



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Adoption of the FY 2015/16 Budget, Fee Schedule, and Appropriations Limit

BACKGROUND

On May 1, 2015, the City Manager's FY 2015/16 Recommended Budget was provided to City Council and made publicly available on the City's website and at the Sunnyvale library. On May 21, 2015, City Council held a budget workshop to review in detail the recommended budget and twenty-year resource allocation plan. On June 9, 2015, the City Council held public hearings on the FY 2015/16 Recommended Budget, the establishment of the City's Appropriations Limit, and the Fee Schedule. The public offered comments at this hearing. Notification of the hearing was sent to those who specifically requested notice of fee increases as per the provisions of California Government Code section 66016(a). Council must now adopt a FY 2015/16 Budget, Fee Schedule, and Appropriations Limit.

EXISTING POLICY

The **California Constitution Article XIII B** requires that the City annually adopt an appropriations limit for the upcoming fiscal year.

City Charter, Section 1304 requires the City Council to adopt the budget for the upcoming fiscal year on or before June 30.

Council Policy 7.1.1 *Fiscal -Long Range Goals and Financial Policies:*

- 7.1A.1.3 A balanced Twenty-Year Resource Allocation Plan shall be presented to the City Council annually.
- 7.1A.1.9 The City Council shall adopt the City Manager's Recommended Budget, with any changes desired, by resolution before June 30th of each year.
- 7.1A.1.13 All competing requests for City resources should be weighed within the formal annual budget process.

ENVIRONMENTAL REVIEW

N/A

DISCUSSION

Three actions by the City Council are required at tonight's meeting. First, the City Council must consider and take action on the proposed fee changes. The proposed Fee Schedule is presented as

Exhibit A under Attachment 1 - FY 2015/16 Fees, Rates, and Charges Resolution.

Second, the City Council must adopt the FY 2015/16 Budget by June 30, 2015. Traditionally, this has been accomplished by resolution. The Budget Resolution, including exhibits, presents the appropriations by fund, fund transfers, and reserve changes that are necessary to implement the budget as recommended in this report (Attachment 2).

Third, the City Council must adopt, by resolution, the FY 2015/16 Appropriations Limit. The calculations and detailed supporting information are contained in Attachment 3. A discussion concerning each of the three actions required by Council is included below.

Fees, Rates, and Charges

The current fees and charges of the City have been reviewed in accordance with the Council Fiscal Policy. After an extensive and detailed staff review of fees, necessary adjustments have been made to the proposed Fee Schedule to ensure fees and charges are aligned with the cost to provide each service. The only exceptions are those fees that are legally limited, market based, or subsidized for public purpose. Certain new fees have been added to the Fee Schedule where appropriate. Other details regarding the proposed fee changes are discussed in Report to Council 15-0301, presented on June 9, 2015. One change has been made to Section 9.12 - Administrative Fines for Violation of Drought Restrictions. The fourth and subsequent violations of the Drought Restrictions were listed as \$250 per incident. The final action taken by the City Council imposes a \$500 fine for the fourth and subsequent violations.

Summary of FY 2015/16 Recommended Budget

As published on May 1, 2015, the City Manager's FY 2015/16 Recommended Budget and Resource Allocation Plan includes total revenues of approximately \$356 million. The total recommended budget for all expenditures is approximately \$350.5 million, with the difference between planned revenues and planned expenditures resulting in an addition to reserves of approximately \$5.5 million, which factors drawdowns and additions to reserves across all funds. Of the \$350.5 million in total expenditures, \$244.7 million is for operating; \$93.4 million is for projects, project administration, and equipment; and \$12.4 million is for other expenditures, including debt service (\$9.0 million), lease payments (\$2.2 million), budget supplements (\$271K), and a Service Level Set-Aside (\$950K). Details of the revenues and expenditures are contained in the *FY 2015/16 Recommended Budget and Resource Allocation Plan*.

Since the delivery of the recommended budget, Council has taken actions that impact the FY 2015/16 Budget and gave direction for adjustments to the budget at the Budget Workshop. The most significant items are discussed here. Due to the revised costs for purchased water and Council action to maintain the recommended water rate increase of 20%, the projected drawdown of the Water Fund's Rate Stabilization Reserve in FY 2015/16 is now less than originally budgeted by approximately \$1.4 million. At the Budget Workshop, Council provided direction to add \$75,000 annually to the budget for materials at the Library and \$6,000 per year was added to provide ongoing funding for Leadership Sunnyvale. These two actions reduced the ending balance of the General Fund Budget Stabilization Fund Reserve by approximately \$3.3 million over the twenty-year plan. Council took action in May to add an Administrative Analyst position to administer Prevailing Wage reporting requirements, which is now incorporated into the FY 2015/16 Recommended Budget. This position is partially funded by the General Fund and reduced the Budget Stabilization Fund by an additional \$340,000 over the twenty-year plan. In addition to Council actions, staff found that the

revenue for the rental of space on the Sunnyvale Landfill to a concrete and asphalt recycler was double counted in the General Fund and Solid Waste Fund. Removing this revenue from the General Fund reduced the Budget Stabilization Fund Reserve ending balance by an additional \$1.3 million. As a result of all the actions in the General Fund, the Budget Stabilization Fund now ends with an \$8.1 million balance at the end of the twenty-year plan. The revised General Fund long-term financial plan is included as Attachment 4.

The FY 2015/16 Recommended Budget also contains eight budget supplements, all of which were recommended for funding by the City Manager. The language of Budget Supplement No. 8 has been modified (Attachment 6) to delete the reference to having the Vice Mayor serve as a voting member on the Sunnyvale Downtown Association (SDA) Board, because sitting councilmembers cannot serve in that capacity due to conflict laws. . Council may choose to pursue an IGR appointment of a Council liaison to the SDA via a request for the item to be added to a future agenda. Other aspects of the supplement, including the \$30,000 annual appropriation (lasting five years) remain intact.

It should be noted that \$950,000 per year is included in the FY 2015/16 General Fund long-term financial plan as *Service Level Set-Aside*. Primarily due to an increase in the property tax base, this set-aside represents the amount of flexibility the City has in General Fund expenditures over the twenty-year plan. This is not appropriated for a specific service or expenditure and would require Council approval to be expended. As such, the \$950,000 annual amount can be considered a reserve amount, as an addition to the Budget Stabilization Fund Reserve.

Appropriations Limit

The appropriations limit, required by Article XIIIB of the State Constitution, places a limit on the amount of revenue that can be spent by government entities and is set on an annual basis. The purpose of the appropriations limit is to preclude state and local governments from retaining excess revenues, which are required to be redistributed back to taxpayers and schools. To date, the City has not exceeded its appropriations limit in any year. California Government Code section 7910 requires the City annually adopt an appropriations limit for the coming year. The appropriations limit is dependent upon the change in population within the jurisdiction and the change in the cost of living, as determined by the State. State law requires the Council to select one factor by which the limit is calculated. The options available are as follows:

1. Inflation Factors
 - a) California per capita income
 - b) Increase in non-residential assessed valuation due to new construction
2. Population factors
 - a) City population growth
 - b) County population growth

For FY 2015/16, the choices that lead to the most favorable appropriations limit are California per capita income and the City population growth factor, and these are the factors staff used to calculate this value.

As shown in Attachment 3, the appropriations limit for FY 2015/16 is \$197,114,763. Expenditures subject to the appropriations limit exclude Redevelopment Successor Agency activity, enterprise and internal service activity, debt service payments, and capital outlay projects that have a useful life of

ten years or more and a value that exceeds \$100,000. Non-tax revenues, such as federal and state grants, fees for service, or revenues restricted for particular purposes are also excluded from the calculation. The City will be under the allowable appropriations limit by approximately \$98 million for FY 2015/16.

FISCAL IMPACT

The City Manager's FY 2015/16 Recommended Budget presents a balanced allocation of resources designed to begin meeting the increasing demands of a growing economy while maintaining a sustainable financial position for the City. It maintains sufficient reserves to manage the volatility of the modern economy, strengthens the City's long-term position, begins to meet the strategic priorities of Council, and positions the City well to meet future challenges.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

Public Hearing

On June 9, 2015, the City Council held a public hearing on the FY 2015/16 Recommended Budget and Resource Allocation Plan, the Appropriations Limit, and the proposed Fee Schedule. Council took input from the public. No action affecting the FY 2015/16 Recommended Budget was taken.

Boards and Commissions Budget Review

All of the City's boards and commissions have had the opportunity to review the FY 2015/16 Recommended Budget, which was made available to them on May 1, 2015. Meeting minutes from the boards and commissions that held meetings to discuss the budget prior to submission of this report are included in Attachment 5 of this report. Recommendations to Council on the budget were voted on and are detailed in the minutes. Given the short timeframe available for review of the minutes by the boards and commissions, some of the minutes are draft minutes.

ALTERNATIVES

1. Approve the resolutions presented as Attachment 1 (including Exhibit A), Attachment 2 (including Exhibits A through D) and Attachment 3 (including Exhibit A) that provide for the adoption of the FY 2015/16 Fee Schedule, Budget, and Appropriations Limit.
2. Approve the resolutions presented as Attachment 1 (including Exhibit A), Attachment 2 (including Exhibits A through D) and Attachment 3 (including Exhibit A) that provide for the adoption of the FY 2015/16 Fee Schedule, Budget, and Appropriations Limit. Include any amendments, also identifying, in the case of increases in expenditures, any corresponding decreases in expenditures or increases in revenue to ensure there is no adverse effect to the City's financial position.

STAFF RECOMMENDATION

Alternative 1: Approve the resolutions presented as Attachment 1 (including Exhibit A), Attachment 2 (including Exhibits A through D) and Attachment 3 (including Exhibit A) that provide for the adoption of the FY 2015/16 Fee Schedule, Budget, and Appropriations Limit.

Prepared by: Timothy J. Kirby, Assistant Director of Finance

Reviewed by: Grace K. Leung, Director, Finance

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. FY 2015/16 Fees, Rates, and Charges Resolution, including Exhibit A. FY 2015/16 Fee Schedule
2. FY 2015/16 Budget Resolution, including:
 - Exhibit A. Appropriations - General Fund, Special Revenue Funds, Enterprise Funds
 - Exhibit B. Appropriations - Internal Service Funds
 - Exhibit C. Transfers - To/From All Funds
 - Exhibit D. Appropriations To / Deductions From Reserves - All Funds
3. FY 2015/16 Appropriations Limit Resolution, including Exhibit A. Appropriations Limit
4. Revised FY 2015/16 Recommended General Fund Long-Term Financial Plan
5. Draft Board and Commission Meeting Minutes for the FY 2015/16 Recommended Budget
6. Revised Budget Supplement No. 8 - Redline