

Responses to Council Questions and Requests for Information from the FY 2014/15 Budget Workshop

What is the impact of the new 49ers stadium on weekend reservations at Sunnyvale hotels?

Staff has reached out to key hotels within the City and received only a few responses. With the exception of the Superbowl event in 2016, the feedback indicates that there is not significant additional overflow activity occurring around the weekends where games are scheduled. However, Transient Occupancy Tax Revenues are reviewed annually and staff will have a clearer picture of the impact of the stadium after the first season of operations. Any impact will be included in the projections for Transient Occupancy Tax revenue as appropriate.

Can you provide an analysis of the sensitivity of the Budget Stabilization Fund to an increase in compensation expenses?

Staff has provided three different scenarios for the impact of increases in compensation expenses on the Budget Stabilization Reserve. They include:

Scenario 1 - an additional increase of one percent in compensation in FY 2014/15 for safety employees, all other assumptions remain the same. Personnel costs increase by approximately \$600,000 in FY 2014/15 under this scenario.

Scenario 2 – an additional increase of one percent in compensation in FY 2014/15 for miscellaneous employees, all other assumptions remain the same. Personnel costs increase by approximately \$460,000 in FY 2014/15 under this scenario.

Scenario 3 – an additional increase of one percent in compensation in FY 2014/15 for both safety and miscellaneous employees, all other assumptions remain the same. Personnel costs increase by approximately \$1.06 million in FY 2014/15 under this scenario.

In all three scenarios the Budget Stabilization Fund goes negative in the second ten years of the General Fund Financial Plan, indicating that any of these additions under the current assumptions would push the General Fund out of balance. Graphical representations of each scenario are attached.

Explore subsidy programs for utility rates for low income residents and the specific laws prohibiting subsidized rates for low income residents.

The City has explored subsidy programs for utility rates and a detailed report was presented to Council (RTC 11-172).

Fees charged by municipal utilities are governed by the California Constitution, Article 13D, which is also commonly known as Proposition 218. Staff has confirmed with the Office of the City Attorney and an outside counsel that specializes in this section of the Constitution that low income discount programs can only be funded by donations, approval of a new tax by the voters, or through a General Fund subsidy.

Sunnyvale currently has an active low income assistance program, which has provided \$11,325 in utility bill assistance to qualified customers since its inception in FY 2012/13. To date, the fund has received \$12,102.58 in donations or from the appropriation of unclaimed credit balances to the fund.

Sunnyvale has a different service delivery model than some other cities, such as the City of Cupertino. Sunnyvale owns and operates its own municipal utilities, contracting with private service providers as appropriate. The City bills and collects revenue from these operations, and uses that funding to provide service. Cupertino's model is different in that it is serviced by two different private water providers, the Cupertino Sanitary District for sewer service, and Recology, Inc for Solid Waste and Recycling. Each of these companies does their own billing and collections with a franchise arrangement with Cupertino that allows them to operate in the City.

Both water providers operating in Cupertino offer low income discounts for qualified customers under governance from the Public Utilities Commission which regulates private utilities in California. Recology also provides a discount. As a private business, Recology has the option to provide discounted rates to any of its customers. Cupertino Sanitary does not offer a discount. Staff is continuing to research other municipalities that provide discounts to determine how they have been funded and implemented.

Where is the Morse Court Rental Rehabilitation project?

The Morse Court Project is located at 825 Morse Ave. Additional detail is provided in the Project Information Sheet for project number 830920 located in Volume II – Projects Budget of the FY 2014/15 Recommended Budget.

What is the cost of step (merit) increases for City employees during FY 2012/13.

Employees receive merit increases when they meet or exceed performance standards. Staff reviewed payroll data to determine the number of employees that received merit increases over the period of July 1, 2012 to June 30, 2013. 173 employees qualified for and received a merit increase for total a cost of approximately \$290,000.

What is the cost for keeping the current backlog of sidewalk, curb and gutter replacements from growing, and what is the cost to eliminate the backlog over time?

Staff reviewed the backlog of work and looked at the three year average number of reported issues as a baseline. To keep the current backlog from growing, the budget for the repair of this infrastructure would need to be increased to \$1.25 million per year. The fiscal impact on the Budget Stabilization Fund to provide this level of funding is attached. As the graph shows, this would have a significant effect on the Budget Stabilization Fund and result in an unbalanced General Fund Position. The cost to eliminate the backlog over time would be \$2 million per year and could be accomplished within a five year timeframe. Both of these assumptions presume that there would not be an increase in the number of reported issues.

What would be the cost for the City setting up a cold weather shelter at the Community Center Gym for approximately 125 homeless for four months during the winter for FY 2014/15?

Council requested that the same amount of funding previously provided by the City to subsidize County cold weather shelter operations at the Sunnyvale Armory be identified so that Council could consider adding these funds to its FY 2014/15 budget. That amount is \$15,217. Since those funds have been provided in the form of a Community Development Block Grant human services grant to Housing First (formerly the Emergency Housing Consortium), and since Council appropriates them on a two-year basis, there is already \$15,217 in the FY 2014/15 budget for this purpose, as approved by Council last year. In other words, no additional action beyond approving the City Manager's recommended budget is required to ensure this same level of funding is available for operation of a shelter.

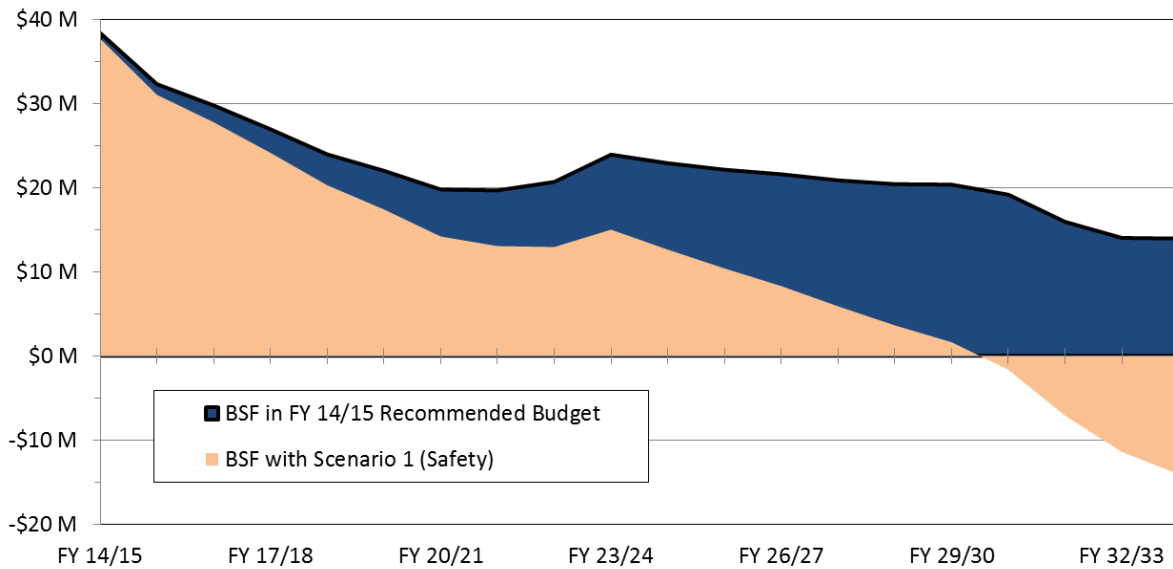
Council also asked that staff identify other fiscal, as well as non-fiscal, issues related to the possible operation of a temporary cold weather shelter at the Community Center gymnasium for four months this coming winter. Staff is currently exploring related issues (e.g., physical site/building requirements; permitting/noticing requirements; impacts to existing facility users and adjacent residents; public safety/security issues; public/resident input; shelter service and management plan); and will return to Council at a later date with more information.

Items To Be Addressed Outside This Budget Process (i.e., during a strategic planning session; Council Study Session; small group informational meetings, separate Report to Council, etc):

- Potential application of Park Dedication Fees to non-residential development projects.
- Ongoing service level and corresponding funding for the replacement and repair of sidewalks, curbs, and gutters.
- The Golf and Tennis Enterprise Fund and how to best manage golf operations over time for fiscal sustainability.
- Options to fund the replacement or upgrade of the City's administrative facilities.
- Issues regarding adjusting development related fees to allow for full cost recovery.
- Different options for increasing revenues to the City (e.g. special districts, sales tax, etc.).
- Public Safety recruitment efforts and their relationship to approved staffing levels

Budget Stabilization Fund Reserve

Scenario 1: Additional 1% salary increase for Safety employees in FY 14/15 only. All other assumptions remain the same.



Budget Stabilization Fund Reserve

Scenario 2: Additional 1% salary increase for Miscellaneous employees in FY 14/15 only. All other assumptions remain the same.

