

RESPONSE TO COUNCIL QUESTIONS RE: 10/13/2020 CITY COUNCIL AGENDA

Agenda Item #: 3

Title: Adopt Resolutions to Authorize Issuance of Lease Revenue Bonds to Finance the Civic Center Phase I Project in an Amount not to exceed \$160 Million Including Financing and Closing Costs; Approve Financing Team, and Authorize the City Manager/Executive Director or the Finance Director/Treasurer to Execute all Related Documents

Council Question: Please provide a copy of Project 831340 from Volume 2 of the FY2020/21 Adopted Budget.

Staff Response: The 831340 Adopted Budget Project Sheet is included as an attachment.

Council Question: Of the total budgeted spend of \$280.2 million shown in Project 831340, \$49.2 million has taken place before the start of FY2020/21. Please provide a high-level summary of what this spend has been for.

Staff Response: Expenditures to date total \$14,589,180. The total of \$49.2 million includes the FY 2019/20 Budget which will be carried forward. \$13.3 million of the expenditures are for Consulting Services and Professional Services, primarily paid to SmithGroup, who is the designer on the project and also did the Master Planning process. The next largest expenditure categories include \$621 thousand for City Staff time over a four-year period, and \$561 thousand for Construction services paid to Jacobs Project Management.

Council Question: The go-forward spend on project 831340 is \$230.9 million. Please provide a high-level summary of what this spend is for. Please be sure to break-out the portion of the \$230.9 million that is for construction.

Staff Response: The high-level summary of the go-forward spending is as follows:

- Construction: \$174.117M plus construction change order contingency to be determined
- Furnishings Fixtures and Equipment: \$8.2M
- PG&E Service Charges: \$0.5M
- Move-in/temporary costs: \$1.25M
- Public Art: \$0.5M
- City staffing (project management and building permit inspection): \$2M
- Construction Management: \$7.8M
- Remaining on Architect's contract: \$6M

Council Question: Would it be correct to say that, since the bid came in \$50 million less than anticipated, that in essence Project 831340 goes from being a \$280.2 million project to a \$230.2 million project?

Staff Response: This is correct however the analysis is still being completed. As some of the assumed cash funding for the project come from restricted funding sources (e.g. Park Dedication or Traffic Impact Fees) it is unclear where the actual reduction will be realized at this time. Additionally, there were some cost increases anticipated for future project costs such as furnishings and equipment.

Staff is continuing this analysis with award of the construction agreement on planned for October 27, 2020.

Council Question: Does Staff intend to add a contingency reserve for unforeseen problems when bringing Bid PW20-16 to Council on October 27? If so, what percent amount will the contingency be?

Staff Response: An appropriate contingency is being evaluated and will be approved by Council at the time of construction award.

Council Question: The not-to-exceed amount of Alternative 1 is \$160 million. The bid came in \$50 million less than anticipated. Therefore, the not-to-exceed amount of Alternative 2 should be \$110 million. Why is alternative 2 \$135 million and not \$110 million?

Staff Response: Staff noted in the Report to Council that given that we do not have final estimates for savings that will accrue to the General Fund. The project budget includes restricted funding sources that will have to be adjusted downward, so additional work is needed to determine what an actual lower amount for financing will be. For example, the original budget has \$28 million in Park Dedication Fund revenue identified for site and open space improvements. The line item for site improvements in the bid is close to that amount. How much will be finally eligible for Park Dedication funds has not been determined at this time. Staff is recommending that, given this unknown, and the current low cost of borrowing, it is advantageous to build in some cushion even on a lower financing to ensure the project does not end up being under funded. Any savings from the project can be retained in capital reserves (dependent on funding source) for other unfunded needs which are significant on a city-wide basis.

Agenda Item #: 4

Title: Consider Approval of Draft 2020 Housing Strategy and Implementation Schedule (Study Issue)

Council Question: For mobile home space rent stabilization or MOU/accord, what are the next steps and approximate timeframe for coming up with a detailed process for either option? For example, the staff report mentions that formal community involvement would be part of implementing either strategy but does not discuss how the details of community involvement would be decided.

Staff Response:

MOU/Accord

Staff will return to Council before the end of the calendar year with a budget modification, consultant contract, and draft workplan to begin outreach and negotiations. The workplan will include: 1) initial general components of other city/county MOUs and data from the Housing Strategy to incorporate as a starting point for discussions and negotiations, and 2) a plan for mobile home resident stakeholder involvement and for mobile home park owner stakeholder involvement. Council will have the ability to modify the workplan at that time.

Prior to the Council presentation in December, staff will reach out to the mobile home community to best decide resident involvement in the process. Sunnyvale has two main resident associations - SMHPA (Sunnyvale Mobile Home Park Alliance) and the Sunnyvale chapter of GSMOL (Golden State

Manufactured Homeowner Alliance); both of which would be excellent time sensitive ways to reach out to the MHP residents without having to form a Council appointed resident group. However, Council may recommend a formal appointed task force be required for this process when the work plan is presented in December.

Staff anticipates no more than ten total meetings. Initial meetings with MHP residents and meetings with the MHP owners will establish highest needs and key terms (i.e. rent increases, vacancy control, remedies, term length). City staff would also analyze MOU examples in California and evaluate factors such as applications for exceptions, long-term costs for successful implementation and whether a third party mediator is desirable to assist if issues arise.

Separate meetings with City staff, meetings with the City Council, and various final meetings between the owners and residents will be held until negotiations are final. It is likely that outside legal counsel will draft the MOU for Council consideration. The MOU will only be valid if all regulated parks sign the final MOU.

A check in will be scheduled with the Council for no later than April 2021 for the “six-month check in” to provide up to date information and status of the implementation at that time. It is assumed that a final term sheet for the MOU components will have been negotiated prior to that time. If participation by all mobile home park owners or their representative is not achieved early in the process, Council will be informed of such scenario prior to the six-month check in to determine a path forward. The goal for final implementation of the MOU is June 2021.

Rent Stabilization Ordinance (RSO)

For a rent stabilization ordinance, a similar process would occur in terms of obtaining and negotiating key components of the RSO. Negotiations may be modified as the City is determining the final ordinance rather than a document agreed upon by all parties; City staff would also analyze several RSO examples of near-by jurisdictions. Other factors for staff and the Council to determine include applications for exceptions, hearing officers/rent board, fees, etc. During this process, staff would work to understand the long-term costs and needs to successfully implement this new ordinance, such as staffing for the City Attorney’s Office or creation of a formal rent board. The City Attorney’s office would play a key role in coordination and the ordinance would likely be drafted by outside legal counsel and be presented to the Council, with the ordinance going into effect 30 days after the second reading. If the City Council selects RSO as the preferred strategy, the goal for adoption is late summer 2021, depending on required outcomes of the RSO.

Agenda Item #: 5

Title: Receive and File the FY 2020/21 First Quarter Budget Update and Approval of Budget Modification No. 8 in the Amount of \$1,932,000 to Appropriate CARES Act Funding

Council Question: Can staff please provide further discussion regarding the Solid Waste Management fund, particularly as pertains to Kirby Canyon landfill fees. If possible please provide monthly dollar fees to Kirby Canyon since July 2019 and associated basis for the fee (e.g. weight or volume of refuse). Previously Staff said there was a 1-for-1 decline in fees collected from our business customers that offset the reduced fees we are paying to Kirby Canyon since the start of the COVID-19

emergency. Meaning the reduced Kirby Canyon fees aren't providing any fiscal benefit to the Solid Waste fund. Can staff also provide monthly solid waste fees from business customers as well?

Staff Response: The following table provides the historical tonnage to Kirby Canyon and the corresponding payment.

Landfill Tons/Payments			
<u>Month</u>	Tons	All Cities Payments	Sunnyvale Share
Jul-19	13,785	\$ 1,003,295	\$ 541,278
Aug-19	13,834	\$ 1,006,828	\$ 543,183
Sep-19	12,595	\$ 916,669	\$ 494,543
Oct-19	14,100	\$ 1,026,210	\$ 553,640
Nov-19	12,557	\$ 913,900	\$ 493,049
Dec-19	13,983	\$ 1,017,707	\$ 549,053
Jan-20	12,902	\$ 938,989	\$ 506,584
Feb-20	12,966	\$ 943,657	\$ 509,103
Mar-20	10,587	\$ 770,485	\$ 415,677
Apr-20	7,429	\$ 540,677	\$ 291,695
May-20	7,980	\$ 580,816	\$ 313,350
Jun-20	10,835	\$ 788,564	\$ 425,430
Jul-20	11,303	\$ 837,774	\$ 451,979
Aug-20	10,682	\$ 791,727	\$ 427,137
Total	165,538	12,077,297	6,515,701

Fees paid by solid waste rate payers (regardless of customer class) cover a large variety of costs, including collection costs, disposal costs, recycling, administration, and maintenance and monitoring of the closed Sunnyvale Landfill. Reduced costs at Kirby Canyon Landfill do provide a financial benefit in that they follow the actual tonnage disposed. Other costs, especially collection costs, are more fixed in nature and are not as elastic to changing economic conditions. For example, if a business prior to the Pandemic had a four cubic yard bin and they reduce their service to a one cubic yard bin, but the frequency of collection doesn't change, the cost for collection is the same. Fixed costs are accounted for when the City conducts Solid Waste Cost of Service Rate Studies approximately every five years and part of the rates. Currently, solid waste commercial revenues are tracking down as follows (period is March to Current 2019 vs. March to Current 2020):

Commercial Solid Waste Revenue March-September

	2019	2020	
March	\$ 2,120,928	\$ 2,058,860	
April	\$ 2,484,063	\$ 2,776,079	
May	\$ 2,051,183	\$ 2,049,343	
June	\$ 2,793,273	\$ 2,361,015	
July	\$ 1,394,348	\$ 1,480,304	
August	\$ 3,331,165	\$ 2,164,829	
September	\$ 1,737,677	\$ 1,822,450	
Total Revenue	\$ 15,914,656	\$ 14,714,900	-7.54%

Overall, solid waste revenues from commercial customers have dropped approximately \$1.2 million over the prior year since the beginning of the shelter in place.

Council Question: [RTC Page 4 of 9] ".... large non-compliance Transportation Demand Management (TDM) penalty of \$516,350...".

Could we get an update on what the non-compliance is? I would like to understand this more. Getting the penalty money is bad. What we want is for companies to meet and/or exceed the TDM plan. Is this an issue related to just this one location? Or is this an indicator about issues with our TDM strategies?

Staff Response: The \$516,350 TDM fine payment was received from Sunnyvale Business Park located at 400-480 W. California Avenue. Staff has been working with the property owner to bring their property into conformance with the approved TDM goals since 2017. When the development of the site was approved in 2012, the property had a cap of 608 AM and 582 PM peak hour trips based on a reduction goal of 25%. In 2017, the City conducted driveways counts and determined that the site was not meeting their goals and the City provided a 6-month grace period to cooperatively develop new strategies to reduce trips. After implementation of new strategies, driveway counts were again collected in 2018, which indicated that the site was exceeding their PM trip cap by 87 trips. Again, the City provided another 6-month grace period to work with the property owner to try to attain their TDM goals. After that period ended in 2019, staff once again collected driveway counts which indicated that the site's PM trip counts now exceeded the TDM trip goal by 235 trips, increasing by more than double from the previous 6 months. It appeared that the site was increasing the density of workers from what was originally contemplated in the original project approval and was unable to attain their approved TDM goals. Based on the 2019 driveway counts, the site's calculated penalty amount exceeded the maximum penalty amount, so they were assessed the maximum allowable noncompliance penalty of \$516,350.

The \$516,350 penalty received from the property owner is intended to be used for projects and programs, such as the Peery Park shuttle program, to help reduce single occupancy vehicle trips and improve TDM compliance.

Project: 831340 - Civic Center Modernization

Category:	Infrastructure	Project Type:	Administrative Facilities	Project Manager:	Allison Boyer
Year Identified:	2017	Project Phase:	Design	Project Coordinator:	Allison Boyer
Est. Completion Year:	2022/23	Department:	C90 - Public Works	Fund - Sub-Fund:	610-100 - Infrastructure Renov & Replace - General Fund Assets

Project Description/Scope/Purpose:

The public buildings comprising the City's Civic Center are several decades old, too small, and poorly configured to meet the services demands of Sunnyvale today. On September 2, 2014, City Council made improvements to the Civic Center one of its strategic priorities. Council direction called for comprehensive community engagement to plan the Civic Center project prior to determining next steps.

In 2015 the City completed a feasibility study and conducted extensive community outreach on the project. Key outcomes included direction from Council to retain ownership of all land at the Civic Center and adoption of a Needs Assessment, Vision Statement, and Success Criteria. In 2016 the City developed a preliminary financing strategy and conducted a community survey to test the viability of a bond measure to fund the project. Falling short of the two-thirds majority to pass a bond, Council directed staff to pursue the project using a phased approach with Phase 1 focused on replacing City Hall and making improvements to the Public Safety Building.

In FY 2017/18 a campus-wide Master Plan was adopted, which created a long-term vision for the campus and further defined planned improvements in the first phase of construction. The Master Plan addresses building placement, open space amenities, site circulation, parking solutions, architecture for a new City Hall building, sustainability features and complete a CEQA evaluation for the project.

Design services for Phase I of the Civic Center Master Plan was approved by Council FY 2018/19. In August 2019, Council approved the schematic design and directed staff to proceed with the design and construction procurement for Civic Center Phase I. Construction is estimated to occur in FY 2020/21 and FY 2022/23.

Project Evaluation and Analysis:

The need to renovate the Civic Center Campus buildings, and to address issues related to functionality, staff adjacencies, and public service delivery are well-documented in RTC 12-0292 and 14-0746.

Fiscal Impact:

The original budget includes \$212.5M for design and construction, and \$1.9M for master planning and other pre-design costs. The latest cost estimate received from the design team for Phase I for the schematic design that Council approved is about \$280M. Debt service will be paid by ongoing rent collected from all funds including enterprise funds. Total project costs also include position costs for one Administrative Aide and one Senior Engineer. The final cost of the construction will be determined when the construction procurement process is completed and the project Financial summary will be updated accordingly.

Funding Sources:

General Fund, General Services Fund, Enterprise Funds, Park Dedication Fund, Infrastructure Fund

Plans and Goals:

CC - Community Character - CC-1: Distinguished City Image

CC - Community Character - CC-3: Well-Designed Sites and Buildings

CC - Community Character - CC-4: Accessible and Attractive Public Facilities

Project Financial Summary

	Project Costs	Revenues	Transfers In	Operating Costs
Prior Actual	5,143,277	33,000,000	25,728,280	-
2019 - 20	44,145,518	-	17,821,979	-
2020 - 21	115,252,590	73,906,815	15,740,343	-
2021 - 22	115,252,590	73,391,815	32,584,026	-
2022 - 23	358,795	-	-	-
2023 - 24	-	-	-	-
2024 - 25	-	-	-	-
2025 - 26	-	-	-	-
2026 - 27	-	-	-	-
2027 - 28	-	-	-	-
2028 - 29	-	-	-	-
2029 - 30	-	-	-	-
2030 - 31	-	-	-	-
2031 - 32	-	-	-	-
2032 - 33	-	-	-	-
2033 - 34	-	-	-	-
2034 - 35	-	-	-	-
2035 - 36	-	-	-	-
2036 - 37	-	-	-	-
2037 - 38	-	-	-	-
2038 - 39	-	-	-	-
2039 - 40	-	-	-	-
20 Year Total	230,863,975	147,298,630	48,324,369	-
Grand Total	280,152,770	180,298,630	91,874,628	-