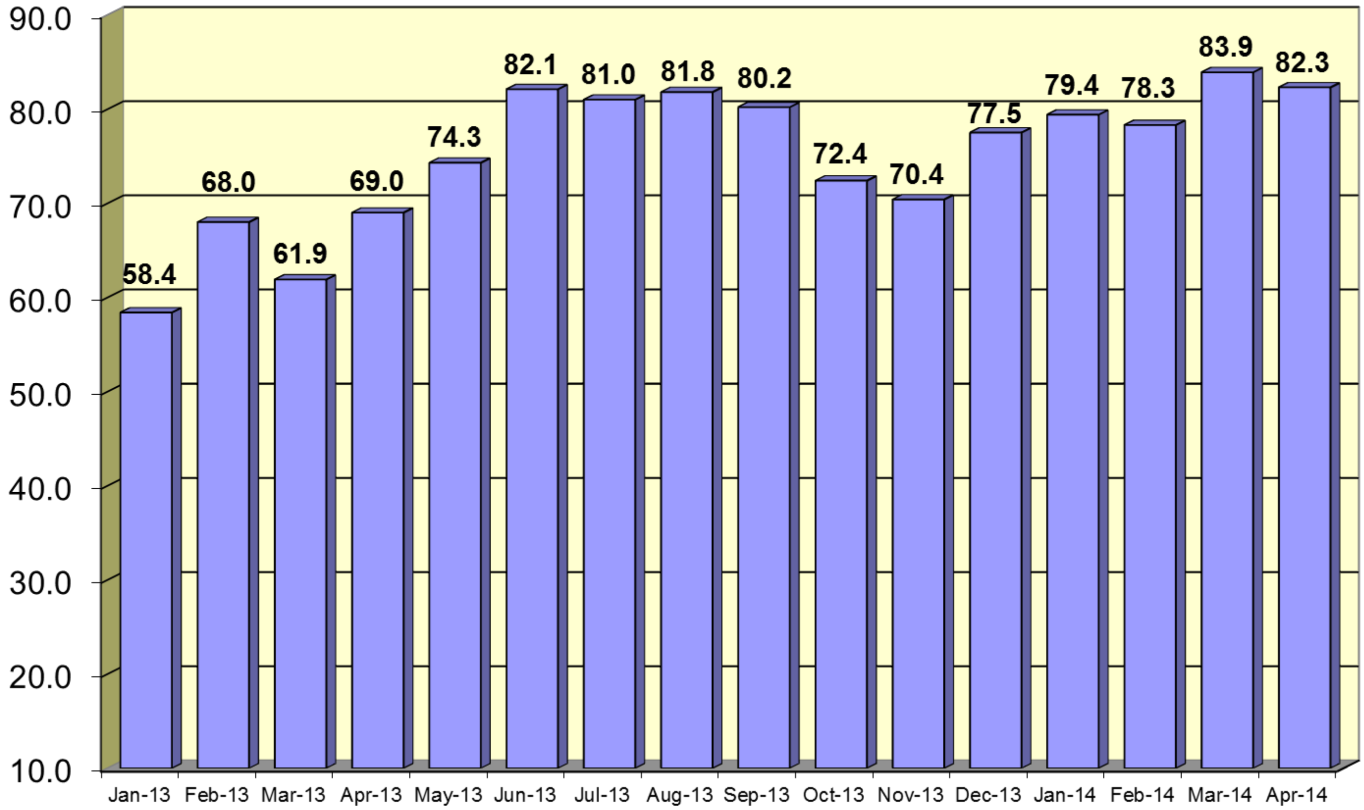


Chart 2
Consumer Confidence Index



Major Risks on the Horizon

Despite the positive turnaround in the economy, there continues to be risks. Of primary concern is the possible negative impact on the economy from the eventual unwinding of the Federal Reserve's fiscal stimulus. Once the stimulus is removed and interest rates start to return to more normal levels, the housing market likely will experience a slowdown as fewer buyers will be able to qualify for loans and income that is currently available for consumption of goods and services will instead be spent on higher housing costs. Other concerns being voiced by economists include weaker than expected job growth with some long-term unemployed dropping out of the job market artificially lowering the unemployment rate, the quality of the jobs that have been created being lesser than the quality of the jobs that were lost, income inequality issues, the need for long-term entitlement reform, and significant infrastructure needs (e.g., bridges and roads). They also continue to caution that international events may still have a dampening effect on the U.S. economy.

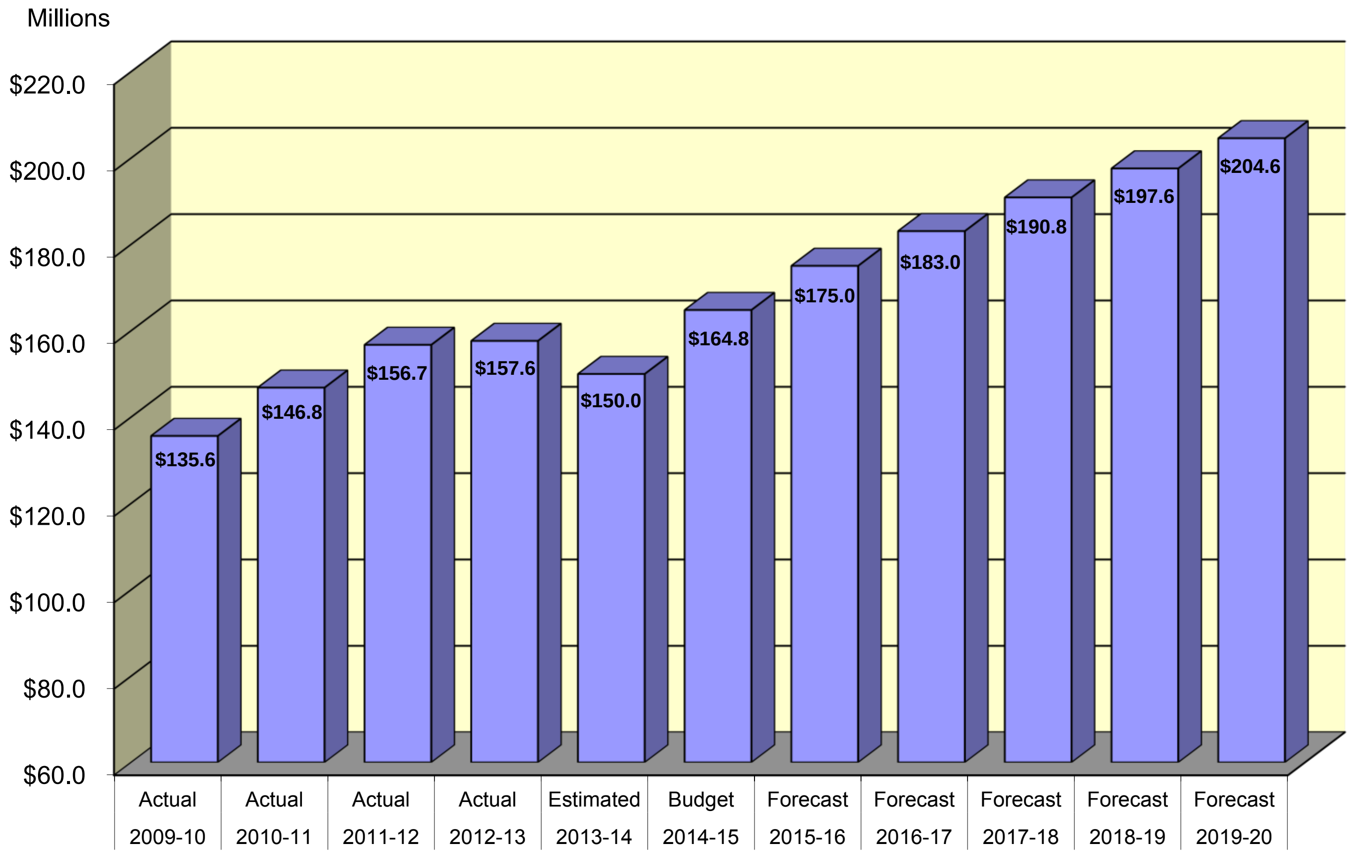
In addition, State actions to dissolve Redevelopment Agencies (RDAs) effective February 1, 2012 have had a significant impact. First, the dissolution ended about $3.6 million of funding for General Fund support of the administration of these programs. Second, the dissolution terminated agreements between the City and the RDA to pass through annual lease revenues which were used to support City services, leaving the ability to continue to rely on more than $13 million of annual lease revenues in jeopardy. In July 2013, the Superior Court of the State of California granted a County of Santa Clara, Santa Clara Unified School District, and Santa Clara County Office of Education motion for a preliminary injunction. The revenues from the leases subject to the injunction are now being held pending the outcome of this injunction. Although this has caused projected revenue to be lower, the adopted 2014-15 General Fund budget has been balanced without reliance on these monies and the Five-Year Financial Plan does not assume that any of these lease revenues will return during the forecast horizon.

SANTA CLARA'S FINANCES

The State's decision to dissolve Redevelopment Agencies has negatively impacted General Fund revenue collections. In July 2013, the Superior Court of the State of California granted a County of Santa Clara, Santa Clara Unified School District, and Santa Clara County Office of Education motion for a preliminary injunction. The revenues from the leases subject to the injunction are now being held pending the outcome of this injunction. Although this has resulted in the loss of more than $13 million of annual lease revenues, significant revenue growth in other accounts coupled with ongoing expenditure constraints put into place have allowed the City to adopt a 2014-15 General Fund budget that is balanced without reliance on any of these lease monies.

Total General Fund resources are estimated at $164.8 million in 2014-15, representing an increase of 9.9% when compared to estimated 2013-14 year-end actuals. 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 4.4% in the out years as the economy continues to recover, reaching an estimated $204.6 million in the final year (2019-20) of the forecast period.

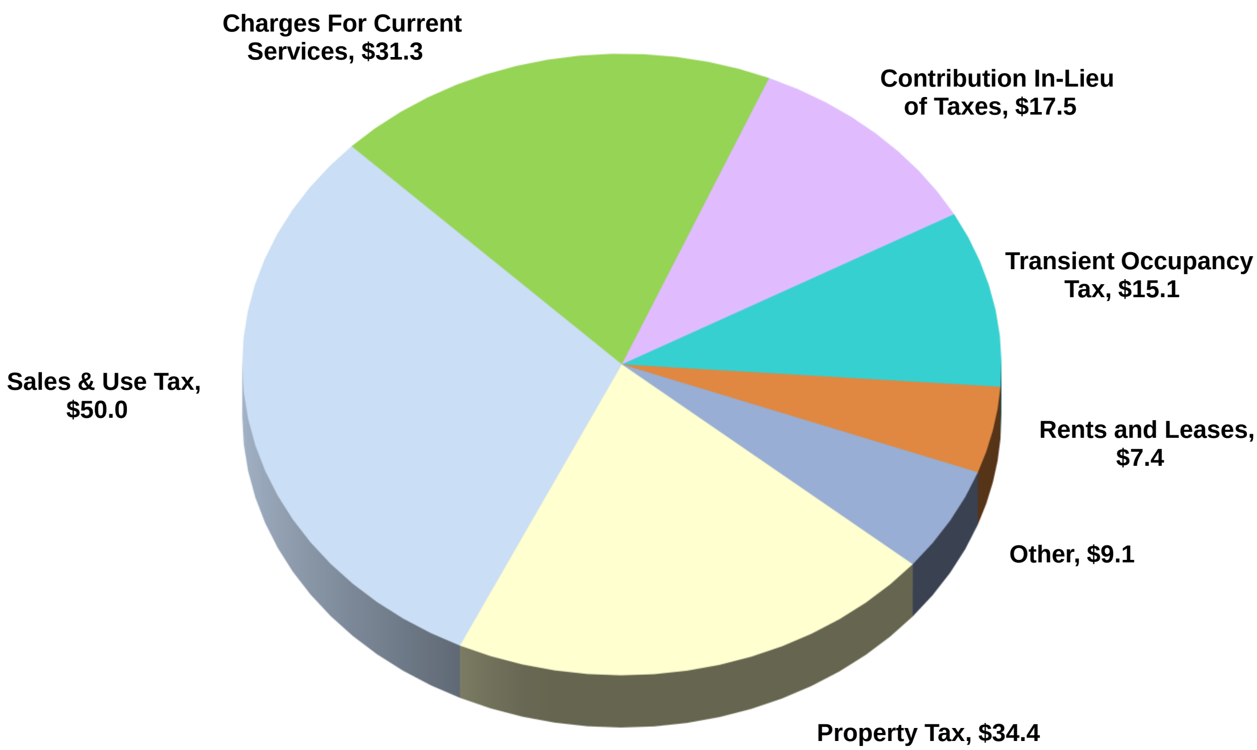
Chart 3
General Fund Resources



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 $84.4 million or 51.2% of the total. These and other major sources of revenue are described on the following pages.

Chart 4
2014-15 General Fund Resources
Total General Fund Resources = $164.8 Million

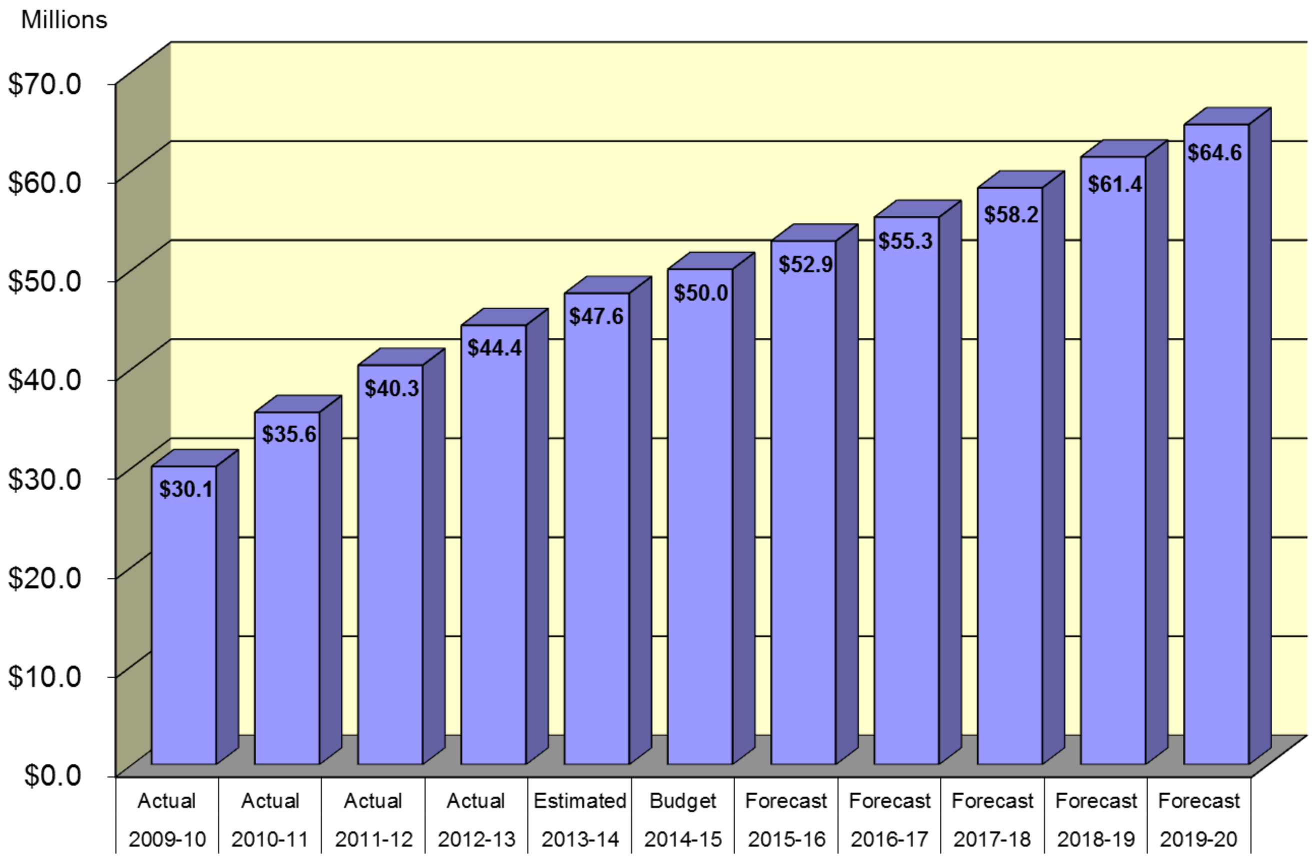


Sales Tax

Sales tax revenue performance is directly linked to economic and business cycles and remains the largest, but one of the most volatile General Fund revenue sources. As the City's largest revenue source, sales tax collections reached a dot-com high of $51.1 million in 2000-01. After falling almost $17 million by 2002-03, 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. Sales tax revenues began to grow again in 2010-11 with strong growth in collections the last three fiscal years continuing in 2013-14. The year-end estimate of $47.6 million for 2013-14 is 7.3% over actual 2012-13 collections (see Chart 5).

Based on projections from our sales tax consultant, MuniServices, we expect $50.0 million of sales tax collections in 2014-15 and for collections to grow at an average annual rate of 5.3% through the forecast period. If these projections are accurate, annual collections would surpass the previous all-time high of $51.1 million in 2015-16 (15 years later).

Chart 5
General Fund Sales Tax Revenue

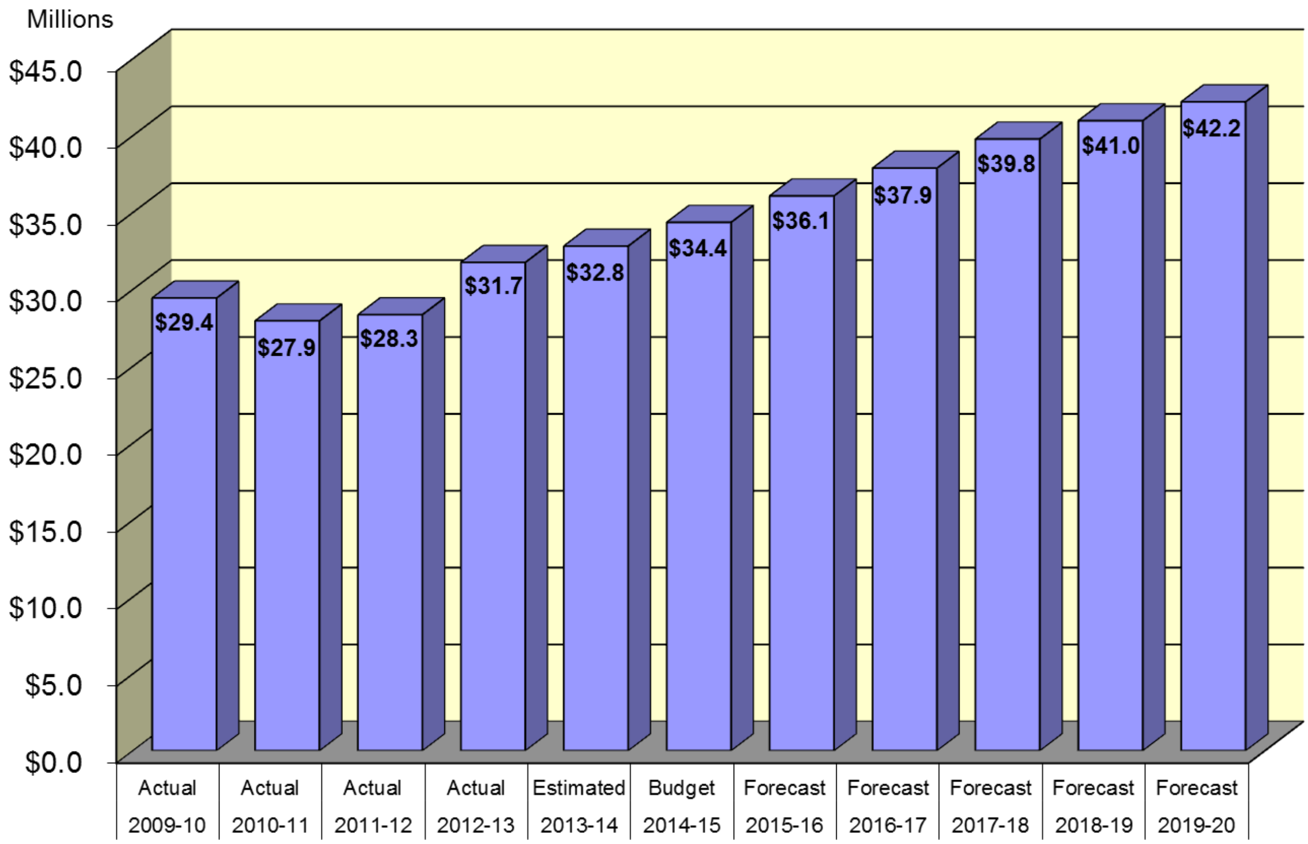


Property Tax

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

This trend reversed in 2011-12 when collections rose $0.4 million to $28.3 million. Growth continued in 2012-13 with actual collections of $31.7 million, passing the 2008-09 pre-recession high of $29.9 million (four years later). Note that 2012-13 actual collections included $1.1 million of one-time revenues for prior year overpayment of property tax administration fees. For 2013-14, year-end collections are projected to rise to $32.8 million as the Proposition 8 temporary valuation adjustments begin to be removed. Property tax collections are projected to rise at a rate of 5% per year from 2014-15 through 2017-18 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

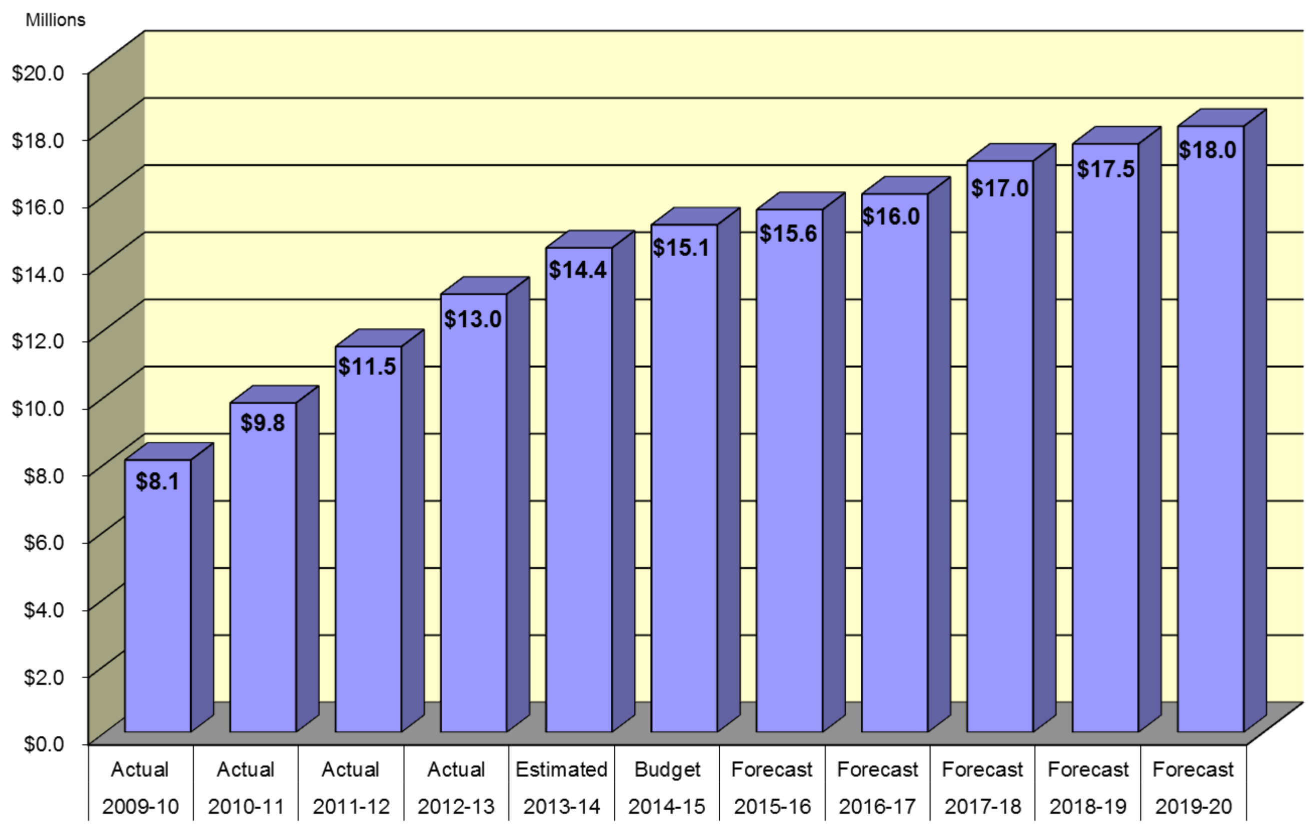


Transient Occupancy Tax

Transient occupancy tax (TOT), also known as hotel/motel tax, is another key revenue source for the General Fund. 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 turned around in 2010-11 due to the combination of higher occupancy levels and increases in the average daily rate (ADR) and strong growth has continued through 2013-14 with year-end collections expected to reach $14.4 million.

The 2014-15 TOT budget projection is for collections to rise to $15.1 million based on a projected 3% base growth assumption coupled with the opening of the TownePlace Suites by Marriott hotel property which opened earlier this year (see Chart 7). 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 2017-18 projection to reflect the likely opening of one new hotel property (from several that have been proposed).

Chart 7
General Fund Transient Occupancy Tax Revenue



Charges for Current Services

Charges for current services are estimated at $31.3 million in 2014-15, up 22.6% over the 2013-14 year-end estimate. The primary reason for the increase in this category is the opening of Levi's Stadium which is scheduled to host its first events in August 2014. The General Fund budget assumes $4.2 million of charges for service to the Santa Clara Stadium Authority for services rendered (the cost of the services is included in the expenditure projections).

Major sources of revenue within this category include charges for services provided to other funds ($20.0 million), recreation charges ($2.1 million), fire prevention and HazMat charges ($2.6 million), planning and engineering fees ($4.7 million), and various other customer service fees. As a result of 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 $4.2 million to 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 2014-15, CLT is projected to total $17.5 million. The forecast is that CLT will increase to $19.3 million by the end of the forecast period. The forecast is primarily driven by market projections for electric consumption and rate increase assumed in the Electric Five-Year Financial Plan.

Rents and Leases

In 2014-15, revenue recorded as rents and leases is estimated to total $7.4 million. It is important to note that this projection does not include any leases affected by the Redevelopment Agency dissolution process and that the General Fund budget has been balanced without reliance on those monies.

The amount projected for 2014-15 includes lease payments from the Irvine Company's Santa Clara Gateway project ($0.7 million), the ground lease of the Levi's Stadium site ($2.6 million), lease of the golf course for Stadium parking ($0.3 million), $3.1 million in right-of-way rental fees charged to the water and sewer utilities, and other smaller leases totaling about $0.7 million. Growth projections for the Five-Year Financial Plan are based on individual lease agreements.

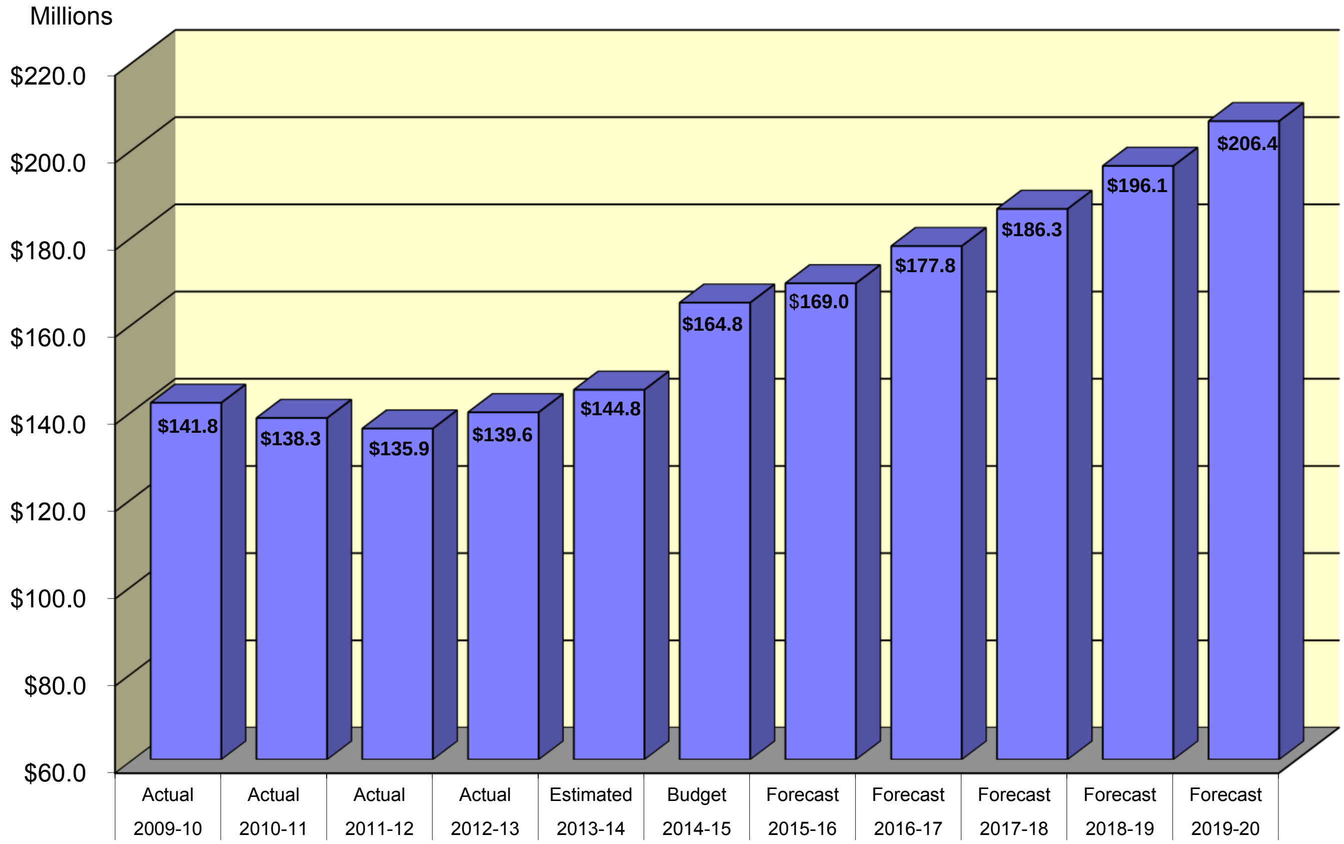
Interest Income

The City invests all funds not needed for current cash requirements in accordance with the City Council approved Investment Policy. These funds are invested in securities having a maximum maturity of five years. The factors that directly influence General Fund interest income include prevailing interest rates, the size of the portfolio, and the relative percentage of the portfolio allocated to the General Fund. Over the last several fiscal years, the return on the City's portfolio 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 $0.9 million in interest in 2014-15. Returns are expected to bottom out in 2014-15 and grow slowly through the remaining years of the forecast period.

Expenditures

Chart 8 provides historic information on General Fund expenditures. To help balance a structural budget deficit, General Fund expenditure growth was constrained in 2009-10 as a managed hiring freeze was put in place and positions were left unfilled. Actual expenditures declined in 2010-11 and 2011-12 due to an expanded hiring freeze, the elimination of positions, and the implementation of unpaid furloughs for most bargaining groups. In total, more than 100 positions were either eliminated, frozen, or held vacant, generating significant savings. In 2012-13, expenditures began to increase once again as unpaid furloughs rolled off and pension costs climbed. In 2013-14, the frozen and held vacant positions were carefully managed to help cover additional revenue losses associated with the dissolution of the Redevelopment Agency, resulting in a year-end estimate of $144.8 million. This amount is expected to grow to $164.8 million in 2014-15 and to $206.4 million by the end of the forecast period.

Chart 8
General Fund Expenditures



Despite actions to reduce expenditure growth, the primary growth driver continues to be increases in benefit costs. Consistent with calendar year Memorandums of Understanding (MOUs), 2014-15 includes one-time stipends for those bargaining groups that have them. No general salary adjustment is assumed in the 2014-15 Budget. A Consumer Price Index (CPI) based general salary adjustment is assumed for the second half of fiscal year 2015-16 and each successive forecast year. Projections call for CPI to gradually increase from 2.0% in 2015-16 to 3.1% in 2019-20.

As shown in Charts 9 and 10, salary and benefits costs represent the majority ($130.1 million) of budgeted 2014-15 operating expenditures. Salary and benefits costs as a percentage of total operating expenditures grew from 75.6% in 2001-02 to 79.0% in 2014-15 (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 21.0% of total operating expenditures.

Chart 9
General Fund Salary & Benefit Expenditures

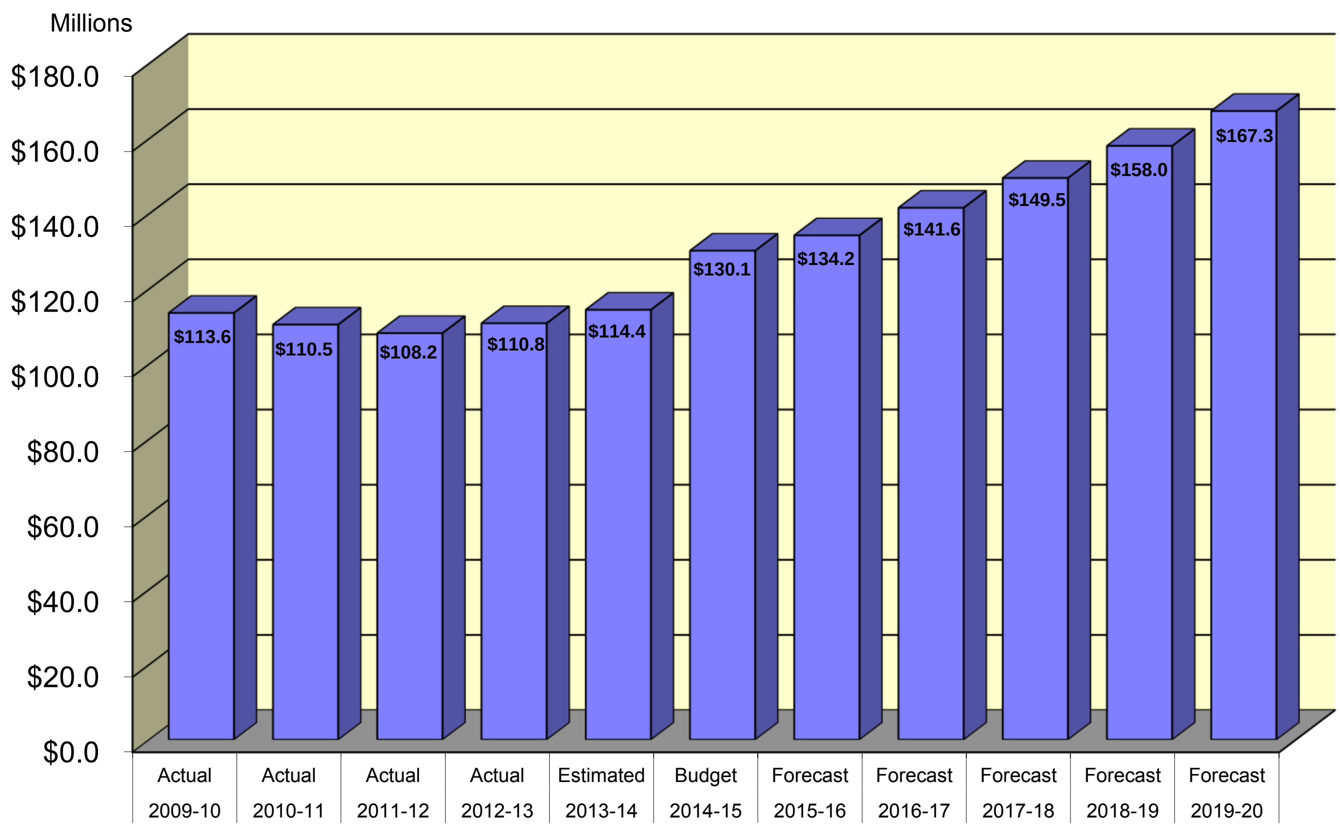
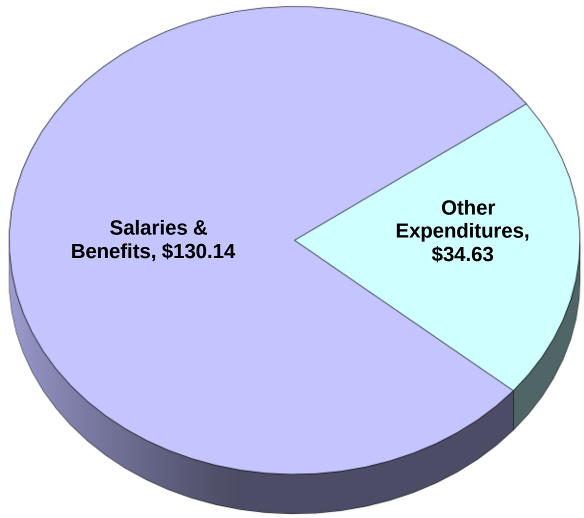
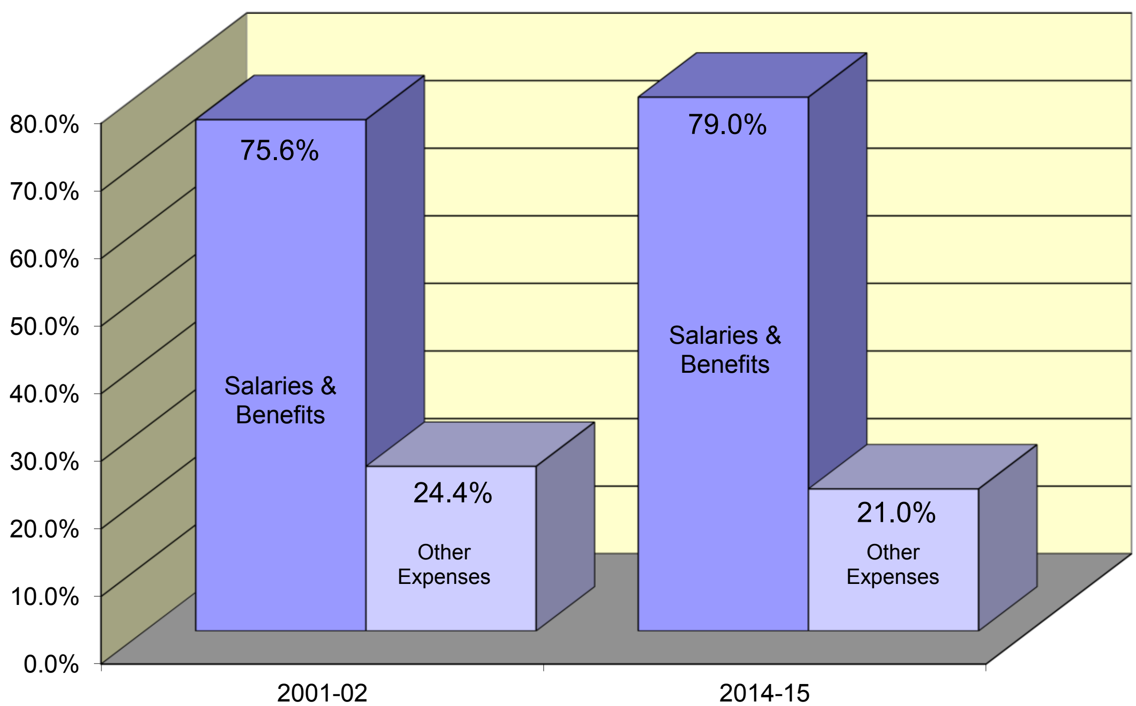


Chart 10
2014-15 General Fund Expenditure Components



Total General Fund Expenditures = $164.8 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. Ten years later, 2014-15 pension costs are projected to be $25.8 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 2007-08 and 2008-09, a lower investment return assumption, shorter smoothing and amortization periods, and other demographic assumption changes including longer lifespans for retirees. These increases accelerated beginning in 2011-12 and continue to ramp up as CalPERS phases each of them in. By the end of the Five-Year Financial Plan period, PERS expenditures are projected to reach an estimated $43.3 million, more than two and a half times the cost from ten years earlier, and consume an estimated 21.2% of General Fund revenues (see Chart 13).

Chart 12
General Fund PERS Expenditures

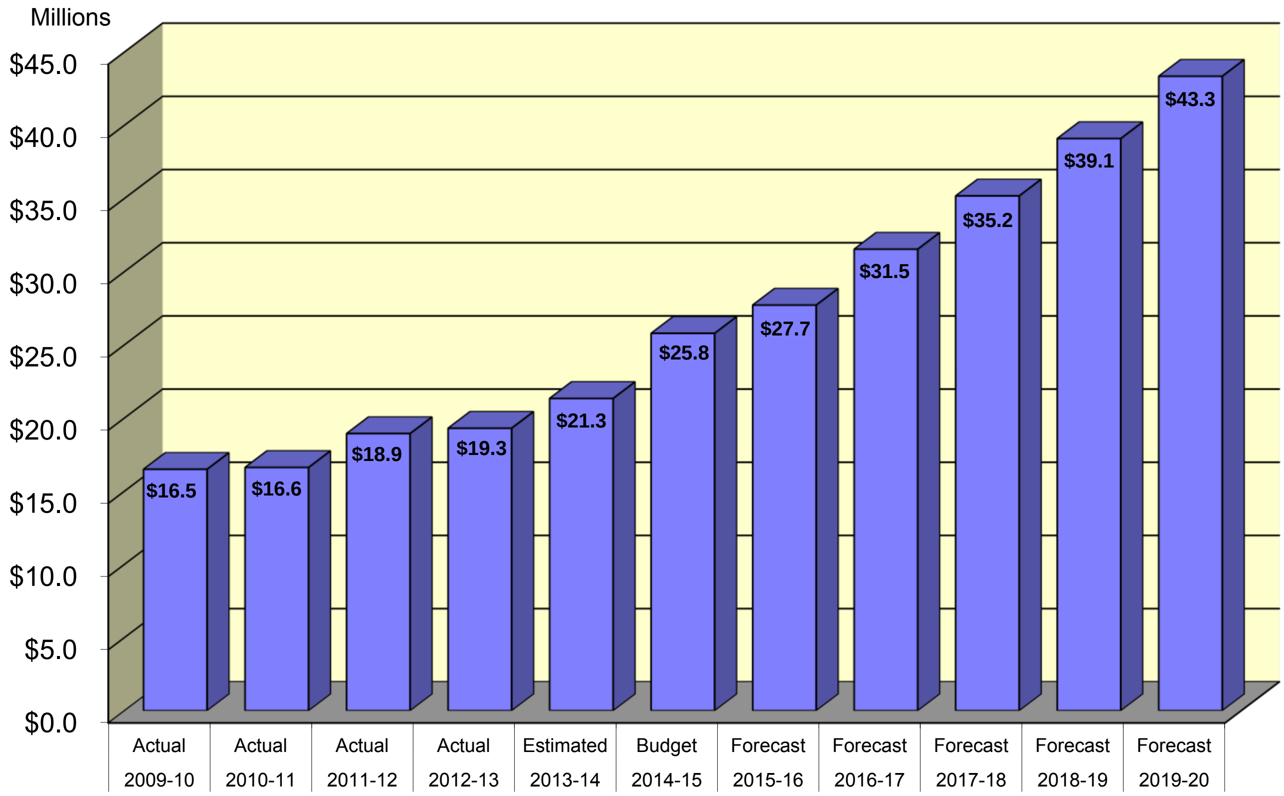
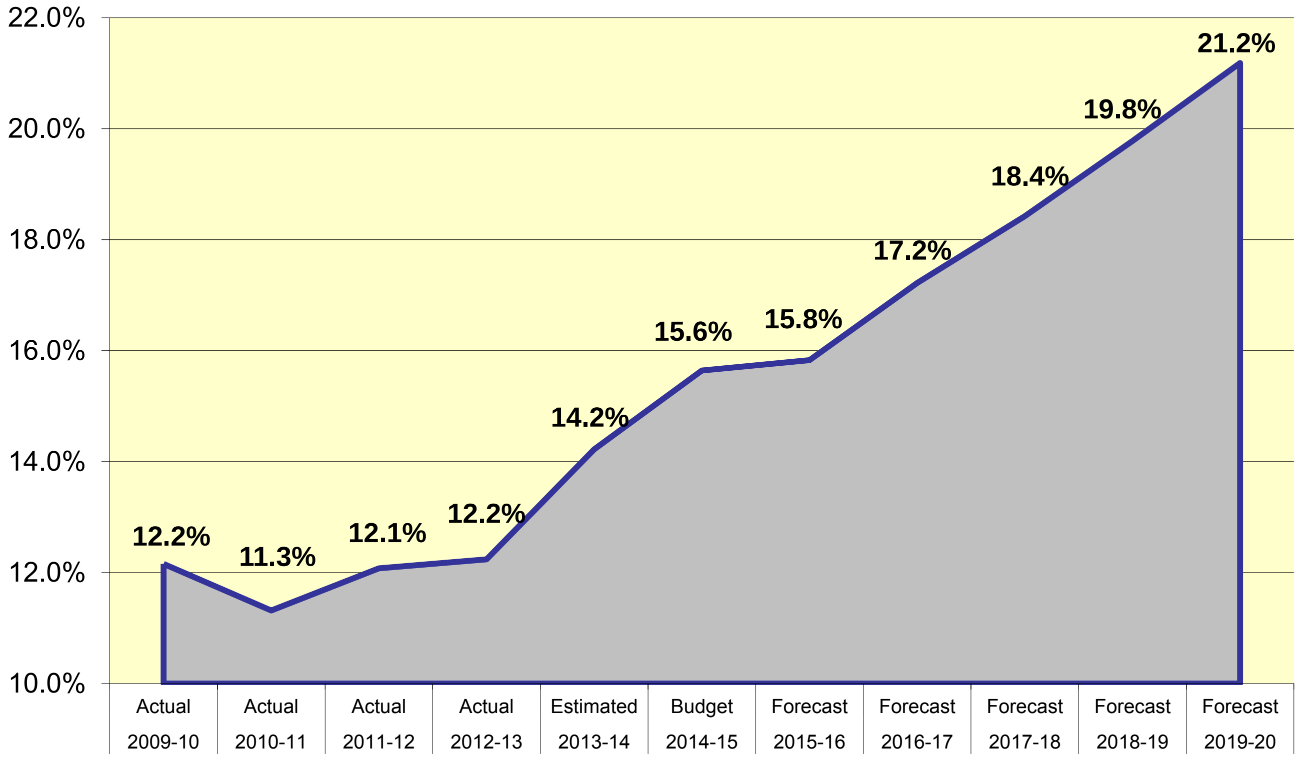


Chart 13
PERS Expenditures as a Percent of Annual Revenues



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 at that time was that it would earn a 7.75% annual investment return; this is the rate of growth needed to keep employer rates stable, all other things being equal. Given this assumption, CalPERS fell short of its actuarial estimate by 44.4% over this two year period, placing significant upward pressure on future rates. Rate increases to make up for these losses were phased in over three years beginning in 2011-12.

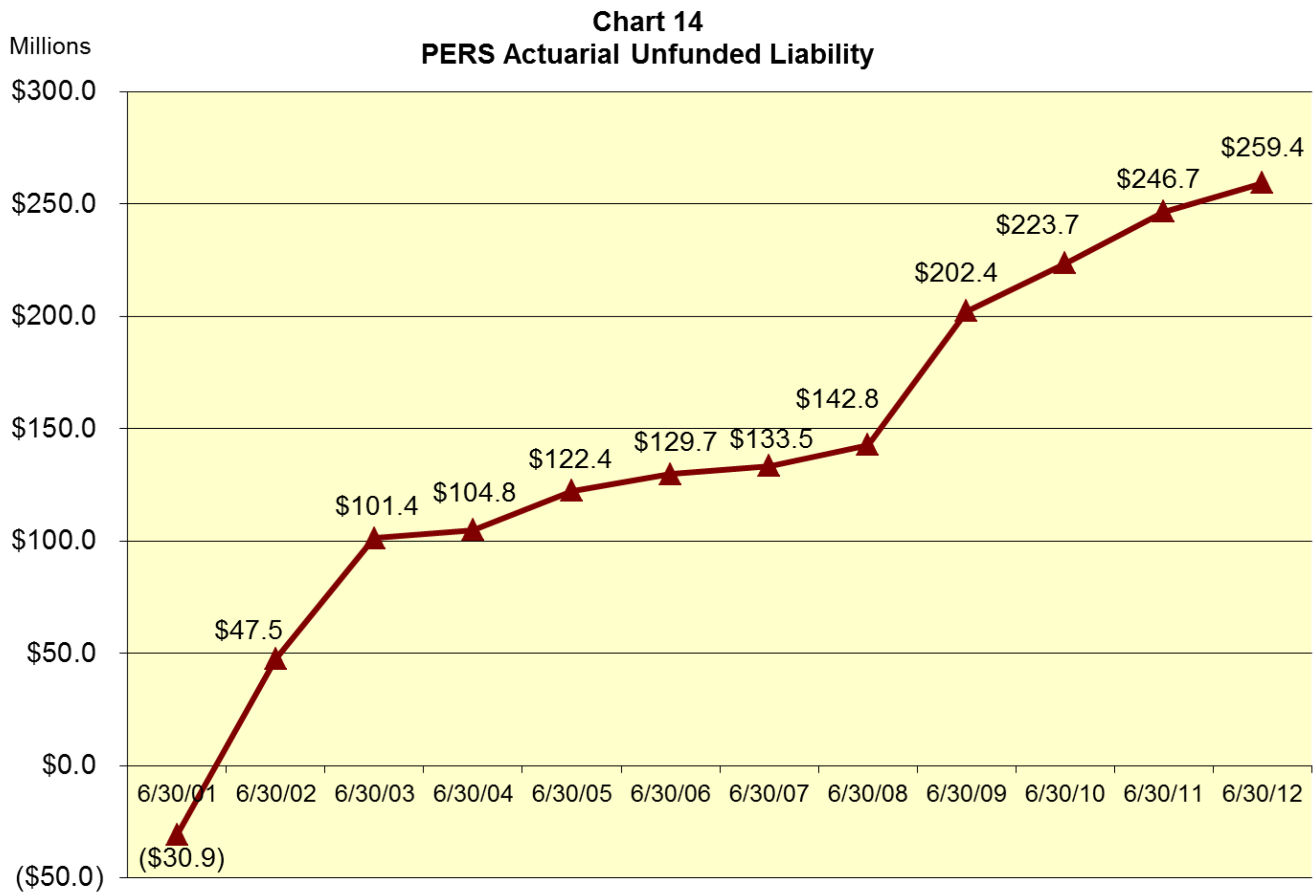
The second major driver behind pension rate increases are decisions made by the CalPERS Board. In 2012, the CalPERS Board revised their investment earnings assumption downward from 7.75% to 7.5% and in 2013 the Board modified smoothing policies from 15-year rolling average to five-year direct smoothing and changed the amortization period for investment gains and losses from a rolling to a fixed 30-year period. These changes were designed to help agencies move toward 100% funding faster than under the prior policies. The lower investment earnings assumption was incorporated into the calculation of rates beginning in 2013-14. The smoothing and amortization policy changes are being implemented beginning in 2015-16. In 2014, the CalPERS Board approved new actuarial assumptions including mortality assumptions which show that retirees and their beneficiaries are expected to live longer than previously assumed, necessitating higher rates to fund higher lifetime pension payouts. These changes will be implemented over the five year period beginning in 2016-17.

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

Table 1
Projected CalPERS Employer Rates

	Percent of Salary:	
Fiscal Year	**Miscellaneous Plan**	**Safety Plan**
2013-14	25.216%	35.340%
2014-15	26.989%	38.977%
2015-16	28.193%	41.310%
2016-17	30.787%	45.620%
2017-18	32.830%	49.355%
2018-19	34.813%	53.090%
2019-20	36.917%	56.725%

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 $259.4 million as of June 30, 2012 (the most recent actuarial valuation date).



Recovering from a Structural Budget Deficit

General Fund revenues fell sharply while expenditures continued to rise as a result of the Great Recession, causing a structural budget deficit. However, as shown in Charts 15 and 16, beginning in 2010-11, revenues rebounded as the regional and local economies experienced an economic recovery that, thus far, has outpaced that of the State of California and the United States. For the first time in three years, the General Fund ended 2010-11 with a surplus of $8.5 million, allowing for much needed contributions to reserves which had fallen to dangerously low levels. For 2011-12, a surplus of $20.8 million was primarily the result of 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). In 2012-13, a surplus of $18.0 million was the result of continuing revenue growth coupled with careful management of staffing costs. It is important to note that the State's Redevelopment Agency dissolution process has called into question about $13 million per year of lease revenues beginning January 1, 2011. These lease revenues are included in the actual revenue amounts through the date of the Court injunction (i.e., prior to June 27, 2013). A fourth straight year of revenue growth and a managed hiring freeze resulting in salary and benefit cost savings is projected to result in a 2013-14 surplus of about $5.2 million, even with the loss of lease revenues from the properties tied to the former Redevelopment Agency.

Although the 2014-15 Budget is balanced, it includes a $3 million budgeted transfer to the Working Capital Reserve (this amount is noted at the bottom of the second page of Schedule A). In Chart 16, this amount is shown as a surplus to highlight this transfer to the reserve. Beyond 2014-15, the individual revenue and expenditure projections described previously result in declining surpluses in 2015-16 through 2018-19 and a deficit in 2019-20 due to a higher projected growth rate in expenditures than revenues (i.e., an average annual growth rate of 4.43% for total resources vs. an average annual growth rate of 4.61% for expenditures). The primary drivers behind the higher growth rate for expenditures continue to be rising pension rates and expected increases in other benefit costs which are projected to grow by 5% per year primarily due to health care cost projections. It is important to note that revenue projections assume a growing economy throughout the forecast period but do not include project specific revenues that may result from several large commercial and residential development projects currently under review or entitled but not yet under construction. Revenue projections also do not assume any of the former RDA lease revenues currently subject to the Court injunction. If any of the development projects are completed and yield positive economic benefit or if the City were ultimately able to retain any of the lease revenues, the outlook would improve.

Chart 15
General Fund Resources and Expenditures

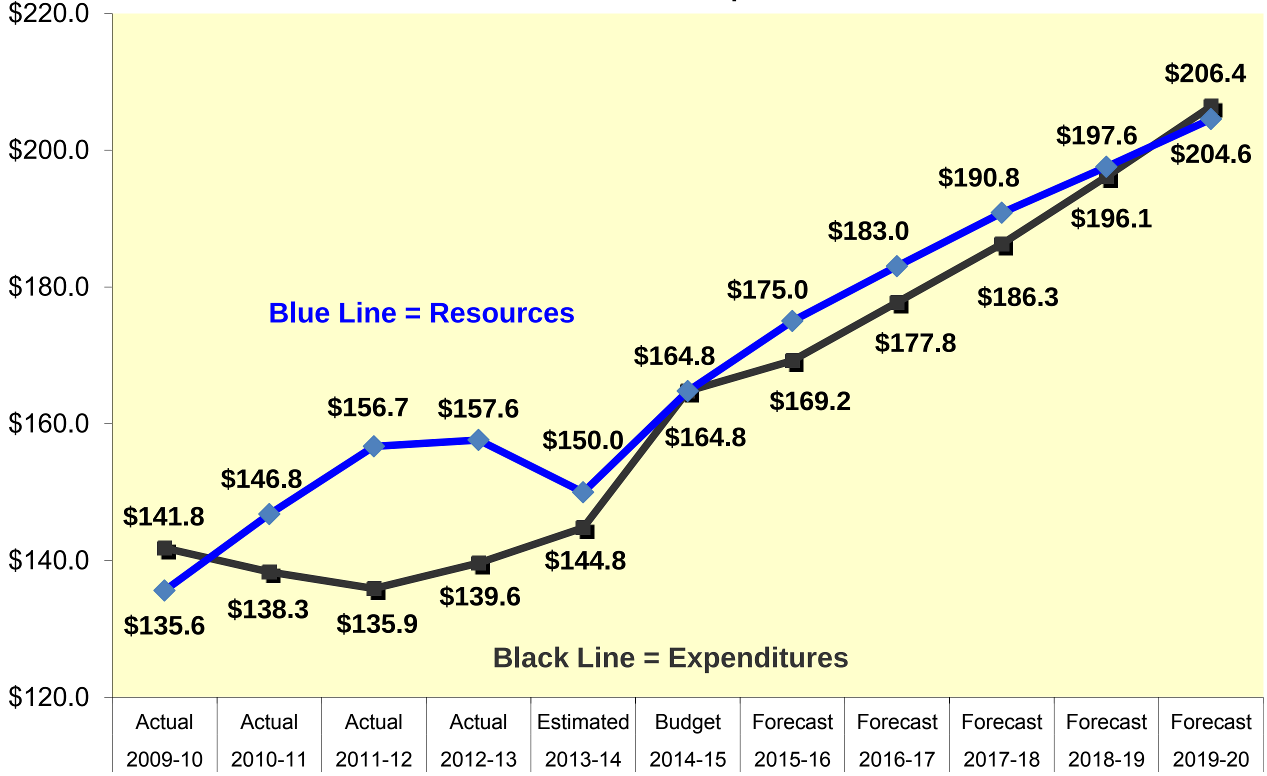
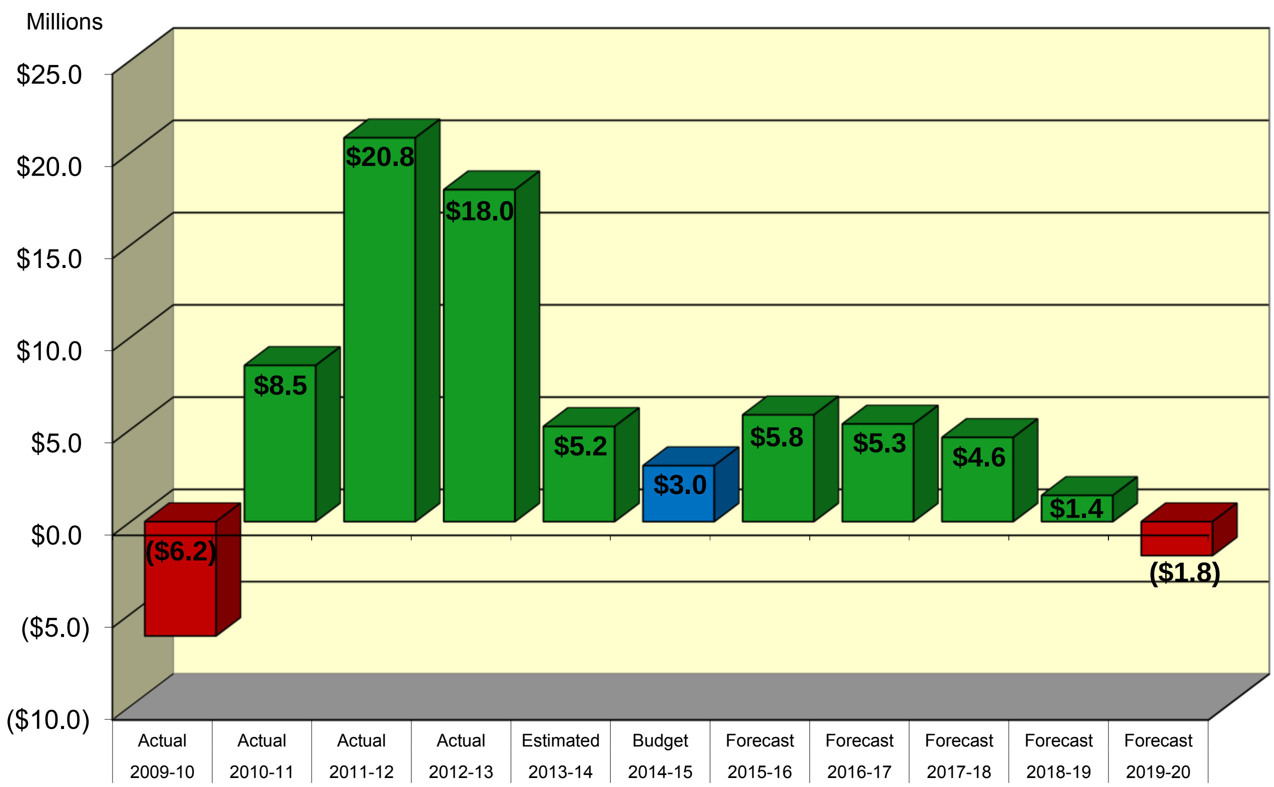


Chart 16
General Fund Operating Surplus/(Deficits)



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 Reserve* and a *Capital Projects Reserve*. The Working Capital Reserve is set aside to protect vital General Fund services during economic downturns or to handle financial crisis or disaster situations. The target size for the Working Capital Reserve is 25% of General Fund expenditures or enough to provide funding for 90 days of operations. For 2013-14, the target was $38.0 million compared to an available balance of $18.0 million as of June 30, 2013.

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 rebuilt the reserve to $21.1 million by 2007-08, thanks to strong economic growth and three consecutive years of operating surpluses. But as revenues began to fall in 2008-09, the City again had to turn to its reserves in an effort to protect vital services for its residents and other stakeholders, leaving a balance of only $2.5 million at June 30, 2010. Using the reserve helped sustain service levels but depleted an important source of funding that provides flexibility to respond to unanticipated operating events. Economic recovery began to take hold in 2010-11 and as a result of three consecutive years of surpluses, the reserve level rose to $18.0 million as of June 30, 2013. The target for 2014-15 is $41.2 million. Based on projections, an additional contribution to the reserves is expected to be made as the books on 2013-14 are closed out.

Chart 17
Working Capital Reserve Ending Balances

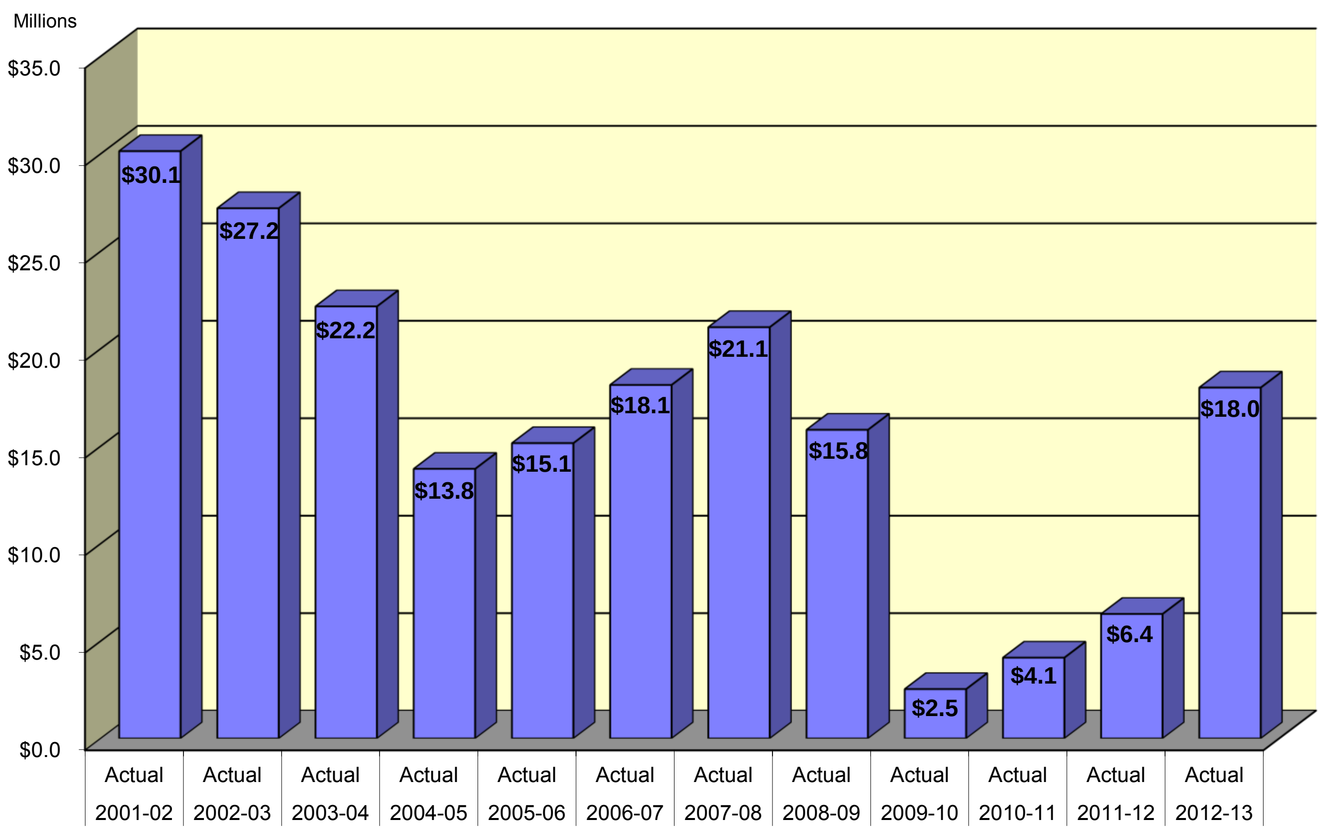
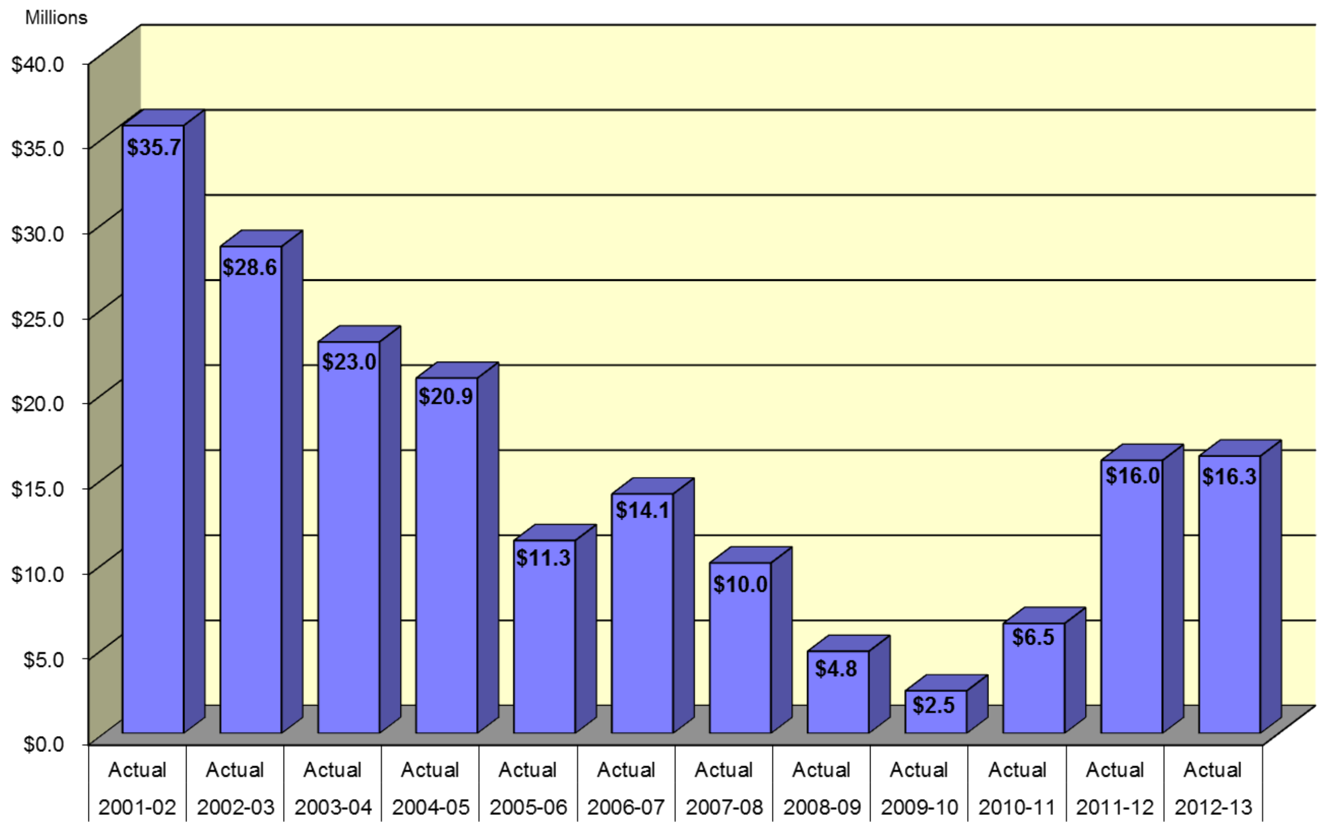


Chart 18 paints a similar picture for the City's Capital Projects Reserve. This reserve is set aside to fund a portion of the City's capital spending program. The projects in the program maintain basic City infrastructure and provide quality facilities. The Council adopted a policy in 1996-97 to maintain a minimum of $5 million in the Capital Projects Reserve. Since 2000-01, the City drew down this key resource from $69.1 million to a low of $2.5 million on June 30, 2010. Surpluses the last three fiscal years allowed for contributions to the Capital Projects Reserve. The balance reached $16.3 million at June 30, 2013, which is above the minimum target balance of $5 million.

Chart 18
Capital Projects Reserve Ending Balances



Having well-funded reserves, good fiscal management practices, and an excellent credit rating have historically allowed Santa Clara to maintain its fiscal health. Now that the economy is growing again and we are currently experiencing operating surpluses, it is important that we rebuild our reserves to make the City of Santa Clara stronger.

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 2013, the City of Santa Clara served approximately 1,749 industrial accounts that comprised more than 88% of the City's load and more than 87% of customer service revenues. The Electric Department provides diverse services including operating, maintaining and dispatching electric service, engineering, system design and planning, administrative and financial management, marketing, customer services, power trading, free outdoor Wi-Fi (powered by SVP Meter Connect) and dark fiber leasing services -- all of which make Silicon Valley Power a successful and reliable resource for the City and its citizens. SVP owns power generation facilities, invests in joint ventures that produce electric power, and trades power on the open market. Its primary goals are to provide safe, reliable service while remaining competitive in the marketplace and placing a premium on a high level of customer satisfaction. While the business environment has changed, SVP remains dedicated to responsive, low cost and reliable customer service.

Over the next five years, SVP will continue to build and expand its state-of-the-art power and communications infrastructure 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 drought and related reduction in hydroelectric power output, and increased transmission costs are the major contributors to the increase in costs along with additional renewable projects in the near term. Because the additional renewable resources were acquired to meet future state mandates and are not immediately needed, the additional costs are being partially offset by wholesale sales of the renewable energy. Special efforts were made to assure that costs for the procurement of natural gas and emissions allowances for carbon are properly projected.

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

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

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

The Electric Department's Five-Year Financial Plan (see Schedule C) assumes a potential rate increase of 3% to 5% in January 2015, subject to further review and to City Council approval. The potential rate increase maintains a positive net income required to rebuild reserve levels to the $120 million target range. Yet, even with the potential rate increase, Santa Clara's Electric Utility projects that it will continue to 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 decrease by less than by 0.2% between 2014-15 and 2015-16 primarily due to fluctuations in capital project spending. Expenditures are projected to increase by 5% between 2015-16 and 2016-17. Expenditures are projected to increase by 7% to 8% per year over the last three years of the five-year planning period. Projected increases in the wholesale cost of water is the primary component of the increases in 2015-16 through 2019-20. 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 after the decrease between 2014-15 and 2015-16.

Sewer Utility (see Schedule E) – Sewer Utility expenditures are projected to increase by 87% between 2014-15 and 2015-16 due to a significant projected increase in capital improvements at the San Jose-Santa Clara Regional Wastewater Facility. Sewer Utility expenditures are expected to decrease by 27% between 2015-16 and 2016-17. In the remaining three years of the planning period, the Sewer Utility expenditures are projected to increase by 3%, 7%, and 5% respectively as the capital expenditures normalize to a more consistent level. 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 47% to 68% of the total estimated expenditures for the Sewer Utility in any given year. The Utility capital improvement category includes capital projects at the San Jose-Santa Clara Regional Wastewater Facility and critical in-City rehabilitation and replacement of sewer system infrastructure. The level of capital funding required has dictated the use of debt financing to mitigate rate impacts. 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 Regional Wastewater Facility.

Recycled Water Utility (see Schedule F) – Recycled Water Utility revenue and expenditures are projected to increase by 9% to 12% 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 Capital Improvement Project (CIP) funding for 2014-15 was developed with consideration of the mission and vision statement, current economic conditions, limited financing resources and Council priorities. The 2014-15 Adopted CIP includes $68.3 million of new project appropriations (including Authority projects), a decrease of $9.2 million or 11.8% from the 2013-14 Adopted Budget of $77.5 million. A $12.0 million decrease in Enterprise-funded projects account for the vast majority of the decrease. As a result of surpluses the past three years, the Capital Projects Reserve balance has now grown to above the target level of at least $5 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 $231 million during the forecast period. 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 projections of economic conditions. 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. 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 13, 2014 and a public hearing to adopt the 2014-15 Operating and CIP Budgets was held on June 10, 2014.

RESOURCE AND EXPENDITURE TREND
GENERAL FUND

	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Estimated
ESTIMATED RESOURCES					
Property Tax	$ 29,432,789	$ 27,945,684	$ 28,347,475	$ 31,747,458	$ 32,810,000
Sales Tax	30,102,296	35,567,421	40,322,018	44,351,021	47,590,000
Transient Occupancy Tax	8,106,319	9,805,926	11,483,363	13,046,576	14,425,000
Franchise Tax	3,000,696	3,146,270	3,361,039	3,342,501	3,402,800
Documentary Transfer Tax	528,375	543,681	727,688	1,004,613	1,000,000
Subtotal	**71,170,475**	**77,008,982**	**84,241,583**	**93,492,169**	**99,227,800**
Licenses and Permits	2,413,581	3,721,952	7,070,754	4,461,962	4,585,000
Fines and Penalties	1,811,708	1,961,566	2,068,367	2,157,223	2,075,000
Interest	3,359,513	3,122,571	2,250,304	2,153,871	1,200,000
Rents and Leases	5,172,350	9,030,640	16,204,608	16,876,124	5,216,350
Revenue From Other Agencies	809,870	776,734	650,674	390,988	400,000
Charges For Current Services	22,716,748	26,508,966	30,465,108	24,714,568	25,500,000
Contribution In-Lieu of Taxes	13,448,039	14,912,599	15,342,885	15,218,781	16,709,521
Other Revenue	158,792	5,714,513	203,421	354,204	250,000
Subtotal	**49,890,601**	**65,749,541**	**74,256,121**	**66,327,721**	**55,935,871**
Net Interfund Transfers	**14,551,775**	**4,034,987**	**(1,789,033)**	**(2,192,161)**	**(5,206,278)**
Total Estimated Resources	**$ 135,612,851**	**$ 146,793,510**	**$ 156,708,671**	**$ 157,627,729**	**$ 149,957,393**
ESTIMATED EXPENDITURES					
Salaries	$ 82,489,629	$ 79,757,265	$ 75,372,860	$ 76,153,460	$ 77,775,000
Separation Payouts	2,100,677	1,763,225	2,301,884	2,388,903	1,255,000
Benefits	28,996,323	28,963,250	30,524,961	32,295,012	35,400,000
Materials, Services, and Supplies	20,729,690	19,842,331	19,741,648	20,878,681	21,850,000
Interfund Services	7,465,790	7,987,001	7,965,301	7,914,369	8,500,000
Capital Outlay	27,740	14,707	-	7,631	17,000
Total Estimated Expenditures	**$ 141,809,849**	**$ 138,327,779**	**$ 135,906,654**	**$ 139,638,056**	**$ 144,797,000**
Surplus/(Deficit)	**$ (6,196,998)**	**$ 8,465,731**	**$ 20,802,017**	**$ 17,989,673**	**$ 5,160,393**

RESOURCE AND EXPENDITURE TREND
GENERAL FUND

	2014-15 Budget	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
ESTIMATED RESOURCES						
Property Tax	$ 34,355,000	$ 36,072,800	$ 37,876,400	$ 39,770,200	$ 40,963,300	$ 42,192,200
Sales Tax	50,020,000	52,860,000	55,270,000	58,240,000	61,360,000	64,630,000
Transient Occupancy Tax	15,110,000	15,563,300	16,030,200	17,011,100	17,521,400	18,047,000
Franchise Tax	3,459,100	3,516,300	3,574,400	3,633,400	3,693,500	3,754,600
Documentary Transfer Tax	1,000,000	1,020,000	1,045,500	1,073,700	1,104,800	1,139,000
Subtotal	**103,944,100**	**109,032,400**	**113,796,500**	**119,728,400**	**124,643,000**	**129,762,800**
Licenses and Permits	5,172,700	5,276,200	5,408,100	5,554,100	5,715,200	5,892,400
Fines and Penalties	1,926,300	1,964,800	2,013,900	2,068,300	2,128,300	2,194,300
Interest	900,000	912,500	1,050,000	1,225,000	1,412,500	1,562,500
Rents and Leases	7,413,100	8,600,900	10,227,800	10,434,400	10,653,900	10,885,800
Revenue From Other Agencies	349,000	356,000	364,900	374,800	385,700	397,700
Charges For Current Services	31,264,783	31,774,300	32,557,400	33,424,300	34,380,600	35,432,400
Contribution In-Lieu of Taxes	17,468,451	17,923,559	18,469,195	18,883,950	19,098,429	19,293,153
Other Revenue	200,200	204,200	209,300	215,000	221,200	228,000
Subtotal	**64,694,534**	**67,012,459**	**70,300,595**	**72,179,850**	**73,995,829**	**75,886,253**
Net Interfund Transfers	**(3,861,634)**	**(1,037,433)**	**(1,048,234)**	**(1,060,721)**	**(1,069,496)**	**(1,086,318)**
Total Estimated Resources	**$ 164,777,000**	**$ 175,007,426**	**$ 183,048,861**	**$ 190,847,529**	**$ 197,569,333**	**$ 204,562,735**
ESTIMATED EXPENDITURES						
Salaries	$ 86,273,006	$ 87,569,000	$ 90,198,000	$ 93,535,000	$ 97,183,000	$ 101,168,000
Separation Payouts	2,300,000	2,369,000	2,440,000	2,513,000	2,588,000	2,666,000
Benefits	41,570,418	44,287,600	48,936,100	53,447,800	58,278,200	63,497,900
Materials, Services, and Supplies	25,612,084	25,976,000	26,939,000	27,294,000	28,329,000	29,002,000
Interfund Services	8,816,692	8,993,000	9,218,000	9,467,000	9,742,000	10,044,000
Capital Outlay	204,800	25,000	25,000	25,000	25,000	25,000
Total Estimated Expenditures	**$ 164,777,000**	**$ 169,219,600**	**$ 177,756,100**	**$ 186,281,800**	**$ 196,145,200**	**$ 206,402,900**
Surplus/(Deficit)	**$ -**	**$ 5,787,826**	**$ 5,292,761**	**$ 4,565,729**	**$ 1,424,133**	**$ (1,840,165)**

Note: 2014-15 net interfund transfers includes one-time budgeted $3.0 million transfer to the Working Capital Reserve.

Schedule B

PLANNED FUTURE CAPITAL PROJECT COSTS

Fund	Fund Name	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019- 20
Streets and Highways Programs:						
521	Special Gas Tax (2105)	$ 371,823	$ 429,587	$ 387,623	$ 445,940	$ 404,548
522	Special Gas Tax (2107)	725,000	725,000	725,000	725,000	404,548
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	2,467,500	1,817,500	2,045,000	1,525,000	1,625,000
531	Street Beautification	60,000	60,000	60,000	60,000	60,000
533	Streets and Highways	3,485,000	690,000	690,000	690,000	690,000
	Subtotal	**$ 7,709,323**	**$ 4,322,087**	**$ 4,507,623**	**$ 4,045,940**	**$ 3,784,096**
General Government Programs:						
532	Parks and Recreation	$ 4,210,836	$ 9,011,750	$ 22,838,250	$ 66,150,000	$ 70,710,000
535	Storm Drains	10,300,000	2,950,000	4,325,000	2,850,000	3,150,000
536	Fire Department	137,500	105,000	110,000	115,000	120,000
537	Library	221,100	113,000	25,000	55,000	25,000
538	Public Buildings	14,005,000	2,735,000	535,000	435,000	435,000
539	General Government-Other	5,769,060	2,364,060	2,342,000	2,288,000	2,500,000
562	Community Services (HUD)	400,000	400,000	400,000	400,000	250,000
565	City Affordable Housing Fund	-	-	-	-	-
	Subtotal	**$ 35,043,496**	**$ 17,678,810**	**$ 30,575,250**	**$ 72,293,000**	**$ 77,190,000**
Authority Programs:						
Housing, Sports & Open Space Authority		$ 640,000	$ 110,000	$ 110,000	$ -	$ -
TOTAL PROPOSED COSTS		**$ 43,392,819**	**$ 22,110,897**	**$ 35,192,873**	**$ 76,338,940**	**$ 80,974,096**

Schedule B

FUNDED / UNFUNDED PROJECT COSTS

	2015 - 16	2016 - 17	2017 - 18	2018 - 19	2019- 20
Funded Project Costs:					
Streets and Highways Program	$ 6,789,323	$ 2,702,087	$ 1,732,623	$ 2,310,940	$ 2,109,096
General Government Program	5,464,962	(246,038)	2,907,300	969,300	1,933,300
Authority Program	-	-	-	-	-
Subtotal	$ 12,254,285	$ 2,456,049	$ 4,639,923	$ 3,280,240	$ 4,042,396
Unfunded Project Costs:					
Streets and Highways Program	$ 920,000	$ 1,620,000	$ 2,775,000	$ 1,735,000	$ 1,675,000
General Government Program	29,578,534	17,924,848	27,667,950	71,323,700	75,256,700
Authority Program	640,000	110,000	110,000	-	-
Subtotal	$ 31,138,534	$ 19,654,848	$ 30,552,950	$ 73,058,700	$ 76,931,700
TOTAL FUNDED AND UNFUNDED COSTS:	**$ 43,392,819**	**$ 22,110,897**	**$ 35,192,873**	**$ 76,338,940**	**$ 80,974,096**

CITY OF SANTA CLARA
ELECTRIC UTILITY
REVENUE AND EXPENDITURE PROJECTIONS

	Estimate	Budget			Forecast		
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
ESTIMATED REVENUE							
Charges for Current Service (1)	$ 308,974,841	$ 326,673,109	$ 339,838,036	$ 353,533,509	$ 363,240,404	$ 366,872,808	$ 370,541,536
Public Benefit Charge	8,805,783	9,310,184	9,685,384	10,075,705	10,352,352	10,455,875	10,560,434
Use of Money & Property	4,789,400	2,537,411	2587032.208	2,911,389	3,313,400	3,821,343	4,319,760
Other Revenue (Except Bond Proceeds)	11,620,400	10,798,326	7,796,879	7,858,534	7,954,822	8,066,915	7,772,534
Wholesale Revenues from REC Sales (3)	14,804,173	6,766,839	3,571,392	6,211,658	7,275,584	5,997,001	5,683,176
Wholesale Revenues from GHG / Carbon Sales (3)	1,102,896	2,421,583	1,762,538	2,478,392	3,089,852	4,796,081	8,497,915
Beginning Balance - Capital Projects	-	2,200,000	-	-	-	-	-
Funding for Phase Shifting Transformer	15,800,000	6,000,000	-	-	-	-	-
Transfer to CIP #539 (Unisys/MSEA)	(804,390)	(549,651)	-	-	-	-	-
Budgeted CRF Withdrawal or Rate Increase	-	15,000,000	-	-	-	-	-
Total Revenue	**$ 365,093,103**	**$ 381,157,801**	**$ 365,241,262**	**$ 383,069,187**	**$ 395,226,414**	**$ 400,010,023**	**$ 407,375,356**
ESTIMATED EXPENDITURES							
Utility & Street Light Construction (4)	$ 44,525,000	$ 31,772,240	$ 15,790,000	$ 19,890,000	$ 11,390,000	$ 10,140,000	$ 7,750,000
Salaries & Benefits	25,515,912	27,747,316	28,302,262	29,009,819	29,793,084	30,657,083	31,607,453
Other Operating Expenditures	19,260,389	18,622,276	18,994,722	19,469,590	19,995,268	20,575,131	21,212,960
Resource & Production Costs							
Purchased Power, Non-JPA	66,612,839	84,409,701	73,089,964	81,161,500	91,596,720	105,165,591	111,157,611
Purchased Power, JPA	117,614,996	120,625,608	128,029,369	133,119,206	124,940,512	120,438,173	118,977,232
Other Production Costs	40,943,626	41,550,695	40,049,636	40,054,379	41,049,685	42,442,134	43,830,244
Public Benefit Expense (5)	8,805,783	9,310,184	9,685,384	10,075,705	10,352,352	10,455,875	10,560,434
Internal Service Funds	10,633,182	10,927,175	11,091,083	11,257,449	11,426,311	11,597,705	11,771,671
Contribution-in-lieu of Taxes	16,709,521	17,468,451	17,995,367	18,718,957	19,243,049	19,460,847	19,659,713
Debt Service	13,875,831	15,022,394	18,955,353	19,177,778	19,408,678	19,611,978	19,847,803
Total Expenditures	**$ 364,497,079**	**$ 377,456,040**	**$ 361,983,140**	**$ 381,934,382**	**$ 379,195,659**	**$ 390,544,518**	**$ 396,375,121**
TOTAL AVAILABLE REVENUE (6)	**$ 596,024**	**$ 3,701,760**	**$ 3,258,122**	**$ 1,134,804**	**$ 16,030,755**	**$ 9,465,505**	**$ 11,000,235**
Charges for Current Service (Excl PBC, SS) -$/mwhr	**102.91**	**106.88**	**110.09**	**113.39**	**115.35**	**115.35**	**115.35**
CASH Balance - EOY	**$230,160,891**	**$211,270,644**	**$217,884,886**	**$220,695,076**	**$237,153,476**	**$250,006,991**	**$255,642,860**
Rate Stabilization Fund Balance (7)	**$102,854,601**	**$93,589,694**	**$96,847,816**	**$97,982,620**	**$114,013,375**	**$123,478,880**	**$134,479,115**

(1) Assumes December 2013 rates at $100.53/Mwh (Excl. PBC, SS), 5% rate increase effective January 1, 2014 and includes potential 3% rate increases effective January 1, 2015, January 1, 2016 and January 1, 2017 respectively
(2) Public Benefits Charge is 2.85% of Charges for Current Service
(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

ESTIMATED REVENUE	Estimate 2013-14	Budget 2014-15	Forecast 2015-16	2016-17	2017-18	2018-19	2019-20
Transfers From (To) Reserves	$ 28,600	$ 800,700	$ (322,730)	$ 5,500	$ (161,500)	$ (10,437)	$ (204,300)
Transfers From (To) Fund 097	700,000	550,000	550,000	550,000	550,000	550,000	550,000
Customer Service Charges 1.	29,946,000	29,946,000	34,002,000	35,025,000	36,494,700	39,313,700	42,318,000
Other Revenue 2.	686,000	1,093,000	1,101,000	1,110,000	1,121,000	1,134,000	1,148,000
Use of Money and Property 2.	130,000	135,000	166,230	188,700	223,300	257,437	286,800
Additional Revenue from Rate Adjustments 1.	-	4,056,000	1,023,000	1,469,700	2,819,000	3,004,300	3,459,900
Total Revenue	**$ 31,490,600**	**$ 36,580,700**	**$ 36,519,500**	**$ 38,348,900**	**$ 41,046,500**	**$ 44,249,000**	**$ 47,558,400**
ESTIMATED EXPENDITURES							
Salaries and Benefits 3.	$ 4,934,500	$ 6,320,300	$ 6,503,100	$ 6,763,200	$ 7,033,700	$ 7,315,000	$ 7,607,600
Other Operating Expenditures 3.	1,186,100	1,339,000	1,392,600	1,448,300	1,506,200	1,566,400	1,629,100
Resources and Production 4.	18,180,000	20,167,000	20,667,400	22,165,800	24,314,400	26,744,800	29,457,900
Internal Service Fund Allocations 3.	2,668,400	2,986,000	3,111,300	3,235,800	3,365,200	3,499,800	3,639,800
Right-of-Way Fee	1,594,900	1,636,400	1,669,100	1,710,800	1,757,000	1,808,000	1,864,000
Utility Capital Improvements	2,926,700	4,132,000	3,176,000	3,025,000	3,070,000	3,315,000	3,360,000
Total Expenditures	**$ 31,490,600**	**$ 36,580,700**	**$ 36,519,500**	**$ 38,348,900**	**$ 41,046,500**	**$ 44,249,000**	**$ 47,558,400**
TOTAL AVAILABLE REVENUE	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

1. Assumes 0.1% increase in sales and 12% rate increase in FY 2014-15, 3% in FY2015-16, 4% in FY2016-17, and 7.5% in FY2017-18 and FY2018-19, and 8% in FY2019-20.
2. Assumes 2% per year increases.
3. Assumes 4% per year increases.
4. Assumes agency projections for wholesale rates, 0.1% increase use in FY 2014-15 and thereafter.

Schedule E

CITY OF SANTA CLARA
SEWER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS

ESTIMATED REVENUE	Estimate 2013-14	Budget 2014-15	Fiscal Year 2015-16	2016-17	2017-18	2018-19	2019-20
Transfers From (To) Reserves	$ (928,895)	$ (49,500)	$ (784,900)	$ (607,600)	$ (893,400)	$ (679,600)	$ (1,013,500)
Customer Service Charges & Fees (1)	30,646,000	30,646,000	32,339,200	34,125,900	36,011,400	38,362,900	41,253,500
Other Misc. Revenue	77,900	187,000	122,700	127,600	132,700	138,000	143,500
Sewer Connection and Conveyence Fees	1,600,000	1,650,000	1,440,000	1,445,000	1,450,000	1,450,000	1,455,200
Use of Money and Property	216,000	233,400	273,700	321,600	381,100	449,500	505,800
Bonds or Certificates of Participation (2)	-	-	29,000,000	9,500,000	9,000,000	9,000,000	9,000,000
Additional Revenue from Rate Adjustments	-	1,693,200	1,786,700	1,885,500	2,351,500	2,890,600	3,108,500
Total Revenue	**$ 31,611,005**	**$ 34,360,100**	**$ 64,177,400**	**$ 46,798,000**	**$ 48,433,300**	**$ 51,611,400**	**$ 54,453,000**
ESTIMATED EXPENDITURES							
Salaries and Benefits (3)	$ 2,303,786	$ 2,520,600	$ 2,621,400	$ 2,726,300	$ 2,835,400	$ 2,948,800	$ 3,066,800
Other Operating Expenditures	185,200	414,700	431,300	448,500	466,400	485,100	504,500
Resources and Production	12,452,890	12,412,500	13,033,100	13,684,800	14,369,000	15,087,500	15,841,900
Internal Service Fund Allocations	1,245,913	1,357,400	1,411,700	1,468,200	1,526,900	1,588,000	1,651,500
Right of Way Fee	1,335,500	1,370,200	1,397,600	1,432,500	1,471,200	1,513,900	1,560,800
Utility Capital Improvements (2)	13,399,858	14,456,800	43,574,400	22,864,800	22,784,000	24,242,700	25,317,100
Debt Service	687,858	1,827,900	1,707,900	4,172,900	4,980,400	5,745,400	6,510,400
Total Expenditures	**$ 31,611,005**	**$ 34,360,100**	**$ 64,177,400**	**$ 46,798,000**	**$ 48,433,300**	**$ 51,611,400**	**$ 54,453,000**
TOTAL AVAILABLE REVENUE	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

(1) Assumes 5% rate increases in FY 2014-15, FY2015-16, and FY2016-17, a 6% increase in FY2017-18, 7% increases in FY2018-19 and FY2019-20, and 0.5% growth each year

(2) Capital projects at the WPCP assumed to be partially funded debt financing through the Clean Water Financing Authority in FY2015-16 through FY2019-20.

(3) Assumes 4% per year increase.

Schedule F

CITY OF SANTA CLARA
RECYCLED WATER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS

ESTIMATED REVENUE	Estimate 2013-14	Budget 2014-15	Forecast 2015-16	2016-17	2017-18	2018-19	2019-20
Transfers From (To) Reserves	$ 199,850	$ 154,500	$ 42,500	$ 65,400	$ 127,100	$ 202,700	$ 293,100
Transfers From (To) Fund 092 1.	(700,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)
Customer Service Charges 2.	2,440,000	2,440,000	2,676,000	3,104,200	3,321,500	3,520,800	3,732,000
Other Revenue	310,000	310,000	322,400	335,300	348,700	362,600	377,100
Use of Money and Property 3.	22,000	23,000	24,000	24,000	24,500	24,500	25,000
Additional Revenue from Rate Adjustments :	-	236,000	428,200	217,300	199,300	211,200	223,900
Total Revenue	**$ 2,271,850**	**$ 2,613,500**	**$ 2,943,100**	**$ 3,196,200**	**$ 3,471,100**	**$ 3,771,800**	**$ 4,101,100**
ESTIMATED EXPENDITURES							
Salaries and Benefits 5.	$ 205,100	$ 436,900	$ 454,400	$ 472,600	$ 491,500	$ 511,200	$ 531,600
Other Operating Expenditures 5.	44,000	44,700	46,500	48,400	50,300	52,300	54,400
Resources and Production 4.	1,800,000	1,900,000	2,185,000	2,403,000	2,643,000	2,907,000	3,198,000
Internal Service Fund Allocations 5.	98,000	98,100	102,000	106,100	110,300	114,700	119,300
Right-of-Way Fee	124,750	133,800	155,200	166,100	176,000	186,600	197,800
Total Expenditures	**$ 2,271,850**	**$ 2,613,500**	**$ 2,943,100**	**$ 3,196,200**	**$ 3,471,100**	**$ 3,771,800**	**$ 4,101,100**
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 FY2015-16 and 6% 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

	Estimate 2013-14	Budget 2014-15	Forecast 2015-16	2016-17	2017-18	2018-19	2019-20
ESTIMATED REVENUE *							
Sales-Facilities (1)	$ 130,000	$ 130,000	$ 135,000	$ 132,000	$ 133,000	$ 134,000	$ 135,000
Sales-Labor (2)	270,000	265,000	268,000	269,000	270,000	275,000	280,000
Sales-Endowment Care (3)	150	150	200	250	275	300	500
Sales-Material (4)	118,000	151,000	132,000	137,000	142,000	152,000	172,000
Use of Money and Property (5)	-	21,000	21,000	21,000	21,000	21,000	21,000
Loan from General Contingency Reserve (6)	398,956	284,036	293,800	293,750	289,725	275,700	252,500
Total Revenue	**$ 917,106**	**$ 851,186**	**$ 850,000**	**$ 853,000**	**$ 856,000**	**$ 858,000**	**$ 861,000**
ESTIMATED EXPENDITURES *							
Salaries and Benefits	$ 637,106	$ 606,576	$ 607,000	$ 608,000	$ 609,000	$ 610,000	$ 611,000
Other Operating Expenditures	118,000	117,544	118,000	118,000	118,000	118,000	118,000
Internal Service Fund Allocations	162,000	127,066	125,000	127,000	129,000	130,000	132,000
Repayment of General Contingency Reserve loan	-	-	-	-	-	-	-
Total Expenditures	**$ 917,106**	**$ 851,186**	**$ 850,000**	**$ 853,000**	**$ 856,000**	**$ 858,000**	**$ 861,000**
TOTAL AVAILABLE REVENUE	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

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

(1) Pre-need sales in new Willow Bend area.
(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.