RESPONSES TO COUNCIL QUESTIONS FROM THE FY 2019/20 BUDGET WORKSHOP

***Council Question**: Is the $500K from Apple that Cupertino is holding for Sunnyvale to mitigate traffic in the budget?*

Staff Response: On April 15, 2014, the City of Cupertino adopted Resolution # 13-084 to approve the permitting for development of Apple Park. As part of the project, Apple is "…required to fund neighborhood cut-through traffic and parking monitoring studies and provide fees to implement needed traffic calming improvements." The conditions of approval (COA) also state that Apple is required to provide up to $500,000 for the City of Sunnyvale and "these contributions will be provided to the City of Cupertino prior to the issuance of the first building permit."

In addition, Apple is required to set baseline (existing) conditions prior to occupancy. Cupertino staff met with Sunnyvale staff to establish the requirements of the baseline analysis and monitoring will occur every five years to determine if there are issues that need to be addressed beyond the baseline. If there are issues identified that need to be addressed, the funding being held for Sunnyvale could be used for items such as traffic calming or neighborhood parking programs.

The baseline study was completed in 2017 and shared with the City. To date, the Apple Campus is not fully occupied and no major issues have been reported. Therefore, the City of Sunnyvale has not received any funds, and the funds would only be provided by Cupertino if there are projects or programs that are identified during the monitoring. Accordingly, if a traffic calming or parking project is warranted, staff would work with the neighborhoods to help identify the appropriate improvements and the $500,000 (or portion thereof, depending on project cost) would be provided to the City at that time. The Department of Public Works Transportation and Traffic Services Division is coordinating the efforts with the City of Cupertino for monitoring the baseline results and will work with Finance to access and appropriate the funds should an eligible project be identified.

Council Question:* *Executive mortgage loan expense doesn't show corresponding repayment revenue – consider a negative in 20th year to offset and/or adding a line in the narrative to explain repayment process.

Staff Response: Since the Executive Loan program has a maximum loan term of 45 years, which is longer than our financial plan, staff does not recommend including the loan repayment amount in the FY2019/20 long-term financial plan. Staff will add the following paragraph to the "Insurance and Other Benefits" section of the Internal Service Fund Narrative in Volume One of the FY 2019/20 Adopted Budget.

"The Executive Management Mortgage program was established by Council in 1981. The purpose of the program is to enhance the City's ability to hire top quality executive personnel and encourage them to live within Sunnyvale corporate limits. The program may be offered to Council-appointed officers, Assistant and Deputy City Managers and department directors at the time of hire. The maximum loan term is 45 years. The employee may choose a fixed interest or a variable interest rate set at the 11th district costs of funds prevailing rate prior to approval of the loan. Upon termination of employment, the loan shall be payable in full within six (6) months of date of separation. The Recommended Budget includes $2 million for an anticipated upcoming Executive Mortgage.

Repayment is not anticipated in the Long Term Financial Plan as the loan term is longer than twenty years."

<u>Council Question:</u> Does Finance track the accuracy of projections in the Long Term Financial Plans - for example, on a five-year basis?

<u>Staff Response</u>: In FY 2018/19, Finance incorporated a new budget management performance indicator to measure the accuracy of the projections for the General Fund Budget Stabilization Fund. More specifically, the indicator measures, "Actual General Fund Budget Stabilization Fund variance from revised projections as a percentage of total actual revenue and expenditures" This data is included in the General Fund Long Term Financial Plan each fiscal year and the target for this measure is for the variance between the revised projection and actuals to be 3% or less. The first measure was based on FY 2017/18 results and the variance was 5% when the revised projection was compared with actual results.

<u>Council Question:</u> Do we have a policy about staying out of fossil fuel investments? (Or anything like that?) Essentially, trying to keep our investments in-line with our environmental sustainability positions.

<u>Staff Response</u>: Yes, it is a separate section in our investment policy which reads:

Social and Environmental Responsibility
The City has a desire to encourage investments that support sound environmental, social and governance (ESG) investing. While the portfolio may not be classified as an ESG portfolio, investments in entities that support community well-being through safe and environmentally sound practices and fair labor practices and equality of rights regardless of sex, race, age, disability, or sexual orientation is encouraged. Investments are discouraged in entities that manufacture tobacco products, or firearms or nuclear weapons not used in the national defense of the United States, and are direct or indirect investments to support the production or drilling of fossil fuels.

Additionally, the management directive the staff have given to Chandler Asset Management, the City's contracted investment manager states more specifically:

Moreover, Chandler will refrain from making any direct investments in:

- Issuers whose primary business revenue is derived from the exploration, extraction, and processing of fossil fuels.
- Tennessee Valley Authority
- Wells Fargo & Co. and its associated subsidiaries

We no longer hold any Tennessee Valley Authority or Wells Fargo investments. Details regarding the City's holdings are reported in a Report to Council quarterly.

<u>Council Question</u>: Do we know the impact of downtown sales tax; will it move us closer to our neighbors?

<u>Staff Response:</u> The sales tax revenue generated from downtown is anticipated to change over time due to Macy's closing and as new downtown businesses become operational. To this end, the FY

2019/20 budget includes $100,000 of anticipated downtown sales tax revenue associated with businesses beginning to operate in the fall of 2019 and increases incrementally over several years as the CityLine project is completed. The General Fund Long Term Financial Plan has $1.1M in FY 2026/27 as the estimated sales tax base for a fully constructed CityLine project with a blend of retail, restaurants, and entertainment. Please note that this estimate may need to be modified once the Downtown Specific Plan is approved. The new estimate will depend on the new amount of retail and office that is approved in the new plan. Changes to the downtown sales tax base are not expected to significantly impact the City's per capita sales tax position relative to our neighboring jurisdictions.

<u>Council Question</u>: What is maximum revenue potential for golf operations?

<u>Staff Response:</u> Based on available tee times, the maximum revenue potential would be approximately $6.2M - $4M at Sunnyvale and $2.2M at Sunken Gardens based on FY 2018/19 rates.

Looking at historical data, the highest number of golf rounds played was in FY 1998/99. Applying current green fees, the two courses would generate approximately $4.8M in total revenue - $3.2M at Sunnyvale and $1.6M at Sunken Gardens. Note that this revenue figure does not account for any increase in fees, etc.

The FY 2019/20 Recommended Budget includes a total of $2.3 million in revenue - $1.7 million from Sunnyvale and $563K from Sunken Gardens.

<u>Council Question</u>: Regarding the $250K for rapid rehousing funded by RDA – is there other funding available or are there funding limitations?

<u>Staff Response:</u> The City serves as administrator of the Sunnyvale Housing Successor Agency (SHSA) pursuant to Resolution 516-12, adopted by Council on January 10, 2012. The City, on behalf of the SHSA, took over the housing-related duties of the City's former Redevelopment Agency (RDA) pursuant to the state laws that dissolved redevelopment agencies in 2012. The SHSA received its first deposit of previously deferred RDA housing set-aside tax increment revenues into the new Low-Moderate Income Housing Asset (LMH) fund in January 2015. State law governs the use of the LMH funds, limiting the types of housing projects and programs that can be funded with LMH. SB 341 of 2013, allows housing successor agencies to use up to $250,000 in LMH funds annually for HPRR programs that comply with the post-dissolution RDA statutes. If the City decided to augment the current HPRR budget with additional funds, other funding sources would need to be utilized.