



Sales Tax Forecasting

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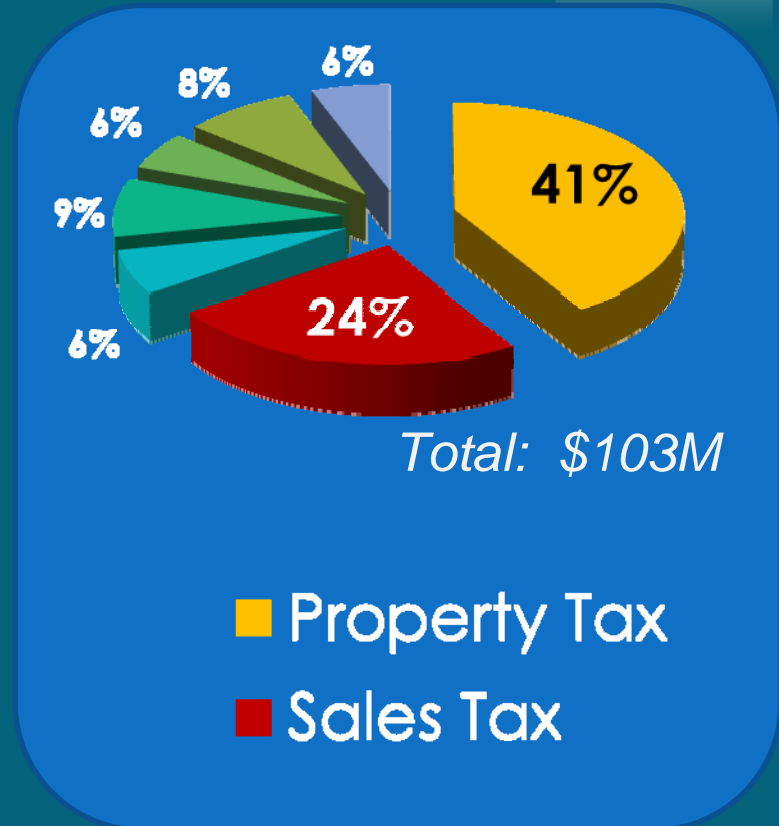
Forecasting Sales Tax

- ✦ Sunnyvale Long Term Financial Planning
 - ✦ Two Year Operating Budget
 - ✦ Twenty Year Financial Plans
- ✦ Two Year Sales Tax Estimate
- ✦ Eighteen Year Trend
 - ✦ What is the Right Baseline?



Sunnyvale Sales Tax

- ✦ 24% of General Fund Revenues
 - ✦ 2nd largest
- ✦ Unique Mix of Sales Tax
 - ✦ 39% B2B
 - ✦ 61% Retail
- ✦ High Volatility





Sales Tax – 10 Year History





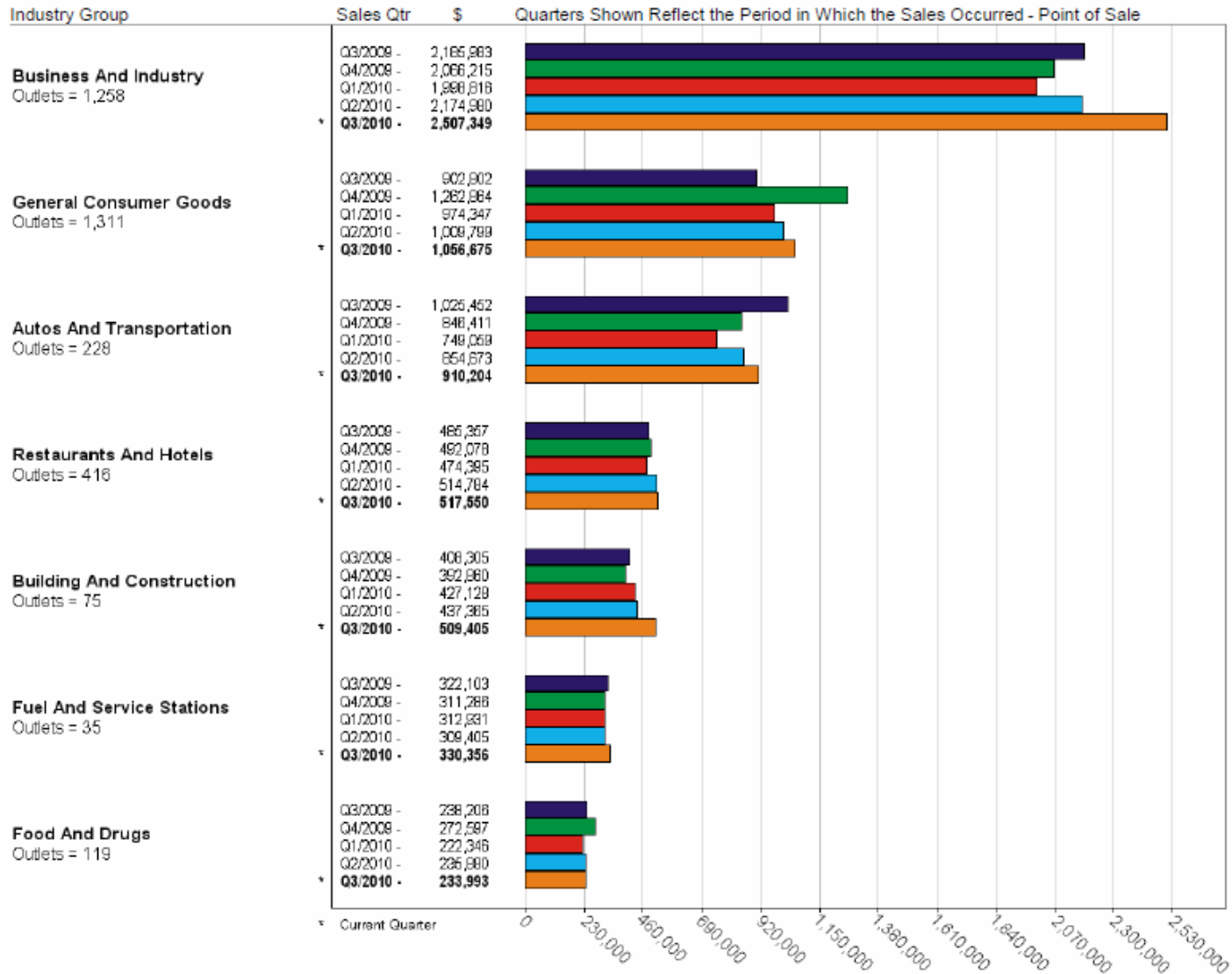
Two Year Estimate

- ✦ Start with HdL Preliminary Sales Tax Revenues Projection for the Next Year
- ✦ Compare with Budget & YTD Receipts
 - ✦ Revise Current Year Budget
- ✦ Adjustments
 - ✦ Economic Development Activity



CITY OF SUNNYVALE MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated





Sunnyvale FY 2010/11 Estimate

- ✦ Original Budget: \$24.1M
- ✦ HdL Current Estimate: \$26.8M
- ✦ FY 2009/10 Actual: \$25.4M
 - ✦ Mid Year Projection: \$23.5M
- ✦ First Quarter FY 2010/11 Up 10%
- ✦ Review Top 25: Strong Growth in Business & Industry



Sales Tax Accounting

- ✦ Sunnyvale Recognizes Sales Tax on Modified Accrual Basis
- ✦ **Minus:** Significant Lag in Recording Revenues
 - ✦ Last Quarter Recorded in September
 - ✦ Triple Flip True Up in January
- ✦ **Plus:** Accurate Base for Future Projections
 - ✦ Economic Data Matched with Fiscal Years
 - ✦ No Triple Flip Adjustment Surprises



Triple Flip Accounting

- ✦ Budget and Record Triple Flip Separately
 - ✦ Keeps Sales Tax Whole
- ✦ Calculate Triple Flip Based on Actual Sales Tax Receipts
- ✦ Adjustments Reconciled on the Balance Sheet



Long Term Forecast

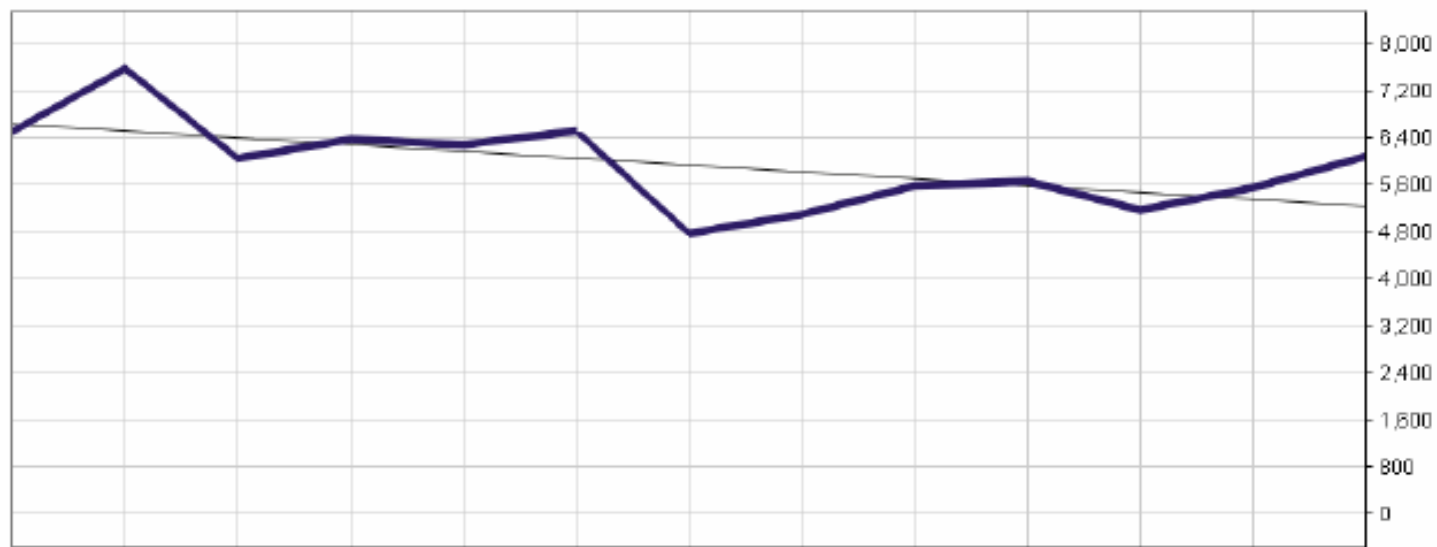
- ✦ Analyze Major Industry Groups
- ✦ Project Growth Trends for Major Groups
- ✦ Review Historical Data
- ✦ What is the Baseline? Reset Necessary?
 - ✦ Are we there?
 - ✦ If not, when will we get there?



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Agency
13 Quarter Trend = -21.0%





Sunnyvale Long Term Forecast

- ✦ Reset Baseline lower in FY 2009/10
 - ✦ Adjusted to Consider Predominately Inflationary Growth over Long Term
 - ✦ Previous Base was Not Sustainable
 - ✦ Loss of 4 Auto Dealerships
- ✦ FY 2010/11 Budget: Modest Recovery and Return to Baseline in FY 2014/15
- ✦ Downtown Redevelopment Incorporated



Sales Tax Revenue vs. Pension Costs

