



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Update on the Impact of the President's Proposed Budget on City Programs and Services (Information Only)

BACKGROUND

In addition to receiving funding from a variety of local sources (e.g. Sales Tax, Property Tax, fees for service), the City of Sunnyvale receives funding from the Federal Government, either directly or indirectly through the State. For FY 2015/16, the City directly received approximately \$16.5 million in Federal funding. The largest portion of these funds (\$10.3 million) was used to fund NOVA Workforce Investment services. The second largest portion was for transportation projects like Mathilda/237 Interchange, the Fair Oaks Bridge, and the Calabazas Creek Bridge. Other sources of funding include Community Development Block Grant (CDBG) Funds, Health and Human Services Funds, and justice and homeland security funds. The City also received a small Federal library grant.

On March 16, President Donald Trump released "America First - A Budget Blueprint to Make America Great Again." The proposal, which is the president's first budget outline, proposes significant changes to the Federal Budget including increasing defense, military and veterans affairs, and immigration spending, while decreasing environmental protection, arts, infrastructure, and health and human services spending.

EXISTING POLICY

Council Policy 7.0 *Long-term Advocacy Positions - Planning and Management*

Section B, Fiscal Management:

- (3) Oppose any legislation that reduces or erodes local revenues or local control.
- (5) Ensure local governments' revenue sources are protected and predictable.

Council Policy 7.3.1 *Legislative Management - Goals and Policies*

Goal 7.3C Participate in intergovernmental activities, including national, state and regional groups, as a means to represent the City's interests, influence policy and legislation, and enhance awareness.

DISCUSSION

If the President's Budget Blueprint was adopted it would have wide ranging and significant impacts on the City's budget both directly and indirectly. For example, indirect impacts could include items like the funding for the electrification of CalTrain and other potential regional infrastructure projects that impact Sunnyvale along with the region.

More direct impacts include the total loss of CDBG Funding, and up to 50% reduction in NOVA Workforce Services and the corresponding reduction in the services provided, as well as potential

loss of lesser amounts of grant funding for the library, justice and other smaller programs.

The following discussion summarizes staff's preliminary analysis of the impact of the President's budget directly on Sunnyvale. As this continues to be a work in progress, this assessment should not be considered complete or comprehensive, rather an understanding of the potential impact and inventory of impacts as we know them as of this date. It is also important to note that the proposal is for Federal Fiscal Year 2018. There are no immediate cuts pending, assuming Congress passes its mid-year continuing resolution on the budget.

Workforce Investment Funding

This is one of the largest potential impacts on the City. Sunnyvale hosts NOVA Workforce Investment Services. Under the current proposal, NOVA would experience a 21% cut in funding. This would translate into a like reduction in services provided. NOVA serves approximately 4,000 customers annually. The department would have the capacity to serve approximately 850 to 1000 less customers under the proposal. Staff estimates that approximately twenty percent of staff could be impacted.

In addition, as the reductions in discretionary funding are rolled out over several years, NOVA could experience up to a total 50% reduction in funding over time. These reductions would be devastating to the volume and quality of services that NOVA provides, as well as resulting in further impacts to staffing.

Lastly it is important to note that as Sunnyvale employees, NOVA employees enjoy the same benefits, including pensions, as all other employees. Were the funding for the regional services NOVA provides reduced, Sunnyvale's General Fund would bear the burden of funding any remaining costs related to retirement or other benefits.

Housing and Community Development Grants

The City currently receives two annual entitlement grants, CDBG and Home Investment Partnership Program (HOME) formula grants. CDBG grant funding totaled slightly over \$1 million per year and declining over the last few years. The City programs currently funded with that grant on an annual or frequent basis include the WorkFirst Sunnyvale grant; Housing Division CDBG Program administration; CDBG human services grants; ADA curb cuts; rental housing rehabilitation projects; Home Improvement Program grants and fair housing services by an outside agency. In addition, the City has a CDBG Revolving Loan Fund which receives CDBG loan payments and occasional deposits of new CDBG grant funds as needed to support the Home Improvement Program, which provides loans and small grants to lower-income home owners for rehabilitation and accessibility improvements. In total, approximately 2 employees in the Housing Division are supported by the CDBG revenues based on average CDBG funding availability (both grants and program income).

The HOME Program grant has been cut back significantly over the past few years and is now approximately \$300,000 per year. Ten percent of the funds can be used for program administration (Housing Division) and the other 90% is used for the Tenant Based Rental Program for formerly homeless households, administered by an outside agency. In addition to the annual grant, the City also receives program income payments from a sizeable outstanding loan portfolio on rental projects. Depending on how much program income is on hand, the City can occasionally fund a larger rental housing project (rehabilitation or new construction) than the annual allocation provides. Approximately half an employee in Housing is supported by HOME funds.

As mentioned above, should a Continuing Resolution not pass to keep the FY 2017 Federal Appropriations as is, there is some risk in this area. Projects currently planned for FY 2017/18 that are contingent on a Continuing Resolution include:

- The Persian Drive sidewalk extension (approx. \$470,000 in new CDBG \$)
- WorkFirst Sunnyvale grant (\$404,000)
- Human Services Grants (\$190,000 for ~6 grants including fair housing)
- Tenant Based Rental Assistance (TBRA) contract (\$270,000)
- HOME and CDBG Administration (portion)

Should this funding not come through project scope may need to be reduced or funding would need to be provided from funds on hand, including program income and/or prior years' unused funds.

Most of the City's larger housing project loans and operating expenditures come from local funding sources (developer impact fees, BMR in-lieu fees, Housing Successor Agency Fund), and not Federal grants.

In addition to proposed cuts or elimination of these grants, there are other issues that are currently subject to federal cuts and/or elimination which would also increase the funding gap needed to make affordable housing projects feasible or have other impacts on local residents or service providers. Those of most concern include:

- Reductions to the Section 8 voucher program (Housing Authority)
- Reduced value of Federal low income housing tax credits or elimination of the tax credit altogether
- Reductions to Federal funding for fair housing and housing counseling programs which impact local providers (Project Sentinel, etc.)
- Possible reductions to USDA could impact food bank / food stamp programs (Sunnyvale Community Services, Second Harvest, County programs)
- Reductions to school lunch programs
- Reductions to Medicaid funding via AHCA (likely impacts to Mayview Clinic at the CNC).

Infrastructure Funding

The City receives Federal funding for a variety of infrastructure projects. The projects currently underway, Mathilda/237/101, Fair Oaks Bridge, Calabazas Creek Bridge, are not currently at risk.

The proposed Transportation Department budget would be cut thirteen percent. This would impact a number of programs like rail and bicycle networks and the creation pedestrian-friendly streetscapes. The New Starts program, which helps fund local transportation projects costing over \$300 million (a sister program, Small Starts, assists with projects *under* that threshold), would be frozen. New applications to the program, which currently has \$2.3 billion to spend annually through 2020, would be rejected, limiting any new grants and placing the onus on local and state government to fund additional projects.

Projects in the Bay Area vying for New Starts dollars that would impact Sunnyvale as part of the

region include Caltrain electrification, BART to San Jose, El Camino Real BRT, and the Transbay Rail Corridor.

The new budget would also seek a half-billion reduction in TIGER grants, the economic recovery infrastructure program launched by President Obama in 2009. To date, the TIGER program has provided \$5.1 billion for more than 400 road, rail, port, and transit projects. While no Sunnyvale projects are funded by this program, San Francisco and Oakland have been awarded funding in the past. Overall, the budget suggests phasing out and eventually cutting all federal funds for transit, walking, and biking programs in favor of highway and roadway funding.

Lastly, Sunnyvale has obtained approval for \$127 million in State Revolving Funds for an early phase of the rehabilitation of the Water Pollution Control Plant. While staff at the State level has indicated funding is not at risk, the loan documents do indicate that funding is subject to appropriation. As such, staff will watch this issue closely going forward. The alternative, are not appropriated at the state level, would be to obtain funding through the public market and issue debt at a significantly higher cost of these funds.

The Environment and Sustainability

While again not affecting Sunnyvale directly, the regional or indirect impacts of cuts to the EPA and other environmental programs would be felt. Cleanup at superfund sites around the Bay Area could slow, and work on the San Francisco Bay itself including restoration work could halt.

Other Projects and Services

The impacts of the proposed Budget Blueprint are also wide ranging for the arts and libraries. Federal funds are allocated to various library systems in the state (Sunnyvale is part of the Pacific Library Partnership). Those systems use the funding for training, innovation grants, collaborative problem-solving, etc. The Corporation for Education Network Initiatives in California (CENIC) project which increased Sunnyvale Library's internet broadband capacity, the innovation grant that was received to establish the "Stitch" sewing lab, the grant just received to partially fund the City's mobile bike library program, and the Harwood training institute grant that provided training to staff on community engagement and outreach are just a few examples of how Sunnyvale has benefited from the Federal library funding.

Elimination of the National Endowment for the Arts (NEH) does not directly impact Sunnyvale, however California received \$9.4 million in grants for NEH projects last year.

It is important to re-emphasize that this is the beginning of the process. Historically, the President's proposed budget has gone through significant changes in the legislative process prior to enactment. Even at this early stage, the current proposal has been met with intense resistance from members of Congress and governors. While it is too soon to predict the final outcome, it does help to understand the overall potential impacts of this Budget Blueprint. Staff will continue to monitor the situation closely, and keep Council informed of any impacts that actually are approved and adopted by Congress.

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.

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ATTACHMENT (PROVIDED AS WEBSITE LINK)

1. America First - A budget Blueprint to Make America Great Again: www.whitehouse.gov/omb/budget