

**Council Meeting: September 14, 2010****SUBJECT: Approval of Budget Modification No. 6 to Appropriate Additional Expenditures to the Streetlights Program for \$196,000 from a PG&E Streetlights Audit****REPORT IN BRIEF**

A Budget Modification is requested in the amount of \$196,000 (\$154,000 to cover the costs related to the PG&E audit and \$42,000 for Program 121 *Street Lights* to fund additional electrical costs associated with the addition of 748 Street Lights and 131 lamp wattage changes). These additions and changes resulted from an inventory of City owned street lights completed by PG&E in 2008, which has since been verified in the field by City staff. Many of these additional street lights were installed as part of the VTA Light Rail Project as well as other large developments in the North Sunnyvale area over the past several years.

Council approval is requested for Budget Modification No. 6 to appropriate \$196,000 from the Budget Stabilization Fund to cover the expenditures related to the results of the PG&E audit of the City's streetlights and to fund additional electrical costs associated with the addition of new street lights.

**EXISTING POLICY**

*Fiscal Long Range Goals and Policies 7.1A.4.1* – Expenditures for each department are legally limited to the amount authorized by the City Council in the Budget Resolution, plus subsequent changes individually approved by the City Council through Budget Modifications.

**DISCUSSION**

In late 2008 PG&E completed an inventory of all street lights in the City of Sunnyvale which added an additional 748 street lights and 131 lamp size changes that PG&E previously had no record of. This resulted in a series of meetings between PG&E and the City over the past 18 months to verify the inventory was correct and to calculate the amount of back charges due. Staff verified that all but 8 street lights did fall under the responsibility of the City and a back charge billing of \$125,807.71 was issued by PG&E.

Staff recently received an updated bill from PG&E reflecting the current outstanding charges of \$153,558.24. This reflects the outstanding balance of the amount that was owed, minus the credit that was given for the 8 street lights in question, plus the subsequent monthly bills which the City only made partial payments on until the ownership question was resolved. PG&E has not charged the City interest or late fees on this outstanding balance.

Staff recommends that a complete inventory of all City street lights be completed in the future. Including these latest additions from PG&E, the City's total street light inventory is currently 9,542. Additional hours will be proposed during the next operating budget cycle to provide funding for this inventory.

### **FISCAL IMPACT**

Budget Modification No. 6 has been prepared to appropriate \$196,000 from the Budget Stabilization Fund to cover the expenditures related to the results of the PG&E audit of the City's streetlights and to fund additional electrical costs associated with the new street lights. Preliminary analysis of year-end expenditures from FY 2009/2010 indicates that operating expenditures in the General Fund were lower than expected, which will result in an increase to the Budget Stabilization Fund balance over what was projected in the Recommended Budget. This increase to the Budget Stabilization Fund balance will exceed the additional \$196,000 required to cover the costs related to the PG&E audit, which allows this additional expenditure to be absorbed without negatively impacting the planned Budget Stabilization Fund balance or requiring service cuts in other areas.

Additional ongoing costs related to the audit results are approximately \$42,000 annually to fund the electrical costs associated with the addition of new street lights. These expenditures will be incorporated into the Streetlights Program's operating budget for the FY 2011/2012 Recommended Budget. Because of the City's current fiscal situation, this increase to overall General Fund operating expenditures will have to be offset by reductions in other areas or by increased revenues beyond what has currently been projected. The offsetting expenditure reduction or revenue increase will be identified in the context of the overall budget development process.

**Budget Modification No. 6  
FY 2010/2011**

|  | <b>Current</b> | <b>Increase/<br/>(Decrease)</b> | <b>Revised</b> |
|--|----------------|---------------------------------|----------------|
| <b>General Fund</b>                              |                |                                 |                |
| <u>Expenditures:</u>                             |                |                                 |                |
| Program 121 – Streetlights                       | \$1,033,175.42 | \$196,000                       | \$1,229,175.42 |
| <br><u>Reserves:</u>                             |                |                                 |                |
| Budget Stabilization Fund –<br>beginning balance | \$ 31,997,993  | (\$196,000)                     | \$31,801,993   |

**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 Web site.

**ALTERNATIVES**

1. Approve Budget Modification No.6 to appropriate \$196,000 from the Budget Stabilization Fund to cover the expenditures related to the results of the PG&E audit of the City’s streetlights and to fund additional electrical costs associated with the new street lights.
  
2. Do not approve Budget Modification No. 6 to appropriate \$196,000 from the Budget Stabilization Fund to cover the expenditures related to the results of the PG&E audit of the City’s streetlights and to fund additional electrical costs associated with the new street lights.

**RECOMMENDATION**

Staff recommends Alternative #1: Approve Budget Modification No.6 to appropriate \$196,000 from the Budget Stabilization Fund to cover the expenditures related to the results of the PG&E audit of the City's streetlights and to fund additional electrical costs associated with the new street lights.

Reviewed by:

Marvin A. Rose, Director, Public Works  
Prepared by: Tony Pineda, Public Works Supervisor

Reviewed by:

Grace Leung, Acting Director of Finance

Approved by:

Gary M. Luebbers, City Manager