

**RESPONSE TO COUNCIL QUESTIONS RE: 6/20/17 CITY COUNCIL AGENDA
(Added Attachment 1 on 6/28/17)**

Agenda Item #: 1.D.

Title: Award a Multi-Year Contract for Utility Billing Services (F17-116)

Council Question: Please clarify the problem with 14K users who would need to re-enroll and enter profile information. Won't we just have the same problem in 5 years. How is staff going to work with the vendor to prevent this database issue?

Staff Response: The issue with migration of data is significantly complicated by the fact that this is an online payment system. Migrating data means migrating user names, passwords, financial data and more. Each vendor uses a different payment processor, and migrating financial data, all of which is not necessarily stored in a format that is transferrable to a new processor is complex. In addition, different vendors process payment information differently, requiring customers to re-enroll to ensure proper account set up. This will still be an issue five years from now. For this procurement, the benefit from switching vendors, cost and feature-wise, was not worth the effort that would be required from staff and our customers. However, staff will position the City at the termination of this agreement to do the outreach and customer relationship management required to migrate vendors if beneficial to the City.

Council Question: The 15 cent charge is printing/handling (and the company still bills for postage/etc.). The 7 cent charge for electronic billing is for what? Do we have an approximate percentage of how many of the 180K bills are electronic verses actual print/postage?

Staff Response: The charge for electronic billing covers the company's costs for maintaining the accounts, pushing out bills and emails, refreshing the system with new accounts and removing old accounts, uploading and storing documents, and the general operating costs associated with managing the electronic payment system.

Council Question: Do we have an approximate percentage of how many of the 180K bills are electronic verses actual print/postage?

Staff Response: There are currently 14,365 enrollees in Electronic Bill Payment; 5,768 still receive paper bills in addition to electronic statements. The City sends approximately 89,000 regular paper bills and 9,700 paper reminder notices per year.

Council Question: It seems like we've chosen a path where we're trapped to use this one vendor forever, because of the difficulty in transitioning customers to a new vendor. That would seem to run counter to our responsibility towards the lowest responsible and responsive bidder on any contract. It also seems like a pretty minor technical hurdle to overcome this in the future. Can we include in this contract ownership of customers' profile information and the right to obtain that information at the conclusion/termination of the contract?

Staff Response: In the case of this service agreement, staff conducted a competitive Request for Proposals in order to evaluate best value for the City. Staying with our current vendor does not lock us in forever (in fact we could terminate the contract early). For this procurement, the benefit from switching vendors, cost and feature-wise, was not

worth the effort that would be required from staff and our customers. And while staff could write profile ownership into the contract, migration would still be complex to a new vendor. For example, in addition to migrating sensitive financial data, there could just be practical issues where there are duplicate user names in the new system (e.g. tkirby already exists in a new vendor's system). However, staff will position the City at the termination of this agreement to do the outreach and customer relationship management required to migrate vendors so that a competitive process can be maintained.

Agenda Item #: 1.E.

Title: Approve Budget Modification No. 50 in the Amount of \$149,971 for the Wolfe Road Recycled Water Pipeline Project

Council Question: As noted in the staff report, the City and the Water District agreed to cap Sunnyvale's costs at \$2.1 million. Further, the 2014 agreement between the City and the Water District (RTC 14-0595) seems to say that the District would bill the City for costs incurred (up to the \$2.1 million). So it could be said that the \$93,949 proposed to come from the SCWP is really District overspend that should be covered by the District, and not the City. Is that correct?

Staff Response: The capped amount of \$2.1 million was related directly to construction costs for the project. The District agreed separately to reimburse the City for inspection costs incurred by the City. City staff charged time to the project, and was reimbursed for those expenses. However, as they were outside of the \$2.1 million originally budgeted in the project, a budget modification is required. As the City was reimbursed this should not be considered an overrun in costs.

Agenda Item #: 1.G.

Title: Award of Two Contracts for Citywide Temporary Personnel Placement Services (F17-094)

Council Question: I do not understand Recommendation 4. I think where it says "not-to-exceed budgeted amounts" really should say "not to exceed budgeted amounts" (these are actually two different things). Is that correct? If not, please clarify staff's intent. Further, please ascribe a dollar number to the entirety of Recommendation 4 which captures the maximum amount delegated thereunder to the City Manager.

Staff Response: Yes, you are correct, the second "not-to-exceed" should not be hyphenated. The intent is that City Manager's authority is to increase contracts up to the amount that is provided in the budget.

As a standard practice, the City Manager's authority for extensions is tied to budgeted funding. Temporary staffing is most commonly used to help backfill for vacancies. Therefore, the total contract amounts will vary based on how many vacancies that require temporary backfill the City is carrying year over year. It is likely however the initial award amounts (\$600,000 between the two contracts) will be carried forward with only an adjustment for inflation.

Agenda Item #: 1.O.

Title: FY 2016/17 NOVA Workforce Services Department Expenditure Update and Approval of Budget Modification 48

Council Question: Do we operate the equivalent of a NOVA stabilization fund? I'm guessing that the grant funding nature of NOVA prevents us from holding money over.

Staff Response: No, we do not operate the equivalent of a stabilization fund for NOVA. Restrictions on the use of grant funds prevent holding any "unspent funds" beyond the term of the grant. Additionally, most grants narrowly define allowable costs and pay only on a cost reimbursement basis for allowable costs incurred during the grant period.

Agenda Item #: 3

Title: Proposed Utility Rate Increases for FY 2017/18 Rates for Water, Wastewater, and Solid Waste Utilities for Services Provided to Customers Within and Outside City Boundaries; Finding of CEQA Exemption Pursuant to Public Resource Code Section 21080(b)(8) and CEQA Guidelines Section 15273

Council Question: Can we get a breakdown of the proposed 12.5% water rate increase and the reasons for it? I see reasons, and I see a few numbers, but I can't tell what is the primary driver. By my calculation, only 2.9% of the proposed increase is coming from the rise in wholesale water rates.

Staff Response: Staff recommended water rate increase of 12.5% for FY 2017/18 based on detailed financial analysis based on current trends. There are many moving pieces, however the key contributing factors to this rate change are the reduction of water revenues in the current year, and increase in water costs next year. Water sales are tracking well below original projections with more customers consuming lower quantities of water, individually, which are billed at Tier 1 pricing (at \$3.75/CCF as compared to Tier 2 at \$4.58/CCF), most likely resulting from permanent water consumption behavior change and conservation following five years of drought. FY 2016/17 and FY 2017/18 revenues were revised down accordingly from original projections. In addition, purchased water costs are anticipated to increase by 17% year over year, due primarily to the fact that the SFPUC is re-instating their take or pay provision. Overall there is a 14% increase in operating costs, including water purchases. Capital and infrastructure projects are relatively flat. Total reserves minus rate stabilization are increasing by over \$4 million to fund upcoming projects and maintain the contingency reserve at 25% of operations and purchased water. The balance is absorbed in the Rate Stabilization Fund, which is projected to be drawn down almost \$4 million in FY 2017/18.

Council Question: For the Utility funds, I think we do projections of how much future increases are going to go up. I seemed to have missed the chart that says how much the increases will be in the future. Did I just miss it as I was reading the whole thing? Could you let me know the page number if it's in the RTC? Or if it's not there, can we have a supplemental page for the Council meeting?

Staff Response: The Long-Term Financial Plans for each utility are attached as Attachments 3, 5 and 7. Along the bottom of each plan are the proposed 20-year rate projections, along with the prior year projections for comparison purposes.

Council Question: Can you give more of an information on why well water costs have gone up so dramatically? Why is there such a dramatic drop in usage of recycled water?

Staff Response: The cost for well water is primarily from the Groundwater Extraction Charge that is charged by the Santa Clara Valley Water District. The revenue from this charge goes to fund the District's supply infrastructure, groundwater recharge efforts, and more. Additionally, with District revenues decreasing from the drought, the unit price for water has been increasing. Groundwater use in Sunnyvale makes up a very small portion of the City's water usage. It is important to note that treated surface water from the District has an additional \$100/unit "Treated Water Surcharge" that is applied.

Recycled water usage has dropped for two reasons. First, meeting the contractual minimums on the City's potable water contracts has been the priority through the drought. Otherwise, the City is paying to produce recycled water and then paying for potable water it is not receiving. The second factor is that the City is in the final stages of completing improvements to the recycled water production system at the plant which will stabilize operations when producing recycled water, making it easier and more operationally responsive.

Council Question: Attachment 1 (comparing rates among cities) shows Sunnyvale Wastewater will be \$42.89 a month, however, the Wastewater Rate Comparison (Attachment 6) gives the rate as \$47.18. Which is right?

Staff Response: There is a clerical error on the comparison chart. The rate used of \$42.89 is the current rate; \$47.18 is the proposed rate. The revised chart is attached.

Council Question: Why is the "Solid Waste Survey" (Attachment 8) for Tuesday's City Council meeting not showing the Sunnyvale proposed rates for comparison?

Staff Response: Thank you for bring this to staff's attention, a corrected version is attached.

Council Question: Many cities also have the option of a 20 Gallon Cart for solid waste (at a reduced cost). Is there a reason that Sunnyvale hasn't considered another cart type?

Staff Response: The new FoodCycle carts do provide a cart with reduced garbage capacity – 27 gallons instead of 35 gallons, which was the smallest "garbage only" cart.

Going back to basics, it helps to keep in mind two things:

1. The rates charged by the City are simply a way to recover the costs for providing services.
2. Much of the cost of providing solid waste and recycling services is fixed costs (similar to water rates).

In this case, the Solid Waste Fund must recover a total of about \$13 million next year from single-family cart customers for the net cost of all of the services the fund provides. Weekly collection of garbage, yard trimmings, and curbside recycling, household

hazardous waste disposal, debt service, SMaRT Station services, and landfill disposal. No matter which cart residents put material in, costs are incurred and the costs of those services need to be recovered in a way that complies with “cost of service” rate-making requirements. The predominance of fixed costs is why there are relatively small rate gaps between the sizes of the three carts.

Until recently, staff has heard consistent, but infrequent customer comments that they would like a smaller cart option. That was one reason staff designed the smallest FoodCycle cart to have a 27-gallon capacity. Now that the smaller cart is a reality, we are hearing the opposite comment – that the 27-gallon garbage capacity is too small.

Agenda Item #: 4

Title: FY 2017/18 General Fund Human Services Grant Funding Allocations

Council Question: In reading the Mayview Letter (attachment), it sounded like Staff suggested that they reduce the amount of their request (even though the Staff recommendation was to not fund Mayview this year)? The Mayview CEO also refers to CDBG grants that were granted but not paid. Does Staff have more information on this?

Staff Response: Staff did not suggest to Mayview that they reduce their grant request from \$25,000 to \$10,000, however Mayview may be referring to the staff recommendation, which was published shortly before they wrote that letter, which staff had shared with Mayview. That staff recommendation was part of the report to the HHSC which recommended flat \$10,000 grants for all the human services grant proposals that applied for General Fund grants. Many of those applicants had also requested grants of \$20,000 or slightly more. Mayview may have decided that given that context, it was unlikely that they would receive a grant of more than \$10,000 in the best-case scenario, therefore they reduced their request to match the amount recommended for the successful applicants.

Regarding the City’s CDBG grants to Mayview that were awarded but not paid, those included a grant of \$15,000 for FY 2014/15 and a grant of \$25,000 for FY 2015/16. In addition, because the City’s human services grants are provided on a two-year basis, Mayview’s second-year grant of \$25,000 for FY 2016/17 was not awarded at all, based on HUD’s direction to staff. Additional background on HUD’s determination in this matter was provided on pp. 12-13 of the FY 2015/16 CAPER (Consolidated Annual Performance and Evaluation Report) which the City must prepare and send to HUD each year, available online at:

<http://sunnyvale.ca.gov/Portals/0/Sunnyvale/CDD/Housing/HUD%20Programs/2015-16-CAPER.pdf>

Excerpt from pp. 12-13 of the City’s FY 2015/16 CAPER:

“The CPD Field Office determined that this was not an eligible activity based on its interpretation of the Uniform Guidance Cost Principles Requirements. Specifically, our determination that there was insufficient delineation of costs incurred through fee-for service activities and CDBG-assisted healthcare. The crux of the issue remains that a bulk of Mayview’s healthcare funding does not require the clinic to

account for actual costs incurred, while CDBG does, and the documentation provided has not been accepted as sufficient for management approval.”

The determination above was made by HUD upon review of Mayview’s CDBG grant reports and invoices provided for its 2014/15 grant, at the request of City staff following concerns raised by HUD staff during a 2013 monitoring of Mayview. Despite significant efforts by Mayview, with technical assistance from City staff, to demonstrate its actual costs for the CDBG-funded services to HUD’s satisfaction, staff was not able to disburse Mayview’s 2014/15 grant, even though Mayview did perform the services required by the grant agreement. In addition, staff was not able to issue Mayview’s grant contract for 2015/16, because the concerns expressed by HUD were not something that Mayview could address without embarking on extremely time-consuming cost documentation efforts that would exceed the amount of the CDBG grant.

A portion of the disencumbered Mayview grant was reallocated to the remaining FY 2016/17 human services programs, to offset a slight reduction that would have otherwise occurred (due to lower funding availability for that year) to match the amounts they were allocated in FY 2015/16. Mayview continues to serve lower-income clients in Sunnyvale as it has for many years, but is not reporting to the City as it is no longer a City grantee. Staff has been very satisfied with Mayview Clinic’s performance as a grantee for many years and values its services to the community, and encouraged Mayview to apply for future (non-CDBG) human services grants when such opportunities arise.

Mayview’s fiscal situation has evolved in the past several years due to the closure of the RotaCare free health clinic at El Camino Hospital in Mountain View in 2016. That increased the number of patients seeking services at Mayview’s Palo Alto, Mountain View, and Sunnyvale clinics. El Camino Hospital also transferred approximately \$2.4 million in annual funding to Mayview to cover the increased service needs at Mayview. Federal changes in health care policy and funding may create funding gaps in the coming years.

<https://www.mv-voice.com/news/2016/12/07/mayview-clinic-picks-up-where-rotacare-left-off>

Agenda Item #: 8

Title: Create a Community Advisory Committee and a Council Ad Hoc Advisory Committee for the Climate Action Plan (CAP) 2.0 Initiative

Council Question: We have had the question in the past for a committee that spans multiple years, if a committee member is an appointed member from a specific commission and their term on that commission ends, does Staff recommend that they continue to serve, or should another member of the commission be appointed? Staff recommends 3 alternatives; these are supposed to be alternatives if one of the ‘non-commission’ members resigns? Or would this be left up to the Council Ad Hoc Advisory Committee?

Staff Response: The term for the CAP 2.0 Community Advisory Committee is expected to go through December 2018. Staff would encourage continuity of representation as much as possible, and would emphasize this when the Commissions make their appointments.

If in any case the designated representative becomes unable to serve, we would return to the Commission for a replacement. The three alternates are for non-Commission seats.

Attachments

Monthly Utility Bill Comparisons Single Family Residential Fiscal Year 2017/18				
City	Water*	Wastewater	Solid Waste**	Total
Palo Alto	89.85	34.83	100.15	224.83
City of San Jose (San Jose Municipal Water)	61.41	35.60	68.90	165.91
Mountain View	72.73	34.30	58.60	165.63
Cupertino (San Jose Water Company)	71.66	37.04	49.43	158.13
Sunnyvale (Proposed Rates)	60.36	47.18	45.66	153.20
Santa Clara	63.80	41.65	43.33	148.78
Milpitas	61.02	45.14	41.60	147.76
Fremont	65.39	31.67	34.99	132.05
Cal Water Company (parts of Cupertino, San Jose, Los Altos)	61.88			
Average of all Cities	67.57	38.43	55.33	162.04
Average excluding Sunnyvale	68.47	37.18	56.71	163.30
Average excluding Sunnyvale and two highest cities	66.08	37.96	45.59	150.47

*Based on 10 ccf consumption plus 5/8" meter/service charge

**Based on 2 cans, 64 or 65 gallon cart rates

Wastewater Rate Survey							
	Effective Date	Monthly Rates					Comments
		Residential	Apartments	Mobile Homes	Commercial	High Strength	
					(\$ per ccf)	(\$ per ccf)	
Mountain View	7/1/2016	34.30	34.30/unit	34.30/unit	4.49*	8.76**	*Minimum charge \$31.43/mo **Minimum charge \$61.32/mo
Fremont (Union Sanitary District)	7/1/2017	31.67	27.46/unit	27.46/unit	3.95	11.89*	*Minimum charge \$27.46/mo
Palo Alto	7/1/2017	34.83	34.83/unit	34.83/unit	6.71*	10.38*	*Minimum charge \$34.83/mo
San Jose	7/1/2016	35.60	23.85/unit	26.88/unit	3.78	6.31	
Cupertino Sanitary District (Proposed)	11/1/2016	40.00	40.00/unit	40.00/unit	3.60*	8.19*	*Fixed charge of \$6.36/yr in addition to rate per ccf
Santa Clara	7/1/2016	41.65	41.65/unit	41.65/unit	4.71	10.54*	*Sewage volume charged as 90% of metered water use; Minimum charge \$41.65/mo
Sunnyvale (Proposed)	7/1/2017	47.18	30.45/unit	30.45/unit	4.65	7.96	
Milpitas	7/1/2015	45.14	34.66/unit	28.49/unit	4.67*	7.49*	*Fixed charge of \$7.49/mo in addition to rate per ccf

Solid Waste Collection Rate Survey								
Effective Date		MONTHLY RATES FOR FISCAL YEAR 2017/2018						Comments
		1-can or 32 gal	2-cans or 64 gal	3-cans or 96 gal	Mobile Home 1-can or 32 gal	3yd ³ 1x/wk (includes bin rental)	On Call Debris Box 30 cy bin rental and dump	
Cupertino (Recology)	11/1/2016	24.71	49.43	74.15	N/A	242.84	877.62*	Discount senior citizen rate: \$11.73 (1 can) HHW Fee \$.52 *5 tons allowed; \$90.21 per additional ton. Daily rental after 7 days \$23.07 or \$146.59 weekly.
Fremont (Republic Services)	1/1/2016	31.89	34.99	51.47	N/A	209.26	Varies*	20-gallon residential cart \$31.21 50% discount for seniors age 70-79; 80 and older 20- or 32- gallon service at no charge *Hauler has no published rate, by quote only - varies by location
Milpitas	1/1/2017	41.60	41.60	41.60	23.05	183.60	Varies*	Optional 96-gallon cart rental (\$3.18), yard waste (\$6.77) and recycling (\$4.53) included. Milpitas provides only 96-gal; residents can provide 32-gallon containers; the rate is the same regardless of number, but cart-rental is not charged. Senior rate is discounted 50% for garbage charges only. *City has several haulers.
Mountain View	7/1/2016	29.30	58.60	87.90	N/A	345.55	1,017.45*	20-gallon residential cart = \$20.05 *Includes 4-ton base. Debris box rental \$14.85/day or \$451.70/mo after 7 days.
Palo Alto (Proposed)	7/1/2017	50.07	100.15	150.22	N/A	529.62	1194.03*	Mini can (20 gal)=\$27.81 cannot be combined with other service. *8 ton weight limit. Additional \$60.00/ton.
San Jose	7/1/2016	36.83	68.90	100.97	N/A	191.80	1,081.31	\$4.76 optional .yard waste cart included Extra bag \$6.25 On call debris box includes \$233.22 one week rental after 7
Santa Clara	7/1/2016	31.10	43.33	55.56	N/A	220.39	933.00	20 gal can rate= \$25.4 (19.93+5.17+0.3) *All rates include \$5.17 for annual cleanup campaign and HHW charge of .30/mo. Low income discount (reduction) of \$1.50/mo off regular rates. *Permit required for placement of debris bin on street \$162.00.
Sunnyvale - Proposed	7/1/2017	39.38	47.03	54.69	30.63	416.21	991.45	