



City of Sunnyvale

Agenda Item

23-0080

Agenda Date: 2/16/2023

2023 COUNCIL STUDY ISSUE

NUMBER

ESD 23-01

TITLE Climate Budgeting

BACKGROUND

Lead Department: Environmental Services Department

Support Departments: Office of the City Manager

Office of the City Attorney

Department of Finance

Sponsor(s): Sustainability Commission

History: 1 year ago: N/A

2 years ago: N/A

SCOPE OF THE STUDY

What precipitated this Study?

During a Sustainability Commission discussion of the City budget, the Commission reflected that identification of climate impacts of projects could be incorporated into the budget process to show overall alignment of the budget with the City's Climate Action Playbook (Playbook). Because the City does twenty-year financial planning for all its major funds, and the greenhouse gas reduction goals are established for 2030 and 2050, consideration of greenhouse gas impacts of projects and operations should be incorporated in the City's budget. This Study Issue would assess if and how a climate impacts can be incorporated into the City's budget and long-term planning process.

A climate budget is a new system that embeds climate targets into decision-making, as part of a city's ordinary budgeting process (C40 Cities Climate Leadership Group). It ensures that long-term emissions reduction targets are integrated into a city's daily operations and policies. It is different from a carbon budget, which determines the city's allowable emissions consistent with limiting global warming effects. Climate budgeting is a new and emerging concept with limited and varied examples of implementation. The Commission emphasized the opportunity for an incremental approach to ensure that implementation is not delayed.

Currently, the City's budget process includes a review of each operating budget or project budget for alignment with the City's plans and goals, including environmental goals identified in the City's General Plan. The Commission is requesting examination of a more enhanced process for determining alignment, specifically with the Playbook goals and utilizing the guidelines and structure of climate budgeting.

The Commission has recommended the City look to resources and guidelines provided by C40 Cities Climate Leadership Group's knowledge hub (https://www.c40knowledgehub.org/s/article/Climate-budgets-why-your-city-needs-one?language=en_US).

What are the key elements of the Study?

Climate budgets are a new concept and initiative that vary in structure and implementation based on the cities process for decision making and budget development. To address the question of how evaluation of projects and operating budget for greenhouse gas emissions impacts can be incorporated into the budget development and review process, the Study will consist of:

- Research how climate budgeting, or similar processes, have been implemented in other cities, specifically looking for local examples. This research will utilize networks like Green Cities California and Urban Sustainability Directors Network for best practices.
- Based on the research findings, evaluate how to implement climate budgeting within Sunnyvale's budget development process. This evaluation should consider a phased approach to implementation:
 - o Initially, this could consist of identifying qualitatively whether project and operation budget items support Playbook targets or not during the budget approval process. This would be made transparent in the published budget (i.e., included in the project one page overview)
 - o Eventually, implement an approach that quantitatively assesses the greenhouse gas emission reductions or additions of project and operation budget items.

Estimated years to complete study: 18 months

FISCAL IMPACT

Cost to Conduct Study

(Delete any empty rows in table)

Level of staff effort required (opportunity cost):	Moderate
Funding Required for Non-Budgeted Costs:	\$75,000
Funding Source:	Will seek budget supplement

This Study would require a moderate level of staff research and coordination. The climate budgeting concept is a relatively new and emerging concept with limited examples of implementation. The Finance Department would provide guidance and research on how climate budgeting could be incorporated into the current budget process. The Environmental Services Department would provide guidance on how to show alignment of the project and operating costs with the Playbook. The Environmental Services Department would also examine the potential for calculating the greenhouse gas reduction potential of budget items.

A consultant or supplemental staff would be needed to assist in completing the evaluation and research of this Study. The Department of Finance and Environmental Services Department would co-lead this effort. If a consultant is required for this work, staff will time the consultant onboarding with the start of the budget review process.

Cost to Implement Study Results

Unknown. Study would include assessment of potential costs, including capital and operating, as well

as revenue/savings. It is likely a consultant would be needed to support the evaluation of greenhouse gas reduction potential for budget items. If the budget process is altered, there will be significant Finance, managerial, and executive leadership staff time to implement the updated process.

EXPECTED CITY COUNCIL, BOARD OR COMMISSION PARTICIPATION

Council-Approved Work Plan: No

Council Study Session: No

Reviewed by Boards/Commissions: Sustainability Commission

STAFF RECOMMENDATION

Support. This policy issue merits discussion at the 2023 Study Issues Workshop.

Staff feel that evaluating how to integrate consideration of the City's Playbook goals and targets into the decision-making process is critical to achieving the 2030 and 2050 emission reduction goals. While Sunnyvale achieved 44% below 1990 levels in 2020, which is only 12% away from the 2030 goal, it is expected that the 2021 and 2022 emissions will be higher as the economy rebounds from COVID-19 impacts. While the City is close to achieving the Play level metric targets of Strategy 1: Promoting Clean Electricity, progress toward other targets is still slow. Three critical targets to achieve in order to meet the City's 2030 emission reduction goal are:

- 20% of homes and businesses completely electrified
- 20% reduction in vehicle miles traveled
- 20% of all vehicles on road are zero-emission

Implementing components of a process similar to climate budgeting could help Sunnyvale prioritize projects and operational decisions that contribute to advancing these targets. Staff feel that conducting research on climate budgeting could illuminate alternative implementation strategies to help the City achieve its Playbook targets.

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Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager