



Council Meeting: June 12, 2012

SUBJECT: Annual Public Hearing on FY 2012/2013 Budget and Resource Allocation Plan and Establishment of Appropriations Limit

BACKGROUND

The City Charter requires a Public Hearing be held prior to the adoption of the City's budget and resource allocation plan. Specifically, 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."

Further, Article XIII B of the California Constitution established appropriations limits on government agencies within California. Originally established by Proposition 4 in 1979, the appropriations limit places a maximum limit on the appropriations of tax proceeds that can be made by the state, school districts, and local governments in California. The limit uses 1978-79 as the "base" year and is adjusted each year for population growth and cost of living factors. The purpose of the appropriations limit is to preclude state and local governments from retaining excess revenues, which are required to be redistributed back to taxpayers and schools. To date, the City has not exceeded its appropriations limit in any year. 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 7, 2012 (Attachment A). The material is included in Volume I of the recommended FY 2012/2013 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, Council Fiscal Policy 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.

7.1A.1.14: Final actions on study items with significant financial impacts should be withheld until they can be made in the full context of the annual budget process.

DISCUSSION

The purpose of the public hearing is to furnish an opportunity for residents 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 2012/2013 Budget and Resource Allocation Plan is scheduled for adoption on June 19, 2012.

Appropriations Limit

The appropriations limit is set on an annual basis and 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 2012/2013 is \$172,380,712. Expenditures subject to the appropriations limit exclude Redevelopment Agency activity, enterprise and internal service activity, debt service payments, and capital outlay projects purchased with tax proceeds that have a useful life of ten years or more and a value that exceeds \$100,000. Non-tax revenues, such as federal and state grants, fees for service, or revenues restricted for particular purposes are also excluded from the calculation. As a result of the calculations, the City will be under the allowable appropriations limit by approximately \$70.2 million for FY 2012/2013.

FY 2012/2013 Recommended Budget

On May 17, 2012, the City Council held a Budget Workshop to review in detail the City Manager's recommended FY 2012/2013 Budget and Resource Allocation Plan. The Plan includes total revenues of approximately \$268.7 million. The total recommended budget for all expenditures is approximately \$288.8 million. Of that total, \$219 million is for operating; \$60.7 million is for projects including lease payments and project administration; and \$9.1 million is primarily for debt service (\$8.4 million) and equipment (\$0.7 million).

Planned use of reserves totals \$20.1 million Citywide, which factors in drawdowns and additions to reserves across all funds. A total of nearly \$26 million in reserve funds are planned to be drawn from the Housing Mitigation, Water, and Wastewater Funds for project expenditures. This includes \$8.1 million for the development of affordable housing at the Armory site and \$16 million for debt-funded water and wastewater infrastructure projects such as the replacement of sewer and water lines and critical “Manage the Gap” projects at the Water Pollution Control Plant. It should be noted that the \$8.1 million for the development of housing at the Armory site has been set aside in the Housing Mitigation Fund since FY 2009/2010 as part of the Onizuka Base Relocation and Closure process. It is also important to note that these significant drawdowns on reserves are offset by additions to reserves in a number of funds, including a net increase to total General Fund reserves of \$5 million.

FY 2012/2013 Budget Supplements

For the recommended FY 2012/2013 Budget, two budget supplements are presented for Council consideration. Budget Supplement No. 2 is separated into six recommendations, one for each 2012 Priority Study Issue that Council deferred taking action on during the adoption of the 2012 Tentative Council Meeting Agenda Calendar. These six study issues that require additional funding are now considered in the context of the recommended FY 2012/2013 Budget in the form of a budget supplement.

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 2012/2013 Budget.

Budget Supplements Recommended for Funding:

- *Study Issue DPW 12-05 – Downtown Parking and Maintenance Management Program:* This supplement would fund a study for a program to implement self-paid parking systems for Caltrain commuters and downtown employees. There is potential for long-term revenue generation, as funds from the parking systems will be used to support maintenance of parking areas, sidewalks, landscaping and other street amenities. The study would cost \$25,000 and would be funded from the General Fund. Since this supplement is being recommended for funding, the cost has already been incorporated into the recommended FY 2012/2013 Budget.
- *Study Issue DPW 09-01 – Comprehensive School Traffic Study:* This supplement would provide initial funding in the amount of \$100,000 for the first phase of a study that would comprehensively investigate and evaluate school traffic in Sunnyvale. This study would be funded by the

General Fund. Since this supplement is being recommended for funding, the cost has already been incorporated into the recommended FY 2012/2013 Budget.

Budget Supplements Recommended for Funding, Contingent on Grant/Outside Funding:

- *Study Issue CDD 08-11C – Preparation of Peery Park Specific Plan:* This supplement would fund a study that would evaluate the infrastructure (transportation, water, sewer, etc.) at Peery Park and determine what types of improvements may be needed for various levels of development. The cost of the study, which includes an EIR, is approximately \$500,000. Staff has applied for a grant that would ideally cover 50% of the cost, with the remainder of funding coming from an outside source.
- *Study Issue ESD 12-01 – Community and Operational Greenhouse Gas Inventory:* This supplement would fund a study to consider options to accurately track and report data necessary to complete a greenhouse gas emissions inventory. This study would cost \$30,000 and is a good candidate for grant funding.
- *Study Issue ESD 12-04 - Community Solar Program:* This supplement would fund a study to examine whether there is any benefit for the City to sponsor a community solar program for Sunnyvale residents. This study would cost \$20,000 and is a good candidate for grant funding.

Budget Supplements - No Recommendation on Funding:

- *Outside Group Funding Request from Silicon Valley Leadership (SVL) for Leadership Sunnyvale Program:* This supplement would provide General Fund support for Leadership Sunnyvale in FY 2012/2013 in the amount of \$6,000 for public affairs training to Sunnyvale community members.
- *Study Issue DPW 10-09 – Reliable Electrical Power Options:* This study issue would consider options to provide a better, more reliable power system in the City of Sunnyvale. There is currently no funding source identified for this \$165,000 study. Prior to moving forward, staff recommends a joint study session with PG&E and the Moffett Park businesses to evaluate how well upgrades have met the needs of the business owners and assess the progress made so far.

May 17, 2012 Budget Workshop

Staff provided a detailed presentation on the City's recommended FY 2012/2013 Budget and Resource Allocation Plan at the Budget Workshop. Council asked for information and/or clarification on a number of issues.

These issues have been addressed by staff and are included as Attachment C to this report. Further, Council inquired as to providing additional services in three areas: care management, the Centennial Celebration, and re-painting red curb sections. The recommended FY 2012/2013 Budget contains \$100,000 annually as a Council set-aside for new or additional services. Of this amount, \$26,125 has already been earmarked for the Downtown Association (\$10,000), Community Events Grant Funding (\$10,000), and Neighborhood Grants (\$6,125). Should Council wish to fund any or all of the additional services identified at the Council Workshop, or if there are other services that Council wishes to fund, \$73,875 remains of the \$100,000 Council set-aside that can be utilized for this purpose without impacting reserve levels.

Changes to Recommended Budget

Since the release of the recommended FY 2012/2013 Budget to Council on May 4, 2012, two adjustments have been required, both of which are related to grant funds. First, the City has recently been informed of its FY 2012/2013 Bureau of Justice Administration Grant allocation. At the time of the delivery of the recommended FY 2012/2013 Budget, this amount was not known, so it was estimated to be \$10,000. The actual award is \$13,347. The budget for the Police Services Augmentation Fund (Fund 190) has been updated to reflect this additional grant amount, which will increase the appropriation to the special project that is funded by this grant. Second, the City was recently awarded \$5,983 in CalRecycle Beverage Container Recycling Grant Funds for additional recycling containers, signage, and secure storage at Baylands Park. These funds are available beginning in July 2012 and will be appropriated to a new special project in the Solid Waste Fund.

Boards and Commissions Budget Review

All of the City's boards and commissions have had the opportunity to review the recommended FY 2012/2013 Budget, which was made available beginning May 7, 2012. Boards and commissions wishing to make comments, suggestions, or recommendations may testify at the June 12, 2012 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.

FISCAL IMPACT

There is no fiscal impact to this public hearing. Budget adoption is scheduled for June 19, 2012.

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 25, 2012, and June 1, 2012 (Attachment B). Finally, the City’s website has included the entire recommended FY 2012/2013 Budget and Resource Allocation Plan since May 7, 2012.

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 19, 2012.

Reviewed by:

Grace Leung, Director, Department of Finance
Prepared by: Drew Corbett, Budget Manager

Approved by:

Gary Luebbers, City Manager

Attachments

- A. Appropriations Limit
- B. Legal Notice of Public Hearing
- C. Council-Requested Information

**CITY OF SUNNYVALE
CALCULATION OF APPROPRIATIONS LIMIT
FY 2012/2013 Recommended Budget**

	<u>FY 2011/2012</u>	<u>FY 2012/2013</u>
Appropriations:		
035. General Fund	\$ 121,218,848	\$ 128,446,531
070. Housing Fund	1,182,386	14,151,896
071. Home Fund	650,458	1,910,554
110. Community Development Block Grant Fund	1,902,855	1,531,918
141. Park Dedication Fund	505,498	762,843
175. Public Safety Forfeiture Fund	233,099	149,283
190. Police Services Augmentation Fund	11,000	281,106
210. Employment Development Fund	10,032,510	7,936,399
245. Parking District Fund	337,299	174,286
280. Gas Tax Fund	2,181,832	2,443,914
285. Transportation Development Act Fund	67,205	94,203
295. Youth and Neighborhood Services Fund	752,969	746,558
385. Capital Projects Fund	5,340,783	7,173,065
610. Infrastructure Renovation and Replacement Fund	5,595,450	6,789,608
Total Appropriations	<u>150,012,192</u>	<u>172,592,164</u>
Appropriation Adjustments:		
Non-Tax Revenues	(47,780,113)	(70,117,647)
Qualified Capital Outlay	-	(245,534)
Total Appropriation Adjustments	<u>(47,780,113)</u>	<u>(70,363,181)</u>
Adjusted Appropriations Subject to Limit	102,232,079	102,228,983
Growth Rate Factor	<u>1.0342</u>	<u>1.0524</u>
Total Allowable Appropriations Limit <i>(Prior Year Appropriations Limit x Growth Rate Factor)</i>	<u>163,792,212</u>	<u>172,380,712</u>
Amount Under (Over) Allowable Appropriations Limit	<u>\$ 61,560,133</u>	<u>\$ 70,151,729</u>

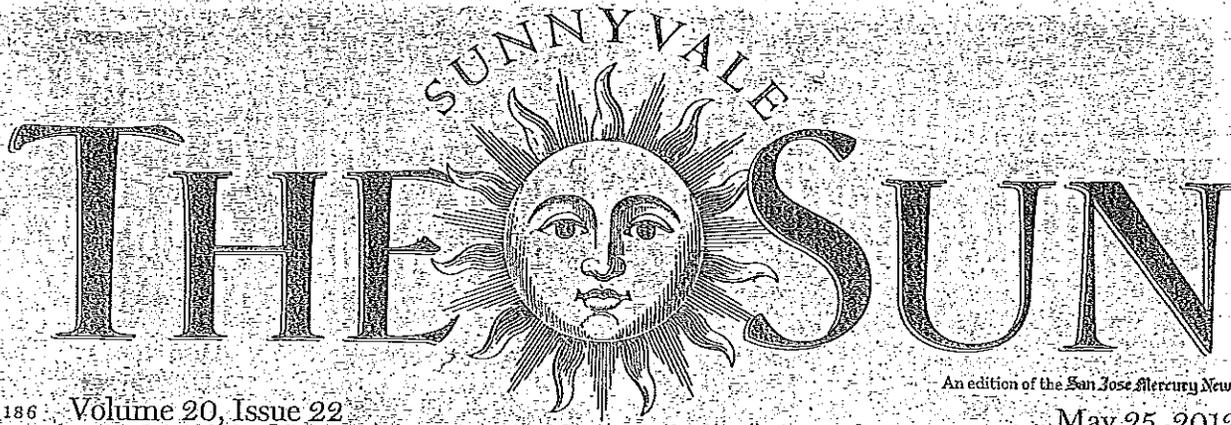
**CITY OF SUNNYVALE
CALCULATION OF APPROPRIATIONS LIMIT
FY 2012/2013 Recommended Budget**

Revenues:	<u>FY 2011/2012</u>	<u>FY 2012/2013</u>
Tax Revenues:		
Property Tax	\$ 42,033,968	\$ 44,600,118
Sales Tax	29,345,375	32,779,843
Other Taxes	17,171,958	18,764,604
Non-Restricted State Shared Revenues	744,400	226,000
Interest Income	720,392	486,466
Total Tax Revenues	<u>90,016,093</u>	<u>96,857,031</u>
Non-Tax Revenues:		
Federal Grants	6,254,346	10,692,857
Restricted State Shared Revenues	3,705,094	3,693,181
State Grants/Reimbursements	126,755	206,337
Other Intergovernmental Contributions	450,738	1,283,721
Franchise Fees	6,398,220	6,521,751
Permits and Licenses	5,643,631	6,497,076
Service and Development Fees	9,330,840	17,680,351
Rents and Concessions	2,081,985	2,616,569
Fines and Forfeitures	1,183,458	1,204,581
Housing Loan Repayments	1,783,218	2,424,428
Miscellaneous	146,879	10,635,353
Inter-Fund Loan Repayments	10,293,151	6,303,232
Interest Income	381,798	358,210
Total Non-Tax Revenues	<u>47,780,113</u>	<u>70,117,647</u>
Total Revenues	<u><u>\$ 137,796,206</u></u>	<u><u>\$ 166,974,678</u></u>

**CITY OF SUNNYVALE
APPROPRIATIONS LIMIT
FY 2012/2013 Recommended Budget**

	<u>AMOUNT</u>	<u>SOURCE</u>
A. LAST YEAR'S LIMIT	\$ 163,792,212	Prior Year
B. ADJUSTMENT FACTORS		
1. Population (1.0142%)	1.0142	State Department of Finance
2. Inflation (3.77%)	1.0377	State Department of Finance
	1.0524	(B1*B2)
Total Adjustment %	0.0524	(B1*B2-1)
C. ANNUAL ADJUSTMENT	\$ 8,588,500	(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	\$ 8,588,500	(C+D)
F. THIS YEAR'S LIMIT	<u>\$ 172,380,712</u>	(A+E)

Legal Notice of *Public Hearing — FY 2012/2013 Budget and Resource Allocation Plan, Establishment of Appropriations Limit, and Proposed Fee Increases* as it appeared in *The Sunnyvale Sun*, Vol. 20, Issue 22, May 25, 2012, page 23. The notice also appeared on June 1, 2012.



Legal Advertising & Public Notices

NOTICE OF SUNNYVALE

NOTICE OF PUBLIC HEARING

JUNE 12, 2012

BUDGET AND ANNUAL FEE REVIEW AND ESTABLISHMENT OF APPROPRIATIONS LIMIT

A Public Hearing on the City of Sunnyvale's recommended budget for Fiscal Year 2012/13 will be held on Tuesday, June 12, 2012 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 business hours. The recommended budget is also available on the City's website. Included in the Public Hearing for the FY 2012/13 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.

Please publish:

(Pub: 05/25/2012 and 06/01/2012)

May 17 Budget Workshop – Questions and Responses

1. What is the cost to maintain additional acres of parks? Is it a scaleable value based on the acreage of the park? What is the range of costs to consider when new park space is added?

Costs for park maintenance are currently tracked in three categories: City parks, open space, and school sites. Based on costs from the adopted FY 2011/2012 Budget, maintenance costs are as follows:

- City parks \$21,346/acre/year
- Regional open space (e.g., Baylands) \$12,780/acre/year
- School sites \$12,899/acre/year

These costs exclude capital improvements and general administrative overhead such as support the parks division receives from Finance and Human Resources. Costs for individual parks would vary somewhat depending on park features and size, but the numbers above are reasonable for planning purposes.

2. What is the value of the City's AAA rating? How does this rating impact the City's cost of debt?

The City's AAA Issuer Credit Rating reflects the City's strong financial management, which is a critical factor when the City issues bonds. It should be noted that each debt issuance receives its own rating, based on a set of factors specific to that debt. Currently, the spread between AAA and AA bonds is approximately 25 basis points (0.25%). As a rough estimate, this would mean that for a \$10 million 30-year bond issue, the City savings would be approximately \$500,000 over the course of the financing.

3. How does the City compare with other local jurisdictions with respect to the resources it puts into the Care Management Program?

Attached as Exhibit A is the Care Management Survey for the cities of Campbell, Cupertino, Los Altos, Los Gatos, Milpitas, Morgan Hill, Mountain View, Palo Alto, San Jose, and Santa Clara. This survey provides a detailed comparison of the staffing and funding levels for Care Management services in the local area. The two non-profit agencies listed (Community Services of Mt. View/Los Altos/Los Altos Hills and Avenidas Senior Center at Palo Alto) are included because they provide Care Management Services to these cities.

4. How many non-residents visit the City's Library annually?

While it is not possible to track the number of non-resident visitors to the library, there are several metrics that do provide an indication of library usage by non-residents. As of May 21, 2012, there were 25,632 non-residents with a Sunnyvale library card (out of a total of approximately 128,000 library cards issued). Non-residents represent 20.5% of active library users, with a library user being defined by having one or more items checked out. Additionally, non-residents have borrowed 21.9% of the materials that were checked out of the library as of May 21, 2012.

5. Is the group of seniors that play table tennis at the Murphy Park recreation building slated to be displaced?

The program will continue until the start of the Murphy Park renovation project. Staff is currently reviewing options for temporarily relocating the program while Murphy Park is closed.

6. Should the Information Technology Department consider adding a performance indicator that tracks performance and uptime of the City's external website?

Currently, the performance of the City's external website is incorporated into the indicator for all City systems. However, performance indicators are reviewed and updated annually as results are determined. Because of the importance of the availability of the external website and the impact when it is down, the Information Technology Department will add an indicator related to the performance of the City's website as a separate measure of performance for the recommended FY 2013/2014 Budget.

7. What population growth is assumed in the budget? What is the implied increase in school enrollment? What is the implied increase in parks and open space?

The Balanced Growth Profile projects population, jobs and public school capacity to 2025. The projected population growth through 2025 is 18,000 over the base year of 2005. This projected growth and other indicators are regularly monitored to anticipate and assess future capital and municipal service needs. Adjustments to projected revenue and expenditures are made to the City's long-term financial plan as changes in trends are noted. A population growth rate is not factored specifically into the budget, but it is considered for specific revenues and projects. For instance, property tax, sales tax and transient occupancy tax (TOT) revenues are adjusted for large projects or land use changes, such as when a new hotel, major project or a new company is expected in the City. The Town Center project is an example of a major project

where a forecast of sales tax has been reflected in the City's revenue projections.

While the Balanced Growth Profile tracks public school capacity for planning purposes, the fiscal impact of school enrollment is not reflected in the City's budget. However, City staff regularly provide information to the school districts on future residential development for planning and budgeting purposes. The districts use this information to forecast future school facilities needs and on-going staffing and operational costs.

Future parks and open space needs can be correlated with residential growth, which given the current estimate of 18,000 additional residents by 2025 would imply the need for 90 additional acres of open space. However, this does not translate to a direct increase in actual parkland. We are currently averaging about 300 new residential units per year, of which approximately 200 pay park in-lieu fees (affordable housing units are exempt from paying fees and the non-exempt units that don't pay the fee dedicate land instead). While this growth trend is used to estimate future park dedication in-lieu fees, it is not a good indicator for projecting an increase in parks and open space. Most projects are relatively small and paying park in-lieu fees is more feasible than requiring parkland dedication. Additionally, park in-lieu fees are not earmarked for land acquisition only and are often used to fund much needed capital improvements at existing parks. Therefore, future parks and open space needs can be assessed, but the actual increase in parkland depends on how the park dedication ordinance is applied to specific projects.

8. Can the Lawrence/Wildwood project be added back into the Projects Budget document as an unfunded project?

Yes, this project will be included as an unfunded project in the FY 2012/2013 Adopted Budget when it is published. It will be Project 815901 – Lawrence Expressway and Wildwood Avenue Realignment.

9. Can funds set aside for infrastructure be restricted by either Council policy or ordinance to ensure that those funds are not used for another purpose?

Neither amending Council policy nor passing an ordinance to restrict funds set aside for infrastructure would be effective in preventing future Councils from utilizing the funds for another purpose. Future Councils could either amend Council policy or repeal the ordinance in order to be able to utilize the funds in another manner.

Another option, which staff believes would be the most effective solution to ensure infrastructure set-aside funds are used for infrastructure, is for Council to appropriate those funds for specific projects and for those funds to get spent

in a timely manner. One of the main reasons that funds previously programmed to be set aside for infrastructure were ultimately utilized for other purposes was because the Infrastructure Renovation and Replacement Fund Reserve was growing annually as a result of funded projects not getting started. This made the diversion of funds for other purposes a decision that seemed prudent at the time. In order to avoid this in the future, it is important that funds set aside for infrastructure be appropriated and, more importantly, spent in accordance with the project plan.

10. What is the cost impact of implementing the D.A.R.E. program?

Attached as Exhibit B is a comprehensive memo providing additional information on the D.A.R.E. program and what would be required for full implementation. Based on current costs for sworn officers, it is estimated that full implementation would cost an additional \$500,000 annually. Further, implementation of the D.A.R.E. program requires a time and resource commitment from the schools. In researching the cost to the City to implement the D.A.R.E. program, Department of Public Safety staff contacted the Sunnyvale, Santa Clara, and Cupertino school districts, all of whom have schools in the City of Sunnyvale, to gauge their level of interest in implementing D.A.R.E. The Sunnyvale and Cupertino districts were not interested due to budget constraints and the time commitment required. Santa Clara believed it could get its school board to support funding to provide D.A.R.E. at the two elementary schools located in the City but not to Peterson Middle School.

It is important to note that the City first explored implementing the D.A.R.E. program in the early to mid-1990's and determined it was not a good fit with the multimodal concept of the Neighborhood Resource Officer (NRO). As was the case in the mid-1990's, we still do not consider the implementation of a D.A.R.E. program to be beneficial, as the Department of Public Safety believes our current programs offer a balanced response to community, school, neighborhood, and juvenile issues. Additionally, many of the programs offered by the Department have the same or similar themes as the D.A.R.E. program, but doing them outside of the confines of D.A.R.E. provides the City greater flexibility to tailor programs to the specific needs of Sunnyvale youth.

For example, the D.A.R.E. program primarily involves drug education and resistance to gang activity. This year the program is adding a bullying component to the curriculum. Currently the Department of Public Safety teams with ALL the schools (public and private) in the City annually during Red Ribbon Week, a national drug prevention program. NRO's provide daily talks and assembly programs for the schools over a five-week period. Throughout the year, schools schedule informational talks and assemblies with their NRO's on gang violence and activities. Each school is impacted differently surrounding this topic and the individual NRO's are able to tailor each

presentation to the needs of the school. Additionally, the City of Sunnyvale's Department of Public Safety currently has the only two P.O.S.T. approved trainers for Cyber Bullying and Digital Media Issues throughout the entire state. This course was developed with assistance from Yahoo! and serves as the State model for Cyber Bullying education and prevention.

11. Is it possible to have a program where utility rates are subsidized for seniors?

On August 23, 2011, as part of the study issues process, Council approved a program to provide utility bill assistance to low income utility customers. The study issue report is provided as Exhibit C.

In some jurisdictions, rates for a particular utility are set and collected by a private company. This is most commonly the case with water or garbage services. In these instances, subsidized rates may be available as private companies are not subject to the cost of service limitations of public utilities. This and other policy issues are discussed in the report.

12. Can the feasibility of installing bike racks at the Community Center be considered?

Yes. Funding is available in the park fixtures replacement project to furnish and install additional bike racks at the Community Center. The parks division will survey the Community Center for existing bike racks and identify suitable locations for additional racks.

13. What happens to the City's contribution rates if CalPERS investment returns are significantly lower than the 7.5% projection? Can a stress test be run to determine the City's capacity to withstand the rate increases if returns to not meet expectations?

The City works with a consulting actuary on an ongoing basis to review and analyze current and projected contribution rates for CalPERS. Over the last several years, this analysis has been the basis for the recommendations made in the City Manager's Recommended Budget to contribute at a higher rate than CalPERS is assessing. As a part of this analysis, our consulting actuary provides projections for future rates under three scenarios: good investment return, expected investment return (7.5%, as determined by CalPERS), and poor investment return. For the rates we utilize for our long-term financial plans, the expected investment return results are used; however, we do have visibility to projected contribution rates should CalPERS sustain poor investment returns for an extended period of time.

If CalPERS investment returns are below the expected 7.5% assumption on an ongoing basis, the City's contribution rates will increase significantly. For

example, annual CalPERS investment returns below expectations will result in employer contribution rates that are 7.5% of pay higher for Miscellaneous and 11.5% of pay higher for Safety in FY 2021/2022 than we currently have planned. And while the City has taken actions to mitigate rate volatility by paying ahead on its obligations to CalPERS, rate increases above what the City has forecasted in its long-term plans cannot be absorbed because they result in an ongoing increase to the City's expenditure base.

Currently, sworn personnel are in process of phasing in a 3% (of pay) employee contribution, which will be fully implemented on January 1, 2013. When fully implemented, the City will still be contributing 8.25% of the 11.25% employee contribution. For all miscellaneous bargaining units except SEA, beginning July 1, 2012, the employees in these units will begin contributing an additional 2% towards the employee contribution, bringing their total portion of the employee contribution to 3% of pay. SEA's contribution percentage is pending the outcome of negotiations; however, it is assumed in the budget that employees in this unit will also increase their contribution amount to 3% of pay. At a 3% of pay contribution, the City still pays 5% of the 8% employee contribution. Regardless of how the CalPERS investment portfolio performs against expectations, the City's priority with respect to personnel cost containment will be to continue to negotiate with the bargaining units a higher percentage of pay contribution from the employees to the employee share of the pension expense.

14. Has the City considered using two-way envelopes for utility bills?

The City previously utilized a two-way envelope that allowed customers to re-fold the delivery envelope into a return envelope. When the printing and mailing of utility bills was outsourced in 2004, the City elected to go away from the two-way envelope approach. This was primarily because they were more expensive than a two envelope solution, the two-way envelopes at the time used more paper than two separate envelopes, and using standardized envelopes not only saved on purchase costs (due to volume) but also on bill statement design costs. It also should be noted that the two-way envelopes were very unpopular with some customers as they were complicated to utilize.

Since then two-way envelopes have improved and now use less paper than a two envelope solution. Staff will explore the total costs and impacts to customer service of implementing the two-way envelopes and will report back to Council on a recommended approach going forward.

AGENCY/ORGANIZATION (Data compiled May, 2012)	City Population based on 2010 Census	Population ages 50+ (based on 2010 Census)	# of Positions in FTE	Funding Sources/Program Notes	COA Funds	CONTACT
Council on Aging Silicon Valley (COA) Multipurpose Senior Services Program (MSSP) <i>Area Agency on Aging - Santa Clara County</i>	1,781,642 <i>Santa Clara County</i>	507,966 <i>Santa Clara County</i>	12	MSSP assists persons who are 65+, receiving MediCal under an appropriate aid code, live in Santa Clara County, and are, certifiable for placement in a nursing facility.		Mike Torres Director of Contracts and Planning 408-350-3271
Community Services Agency Mt. View, Los Altos, Los Altos Hills <i>Non Profit Agency</i>			5	Care Management services include four Care Managers and one Nurse. Funding sources include: Council on Aging, El Camino Hospital, Kaiser Permanente, City of Mountain View, City of Los Altos, Santa Clara County, other grants from local businesses/rotary	\$ 20,000.00	Megan Perdue Senior Services Program Director 650-968-0836 (ext131)
City of Cupertino	58,302	17,713	1.5	Case Management Hours funded at 3,080 annually. Funding sources: General Fund \$85,520 (FY 12/13) and COA	\$ 20,000.00	Julia Lamy Senior Recreation Supervisor 408-777-3150
City of Santa Clara	116,468	29,613	1	Care Management offered at 40 hours per week. Care manager employed by COA- COA bills the city quarterly. City General Fund contribution - \$36,514; CDBG fund contribution \$5,013. COA pays the remainder of staff costs and benefits.	\$16,473 plus benefits	Phil Orr, Recreation Supervisor (408) 615-3170
City of Milpitas	66,790	18,514	1	City Funded Position (40 hours per week). Staff costs at \$84,348 (fully loaded) and budgets \$4,000 for translator services	\$ -	Aaron Bueno Recreation Supervisor 408-586-3226
Avenidas Senior Center in Palo Alto <i>Non Profit Agency</i>			0.8	Care Management offered at 32 hours per week. Receives support from the City and private sources (staff unclear on breakdown). Receives COA funds.	\$ 9,860.00	Michael Griggs Manager of Social Work Services 650-829-5438
City of Sunnyvale	140,081	38,375	0.5	Care Management offered at 20 hours per week. Care Manager employed by COA- COA bills the city quarterly. City provides partial funds(\$35,004) for staff and equipment. Care Management is housed at the Senior Center.	\$ 13,000.00	Gerard Manuel Community Services Manager 730-7365
City of Campbell Adult Center	39,349	11,964	0.15	Care Management offered 6 at hours per week and funded by General Fund and Social Services Subgrant for \$7,500 each (total of \$15,000). No funds from COA	\$ -	Tina Wong Erling Recreation Supervisor 408-866-2146
City of Palo Alto	64,403	23,412	0	Refers community to Avenidas. City supports Avenidas, a non profit organization. City provides financial support to Avenidas (\$40,000 a year), as well as facility support. Avenidas, leases a city building for \$1 a year.	\$ -	Minka Van der Zwaag Supervisor
City of San Jose	945,942	255,486	0	Cut from Budget. Community is referred to the Council on Aging. Some Senior Centers offer Information and Referral Services	\$ -	Mary O'Meara Acting Superintendent 408-535-3578
City of Mt. View	74,066	20,098	0	Refers community to Community Services Agency- a non profit organization. The Senior Center is sometimes used by Community Services as location for meetings with the public.	\$ -	Michelle Petersen, Superintendent of Recreation

AGENCY/ORGANIZATION (Data compiled May, 2012)	City Population based on 2010 Census	Population ages 50+ (based on 2010 Census)	# of Positions in FTE	Funding Sources/Program Notes	COA Funds	CONTACT
Town of Los Gatos	29,413	11,810	0	Currently using volunteers from Pathways and HICAP. Staff noted that the town is considering hiring a care manager for 10-15 hours per week in the future.	\$ -	Janet Sumpter Adult Program Supervisor 408-354-8700
City of Morgan Hill	37,882	10,834	0	Currently does not offer Care Management Program- they are applying to grants to provide Care Management Services. COA agreed to provide partial funding in the future	\$ -	Susan Fent Director of Senior Programs and Services Centennial Recreation Senior Center (408)310-4254
City of Los Altos	28,976	12,435	0	Refers community to Community Services Agency- a non profit organization	\$ -	Candace Bates Recreation Supervisor



Sunnyvale Department of Public Safety

DATE: May 22, 2012
TO: Deputy Chief Drewniany
FROM: Lt. Tracy Hern, CPU

SUBJECT: D.A.R.E. (Drug Abuse Resistance Education) Program

As requested, this document will provide background information and current use potential for the D.A.R.E. (Drug Abuse Resistance Education) program.

History

The D.A.R.E. program was started in 1983 by founder Daryl F. Gates of the Los Angeles Police Department. Students who enter the program sign a pledge not to use drugs or join gangs and are taught by local law enforcement about the dangers of drug use in an interactive in-school curriculum which lasts eight to ten weeks.

Over the next 20 years D.A.R.E. arose to be the most popular form of school education against drugs and gangs. In the last 10 years, many studies have surfaced showing that D.A.R.E. is no more useful in preventing drug use than any other program. Some studies have even shown that drug use and abuse is higher in students who completed the D.A.R.E. program than those who did not participate. The primary correlation from these studies is that by attempting to prevent ALL drug experimentation and/or use, the objectives are not only unrealistic, but also possibly counter-productive because they are unattainable. It is also theorized that as students get older and experiment, it has a longer lasting effect and realization than if they would have experimented earlier in life. There is also a concern about imposing D.A.R.E. upon divided student audiences, such as is the case in most Sunnyvale schools. Some students see regular drug abuse and gang affiliation on a daily basis in the home life. These students have become more resistant when peer-led denunciations of activities they see valued in their home life begin to reflect negatively on them or their family. These studies have shown that these students become more alienated than converted.

In 2000, citing the lack of scientific proof of the program's effectiveness, the Department of Education announced that it would no longer allow schools to spend its money on the D.A.R.E. program. In 2001 a report by the Surgeon General concluded that "D.A.R.E.'s popularity persists despite numerous well-designed evaluations and meta-analysis that consistently show little or no deterrent effects on substance use." Jurisdictions

throughout California have been withdrawing from the program for this reason coupled with budgetary and time constraints.

Local Organizations

In Santa Clara County, the only Departments that are actively participating in the D.A.R.E. program are Santa Clara PD, Gilroy PD and Los Altos PD. San Jose PD, Santa Clara County Sherriff's Office and Milpitas PD have all cut the program due to budget constraints. Mountain View PD participates on an "as needed or funded" basis.

Funding

Los Altos PD, Gilroy PD and Mountain View PD do not charge the school district or private schools for the education program. These Departments rely on sponsors and a budget within the Department. Los Altos PD typically budgets \$4,000-\$5,000 a year for the shirts, curriculum materials and prizes. The staff time is absorbed within the Department's budget. Mountain View PD was unable to provide me with any budget information at this point. Santa Clara PD, as arranged through an MOU with the School District, receives \$48,000 a year to provide the instruction to 13 public schools. Most of the agencies polled only provide instruction to private schools because the public schools do not have the time available for this program.

Training

The D.A.R.E. program instruction course is an 80-hour course that must be completed prior to any training provided to schools. There are currently no open courses in California, but there are out-of-state opportunities for training. According to some staff at D.A.R.E., the instructors must be sworn officers. There is a possibility of a waiver being obtained and I am awaiting information from the Director of Training at the State Headquarters in Southern California. Additionally, prior to starting the program, a signed letter of intent must be received by the D.A.R.E. office with signatures from the Chief of Police and School Administrators stating the acceptance of the rules and guidelines for the program. Once officers are trained, the first year's curriculum and materials are provided free of charge. Payment must be made for materials for subsequent years. Once training is completed, the Department is expected to provide the program to 5th and 7th grade students. The curriculum is changing this year and will be adding information into the program about bullying. In August there is a State D.A.R.E. conference in Southern California for additional information.

Time Commitment

The agencies participating are spending an average of 24 hours at each school for every program. The program is 10 weeks long, with an hour each week plus 30 min prep time before and after each class. Mountain View PD has two officers trained and spends an average of 300 hours each school year on the program. Los Altos only has five schools that participate while Santa Clara has 13 schools involved. Gilroy PD has one officer solely dedicated to the program year round for 10 schools. Some agencies find the time commitment worthwhile for the investment while others feel that the rewards do not equal the time spent. None of these departments are as involved within the schools, the neighborhoods and business communities as DPS is.

Our Capacity

Currently SCPD has three D.A.R.E. officers and one SRO. The D.A.R.E officers assist in the schools as time allows. Gilroy PD and Los Altos PD each have one dedicated officer just to the program. The City of Sunnyvale potentially has 25 schools that could participate in the program. With using an average of 24 hours per school per session, it would take approximately 600 hours per session to utilize the D.A.R.E program in the City of Sunnyvale. Because of class sizes throughout the schools, agencies average between 3 and 5 sessions a school year. This would average out to between 1800 and 3000 additional hours a year for the NRO's to take on this program. This does not include the time taken away from other duties at the schools, the neighborhoods and business groups and the time that Patrol would have to spend handling these other issues. The Crime Prevention Unit currently supports 48 programs and events, 31 schools, 29 neighborhood associations and numerous business and community groups. To fully implement the D.A.R.E. program in Sunnyvale, it would take two additional NRO's.



Council Meeting: August 23, 2011

SUBJECT: Study Issue: Utility Bill Assistance for Low Income, Fixed Income, Senior, and Disabled Utility Customers

BACKGROUND

During the public hearing for adoption of the FY 2010/2011 utility rates, the impact of utility costs on the City's senior, fixed income, low income, and disabled communities was raised. Council directed staff to complete a study issue examining the feasibility of offering discount rates or assistance programs for qualified Sunnyvale utility customers to help alleviate the impact of the City's utility rate increases. The study was to include estimates of the potential cost for such a program, an analysis of Proposition 218 issues, and proposals for funding and implementation if the City were to adopt this program.

The City process for billing and collecting utility revenue is governed by the Sunnyvale Municipal Code. The section of the code which specifies how the City is to handle collection of delinquent revenues provides opportunities for staff to work with customers who are experiencing hardship, primarily by allowing staff to make payment extensions or arrangements. However no discounts or special rates are provided to any customers.

Currently the City's Utility Billing Office sends a bill once every two months for residential water, wastewater, and solid waste services already provided. The bills are due upon presentation, and become past due if not paid 25 days from the bill date. The City of Sunnyvale Municipal Code requires that a 5% penalty be assessed when a payment is not received by the due date. If payment is not received 30 days from the bill date (allowing 5 days for the initial mailing of the bill), the late penalty is assessed and a reminder notice is mailed. If payment is not received after 45 days, a final notice is hand-delivered to advise customers that the water is scheduled for shut-off. A \$40.00 Delinquency Processing Fee is assessed to the account at that time. If payment is still not received, the account is placed into shut-off status and the water service is interrupted. Finally, once payment of the delinquent balance is received, a \$40.00 fee (\$85.00 after 4pm) is collected to restore water service.

Upon request, at any time prior to shut off, payment extensions and/or payment arrangements are available to qualified customers who cannot pay their bill. Customers who cannot meet the requirements or are not eligible for an extension or payment arrangement (due to a history of broken payment

arrangements or no ability to pay) are referred to Sunnyvale Community Services (SCS) for assistance in paying their utility bill. SCS works with customers to help them recover from financial difficulty and also provides one-time assistance with paying utility bills. Utility Billing staff works cooperatively with SCS to help customers reduce their utility costs and make payment.

EXISTING POLICY

Community Vision Goal XIV: Caring Community, sets as a citywide goal the ability to “provide support for those in the community who are not fully able to support themselves, so that all residents may provide for themselves.”

Sunnyvale Municipal Code sections 12.24 and 12.50 govern the City’s billing and collection procedures.

Sunnyvale Municipal Code sections 12.16.020 (Wastewater), 12.24.010 (Water), and 8.16.120 (Solid Waste) authorize the City Council to establish by resolution fees and charges based on cost influencing factors.

Policy 7.11.1a.5 of the Fiscal Sub-Element states “The user fees established for each utility will be reviewed annually and set at a level that will support the total costs of the utility, including direct and indirect costs and contributions to reserves set by Council policy.”

Sunnyvale Administrative Policy Chapter 1, Article 22 – Non-Discrimination in Programs and Services states “It is the policy of the City of Sunnyvale to comply with all applicable laws prohibiting discrimination with respect to the provision of City programs and services.

DISCUSSION

Each year, as part of the yearly process of reviewing the financial condition of the utility enterprise funds, staff recommends that the City Council adopt annual changes in utility rates. For several years the City of Sunnyvale’s utility rates have been rising faster than inflation. In fact, the average monthly bill for water, wastewater and solid waste services has increased cumulatively by 27% over the past five years. In real dollars, the average utility customer is paying \$24 more per month now than they did five years ago. These increases have been necessary to cover rising costs of wholesale water, increased infrastructure replacement needs in both the water and wastewater utilities, and reduced sales resulting from the economic downturn.

The water, wastewater, and solid waste services the City provides are core public health and safety services. The provision, and therefore the affordability of these services, is critical for all residents of Sunnyvale. In fact, the cessation of service to one property or customer can affect the health and safety of neighboring properties and customers. This is the primary reason the City does

not interrupt either garbage or sewer services. Given general public health concerns, it is reasonable from a policy perspective to consider a program to assist those in need with the costs of these services.

Additionally, staff has received numerous requests from the City's senior community for discounts. However, City Administrative policy does not allow for discrimination in the provision of city services, and given that many senior residents may not necessarily have any financial hardship, staff limited its program evaluation to discounts based on financial need only.

It is common for investor-owned utilities (for example, San Jose Water Company) to offer low income or senior discounts for utility services to these customer groups. However municipal utilities are regulated differently. Municipal water, sewer, and solid waste utilities operate in an increasingly stringent regulatory environment for rate setting. The most significant change over the past several years was the result of the Bighorn-Desert View Water Agency v. Verjil California Supreme Court case which concluded that water, sewer, and solid waste utility charges were property-related fees subject to the requirements of Proposition 218.

For the purposes of this discussion, the most relevant impact of the Bighorn ruling is that rates may not exceed the cost of providing service and that rate proceeds may be used only to provide the relevant services. This means that municipal utilities may not provide rates that subsidize one class of customers at the expense of another. Staff researched programs that other municipal utilities were providing and was able to only locate electric utility subsidies, and no public water, wastewater, or solid waste utility subsidies that were not funded by donations.

Given the restrictions on municipal utilities, staff considered several different options for providing funding. These included grants, donations, voter approved taxes, and transfers from the General Fund.

Grants might include human services grants like Community Development Block Grants (CDBG) or grants from non-profit foundations. These are typically prioritized for more critical needs (e.g. housing or homelessness) and have been diminishing as a result of the economic downturn without any reduction in demand for the funds. In addition, federal regulation prohibits CDBG funds from providing beneficiaries with ongoing subsidies (i.e. anything longer than 3 months of assistance), so this approach would only allow very short term assistance. SCS already receives the maximum amount of CDBG funds the City can provide. Obtaining voter approval to add a tax to utilities to provide subsidies to other customers would be challenging to pass in the current economic environment, especially since 2/3 approval is required for a specific use. Given the financial condition of the General Fund, a transfer would only

be possible at the expense of other programs. Therefore, of these options, staff is recommending a program to accept donations earmarked to create a fund for utility customers in need.

The proposed donation program would provide a subsidy for qualified utility billing customers. The subsidy would be funded by customer donations paid through the regular utility bill and would be administered by Sunnyvale Community Services. The City would collect and remit funds to SCS. Should Council direct staff to proceed with this program, staff would work to set up the infrastructure to accept donations and work with SCS to establish program guidelines. SCS supports this approach and has provided feedback to staff. Initial discussions with SCS indicate that they could easily administer monies granted to them by the City for the purpose of paying City provided utility costs for customers in need. Qualified customers may be eligible for either one time emergency assistance or the payment of one full utility bill per year subject to funding availability. This would effectively provide a subsidy for the annual cost of utilities and is more feasible and cost effective than providing an ongoing subsidy.

The proposed program would be rolled out as soon as possible but no later than the beginning of FY 2012/2013. The program would be presented to new customers upon activation of a utility account and a utility insert prepared to inform existing customers of the program.

On July 27th, 2011 the Housing and Human Services Commission reviewed this issue. The Commission asked that the program be structured so that other qualified agencies in addition to SCS be able to participate, and also expressed that it would be beneficial for all program costs, including outreach and administration to be supported by the program donations. Overall the Commission was supportive of the program moving forward.

FISCAL IMPACT

Implementation of this program would have a minor fiscal impact. The City's Utility Billing Program maintains a very high collection rate of over 99% of utility receivables. This is due to City's practice of interrupting water service for non-payment. Therefore providing assistance will not significantly improve revenue collection. There will be minor costs for setting up and administering the program. Staff estimates that approximately 20 hours of staff time will be required for start up and about two hours per quarter for administering the program. Additionally, approximately \$1,700 a year will be required for preparing, printing and inserting a utility billing insert. These costs can be incorporated into the FY 2012/2013 budget for the Utility Billing Program through the regular budget process and then actual expenditures accounted for separately so they can be analyzed for cost recovery.

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. Direct staff to design and implement a donation program to provide funding for a utility bill assistance program for low income utility customers.
2. Direct staff to develop alternative funding sources, such as a General Fund transfer or a voter approved tax, to provide funding for a utility bill assistance program for low income utility customers.
3. Take no action on this Study Issue leaving the current practices and procedures in place.

RECOMMENDATION

Staff recommends Alternative 1, direct staff to design and implement a donation program to provide funding for a utility bill assistance program for low income utility customers.

Reviewed by:

Grace K. Leung, Director of Finance
Prepared by: Timothy J. Kirby, Revenue Systems Supervisor

Approved by:

Gary M. Luebbbers
City Manager