



**Council Meeting: April 1, 2008**

**SUBJECT: Consideration of Additional Budget Issues and Possible Policy Revision**

**REPORT IN BRIEF**

This report presents for Council's consideration budget issues conceived after the Council's budget workshop conducted on January 25 and February 1, 2008. The report briefly describes each budget issue, and provides Council the opportunity to determine whether it does or does not want each of them included for consideration in the city manager's recommended budget for FY 2008/09 and 2009/10.

**BACKGROUND**

A **budget issue** represents a new City service, a change in the level of an existing City service (including possible elimination), or a capital/special project. **Budget issue papers** describe the topic of concern, providing information Council will use to determine whether or not to further explore each issue.

On January 8, 2008, a public hearing was conducted to solicit feedback from the public on budget issue papers existing at that time, as well as to solicit ideas from the public for additional budget issue paper topics for FY 2008/09. Any ideas sponsored by at least one Councilmember were added to the list of budget issue papers to be considered by Council at a future budget issues workshop.

On January 25 and February 1, 2008, Council conducted a workshop to consider the merits of each of the budget issue papers for FY 2008/09. All budget issues forwarded to the city manager are to be returned for Council's consideration in the context of the city manager's recommended budget for FY 2008/09 in the form of "budget supplements" (indicating whether or not they are recommended by the city manager).

Subsequent to the budget workshop, Councilmember Whittum requested that an additional budget issue (spraying of street trees for aphids) be added to the list to be considered for the coming fiscal year. During departmental budget reviews, the city manager has also identified a number of additional issues worthy of Council's consideration (see listing below).

This report provides Council options in terms of how to deal with these budget issues raised subsequent to its earlier workshop.

### **EXISTING POLICY**

The Study/Budget Issue Process is an integral part of the City's Planning and Management System (PAMS). Budget issues are addressed by Budget Policy A.1.2 of the Fiscal Sub-Element of the General Plan, which states, "A Fiscal Issues Workshop will be held each year prior to preparation of the city manager's recommended budget to consider budget issues for the upcoming Resource Allocation Plan." There is no existing policy specifying how to deal with budget issues which arise after the Council's budget issue workshop. It could be inferred, however, that all budget issues were intended to be addressed during the fiscal issues workshop conducted by Council.

### **DISCUSSION**

When Councilmember Whittum requested that a budget issue be added to the list of issues being considered for FY 2008/09 following the budget issues workshop, staff indicated this would be possible. In fact, staff also has identified several additional budget issues it believes should be considered by Council.

While there is no policy specifically precluding this, staff has some reservations regarding the practice of adding budget issues to the list following the Council's budget issue workshop. One of the fundamental objectives of the budget issue workshop is to get direction from a Council majority on whether or not to further explore specific budget issues. Allowing individual Councilmembers or staff to add budget issues to the list after the workshop and without the support of a majority of Councilmembers circumvents this objective. Another basic objective is to gain the Council's direction in time to allow staff sufficient opportunity to research and explore the implications of each budget issue prior to the city manager's submittal of a recommended budget. The existing timing of the Budget Issues Workshop in late January/early February allows the required staff time for analysis. Adding issues after the workshop—by either staff or the Council—does not. It also requires additional staff time to present the issues separate from the workshop, and increases the likelihood that the community will not be made aware.

The following proposed budget issue papers have been identified for FY 2008/09 since the Council's budget issue workshop:

- Electronic Utility Bill Presentation and Payment – A proposal to purchase software that will allow utility customers to view account information and make payments over the web. The preliminary cost estimate is a one time cost of \$51,000 and an on-going cost of \$6,000 annually. The total 20-year

impact is \$159,000. Staff recommends this budget issue be referred for consideration in the recommended budget.

- Create New Position of Website Administrator – This budget issue creates a new full-time website administrator position for the City under the Office of the City Manager to assist in the creation of Web site policy and to monitor adherence to the policy. The preliminary cost estimate is an on-going cost of \$128,160 annually. The total 20-year impact is approximately \$3.5 million. Staff recommends this budget issue be referred for consideration in the recommended budget.
- Silicon Valley Leadership – This proposal is a request for funding for Silicon Valley Leadership, an independent, non-profit community based organization that provides leadership and public affairs training to Sunnyvale community members. The request is for \$8,000 for FY 2008/09. Staff recommends this budget issue be referred for consideration in the recommended budget.
- Council Meeting Minutes – This proposal is to fund additional hours for a casual clerical position to record minutes from Council meetings. The additional hours would cost approximately \$7,400 annually, or approximately \$205,000 over twenty years. Staff recommends this budget issue be referred for consideration in the recommended budget.
- Centralized Customer Concern Tracking System – This supplement would fund the installation of a centralized customer concern tracking system to allow for status tracking by the public and staff of all requests for service. The preliminary cost estimate is a one-time installation cost of \$70,000 and an ongoing cost of approximately \$90,000 annually for the first two years and \$10,000 per year for the remainder of the 20-year planning period. Total costs are approximately \$429,000 over twenty years. Staff recommends this budget issue be dropped because the system will not address the core issue of customers regarding timeliness of responses. In addition, staff is already developing an internal computer program to accomplish this objective.
- Electronic Records Management – This proposal is for the purchase of an electronic records and data management system. The initial cost for the purchase of the records management system is estimated at \$575,000, and the on-going support cost is estimated to be \$50,000 annually. The total 20-year impact is approximately \$1.2 million. Staff recommends this budget issue be referred for consideration in the recommended budget.
- Junior Achievement of Silicon Valley and Monterey Bay – This proposal is a request for funding from Junior Achievement of Silicon Valley and Monterey

Bay (JA), a nonprofit community based organization, seeking \$10,740 for FY 2008/09 to support programs that link education and the world of work through a sequential K-12 curriculum. Staff recommends this budget issue be referred for consideration in the recommended budget.

- Spraying of Street Trees for Aphids – This proposal from Councilmember Whittum would restore the street tree pest control program that was eliminated in FY 2003/04. The annual cost is approximately \$30,000 and \$752,000 over twenty years. Staff recommends this budget issue be dropped because the problem does not appear to be widespread and the aphids are primarily a nuisance issue, as these pests do not harm the health of the trees.
- Santa Clara Valley Blind Center – This proposal from Councilmember Whittum would provide \$45,000 for FY 2008/09 using the General Fund to assist in covering an operating budget shortfall at the Santa Clara Valley Blind Center. Staff recommends this budget issue be dropped because the City has already allocated \$45,000 of CDBG funds for FY 2007/08. Staff is currently continuing discussions with the sub-recipient to finalize an agreement for dispersal of the funds.

Council is asked to take two actions:

1. Approve or reject each of the budget issue papers listed above, consistent with the process used at the January 25 and February 1, 2008 Budget Workshop. Approval will result in a more detailed analysis of the budget issue, and inclusion of the issue (along with a recommendation from the City Manager as to whether or not to fund it) in the City Manager's budget transmittal to Council for FY 2008/09. Rejection will result in no further analysis, and the item will not be included in the City Manager's budget transmittal to Council.
2. Determine a path forward for future years relative to the handling of budget issue papers which arise after the Council's formal budget workshop. There is no current policy on this, yet this year's experience has made it clear that a deadline for accepting and considering budget issue papers is required if staff is to have sufficient time to analyze them properly. Council is asked to establish a policy reinforcing the requirement that a Council majority approve or reject budget issue papers, and that this be done by a date certain (with an exception for emergencies or overriding circumstances). Council may wish to provide the City Manager some flexibility to present issues which arise subsequent to the Budget Workshop—i.e., as the Manager conducts budget reviews with staff and prepares her recommended budget to Council for the next Fiscal Year. In this case, those issues would be specifically called out, and a rationale provided for presenting them subsequent to the Budget Issues Workshop.

### **FISCAL IMPACT**

Each of the identified budget issue papers would have a fiscal impact if eventually approved by Council as a budget supplement for FY 2008/09. However, this report does not obligate Council to the expenditure of any funds; it simply asks Council whether or not it would like these issues to be included for its consideration when the City Manager delivers her budget transmittal to Council. Neither does it commit the City Manager to recommending in favor or against any budget issue in particular in her budget transmittal. There is no fiscal impact to this report.

### **PUBLIC CONTACT**

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

### **ALTERNATIVES**

1. Approve one or more additional budget issue papers for Council's consideration in the FY 2008/09 budget transmittal.
2. Do not approve one or more additional budget issue papers for Council's consideration in the FY 2008/09 budget transmittal.
3. Create Council policy by revising the Fiscal Sub-Element to require that all future years' budget issues be approved by a majority vote of City Council, and by no later than the last week of February each year (with an exception for emergencies or overriding circumstances). Defer any budget issue papers raised after each Budget Issues Workshop (or another specific date as determined by Council) to the following fiscal year's Budget Issue Workshop (similar to the manner in which new Study Issues are forwarded to the next calendar year's Study Issues Workshop).

### **RECOMMENDATION**

Staff recommends Alternatives 1 and 3:

1. Approve one or more additional budget issue papers for Council's consideration in the FY 2008/09 budget transmittal.
3. Create Council policy requiring that all future years' budget issues be approved by a majority vote of City Council, and by no later than the last week of February each year. Defer any budget issue papers raised after each Budget Issues Workshop (or another specific date as determined by Council) to the following fiscal year's Budget Issue Workshop (similar to the manner in which new Study Issues are forwarded to the next calendar year's Study Issues Workshop).

These actions will help Council and staff achieve the fundamental objectives of the budget issue workshop: i.e., to get direction from a Council majority on whether or not to further explore specific budget issues in time to allow staff sufficient opportunity to research and explore the implications of each budget issue prior to the City Manager's submittal of a recommended budget.

Reviewed by:

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Approved by:

Amy Chan  
City Manager