



Council Meeting: June 15, 2010

SUBJECT: Annual Public Hearing on FY 2010/2011 Budget and Resource Allocation Plan and Establishment of Appropriations Limit

REPORT IN BRIEF

The City Charter requires a Public Hearing be held prior to the adoption of the FY 2010/2011 Budget and Resource Allocation Plan. The purpose of this hearing is to take comments from the public on the FY 2010/2011 Budget and Resource Allocation Plan, as well as on the establishment of the City's appropriations limit. No action is required on the part of the City Council. Adoption of the Budget is scheduled for June 29, 2010.

BACKGROUND

Section 1303 of the City Charter states:

"At the time so advertised, or at any time to which Public Hearing shall from time to time be adjourned, the City Council shall hold a Public Hearing on the proposed budget, at which interested persons desiring to be heard shall be given such opportunity."

Article XIII B of the California Constitution established appropriations limits on government agencies within California. Section 7910 of the Government Code requires that the City annually adopt an appropriations limit for the coming year. The supporting documentation for the establishment of the limit must be available for public review at least 15 days prior to the adoption of the appropriations limit resolution. The required material that provides detailed information on the City's appropriations limit has been available for public review since May 10, 2010 (Attachment A). The material is included in Volume I of the recommended FY 2010/2011 Budget and Resource Allocation Plan.

EXISTING POLICY

In accordance with the City Charter, the California Constitution, and the California Government Code, a public hearing has been held annually for public comment on the budget and resource allocation plan and appropriations limit for the upcoming fiscal year. In addition, the Fiscal Sub-element provides:

7.1A.1.7: At least one public hearing shall be held after the City Manager's recommended budget is presented to the Council in order to solicit public input before adoption.

7.1A.1.8: Boards and Commissions should review the annual budget as appropriate to their area of interest and make recommendations to the City Council.

DISCUSSION

The purpose of the public hearing is to furnish an opportunity for citizens to voice their opinions on the City's budget and the appropriations limit. Legal notices of the hearing were published in the *Sunnyvale Sun* (Attachment B). No action is required on the part of the City Council at the hearing. The FY 2010/2011 Budget and Resource Allocation Plan is scheduled for adoption on June 29, 2010.

Appropriations Limit

The appropriations limit, which is required by Article XIII B of the State Constitution and places a limit on the amount of revenue that can be spent by government entities, is set on an annual basis. It is dependent upon the change in population within the jurisdiction and the change in the cost of living as determined by the State. As shown in Attachment A, the appropriations limit for FY 2010/2011 is \$158,372,179. Expenditures subject to the appropriations limit exclude Redevelopment 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 also are excluded from the calculation. As a result of the calculations, the City will be under the allowable appropriations limit by approximately \$66.1 million for FY 2010/2011.

FY 2010/2011 Recommended Budget

On May 20, 2010, the City Council held a Budget Workshop to review in detail the City Manager's recommended FY 2010/2011 Budget and Resource Allocation Plan. The Plan includes total revenues of approximately \$264.3 million. The total recommended budget for all expenditures is approximately \$256.8 million. Of that total, \$209.8 million is for operating; \$34.7 million is for projects, including project administration; and \$10.2 million is primarily for debt service (\$9.1 million) and equipment (\$1.1 million). Planned contributions to reserves total \$7.4 million City-wide; however, it is important to note that these contributions are predominantly related to projects in the utilities funds and do not increase General Fund reserves. Details of the revenues and expenditures are contained in the recommended FY 2010/2011 Budget and Resource Allocation Plan. Please note that some of the above values are different from the values presented in the Budget Summary of the recommended FY 2010/2011 Budget. This is the result of a number of modifications that have been made since the Recommended Budget was submitted to Council on May 7th. These modifications have been detailed below, and an updated Budget Summary has been included as Attachment C.

Modifications to the Recommended Budget

There have been several modifications made to the recommended FY 2010/2011 Budget since it was initially provided to Council. Some of these changes were brought up at the May 20th Budget Workshop, while others were based on information received after the Budget had been delivered. A brief summary of the changes and the reason for the change is listed below.

- There was a reduction in the Library operating budget in the amount of approximately \$35,000. The Library had originally committed to reducing their operating budget by the equivalent of 6,100 hours after the RFID was implemented. The plan was for this reduction of hours to occur through attrition; however, it was only recently when the final hours to reach the cost savings they committed to were able to be eliminated. This is an ongoing reduction to the Library's operations, so the total impact to the General Fund over the 20-year plan is approximately \$950,000.
- The Department of Public Safety has recently been awarded two homeland security related grants (RTC 10-057, 3/9/2010 and RTC 10-150, 6/15/2010). These grants, which total approximately \$219,000, have appropriations in FY 2010/2011 and have no net impact to the General Fund. The revenues and related expenditures have been added to the General Fund Long-Term Financial Plan.
- There was a discrepancy between the General Fund and the Solid Waste fund in the amount of rent paid to the General Fund for the SMaRT Station and the landfill. This was the result of a calculation mistake made when the long-term financial plans were being developed that was not caught until after the budget had been delivered to Council. The amount in the General Fund was the appropriate amount, and the Solid Waste Fund Long-Term Financial Plan has been corrected to reflect this. This reduces expenditures in the Solid Waste Fund by approximately \$140,000 in FY 2010/2011 and approximately \$3 million over 20 years. There is no net impact to the General Fund.
- Per original Council direction, the Park Dedication Fund Long-Term Financial Plan has been modified to reflect the sale of the properties adjacent to Murphy Park in FY 2011/2012, as well as the corresponding reduction of rental income. This change adds approximately \$1.5 million in one-time revenues from the sale of the properties, but it also reduces ongoing property rental revenues by approximately \$54,000 annually. Please note that even though the sale is now reprogrammed into FY 2011/2012, the actual sale will occur when market conditions are more optimal, which staff believes will be after FY 2011/2012.

- There were several changes made to the Housing, CBDG, and HOME Funds, which were predominantly the result of public input and comment on the proposed use of grant funds. After receiving this input the Housing Commission recommended changing the amount of funding for several projects in the Housing, CBDG, and HOME Funds. These changes include:
 - Increasing HOME funding for Tenant Based Rental Assistance by \$150,000.
 - Increasing operating expenses in the Housing Mitigation Fund in the amount of \$42,000 for FY 2010/2011 to cover the administration cost of the Tenant Based Rental Assistance project. This is a pilot project that may extend past FY 2010/2011 if successful. If it is, any ongoing expenditures will be incorporated into the recommended FY 2011/2012 Budget.
 - Increasing CBDG funding for the Jobs for Youth program by \$43,000 by reducing the Micro-enterprise Assistance project by \$23,000 and the Energy Retrofit Project by \$20,000.
 - Increasing the ADA Curb Retrofit project by \$3,142, bringing the total FY 2010/2011 appropriation to \$283,690.

- On January 26, 2010 (RTC 10-020), Council adopted a resolution to enable the City to obtain \$6.6 million in Infill Grant funds from the State of California for the Fair Oaks senior housing project. The City was a joint applicant, along with the Mid-Peninsula Housing Coalition (MPHC). At the time, staff was under the impression that funds would flow directly from the State to MPHC without passing through the City. Staff has recently learned that the funds will, in fact, initially come to the City, with the City distributing the funds to MPHC. A project has been set up for FY 2010/2011 in the Housing Fund to receive the \$6.6 million in grant revenue from the State and distribute it to MPHC.

FY 2010/2011 Budget Supplements

For the recommended FY 2010/2011 Budget, nine budget supplements are presented for Council consideration. The City Manager has recommended Budget Supplements Nos. 1 through 8 for approval and has not recommended Budget Supplement No. 9 for approval. Budget Supplement No. 1 is proposed to be funded by the Park Dedication Fund, and the remaining eight supplements impact the General Fund. Two of the eight General Fund Budget Supplements (Nos. 4 and 7) are actually negative supplements, meaning that Council approval of these two supplements will result in a cost savings to the City. A brief summary of all budget supplements presented for Council consideration is below. A more complete description of each budget supplement is included in Volume I of the recommended FY 2010/2011 Budget.

Budget Supplements Recommended for Funding:

- *Budget Supplement #1 – Reinstate Orchard Gardens Park Expansion Project:* This supplement would reinstate the capital project to expand Orchard Gardens Park in the future. This would be an unfunded project in the adopted FY 2010/2011 Budget and would be considered for funding as part of the FY 2011/2012 capital budget review process.
- *Budget Supplement #2 – Outside Group Funding Request from Silicon Valley Leadership for Leadership Sunnyvale Program:* This supplement would continue funding support for Leadership Sunnyvale in FY 2010/2011 in the amount of \$6,000 to provide public affairs training to Sunnyvale community members.
- *Budget Supplement #3 – Community Event Grant Funding:* This supplement would provide \$12,250 in one-time funding to support Citywide community-initiated special events, such as parades, fairs, and carnivals, which provide opportunities to celebrate the City's diversity, heritage, and uniqueness.
- *Budget Supplement #5 – Funding for Neighborhood Grant Program:* This supplement would continue funding support for the Neighborhood Grant Program in the amount of \$6,125. This program strengthens the sense of community by providing money for neighborhood projects and events.
- *Budget Supplement #6 – Junior Achievement K-12 Education Program:* This supplement requests one-time funds in the amount of \$3,075 for Junior Achievement of Silicon Valley and Monterey Bay (JA), a nonprofit community based organization, to support programs that link education and the world of work through a sequential K-12 curriculum.
- *Budget Supplement #8 – Revenue Enhancement Pilot Program:* This budget supplement requests funding for a pilot program that would add staff resources to alarm permitting and business license tax audits. Staffing these functions is expected to result in a net revenue increase of \$250,000.

Negative Budget Supplements Recommended for Approval:

- *Budget Supplement #4 – Preparation of Council Meeting Minutes:* This negative supplement would direct the City Clerk to cease providing detailed summary Council meeting minutes and transition toward providing only action minutes. This would reduce annual workload by approximately 388 hours. There would be no immediate fiscal impact because the hours would initially be reallocated within the City Clerk's Office. However, in FY 2012/2013 the City Clerk's budget would be

reduced by 388 hours. This would save approximately \$18,000 annually, or approximately \$430,000 over the 20-year plan.

- *Budget Supplement #7 – Cost Effective Records Maintenance Upgrades:* This negative supplement would replace a currently approved Electronic Record Management System Project with a less costly project. The one-time costs to transition existing records to a new storage system are approximately \$100,000. The net cost reduction associated with canceling the existing project is a one-time savings of \$630,000, as well as a \$68,500 reduction in annual operating costs. This amounts to a 20-year cost savings of approximately \$2.25 million.

Budget Supplements Not Recommended for Funding:

- *Budget Supplement #9 – Consideration of Funding for 2010 Priority Study Issues:* This supplement would provide funding for three study issues, including a community theatre in downtown Sunnyvale, electrical power options, and a school traffic study. The total estimated cost of these studies is \$430,000.

Budget Workshop Follow-up

At the Budget Workshop on May 20, 2010, Council asked for information or clarification on a number of issues. These issues have been addressed by staff and are included as three attachments to this RTC. Attachments D (Priority Setting Tool) and F (Impact Fees) address specific topics, and Attachment E addresses all other questions and requests for information.

Boards and Commissions Budget Review

All of the City's boards and commissions have had the opportunity to review the recommended FY 2010/2011 Budget, which was made available beginning May 10, 2010. Boards and commissions wishing to make comments, suggestions, or recommendations may testify at the June 15, 2010 public hearing. Testimony from the hearing, as well as draft board and commission meeting minutes discussing the Budget, will be included in the Budget Adoption Report to Council scheduled for June 29, 2010.

FISCAL IMPACT

There is no fiscal impact to this public hearing. Budget adoption is scheduled for June 29, 2010.

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. Legal ads were published in *The Sunnyvale Sun* on May 28, 2010, and June 4, 2010 (Attachment B). Finally, the City's website has included the entire recommended FY 2010/2011 Budget and Resource Allocation Plan since May 10, 2010.

RECOMMENDATION

It is recommended that the Public Hearing be held to meet the legal requirements of the City Charter, the California Constitution, and the California Government Code. Council should provide direction to staff on any issue requiring further review prior to the budget adoption on June 29, 2010.

Reviewed by:

Mary J. Bradley, Director, Department of Finance
Prepared by: Drew Corbett, Budget Division

Approved by:

Gary Luebbbers, City Manager

Attachments

- A. Appropriations Limit
- B. Legal Notice of Public Hearing
- C. Budget Summary
- D. Use of Priority Tool to Evaluate Proposed Service Cuts
- E. Follow-up to Council Questions and Comments from the Budget Workshop on May 20, 2010
- F. Response to Issues on Impact Fees and Revenues Raised at May 20, 2010 Budget Workshop

**CITY OF SUNNYVALE
APPROPRIATIONS LIMIT
FY 2010/2011 Recommended Budget**

	<u>AMOUNT</u>	<u>SOURCE</u>
A. LAST YEAR'S LIMIT	\$ 160,477,652	Prior Year
B. ADJUSTMENT FACTORS		
1. Population (1.26%)	1.0126	State Department of Finance
2. Inflation (-2.54%)	0.9746	State Department of Finance
	0.9869	(B1*B2)
Total Adjustment %	(0.0131)	(B1*B2-1)
C. ANNUAL ADJUSTMENT	\$ (2,105,473)	(B*A)
D. OTHER ADJUSTMENTS:		
Lost Responsibility (-)	0	
Transfer to private (-)	0	
Transfer to fees (-)	0	
Assumed Responsibility (+)	0	
Sub-total	<u>0</u>	
E. TOTAL ADJUSTMENTS	\$ (2,105,473)	(C+D)
F. THIS YEAR'S LIMIT	<u>\$ 158,372,179</u>	(A+E)

**CITY OF SUNNYVALE
CALCULATION OF APPROPRIATIONS LIMIT
FY 2010/2011 Recommended Budget**

ATTACHMENT A

	<u>FY 2009/2010</u>	<u>FY 2010/2011</u>
Appropriations:		
035. General Fund	\$ 120,285,767	\$ 115,961,210
070. Housing Fund	1,463,071	7,509,746
071. Home Fund	2,283,504	767,886
110. Community Development Block Grant Fund	3,433,292	2,232,708
141. Park Dedication Fund	139,393	192,241
175. Public Safety Forfeiture Fund	129,030	172,100
190. Police Services Augmentation Fund	232,503	112,000
210. Employment Development Fund	11,968,167	11,349,800
245. Parking District Fund	144,990	162,948
280. Gas Tax Fund	2,096,903	2,154,897
285. Transportation Development Act Fund	207,000	80,000
295. Youth and Neighborhood Services Fund	745,807	741,650
385. Capital Projects Fund	8,141,790	6,649,067
610. Infrastructure Renovation and Replacement Fund	5,056,118	4,540,290
Total Appropriations	<u>156,327,335</u>	<u>152,626,543</u>
Appropriation Adjustments:		
Non-Tax Revenues	(51,981,546)	(59,544,776)
Debt Service Appropriation	(177,270)	(175,145)
Capital Outlay	(475,000)	(640,000)
Total Appropriation Adjustments	<u>(52,633,816)</u>	<u>(60,359,921)</u>
Adjusted Appropriations Subject to Limit	103,693,518	92,266,622
Growth Rate Factor	1.0219	0.9869
Total Allowable Appropriations Limit <i>(Prior Year Appropriations Limit x Growth Rate Factor)</i>	<u>160,477,652</u>	<u>158,372,179</u>
Amount Under (Over) Allowable Appropriations Limit	<u>\$ 56,784,134</u>	<u>\$ 66,105,557</u>

**CITY OF SUNNYVALE
CALCULATION OF APPROPRIATIONS LIMIT
FY 2010/2011 Recommended Budget**

ATTACHMENT A

	<u>FY 2009/2010</u>	<u>FY 2010/2011</u>
Revenues:		
Tax Revenues:		
Property Tax	\$ 41,834,737	\$ 42,513,743
Sales Tax	27,100,000	25,112,500
Other Taxes	15,703,058	14,820,506
Non-Restricted State Shared Revenues	563,500	693,000
Interest Income	2,065,794	1,242,943
Total Tax Revenues	<u>87,267,089</u>	<u>84,382,692</u>
Non-Tax Revenues:		
Federal Grants	18,106,772	13,388,315
Restricted State Shared Revenues	3,701,346	3,723,031
State Grants/Reimbursements	731,000	8,733,675
Other Government Contributions	284,258	357,021
Franchise Fees	6,227,378	6,110,996
Permits and Licenses	4,355,724	4,825,633
Service and Development Fees	5,956,100	7,144,755
Rents and Concessions	2,623,656	2,648,310
Fines and Forfeitures	1,139,833	1,150,030
Housing Loan Repayments	257,146	980,094
Miscellaneous	285,426	729,999
Inter-Fund Revenues	7,082,396	8,976,276
Interest Income	1,230,511	776,641
Total Non-Tax Revenues	<u>51,981,546</u>	<u>59,544,776</u>
Total Revenues	<u>\$ 139,248,635</u>	<u>\$ 143,927,468</u>

Legal Notice of *Public Hearing — FY 2010/2011 Budget and Resource Allocation Plan, Establishment of Appropriations Limit, and Proposed Fee Increases* as it appeared in **The Sunnyvale Sun, Vol. 18, Issue 22**, May 28, 2010, page 30. The notice also appeared on June 4, 2010.



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May 28, 2010

Legal Advertising & Public Notices

**NOTICE OF SUNNYVALE
NOTICE OF PUBLIC
HEARING
JUNE 15, 2010
BUDGET AND ANNUAL
FEE REVIEW AND ESTAB-
LISHMENT OF APPROPRI-
ATIONS LIMIT**

A Public Hearing on the City of Sunnyvale's recommended budget for Fiscal Year 2010/11 will be held on Tuesday, June 15, 2010 at 7:00 p.m. in the Sunnyvale Council Chambers, 456 West Olive Avenue, Sunnyvale, CA. At the hearing, citizens are invited to provide comments, suggestions, or questions regarding the City's recommended budget. Copies of the budget are available for public review at the Sunnyvale Library, City Clerk's Office, and Finance Department during regular

Legal Notice

business hours. The recommended budget is also available on the City's website. Included in the recommended budget are proposed fees and charges for City services, establishment of the Expenditure Appropriations Limit, and project revenues and expenditures for the next 20 years.
(Pub: 05/28/2010 and 06/04/2010)

**CITY OF SUNNYVALE
FY 2010/2011 BUDGET SUMMARY**

ATTACHMENT C

Revenue Sources:

Property Tax	42,513,743
Refuse Collection and Disposal Service Fees	34,350,250
Water Supply and Distribution Fees	26,053,892
Sales Tax	25,112,500
Bond Proceeds	24,835,239
Wastewater Management Service Fees	22,336,061
Special Assessment	8,396,543
Workforce Investment Act Grant	8,000,000
Recreation Service Fees	7,522,896
State Housing Grant	6,600,000
Utility Users Tax	6,562,157
Franchise Fees	6,110,996
Transient Occupancy Tax	5,631,782
Permits and Licenses	4,825,633
Other Taxes	4,644,242
Rents and Concessions	4,446,479
State Highway Users Tax (Gas Tax)	3,557,198
Federal Grants	3,540,378
Other Fees and Services	3,306,558
Interest Income	3,267,167
Park Dedication Fee	2,861,892
Miscellaneous Revenues	2,306,853
SMaRT Station Revenues*	1,775,015
Community Development Block Grant	1,338,319
Fines and Forfeitures	1,205,234
State Shared Revenues	874,833
Traffic Impact Fee	800,000
HOME Grant	758,883
Budget Supplements	347,000
Other Agencies Contributions	322,156
Sense of Place Fee	50,000

Total Revenue Sources**

\$264,253,899

* SMaRT Station Operations Reimbursement includes the City of Mountain View and the City of Palo Alto's reimbursement for SMaRT Station operating expenditures.

** Excludes internal service fund revenues.

**CITY OF SUNNYVALE
FY 2010/2011 BUDGET SUMMARY**

ATTACHMENT C

EXPENDITURES:

Operating Budget:

Office of the City Attorney		\$1,851,129
Office of the City Manager:		\$3,921,450
Community Development Department:		
Building Safety	2,517,862	
Planning	2,204,780	
Housing and CDBG Program	1,238,137	
Community Development Department Management	381,811	
Total Community Development Department	381,811	\$6,342,589
NOVA Workforce Services Department		\$11,000,000
Finance Department:		
Budget Management	926,986	
Purchasing	1,222,256	
Financial Management and Analysis	1,135,631	
Accounting and Financial Services	1,701,717	
Treasury Services	917,745	
Utility Billing	2,027,981	
Total Finance Department	2,027,981	\$7,932,317
Human Resources Department		\$3,459,363
Library Department:		\$7,394,377
Community Services Department:		
Neighborhood Parks and Open Space Management	7,859,058	
Youth, Family and Child Care Resources	987,245	
Community Services Department Management	508,793	
Golf Course Operations	3,439,875	
Arts and Recreation Programs and Operation of Recreation Facilities	8,536,126	
Required Recreation Savings	(200,000)	
Total Community Services Department	(200,000)	\$21,131,098

**CITY OF SUNNYVALE
FY 2010/2011 BUDGET SUMMARY**

ATTACHMENT C

Operating Budget: (Continued)

Public Safety Department:

Police Services	23,922,634	
Fire Services	25,268,665	
Community Safety Services	3,852,643	
Personnel and Training Services	1,855,734	
Investigation Services	4,412,806	
Communication Services	2,806,643	
Public Safety Administrative Services	6,579,721	
Records Management and Property Services	2,017,207	
Cost Savings to be Programmed	(802,592)	
Total Public Safety Department	(802,592)	\$69,913,461

Public Works Department:

Transportation and Traffic Services	2,051,408	
Pavement, Traffic Signs and Markings, Street Sweeping, and Roadside Easement	4,721,469	
Street Lights	1,033,175	
Street Tree Services	1,175,634	
Concrete Maintenance	912,200	
Downtown Parking Lot Maintenance	63,812	
Public Works Administration	802,217	
Capital Project Maintenance and Environmental Sustainability	127,148	
Land Development - Engineering Services	1,030,050	
Water Resources	20,980,078	
Storm Water Collection System	377,327	
Sanitary Sewer Collection System	1,591,644	
Solid Waste Management *	30,182,322	
Wastewater Management	11,579,223	
Total Public Works Department	11,579,223	\$76,627,706

Budget Supplements		\$220,402
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Project Operating Budget		\$5,681
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Total Operating Budget**

\$209,799,572

* Solid Waste Management includes the City's share of SMaRT Station operating expenditures.

** Excludes internal service fund operating budget.

CITY OF SUNNYVALE
FY 2010/2011 BUDGET SUMMARY

ATTACHMENT C

Projects Budget:	
Capital Projects	\$5,433,523
Special Projects	\$12,680,561
Infrastructure Projects	\$12,685,300
Outside Group Funding	\$318,077
Lease Payments	\$2,037,590
Project Administration	\$1,580,233
Total Projects Budget	\$34,735,283
Other Expenditures:	
Debt Service	\$9,059,668
Equipment	\$1,091,355
Payment to Town Center Developer	\$2,125,639
Total Other Expenditures	\$12,276,662
Total Expenditures	\$256,811,518
Reserves	\$7,442,381
Total Recommended Budget	\$264,253,899



CITY OF SUNNYVALE

OFFICE OF THE CITY MANAGER

June 15, 2010

TO: The Honorable Mayor and Members of the City Council

FROM: Gary Luebbers, City Manager

SUBJECT: Use of Priority Ranking Tool to Evaluate Proposed Service Cuts

At the May 20th Budget Workshop, Council requested that the cost savings line items in Appendix 2 from the City Manager's Letter of Transmittal be presented along with their priority rankings. This information is provided in detail in Exhibit 1 of this attachment.

While Council priority rankings of activities and services were a consideration when decisions were made on where cuts should occur, there were a number of factors that went into these decisions. One of the largest factors was the City Manager's commitment to make layoffs a last resort and the Council's endorsement of that commitment. As a result of this direction, many of the cuts were constrained to areas where there were existing vacancies. In some cases, resources were shifted to areas of higher priority, but that only worked in cases where the resources were compatible.

Additionally, when the budget priority setting tool was introduced in February 2008, its stated intent was to be utilized when evaluating new service requests against existing services, and it was not intended to be a mechanism to change service levels. As you'll see in the attachment, most of the cuts that were made reduced service levels but did not cut the service outright. This is an important point in the context of the priority setting tool because the tool itself may indicate a particular service as a high priority, but it doesn't consider the appropriate level of the service. For instance, while we may be legally obligated to provide a certain service, making it the highest priority in the ranking scale, we may be providing a higher level of that service than we are obligated to provide. Reducing that service level while staying in compliance with the law might be a good option for the City; however, the priority setting tool is not the mechanism to scale service levels up or down.

ATTACHMENT D

Further, another limitation of the budget priority setting tool is that in most cases a low priority service that is cut won't produce true savings because of the personnel involved. For instance, cutting a service that takes 300 full-time staff hours to provide does not save the City money, as those staff hours must be redistributed to other services. Actual headcount is not able to be reduced until enough hours are accumulated to account for one full-time employee. So while it may push resources into higher priority tasks, it does not result in actual cost savings.

As I mentioned previously, a number of factors were considered when deciding where cuts would be made for the recommended FY 2010/2011 Budget, and Council's priorities were certainly a large part of this consideration. However, the desire to avoid layoffs forced reductions in areas where vacancies presented an opportunity to cut expenditures without affecting existing employees.

As requested, the attached documentation indicates the priority ranking in areas where service levels were cut. In many cases, expenditure cuts were made that did not impact services, as departments found ways to cut costs by operating more efficiently. That distinction is made in the attached document.

Dept	Impact	Savings	Service Cut, Efficiency or Other	If Service Cut, Please List Priority Ranking	If Efficiency or Other, Please Explain
CDD	Plan Checker II Position eliminated	\$139,000	Other		Reduction in the Building Program. Position was kept unfilled in FY 2009/10 due to drop off of development activity and is proposed for elimination in FY 2010/11. As development activity increases in the future, the need for this position will be reassessed. This position elimination was also identified as part of the Matrix Optimal Staffing Study.
CDD	Part-time and contract hours reduced	\$52,000	Other		Reduction in both the Building Program and Planning Program and is a direct response to the reduction in development activity.
CDD	Overtime hours reduced	\$34,000	Service Cut/Other	The service cut portion of this reduction reflects reduced staff attendance at City Council, Commission and community meetings, which is expected to increase time required to respond to questions and issues. This is a reduction in the Planning Program (Priorities 1 - Legally Mandated, 2 - Essential Services and 3 - Typical Services Provided by Most Cities).	Some overtime hours have been reduced as a direct response to the reduction in development activity.
CDD	Travel and training expenses reduced	\$5,000	Other		Deferral of some staff technical training. Lower cost staff training will be pursued.
CDD	Consultant budget eliminated	\$6,000	Other		Reduction in Planning Program and is a direct response to the reduction in development activity.
CDD	Reduced purchased goods and services	\$1,800	Other		Reflects reduction in expected development activity (non-personnel expenses).
DCS	Reorganization and consolidation of Facility and Registration functions at Front Counter of Community Center – eliminate one vacant PTE Office Assistant and lay off one casual employee	\$74,000	Efficiency		The Recreation Division identified this as a strategy to improve efficiency and customer service at the front counter of the Recreation Bldg and the Senior Center. Staff is already cross training front counter staff in the registration procedures used in both of the two buildings. Staff has just initiated a plan to train all front counter staff to handle basic facility reservation and rental transactions to better serve the public and provide these services throughout the day. (Currently, the reservation counter is only open from 1-5pm, Monday-Friday). This efficiency was identified as part of the Matrix Optimum Staffing Study recently completed.
DCS	Elimination of Program Assistant position responsible for Recreation Web pages/Marketing (will require lay off of casual employee)	\$19,700	Efficiency		Staff has not fully identified the impact that the elimination of this position will have on the Recreation Division's website and community outreach activities. It is anticipated that website updates will be less timely and we will be able to participate in fewer community outreach activities/events.
DCS	Modifications to Activity Guide	\$18,000	Efficiency		Staff has merged the Senior Activity Guide and the Youth/Adult Activity Guide.

Dept	Impact	Savings	Service Cut, Efficiency or Other	If Service Cut, Please List Priority Ranking	If Efficiency or Other, Please Explain
DCS	Reduction in use of casual Intermittent Recreation Workers.	\$14,300	Efficiency		These staff responsibilities are for workers not involved in directly providing services, shifting responsibilities to permanent staff and/or lower paid casual employees.
DCS	Elimination of Fitness Room Attendant Function at Senior Center	\$10,000	Efficiency		Staff has benchmarked with other Senior Centers in the region and found that a number of the facilities with fitness rooms/centers use a different business model. Fitness facilities are not supervised directly by staff or volunteers; however, all users must undergo training on the equipment before use. They then receive a card that allows them to use the fitness facility. Staff will periodically monitor the S'vale Senior Center Fitness Room to ensure that everyone using the equipment has been "certified".
DCS	Elimination of Adult Softball beginning in fall 2010	\$6,800	Service Cut	5 - Other	Although adult softball programs have long been the standard of many city recreation programs, this particular activity has experienced declining enrollment over the past few years. Although registrations are beginning to pick up again, Sunnyvale has a private facility (Twin Creeks) where adult softball players can be referred.
DCS	Close Lakewood Pool effective after completion of summer season 2010	\$38,800	Service Cut*	4 - Typical Services Provided by Most Cities	Staff has rated this proposal as a "service cut" because that is how it will be perceived by some of the residents in the Lakewood neighborhood. Staff actually considers this proposal as an efficiency given that there is another pool in this area (Columbia), which is just a few miles away. Staff has done a detailed analysis of community use and the cost to manage all five pools operated by the City. Lakewood Pool serves the fewest number of participants and costs the City the most to operate because the Sunnyvale Elementary School District does not provide any financial support to operate the pool as it does at Columbia. Because of its location, other user groups have been unwilling to rent Lakewood Pool at market rates.
DCS	Peterson Pool is closed for summer 2010 while construction is occurring on campus	\$6,600	Temporary service cut - Summer 2010	3 - Typical Services Provided by Most Cities	This pool serves a greater number of participants than Lakewood Pool and has a minimal cost to the City because it is rented from the Santa Clara School District only for the City's summer programs.
DPS	Reduction of Office of Emergency Services Lieutenant – one FTE	\$249,220	Service Cut	4 -Mid-Range - Targets Vulnerable Populations	
DPS	Reduction of Emergency Medical Services Coordinator Lieutenant – one FTE	\$249,220	Service Cut	3 - High Mid-Range - Functions for Proper Organizational Management	
DPS	Reduction of Worker's Comp Lieutenant – one FTE	\$249,220	Efficiency		HR Professional to coordinate related work.
DPS	Reduction of Range Master/Armorer and Recruitment Officer – two FTEs	\$416,058	Service Cut	3 -High Mid-Range - Functions for Proper Organizational Management	
DPS	Public Safety Dispatcher – reduction of one FTE	\$131,794	Service Cut	3- High Mid-Range - Functions for Proper Organizational Management	
DPS	Reduce one Staff Office Assistant – FY 2011/2012	\$83,790	Efficiency		Technology enhancements allow for this reduction.

Dept	Impact	Savings	Service Cut, Efficiency or Other	If Service Cut, Please List Priority Ranking	If Efficiency or Other, Please Explain
DPS	Reduce one Principal Office Assistant – FY 2011/2012	\$107,496	Efficiency		Technology enhancements allow for this reduction.
DPS	Training – annual training reduction	\$350,000	Efficiency		Staffing flexibility will allow for on-duty personnel to backfill when needed.
DPS	Civilianization Proposal – annual recruitment project savings	\$475,000	Efficiency		Conversion of staff from sworn to civilian will reduce initial training cost and recognize \$120,000 in annualized savings per person. Also included is a commitment to hire 20% of sworn staff from lateral hiring pools recognizing an academy cost savings of \$170,000 per lateral. Staff does not believe there will be a reduction of service level.
DPS	Civilianization Proposal - four PSO II to CSOs – FY 2010/2011	\$452,592	Efficiency		Selected positions will not require Peace Officer Certification (830.1 California Penal Code); work can be performed by civilian professional (miscellaneous) employee as opposed to sworn (safety) employee. When making this recommendation, the Department of Public Safety evaluated and considered the business climate, the current economic conditions, and the recommendations proposed in the Matrix Optimal Staffing Study.
DPS	Civilianization Proposal – four PSO II to CSOs – FY 2011/2012	\$461,644	Efficiency		Selected positions will not require Peace Officer Certification (830.1 California Penal Code); work can be performed by civilian professional (miscellaneous) employee as opposed to sworn (safety) employee. When making this recommendation, the Department of Public Safety evaluated and considered the business climate, the current economic conditions, and the recommendations proposed in the Matrix Optimal Staffing Study.
DPW	Reduce traffic design, analysis and surveying	\$116,000	Service Cut	2 - Essential Services and 4 - Typical Services Provided by Most Cities	
DPW	Reduce inspection cycle on traffic signals	\$70,000	Efficiency		Efficiency achieved by going to LED technology
DPW	Eliminate discretionary traffic signs/markings	\$10,000	Service Cut	2 - Essential Services and 3 - Typical Services Provided by Most Cities	
DPW	Eliminate discretionary budget for bicycles	\$3,000	Other	5 - Other	BPAC not included
DPW	Reduce traffic signs, markings, graffiti removal	\$105,000	Service Cut	2 - Essential Services and 3 - Typical Services Provided by Most Cities	
DPW	Convert 1,100 City street lamps to LED in FY 2011/2012	\$68,000	Efficiency		Efficiency achieved by going to LED technology
DPW	Reduce structural tree pruning services	\$300,000	Service Cut	4 - Typical Services Provided by Most Cities	
DPW	Eliminate concrete surveys/increase response times to complete repairs	\$176,000	Service Cut	3 - Typical Services Provided by Most Cities and 5 - Other	Outside contractor costs
DPW	Reduce outside engineering services	\$25,000	Service Cut	5 - Other	
DPW	Decrease Polymer usage in wastewater processing	\$950,000	Other		Favorable market pricing and process improvements
FIN	Reduced clerical support and answerpoint coverage – eliminate one staff office assistant	\$82,098	Service Cut	3 - Functions for Proper Organizational Management	This reduces the service level but does not cut the service entirely.

Dept	Impact	Savings	Service Cut, Efficiency or Other	If Service Cut, Please List Priority Ranking	If Efficiency or Other, Please Explain
FIN	Reduced support of financial and payroll systems resulting in increased response times and longer implementations	\$116,082	Service Cut	3 - Functions for Proper Organizational Management	This reduces the service level but does not cut the service entirely.
HR	Eliminate Office Assistant position to staff front counter (currently requires rotation of existing office clerical staff to staff answerpoint and front counter services).	\$78,732	Service Cut	4 - Typical Services Provided by Most Cities	
HR	Eliminate Senior Management Analyst position – provided professional management level analysis and monitoring of department programs and budget, performed various staff analysis/surveys primarily related to labor relations activities, workload distributed. This position elimination was identified as part of the Matrix Optimum Staffing Study as a function that could be consolidated within the department.	\$177,841	Service Cut	4 - Typical Services Provided by Most Cities	
HR	Eliminate Human Resources Technician and Staff Office Assistant in Recruitment Division – reduction in service levels and processing time when recruitments are reinstated. These position eliminations were also part of the recommendations made in the Matrix study.	\$204,210	Service Cut	4 - Typical Services Provided by Most Cities	
HR	Significant reduction in expenses associated with Citywide training program	\$46,000	Service Cut	3 - Functions for Proper Organizational Management	
HR	Eliminate Citywide volunteer recognition event	\$5,000	Other	4 - Typical Services Provided by Most Cities	Not a critical job function.
HR	Significant reduction in Citywide wellness program	\$72,500	Service Cut	4 - Typical Services Provided by Most Cities	
HR	Overall reduction in department employee conference and training expenses	\$1,750	Other	4 - Typical Services Provided by Most Cities	Not a critical job function.
IT	Reduction of one IT Coordinator position (vacant)	\$143,676	Service Cut	3 - Functions for Proper Organizational Management (2 for DPS-specific support)	Services are not being cut, but the service levels are being impacted by this vacancy (longer response times, etc).
IT	Reduction of one Admin Aide Confidential (vacant)	\$117,414	Service Cut	3 - Functions for Proper Organizational Management (2 for DPS-specific support)	This is a cut in service levels. Existing staff is absorbing some of the workload. Much of the financial analysis that could result in additional cost savings for the City is not being done.
LIB	Reduce Library collection expenditures (buying fewer books, magazines and newspapers, and providing access to fewer databases)	\$81,556	Service cut	3-High Mid-Range Proper Org Mgmt; Also Critical Support for Typical City Services	
LIB	Eliminate two service hours on Sundays (Library is open to the public for six hours instead of eight)	\$24,950	Service cut	3-High Mid-Range Typical City Services	

Dept	Impact	Savings	Service Cut, Efficiency or Other	If Service Cut, Please List Priority Ranking	If Efficiency or Other, Please Explain
LIB	Eliminate security services	\$29,400	Efficiency		Staff will take a more proactive approach to monitoring the library facility, ensuring safety for all visitors, and enforcing patron conduct policies.
LIB	Eliminate interlibrary loan services	\$1,320	Efficiency		The Library provides interlibrary loan service through Link+, negating the need to provide interlibrary loan services through OCLC (Online Computer Library Center).
LIB	Eliminate 6,100 staff hours to offset new costs associated with RFID/Automated Materials Handling System	\$178,976	Efficiency		An automated materials handling system, including automated returns and RFID-enabled checkout machines, was installed at the Library in March 2010.
OCM	Reduced number of pages in Quarterly Report from 16 to 12	\$18,000	Efficiency		Savings will now increase to \$50,000 as intent is to eliminate mailing and associated postage costs in favor of online distribution with hard copies at select City facilities.
OCM	Assistant City Manager to assume dual role once Director of Community Services retires	\$250,000	Efficiency		Savings estimated for FY 10/11 and 11/12 only at this time.
OCM	Elimination of one Senior Office Assistant	\$90,000	Efficiency		Result is achieved by managers sharing administrative support staff. This reduction was recommended in the Matrix Optimal Staffing Study.
OCM	Reduce Community Event Grant Funding	\$7,500	Service Cut	4 - Directly Enhances City's Health and Vitality	
OCM	Reduce Neighborhood Grant Funding	\$4,000	Service Cut	5 - Other	
OCM	Replace "summary" Council minutes with "action" minutes	\$34,000	Efficiency		Minutes would still be created as legally mandated, but restrict themselves to what is recommended as best practice by Parliamentary Procedure and Roberts Rules of Order (i.e., record what was done at the meeting--Council actions--, not what was said). This was also an efficiency identified in the Matrix study.

Responses to Council Questions from May 20 Workshop**Council requested information on what alternate reductions could be made in the Community Recreation Fund to avoid closing the Lakewood Pool.**

The plan for Lakewood Pool is to keep it open through this summer, which gives the Department of Community Services time to prepare other options for Council's consideration. What the department is proposing to do is to develop a list of all recreational services, prioritized in the order in which staff would recommend they be cut. The closure of Lakewood Pool might still be at the top of staff's list, but this would then allow the Council to bypass that recommendation in favor of moving to staff's second or third or tenth choice based on staff's prioritized list of all recreation services. We would have an estimated (and realistic) cost savings associated with each service as well, such that Council could use the list as a menu from which to select enough services to total the cost savings required in any particular year. Our goal remains to achieve as much of the required savings as possible through efficiencies rather than service cuts, but this of course becomes increasingly difficult.

At the May 25, 2010, Council meeting, RTC 10-135 (Study Issue: Consideration of Directly-Elected Mayor) was presented. A funding source needed to be identified to cover these costs.

The cost of a ballot measure for a Charter amendment to change to a directly-elected Mayor would vary depending on the timing. If the ballot measure were introduced for the upcoming 2010 election, the cost would be approximately \$160,000. If the measure were placed on the ballot for the 2011 election, the cost would be approximately \$40,000. Funding this would require either reducing the Budget Stabilization Fund by the amounts referenced above, or having Council identify a corresponding reduction in planned services.

Council requested a detailed cost summary of the cost of the Fire Academy for recruits hired by Public Safety with no prior experience.

Basic Fire Academies in Santa Clara County are 14 weeks in length and do not include Emergency Medical Technician (EMT) training or Apparatus Driver/Pump Operator (ADPO) training. By agreement, all Santa Clara County fire departments participate in Regional Fire Academies, and responsibility for Academy presentation is typically shouldered by the department with the most recruits in training. Also by agreement, all departments participate by sending specialized instructors, apparatus, and support personnel.

Costs are budgeted within 40 DPS special projects as part of the 20-year Resource Allocation Plan (RAP) and *are based on the cost of a single*

recruit. Fixed costs within each project include instructors and support staff needed to present specialized instruction, on overtime, to ensure they are not called away to an emergency. As more students are added, only tuition costs and salaries are added.

Sending a new recruit to a regional fire academy includes tuition, study materials (books) and uniforms at a cost per student of \$5,850. Salaries and benefits are budgeted at \$46,436 per student, and a fixed cost representing Public Safety instructor support is included at a cost of \$66,436, bringing the total to \$118,702. Participation in a regional fire academy includes a commitment from the agencies to provide equipment and resources in the form of specialized instruction to facilitate the training process. For every additional student, costs rise by \$52,266 (tuition, salary, and benefits).

It should be noted that over the 20-year plan, the recruiting projects budget includes one Sunnyvale sponsored fire academy per fiscal year at a cost of \$173,498 to provide dedicated Sunnyvale staff support and a full-time academy coordinator.

The table below describes the cost basis for a single recruit in a regional fire academy.

Tuition and Books (Includes all Rentals)	\$5,850*
Recruit (Salary and Benefits)	\$46,416*
Instructor (Overtime Salary and Benefits)	\$66,436
Total	\$118,702

* For each additional student, \$52,266 of cost is added (tuition and books, salary and benefits).

Note: Costs described above do not include on duty Public Safety support staff, or staff costs incurred by participating agencies.

Council requested a response to looking for alternate means of funding Budget Supplement No. 9

Budget Supplement No. 9 consists of the three study issues for which Council deferred taking action because they required additional funding. These studies include exploring opportunities to develop a community theater based in the downtown area (\$165,000), reliable electrical power options (\$100,000), and a comprehensive school traffic study (\$165,000). Staff explored if there was any way to conduct these studies internally with no additional required funds and determined that this could not be accomplished without impacting service levels. There was also concern that even if this could be accomplished without impacting service levels,

staff did not have the necessary expertise to conduct the studies. Outside of that, the only way that these studies could be funded with no fiscal impact would be to secure grant funding. If grant funding is able to be secured, staff will return to Council to request appropriation of those grant funds to conduct the study(-ies).

Council requested a comparison, by department, of the FY 2009/2010 Budget to the FY 2010/2011 Budget.

Below is a table that shows the General Fund operating budget for each department for FY 2009/2010 and FY 2010/2011:

General Fund	FY 2009/10 Current Budget	FY 2010/11 Recommended Budget	% Change
CDD	\$5,062,530	\$5,129,452	1.32%
FIN	\$7,910,957	\$7,783,230	-1.61%
HR	\$4,086,163	\$3,459,362	-15.34%
LIB	\$7,056,313	\$7,394,377	4.79%
OCA	\$1,572,314	\$1,632,720	3.84%
OCM	\$4,807,206	\$3,921,450	-18.43%
DCS	\$8,665,220	\$8,536,328	-1.49%
DPS	\$68,882,666	\$69,799,361	1.33%
DPW	\$10,197,020	\$9,729,744	-4.58%
Total	\$118,240,388	\$117,386,024	-0.72%

There are a number of important things to note regarding this table:

- While the FY 2009/2010 operating budget total is \$118.2 million, the General Fund Long-Term Financial Plan reflects operating costs of approximately \$116.5 million. The reason for this is that based on year-to-date actuals, staff is estimating approximately \$1.7 million in operating savings this fiscal year. Assuming these savings are achieved, the budgeted FY 2010/2011 General Fund operating expenditures are higher than the expected FY 2009/2010 operating expenditures.
- There were a number of organizational changes and transfers that are reflected in the recommended FY 2010/2011 Budget. Staff attempted to approximate these changes into the FY 2009/2010 budget listed above so that department budgets could be compared as “apples to apples.” The FY 2009/2010 values, however, are not precise as a result of this.
- In some cases, department operating budgets increased between FY 2009/2010 and FY 2010/2011 despite the expenditure cuts. This is the result of increased salary and benefit costs, as well as

the redistribution of internal services charges across departments. Had cuts not been made, operating budgets would have been significantly higher than the \$117.4 that is reflected above.

- Some of the differences between the FY 2009/2010 and FY 2010/2011 budgets are not ongoing savings. For example, while the OCM budget is down overall, a portion of this is attributable to the fact that FY 2010/2011 is not an election year, which reduces the FY 2010/2011 budget by approximately \$475,000.

Council requested information on whether any performance measures in DPS that were deleted were measures that the department was not meeting.

Council will recall that as part of our effort to streamline our Planning and Management System (PAMS), staff re-evaluated each program measure to ensure all measures focus on core service delivery. During the process, it became obvious that, over time, the number of measures in every department in the City had increased to a point that the system was almost unmanageable. It also became clear that many of the measures were not meaningful and were of little use to managers. Essentially, we reached a point where "counting widgets" became the focus of our managers, instead of managing our service delivery and leading our employees.

During the Budget Workshop on May 20, 2010, Chief Johnson mentioned that the Department of Public Safety evaluated its measures and reduced the number from 172 to 26; all of which measure core service delivery and provide information that is of value to Chief Johnson and to the Public Safety Command Staff. Vice Mayor Moylan asked if any of the performance measures that were deleted were measures that the department was not meeting. Following is a list of 13 measures that were "not met" last year and a synopsis of staff's rationale for keeping, changing, or deleting the measure for FY 2010/ 2011.

Program 481 – Police Services

Measure Q10 – The Clearance Rate for FBI Violent Crimes of murder, forcible rape, robbery and aggravated assault will be maintained at or above the rolling 3-year average.

Staff changed this measure to report annual results, instead of a three-year average. Staff will continue to use year-to-year comparisons to manage the program and assess overall performance.

Measure Q18 – Percent of residents who rate the overall quality of Police Services as “good” or “excellent.” [External Survey]

Staff deleted this measure as results will be reported by the Office of the City Manager. Staff will continue to use survey results to improve service delivery.

Measure P2 – For the current fiscal year, Sunnyvale’s Violent Crime Rate as defined by the FBI, for the crimes of murder, forcible rape, robbery, and aggravated assault will be maintained at or below the rolling 3-year average.

Staff changed this measure to report annual results, instead of a three-year average. Staff will continue use year-to-year comparisons to manage the program and assess overall performance.

Program 483 – Community Safety Services

Measure Q2 – The Clearance Rate for FBI Violent Crimes of murder, forcible rape, robbery and aggravated assault will be maintained at or above the rolling 3-year average.

Redundant measure; see 481 Q 10 above.

Measure Q10 – All new businesses with a change of ownership will be provided a City of Sunnyvale Welcoming Packet from the Community Services Unit within 3 business days of receiving this information from the City Licensing Department.

This measure was new for FY 2008/2009; however staff failed to provide direction to the responsible workgroup when the measure took effect and therefore failed to complete the work during the first quarter. Staff has since automated the process and continues to provide the information as described in the measure. Staff deleted this measure for FY 2010/2011 as it provides minimal program management value for staff.

Measure P1 – For the current fiscal year, Sunnyvale’s Violent Crime Rate as defined by the FBI, for the crimes of murder, forcible rape, robbery, and aggravated assault will be maintained at or below the rolling 3-year average.

Redundant measure; see 481 P 2 above.

Program 485 – Investigative Services

Measure Q2 – The Clearance Rate for FBI Violent Crimes of murder, forcible rape, robbery and aggravated assault will be maintained at or above the rolling 3-year average.

Redundant measure; see 481 Q 10 above.

Measure P1 – For the current fiscal year, Sunnyvale’s Violent Crime Rate as defined by the FBI, for the crimes of murder, forcible rape, robbery, and aggravated assault will be maintained at or below the rolling 3-year average.

Redundant measure; see 481 P 2 above.

Measure P13 – Request for first available fire safety construction inspections will be completed within two (2) business days.

This measure remains in place for FY 2010/2011.

Measure P14 – Fire Safety Inspections are conducted annually at permitted Sunnyvale facilities.

Staff shifted the responsibility for these inspections to the Fire Services Program and reprioritized the workload to ensure completion in accordance with the State Fire Code. Staff deleted this measure for FY 2010/2011, but still captures performance data to ensure the work is complete.

Measure P15 – Fire Prevention inspected facilities found to have violations shall be brought into compliance within 60 days.

Staff was unable to meet this measure in FY 2008/2009 because of staffing vacancies and competing priorities. Staff believes that with the shift in workload mentioned above, a greater focus can be placed on compliance. Staff deleted this measure for FY 2010/2011, but still captures performance data to ensure the work is complete.

Measure P19 – Fire Safety Inspections are conducted annually at non-permitted Sunnyvale facilities.

Annual inspections are not required at “non-permitted facilities,” but rather the State Fire Code suggests that “non-permitted facilities” are inspected “periodically.” Staff divided all “non-permitted facility” inspections into priority order and developed a schedule to ensure that each is inspected on a three-year rotation. Staff deleted this measure for FY 2010/2011, but still captures performance data to ensure the work is complete.

Program 488 – Records Management and Property Services

Measure P10 – Towed vehicle notices shall be processed and sent to all required persons in accordance with Vehicle Code (VC 22852) within 48 business hours of the date of tow.

During FY 2008/2009, staff failed to process 54 out of 1781 towed vehicle cases within the prescribed time limit. Staff has revised the workflow and now achieves 100% compliance as required by the California Vehicle Code. Staff deleted this measure for FY 2010/2011, but still captures performance data to ensure the work is complete.

As a final note, Public Safety automated all data collection systems several years ago and has ready access not only to the data that was captured for the 172 measures that were recorded for FY 2008/2009, but to all activities Public Safety performs. Much of this data is queried during routine management and supervision of the department. Staff is confident that the reduction in the number of measures for FY 2010/2011 will allow staff to focus upon what is truly important in the delivery of core services with available resources.

**RESPONSE TO ISSUES ON IMPACT FEES AND REVENUES RAISED
AT MAY 20, 2010 BUDGET WORKSHOP**

At the recent Budget Workshop, several issues were raised by Council or staff regarding the use of impact fees and other revenues to pay for increased service level or facility needs. Below is information prepared by staff in response to these issues.

Council Questions:

Public Safety Impact Fees

Can a new Public Safety Impact Fee be established in Sunnyvale to be used to add additional officers and other resources to Public Safety due to demand arising from development?

Impact Fees (as defined by California law in AB 1600) can only be used for capital purposes, not ongoing operations. In addition, it is not good fiscal policy to pay for ongoing operating costs with one-time revenues. However, a Public Safety Impact Fee could be levied by the City to pay for additional vehicles, equipment, and other capital required by new development.

Traffic Impact Fees for Road Maintenance

Can the City's Traffic Impact Fee be used for roadway maintenance in the City?

Sunnyvale's Traffic Impact Fee is to be used for specific capital projects which are identified in the Transportation Strategic Program. The Fee is established by geographic area and based on new trips generated. A few cities have levied fees to mitigate the effect of construction traffic on roadways (Atherton and Los Gatos), but recent court rulings cast legal doubt on these fees.

However, after researching the issue staff believes that it would be possible to implement a Road Reconstruction Fee tied to the Building Permit process. The fee could be based on value of construction, number of trips, type of street, etc. Several cities are currently examining this approach in California. If Council is interested, staff can work with a development fee expert to formulate a Road Reconstruction Fee for Council consideration.

Staff information:Administrative Facility Impact Fee

This fee can be charged to help finance new or enlarged facilities required as a result of business or residential development activity. The definition of “public facilities” includes a wide range of public improvements and city administrative buildings. The Administrative Facility Impact Fee is currently used in California and will be more widely used in the future as cities look to ways to finance needed infrastructure. Petaluma, for example, has a Public Facilities Impact Fee based on number of dwelling units for residential land uses and on square footage for non-residential projects.

Staff is recommending that we work with an impact fee expert to review the possibility of establishing an Administrative Facility Impact Fee to support a portion of the needed replacement and renovation of our aging city hall infrastructure.

Landscaping and Lighting District

The Landscaping and Lighting Act of 1972 allows local governments to form Landscape and Lighting Maintenance Districts for the purpose of financing the costs of landscaping and lighting public areas. The use of these districts is widespread in California. They can be formed with majority approval through an assessment balloting procedure. Once formed, the assessments are placed on property tax bills each year to pay for the services. The annual charges are determined through a formula which is based on the benefit the parcel receives from the services.

Staff has considered the use of a citywide Landscaping and Lighting District to restore funds for certain services that have had funding reduced over the years. The following table shows two services which have been reduced substantially over the last ten years. For each of these services, the original service level is shown, indexed to current dollars. The second column shows what funds are included in the recommended budget, and the third column shows the amount that would be necessary to restore the service to its previous service level.

Summary of Costs			
	<u>Restored Service Level*</u>	<u>FY 2010/2011 Recommended Budget</u>	<u>Annual Shortfall</u>
Street Tree Services	\$ 2,057,000	\$1,176,000	\$ 881,000
Concrete Maintenance	1,617,000	912,000	705,000
Total	<u>\$ 3,674,000</u>	<u>\$2,088,000</u>	<u>\$1,586,000</u>
<ul style="list-style-type: none"> • <i>Based on FY 2000/2001 service level and indexed to FY 2010/2011 using actual increases in expenditures.</i> • <i>Sources: Dept of Public Works and Dept. of Finance</i> 			

For a number of years, the service level for street tree maintenance included a trimming cycle of 4.5 years. Currently, the cycle is 12.5 years, which is essentially the equivalent of trimming on an emergency only basis. For concrete maintenance, the service level was to perform needed concrete replacement within one year after discovery. Currently the service level is five years. If the City desired to restore these services to the original level, a Landscaping and Lighting District could be proposed to pay for the annual shortfall amount.

Assessments would be prepared by an assessment engineer and would most likely be different for each land use such as single family residential, multi-family residential, and commercial/industrial. However, just to provide Council with an order of magnitude, there are about 34,000 parcels of land in the City. If the \$1,586,000 were spread equally to each property, the annual assessment would be about \$47. Of course in practice, commercial and industrial properties would be assessed more and residential property assessments would vary by the type of residence (single family, multi-family, mobile homes, etc.).