

RESPONSE(S) TO COUNCIL QUESTION(S)

RE: 6/21/2016 AGENDA

Agenda Item #: 3

Title: Proposed Utility Rate Increases for FY 2016/17 Rates for Water, Wastewater, and Solid Waste Utilities for Services Provided to Customers Within and Outside City Boundaries.

Question(s): A) The proposed increase is 25% for this year. At the same time, it shows us adding an additional almost \$1.2m to the rate stabilization reserve this year, and indeed increasing the reserve steadily over the next five years, while we experience projected rate increases over the same time. What is the justification for increasing our rate stabilization reserve this year at the same time as we're considering such a dramatic increase to our rates?

B) What would be the consequences to both this year's rate increase and the 20-year plan if we left the rate stabilization reserve unchanged for this year?

C) This is a bit of a quibble, but I calculate that the contingency reserve increases over the 20-year plan by 244%, but the total operating requirements will increase 237%. Shouldn't the contingency reserve be a fixed percentage of the operating budget, the way it's supposed to be for the general fund?

D) The RTC mentions the limited use of tiered rates. However, my understanding is that the elimination of tiered rates is largely driven by a court ruling that found them to be illegal under Prop. 218, unless tiers can be justified on the basis of cost. The RTC leaves readers with the impression that the proposed elimination of tiers is a voluntary result of the cost of service study, and therefore at our discretion. It may be worthwhile to mention the San Juan Capistrano ruling in the staff report.

Staff Response(s): **A)** Over the past several years, the drought has impacted the Water Fund Rate Stabilization Reserve in two significant ways. First, declining sales resulting from conservation efforts that exceeded expectations negatively impacted revenues. Second, the cost for wholesale water has increased as the suppliers have also experienced lower water sales. These two issues resulted in reducing the fund's reserves. As a result, the proposed Rate Stabilization Reserve of \$2.7 million is only 6% of the total revenue requirement for the fund. At \$1.5 million (projected FY 2015/16 year end), the rate stabilization reserve would be less than 4% of the total revenue requirement for the fund. With the volatility expressed in wholesale water rates, and the continued strong effort to reduce water use by the City's water users in response to the drought, staff feels it is prudent to carry a larger reserve to help stabilize future rates. The reserve is also being built to absorb large increases in wholesale water rates, which are projected to rise more than 100% over the next ten years. **B)** If Council held the rate stabilization reserve flat, that would result in an overall 21.8% increase in the rates,

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and require rate adjustments beginning in FY 2019/20 in order to balance the fund. **C)** The Contingency Reserve is set at 25% of the cost for direct operations plus Purchased Water under the assumption that in an emergency, the focus would be on covering three months of direct operating costs and buying wholesale water. The percent increase in the reserve is equal to the percent increase in the costs for those two categories. Since the calculation of the Contingency Reserve does not include other expenditures (Service Level Adjustments, Project Operating Costs, and In-Lieu Charges), the percent increase of the contingency reserve is not necessarily consistent with the percent increase of the "Total Operating Requirements" line in the financial plan. **D)** That is correct. Staff mentioned in the report that the legal environment has changed and will specifically mention the San Juan Capistrano ruling as part of the oral report to council.

Agenda Item #: 4

Title: Authorize Capacity and Safety Improvements to the Wolfe Road Corridor from El Camino Real to Homestead Road (Study Issue)

Question(s): Was Triangle Alternative 2 studied together with Corridor Alternatives 1 or 3? The data suggests that Corridor Alternative 2 has a large negative effect on delay, overwhelming the contribution of the triangle alternative and making it difficult to compare Triangle Alternative 2 to the other triangle alternatives.

Staff Response(s): To maintain the project to a reasonable scope and budget, Triangle alternatives were paired up with Corridor alternatives. Therefore, Triangle Alternative 2 was paired up with Corridor Alternative 2 and not analyzed with Corridor Alternative 1 or 3. From a transportation benefit perspective, Triangle 2 and 3 provide significantly more benefit than 1 because they both add a new intersection and remove the left-turns at El Camino and Wolfe.

Agenda Item #: 5

Title: File #: 2015-7756

Location: 803 W El Camino Real (APN: 165-01-025, 042, and 043)

Proposed Project: Appeal by a member of the public of a decision by the Planning Commission.

Question(s): If a for-sale housing project was submitted today (not a "pipeline project") and the applicant proposed to rent out the units for a time before eventually selling them, how would Sunnyvale's Housing Impact Fee Ordinance be applied to the project?

Staff Response(s): For new (non-pipeline projects) the code requires payment of the housing impact fee if there is a subdivision map for condominium purposes and the developer intends to initially rent the units. In the event the developer has paid the fees and later sells the units within fifty-five years of the fee payment, the developer shall receive credit for the housing impact fees paid against the BMR ownership obligations.

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Agenda Item #: 9

Title: Adopt a Resolution Adopting the 2015 Urban Water Management Plan (UWMP)

Question(s): A) Does table 3 (per capita water usage) in the staff report reflect *residential* per-capita water usage (residential usage divided by population) or *citywide* per-capita usage (residential plus non-residential usage divided by population)? I believe that last year's water reduction targets from the state were based on residential water use only, which was a much lower per-capita figure than shown in Figure 3.

B) Appendix A of the UWMP has 33 apparently identical copies of a Notice of Preparation letter. Was that intentional?

Staff Response(s): A) Table 3 reflects total water usage, 96 gallons citywide per capita per day (gpcd) for 2015. Residential usage is about 2/3 of the total, which calculates to 60 gpcd.

B) The identical letter was sent to the 33 recipients listed on page 92 of Attachment 1. We could have included only one copy.
