



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Adoption of the FY 2016/17 Budget, Fee Schedule, and Appropriations Limit

BACKGROUND

On May 5, 2016, the City Manager's FY 2016/17 Recommended Budget was released to City Council and made publicly available on the City's website and at the Sunnyvale library. On May 26, 2016, City Council held a budget workshop to review in detail the recommended budget and twenty-year resource allocation plan. On June 14, 2016, the City Council held public hearings on the FY 2016/17 Recommended Budget, the Fee Schedule, and the establishment of the City's Appropriations Limit. The public had the opportunity to offer 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). In accordance with the City Charter, the Council shall adopt the budget before June 30.

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

The adoption of the budget, fee schedule and appropriations limit is exempt from environmental review under CEQA Guidelines 15378(b)(4) and 15378(b)(5) because it is an administrative or fiscal activity that will not result in a direct or indirect physical change to the environment. In addition, the adoption of the fee schedule is statutorily exempt from CEQA under Public Resources Code Section 21080(b)(8).

DISCUSSION

Staff recommends that the City Council take actions to approve the FY 2016/17 budget, fee schedule, and appropriations limit 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 1).

The proposed Fee Schedule is presented as Exhibit A to Attachment 2 - FY 2016/17 Fees, Rates, and Charges Resolution.

The FY 2016/17 Appropriations Limit resolution includes the calculations and detailed supporting information (Attachment 3). A discussion concerning each of the three actions required by Council is included below.

Summary of FY 2016/17 Recommended Budget

As published on May 5, 2016, the City Manager's FY 2016/17 Recommended Budget presents a balanced allocation of resources designed to meet the increasing demands for service from the community, to continue to advance the policy priorities set by Council, and to make strategic investments in internal services while maintaining a sustainable financial position for the City. The recommended budget ensures sufficient reserves to manage the volatility of the modern economy and holds Sunnyvale's reputation for being strategic, prudent, and thoughtful in its long-term budgeting, positioning the City well to meet future challenges.

The City Manager's FY 2016/17 Recommended Budget and Resource Allocation Plan includes total revenues of approximately \$398.6 million. The total recommended budget for all expenditures is approximately \$380.9 million, with a net addition to reserves of approximately \$17.6 million across all funds. Of the \$380.9 million in total expenditures, \$262 million is for operating; \$105.9 million is for projects, and project administration; and \$13 million is for other expenditures. Details of the revenues and expenditures are contained in the *FY 2016/17 Recommended Budget and Resource Allocation Plan*.

As discussed during the budget workshop, after the delivery of the recommended budget, staff has identified three items that were inadvertently omitted from the Recommended Budget document as discussed below:

Staff recommends to add one limited term Engineering Assistant position for the Department of Public Works, which is fully funded by development related fees.

As part of the startup of the Silicon Valley Clean Energy Authority, Sunnyvale is providing approximately \$225,000 in administrative support services. As these services are fully reimbursed, the City will receive revenue from SVCEA for the work performed. This revenue source is recommended to be included for reimbursement of budgeted expenses.

In addition, staff has updated the recommended FY 2016/17 allocation for the project for Outside Group Funding Support to be consistent with Council's action regarding the two-year human services grant awards in FY 2015/16 related to the FY 2016 HUD Action Plan, which was approved by Council in May. The recommended budget for this project is now \$135,000 for FY 2016/17, rather than \$100,000 originally budgeted. This change increases the General Fund appropriation for this project

to \$135,000 for FY 2016/17 (for one year only) using \$35,000 from the Budget Stabilization Fund reserve. The initial \$100,000 was already in the long-range plan for this project.

The revised General Fund long-term financial plan is included as Attachment 4.

The FY 2016/17 Recommended Budget also contains ten budget supplements as recommended by the City Manager and approved to be added by the City Council. See details of each, listed in below table.

FY 2016/17 Budget Supplements				
No.	Title	Cost	Fund	Recommendation
1	Silicon Valley Talent Partnership	\$3,000 annually for 3 years \$9,000 total	General Fund	Recommended for Limited Duration Funding
2	Implementation of Green Bike Lanes	\$250,000 one-time	General Fund	Recommend partial funding/Defer to Projects Budget Cycle for further review
3	Tenant-Landlord and Community Mediation Services	\$45,000 one-time	General Fund	Recommended for Funding
4	Safe Routes to School	\$176,279 one-time + \$453,637 over 3 years	General Fund	Recommended for Limited Duration Funding
5	Care Management	\$81,264 annually \$2,108,776 over 20 years	General Fund	Recommended for Funding
6	Inflation Adjustment to Planned Supplemental Human Services Funding	\$478,332 over 20 years	General Fund	No action as Council has the discretion to fund above or below average rate of expenditure based on its assessment of need.
7	Sustainability Speaker Series	\$25,000 annually \$131,408 over 5 years	General Fund	Recommended for Limited Duration Funding, Limited to Five Years
8	Scoping of Grade Separation for Caltrain Crossings at Mary Avenue and Sunnyvale Avenue	\$500,000 one-time	General Fund	Recommended for Funding
9	Vision Zero	\$150,000 one-time	General Fund	Recommended for Funding
10	Update to the Murphy Avenue Design Guidelines	\$25,000 one-time	General Fund	Recommended for Funding
20 Year Total		\$3,672,821		

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 16-0136, presented on June 14, 2016.

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 2016/17, 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 2016/17 is \$210,316,844. Expenditures subject to the appropriations limit exclude Successor Agency to the Former Redevelopment Agency of Sunnyvale 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 \$105 million for FY 2016/17.

FISCAL IMPACT

The City Manager's FY 2016/17 Recommended Budget and Resource Allocation Plan includes total revenues of approximately \$398.6 million. The total recommended budget for all expenditures is approximately \$380.9 million, with a net addition to reserves of approximately \$17.6 million across all funds. Of the \$380.9 million in total expenditures, \$262 million is for operating; \$105.9 million is for projects, and project administration; and \$13 million is for other expenditures.

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 14, 2016, the City Council held a public hearing on the FY 2016/17 Recommended Budget and Resource Allocation Plan, the proposed Fee Schedule, and the Appropriations Limit. No public

comment was received during the hearing and neither the FY 2016/17 Recommended Budget or Fee Schedule were amended.

Boards and Commissions Budget Review

As presented as part of the Budget Hearing Report, eight of the City's ten boards and commissions have had the opportunity to review the FY 2016/17 Recommended Budget, which was made available to them on May 5, 2016. The Board of Building Code Appeals and the Personnel Board chose not to review the budget. Meeting minutes from all other 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. Make the findings required by CEQA, approve the resolutions presented as Attachment 1 (including Exhibits A through D), Attachment 2 (including Exhibit A) and Attachment 3 (including Exhibit A) that provide for the adoption of the FY 2016/17 Budget, Fee Schedule, and Appropriations Limit.
2. Make the findings required by CEQA, approve the resolutions presented as Attachment 1 (including Exhibits A through D), Attachment 2 (including Exhibit A) and Attachment 3 (including Exhibit A) that provide for the adoption of the FY 2016/17 Budget, Fee Schedule, 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: Make the findings required by CEQA, approve the resolutions presented as Attachment 1 (including Exhibits A through D) to the report, Attachment 2 (including Exhibit A) to the report and Attachment 3 (including Exhibit A) to the report that provide for the adoption of the FY 2016/17 Budget, Fee Schedule, and Appropriations Limit.

Prepared by: Jensen Barna, Budget Analyst

Reviewed by: Timothy J. Kirby, Finance Director

Reviewed by: Walter C. Rossmann, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. FY 2016/17 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
2. FY 2016/17 Fees, Rates, and Charges Resolution, including Exhibit A (FY 2016/17 Fee Schedule)
3. FY 2016/17 Appropriations Limit Resolution, including Exhibit A (Appropriations Limit)
4. Revised FY 2016/17 Recommended General Fund Long-Term Financial Plan
5. Draft Board and Commission Meeting Minutes for the FY 2016/17 Recommended Budget