

RESPONSE TO COUNCIL QUESTIONS RE: 1/12/2021 CITY COUNCIL AGENDA

Agenda Item #: 1.D

Title: Approve the List(s) of Claims and Bills Approved for Payment by the City Manager

Council Question: Please provide more information about the following payments:

- a) \$76,955.00 to Strategic Energy Innovators for Professional Services
- b) \$73,323.09 to Working Partnerships USA for Contracts / Service Agreements
- c) Four payments to Able Septic Tank, totaling \$395,021.20 for Construction Services
- d) ECONOLITE SYSTEMS INC "General Supplies" bill of \$234,829.19

Staff Response:

- a) This payment is for Climate Corps support (two Environmental Fellows) in the Department of Environmental Services. The contract with Strategic Energy Innovators was entered into under the City Managers contract authority.
- b) The payment to Working Partnerships USA is for their administration of Supportive Services on behalf of NOVA. Specifically, they are distributing \$400 assistance checks to individuals within NOVA's service area funded by a \$180,000 State of California grant in response to the COVID Pandemic.
- c) These payments are for responses to sewer line emergencies for the Department of Environmental Services. Council awarded an agreement to Able Septic in an amount of \$300,000 on June 11, 2019 (RTC 19-0521) and granted authority to the City Manager to extend the contract for two additional years within budgeted amounts.
- d) Econolite Systems Inc. completes traffic signal maintenance and repair under contract with the City. Council last awarded a three year agreement on June 30, 2020 (RTC 20-0507) in the amount of \$4,306,707. These invoices are pursuant to that agreement. Due to the formatting of the List of Bills report, the first invoice appears on the bottom of the page along with the total of \$234,829.19. The following page contains the remaining 27 invoices, with work ranging from installing and repairing traffic signals to mark outs and preventive maintenance.

Agenda Item #: 2

Title: Annual Public Hearing-Discussion of Potential Council Study Issues and Budget Issues for Calendar Year 2021

Council Question: I was surprised that the deadline for Issue Proposal is specified as February 4th. Normally the process has been that the Strategic Session is the last time for Council to propose new study issues. Is there a reason for the change?

Staff Response: Per Council Policy 7.3.26 *Study Issue Process*, new Council-proposed study issue topics are due to the city manager no later than three (3) weeks in advance of the annual study issues workshop. This year the Study/Budget Issues Workshop is Thursday, February 25, 2021, making February 4, 2021 the deadline. However, in the interest of transparency, staff requests that new study issues and budget issues are proposed and co-sponsored at a public Council meeting, making the February 2, 2021 Council meeting the last date.

Last year, the Study/Budget Issues Workshop was on Thursday, February 27, 2020. The deadline for Council-initiated study or budget issue papers was February 6, 2020. However, staff requested that new study issues and budget issues were proposed and co-sponsored at a public Council meeting, making the February 7, 2020 Strategic Session the last date.

Agenda Item #: 3

Title: Consider request from Related California to allow an amendment to the Block 15 Disposition and Development Agreement to allow shared access to the work product with Google, allow the Department of Developmental Services to record a Deed of Trust and Regulatory Agreements on the City owned Block 15 properties to secure a \$1 million loan and Consider the award of an additional \$1 million in Housing Mitigation Funds to Related California as an alternative to offset lost funding

Council Question: RTC referred to “construction to commence in late 2021 or early 2022”. I thought these dates are much later than what we had last estimated. Can you refresh Council (and educate new Councilmembers) on the previous agreed upon timeline for the project?

Staff Response: It is normal for affordable housing developments to take significantly longer than market rate development as obtaining financing is extremely competitive. While there have been components of the DDA not met (i.e. tax credit financing applied for by 2020), the development remains within the overall terms of the DDA even with the delays it has faced (outreach, initial financing, COVID, etc.). In early 2020, Related submitted a written request to the Community Development Director to extend the first financing timeline, and that extension was approved. The DDA allows three years from 1/3/2019 for Related to obtain a preliminary reservation of tax credits. Related plans to apply for tax credit financing in February 2021, with a second option available to apply in May 2021. The project remains highly competitive to receive tax credit financing in February 2021. Once financing has been awarded, construction must commence within six months.

Council Question: If there was default, then Staff talks about the requirement of the city having to pay back the loan, however, there would conceivably be corresponding recovery lawsuits with Related, correct?

Staff Response: Although litigation may be an option, the project has sufficiently progressed that staff believes the risk is low that Related would default.

The City would have the ability to go after Related to recover the funds expended, but SARC would have the right to foreclose on the property so in order to avoid a foreclosure and loss of the property the most likely scenario is that the City would pay the \$1 million debt and then, based on Council direction, the City could try to recover the funds from Related.

Another possibility is that external financing for the project doesn’t materialize and the DDA expires. This would not be a default, but the City would be responsible for the \$1 million debt.

Agenda Item #: 5

Title: Receive and File the FY 2019/20 Budgetary Year-End Financial Report, Comprehensive Annual Financial Report (CAFR), the Sunnyvale Financing Authority Financial Report, Agreed Upon Procedure Reports, the Report to the City Council Issued by the Independent Auditors, Authorize the City Manager to Enter into Negotiations for a Forgivable Loan of up to \$1.5 million with Sunnyvale Community Services, Approve Budget Modification No. 12, and Find that these Actions are Exempt from CEQA Pursuant to CEQA Guidelines Section 15378(b)(4)

Council Question: Public Works exceeded “expenditure appropriation in the Neighborhood Parks and Open Space Management program by \$0.3 million due to utility costs and unanticipated repairs associated with the Multi-Modal Transit Station elevator.”

What utilities were higher than expected? Is this based upon utility cost or public works usage? How is that being administered in the 2021 budget? (Where Council has directed at least a reduction in water usage)

Can you clarify the breakdown in costs of maintaining the Multi-Modal Transit Station as opposed to the revenue from the parking fees?

Staff Response: The City provides maintenance on the Multi-Modal Transit Station, and is reimbursed by CalTrain at 90% of the City’s expenses. This past year, the amount of maintenance required to keep the elevator at the station clean from human waste caused the City to exceed the budget. However, the City also received more reimbursement than budgeted from CalTrain, largely offsetting the cost.

Parking meter revenue from the actual parking structure goes directly to CalTrain. However, after 6 p.m. the parking becomes free and open to other users of the downtown. The City does have some paid parking installed on surface lots. That revenue goes to the General Fund and totaled approximately \$103 K for FY 2019/20.

Utilities, specifically water, were higher than expected largely due to a dry winter and the corresponding demand for water. The City also filled some of the park ponds during the year prior to the COVID Pandemic. Currently, parks staff is closely monitoring water usage at the parks and working to balance low water use with maintaining the health of the vegetation at individual parks. It is important to note that this has generated some complaints from the community which are addressed by staff on a case by case basis.

Council Question: I am trying to get a better Staff’s goals of adding additional funds into the Pension Trust.

Staff is proposing not just from the General Fund (\$1.6M), but transferring money from the Housing Fund, Wastewater Management Fund, Solid Waste Management Fund, and Enterprise Fund to fund the trust.

Does Staff think these other funds have lower priority than the Pension Trust?

If we were going to apply an additional \$2.5M to the Pension Trust, how would that affect our peak timeline?

Staff Response: The total allocation to the Pension for each fund is based on the number of employees working within each fund, reflecting the City's overall pension liability by fund. The priority for funding the trust is the same for all funds, as pension costs affect all funds equally. The largest share comes from the General Fund which has the most employees and also employs virtually all of the City's safety employees.

Adding the \$2.5 million will have two potential impacts. First, it will help offset the rate impact from underperforming investment gains from CalPERS for FY 2019/20. Second, depending on how the City's long term rates project out and how the Trust performs over the next ten years, it will either flatten the peak further, or allow a longer draw from the trust. Staff will continue to model the best use of the Pension Trust with each budget cycle and present the latest long term plan at the Budget Workshop each year.