

**CITY OF SUNNYVALE
OFFICE OF THE CITY MANAGER**

January 20, 2011

TO: Honorable Mayor and Members of the City Council
FROM: Gary M. Luebbers, City Manager
SUBJECT: Council Study/Budget Issues Workshop



Overview

The purpose of the workshop is to identify study issue priorities for the 2011 calendar year, identify and address budget issues, and review the Tentative Council Meeting Agenda Calendar proposed for 2011.

This Council packet augments the workshop binder that you received in December. It includes:

- Final Workshop Agenda
- Memo to Council from the city manager
- New study issues proposed during or after the January 4 public hearing and any revised study issues (on green paper to differentiate them from previously submitted issues)
- New budget issues (also on green paper) proposed during or after the January 4 public hearing
- An updated draft of the 2011 Tentative Council Meeting Agenda Calendar

Study Issues

The study issues process lays the foundation upon which Council examines and establishes City policy each year. The process allows the City Council to consider and compare at one time all policy topics of interest or concern, as identified throughout the calendar year by members of the public, boards and commissions, City Council members or City staff. In this manner, the process provides a structured approach for addressing the large number of issues that are raised each year, allowing Council to rank the issues and set priorities within the limits of time and resources. Council may also drop a study issue from any further consideration, or defer the examination of a study issue to a future calendar year.

Study Issues with a Fiscal Impact

Attachment A, *2011 New Study Issues Fiscal Impact Report*, notes study issues that would have a non-budgeted, fiscal impact on City operations, including a cost-of-study, cost-to-implement study results, potential new revenue source(s), or savings. Any non-budgeted costs to complete a study will require a budget modification be approved by Council. Due to the current fiscal environment, any study issue that will require a budget modification will also require funds to be reduced from an existing project or operating program, or will require the identification of a new revenue source. Staff recommends any study issues that Council prioritizes that require funding be resubmitted as budget supplements for consideration within the context of all new requests for funding in the fiscal year 2011/12 Recommended Budget. This is consistent with the approach that Council took for all 2010 study issues.

Ranking Process

At this workshop Council will be asked to review potential study issues one department at a time following the steps suggested below:

- By Department, Council questions or clarification on any study issue submitted (includes new items for 2011 and deferred and *below the line* items from 2010)
- Council discussion and deliberation

- Before ranking, issues may be combined, dropped or deferred from ranking consideration by a majority vote of Council.

Council is encouraged to drop rather than defer proposed study issues when a strong interest does not exist, as it is possible that an item can find its way onto the calendar even though there is little interest in it. This is a poor use of Council and staff time that could be better directed to other priorities or a department's internal study program.

Staff Recommendation and Priority Ranking

Please note that each study issue paper has a section for staff's recommendation which indicates whether or not staff thinks the issue should be considered by Council as a priority, deferred to the next year, dropped from further consideration at this time, or no recommendation. In addition, each department has submitted a priority rank for each issue that is not recommended for drop or deferral; the priority is listed on Council's ranking sheets and on each department's Summary Worksheet – this is another way to provide Council with information that will assist in the priority-ranking process.

Budget Issues

Budget issues are proposals to add a new service, eliminate a service or change the level of an existing City service. Budget issues can be proposed by the City Council, Boards and Commissions, or staff; any item proposed by a member of the public must be sponsored by one of these three groups.

Council action on proposed budget issues is limited to dropping or deferring the issue and requires a majority vote. Any budget issues not dropped or deferred will be referred to the City Manager for inclusion in the FY 2011/12 Recommended Budget

Note that this year there is an agenda item to consider requiring the support of at least two councilmembers in order for staff to prepare a budget issue paper.

Tentative Council Meeting Agenda Calendar for 2011

On February 15 staff will present to Council those issues that can be completed in 2011, consistent with Council's priority order and within departmental resource constraints. Proposed presentation dates will be noted in the Draft 2011 TCMAC, also scheduled for review by Council on February 15.

Attachments

A. 2011 New Study Issues Fiscal Impact Report

Number Title	Cost of Study	Fiscal Impact Explanation
Community Development		
CDD 09-05 New Heritage Preservation Designation for Existing Structures as "Buildings of Character"	Staff hours would be covered with 234 Planning operating budget. Consultant assistance could range from \$10,000-\$20,000. Moderate cost is between 101-299 staff hours.	
CDD 09-11 Review of the Housing Mitigation Fee	A mitigation fee nexus study of this type would be estimated at \$75,000 to complete, depending on exactly what scope of work is ultimately defined for the study. There are consultants that specialize in this type of study and it would be most cost-effective to hire an experienced consultant to do it, as it is the type of study often subject to legal challenge. This cost could be funded by the Housing Mitigation Fund, however it would require a budget modification, as it is not currently included in the Operating Budget.	A restructure of the housing mitigation fee program could be revenue neutral, or it could result in additional revenues for housing programs. Estimates and analysis of additional revenue are a key components for this study.
CDD 10-06 Toolkit for Commercial/Residential Mixed Use Development	Study would be covered with 234 Planning operating budget. Major cost is over 300 staff hours. In addition, staff estimates approximately \$350,000 for consultants to provide the necessary study and documents to address this issue.	Due to the extensive nature of the study it is desirable to supplement the operating budget with technical assistance for design services. Staff proposes that this supplemental support could occur with grant funding, such as through ABAG's Technical Assistance Program (TAP) or other grant sources. Estimated cost would be between \$25,000-50,000.
CDD 11-02 Downtown Development Policies for Parking	Consultant cost estimated at \$25,000 for prior experience for parking studies for an updated parking needs study for build-out of the uses in the Downtown Parking Maintenance District. Staff time is budgeted in Planning, Economic Development and Public Works operating budgets. Moderate cost is between 101-299 staff hours.	One possible solution that may be chosen is an impact fee for future parking structures in the downtown maintenance district. The fee could be set to cover administrative costs associated with managing an impact fee.
CDD 11-04 Location and Operation of Stand- alone Firearm Sales Businesses	Study would be covered with the Planning (234) and Public Safety operating budgets. Major cost is over 300 staff hours.	Additional permitting or operational requirements could impact DPS and CDD depending on the result.
CDD 11-06 Consideration of Certain City Parks as Heritage Resources	Staff hours would be covered with 234 Planning operating budget. Consultant assistance could range from \$10,000-\$20,000. Moderate cost is between 101-299 staff hours.	

2011 New Study Issues Fiscal Impact Report

Number Title	Cost of Study	Fiscal Impact Explanation
Community Services		
DCS 09-01 Explore Opportunities to Develop a Community Theatre Based in Downtown Sunnyvale	Additional funding of \$165,000 (estimated costs based on past consultant studies for the Department) would be required for consulting services to conduct the needs assessment and market analysis for a new theatre, including the projected financial impact (capital and operating), anticipated market, and basic nature and design of a new facility; identify potential sites for such a facility including both publicly and privately owned properties and discuss benefits and constraints of those sites; and, explore financing models and partnership opportunities for Council's consideration should it decide to further pursue any of the options.	Capital and operating costs could vary considerably depending on the site chosen, the amount of renovation or construction work required to create a viable performing arts theatre and the terms of an agreement with an operator for the proposed new facility should a decision be made not to have the City manage the facility. It is likely that options will be identified as a result of this study that will require additional, substantial funding for capital and special projects, as well as operating costs in future years.
DCS 11-01 Revisit City Policy Governing the Community Recreation Fund	None. The cost for this study is limited to a moderate amount of existing staff hours (estimated at 100 to 300 hours) which can be covered by existing resources.	This study would not, in itself, increase or decrease the cost of providing recreational programming. Rather, it would explore different frameworks for monitoring and evaluating the revenues and expenditures associated with providing recreational services. There is the possibility that implementing the results of the study would create a cost savings associated with reduced administration of the Fund. Any fiscal impact associated with implementing the results of this study would be identified in the Report to Council.
DCS 11-02 Explore Opportunities to Create a Multidisciplinary Arts Center	Phase I of this study would explore the demand for a multidisciplinary arts center in Sunnyvale, research similar types of facilities in other cities including their operating guidelines and history, and report back to Council on the feasibility of developing such a facility in Sunnyvale. The only costs for Phase I would be those associated with a moderate amount of staff hours (estimated at 100 to 300 hours) which would be covered by existing resources. Should the Council decide to move forward, Phase II would explore appropriate locations, develop various cost scenarios for site development, and develop operational guidelines. Estimated costs for Phase II consulting services would be delivered during Phase I, but based on similar studies in the past are estimated at approximately \$150,000.	Capital and operating costs would be significant, but could vary considerably depending on the site chosen and the amount of renovation or construction work required to create a viable multidisciplinary arts center. The terms of an agreement with the owner of the proposed site, assuming that it would not be owned by the City, are likely to require additional funds to cover operating costs, as well as staff costs to seek grant funding in future years.

2011 New Study Issues Fiscal Impact Report

Number Title	Cost of Study	Fiscal Impact Explanation
Finance FIN 11-01 Utility Bill Assistance for Low Income, Fixed Income, Senior, and Disabled Utility Customers	Staff will conduct the study utilizing resources available in Program 708 - Utility Billing. No additional resources will be required to conduct the study.	Implementation of a program of this nature could have a moderate fiscal impact on the City, potentially requiring the addition of one administrative staff person to the Utility Billing Program to administer the program. Program administration would likely include an application process (develop, distribute and evaluate applications for the subsidy), ongoing revenue collection and tracking, program participant management and tracking (insuring continued compliance with program guidelines and eligibility), and reporting. Potential revenue sources to be studied are utility revenues, customer donations, CDBG or other grant funds, and general fund revenues.
FIN 11-02 Update Fiscal Sub-element Policy Related to Budget Stabilization Fund.	This study will be conducted by staff in the Finance Department and will be reviewed by the City Manager prior to going to Council for action. This study will be conducted within the Finance Department's existing budget appropriation, and there are no additional costs anticipated.	There could potentially be a significant fiscal impact of implementing study results. For example, if the study were to recommend and Council were to approve a policy that requires the Budget Stabilization Fund to have a minimum balance that is higher than what is currently in the Budget Stabilization Fund in a given year, there would need to be cuts made to bring the Fund's balance up to the minimum amount. Similarly, if the approved balance is lower than what is currently in the Fund for a given year, ongoing services and/or one-time expenditures could potentially be added back.
FIN 11-03 Options for a Hybrid Pension Model	This study issue represents another alternative to consider in the City's ongoing evaluation of its pension plans. While there is no additional cost to looking into a hybrid defined benefit/defined contribution plan in conjunction with the ongoing evaluation of other alternatives, this alternative is considerably more complex in its implementation and will require a significant amount of staff resources to fully study.	A hybrid defined benefit/defined contribution pension model would have significant long-term operating savings if implemented. Initial savings would not be substantial, as this model would only apply to employees hired after the implementation date. However, over the long-term, this model would greatly reduce pension costs for the City and would result in less volatility in the City's annual funding requirements.

2011 New Study Issues Fiscal Impact Report

ATTACHMENT A

Number Title	Cost of Study	Fiscal Impact Explanation
Office of the City Manager		
OCM 11-01 Consideration of Transitioning to All-Mail Ballot Elections	The cost of the study would include staff's review of the city charter and state election law, review of recent and potential legislative amendments, research with other cities, consultation with elections services provider(s), and analysis of costs and alternatives. No anticipated outside costs.	Implementation of all-mail ballot elections will require either a state legislative amendment to the California Elections Code to authorize this type of election (nominal cost to the City for the legislative amendment; potential cost savings to the City if S.C. County Registrar of Voters conducts all-mail ballot elections without polling places), or will require the City to assume all tasks and duties of holding stand-alone elections. Savings to the City by not using County ROV services would be offset by costs incurred by the City in conducting its own elections, including costs of additional staff, election consultant services, computers, equipment, supplies, software, secure office space, training, public noticing, translation services, printing, advertising, postage and return postage. A ballot measure to submit to the voters a charter amendment to authorize all-mail ballot elections would incur a one-time cost of approximately \$ 41,000 if submitted during a regular City election year.

2011 New Study Issues Fiscal Impact Report

Number Title	Cost of Study	Fiscal Impact Explanation
Public Works DPW 09-01 Comprehensive School Traffic Study (Combined SI's School TDM Opportunities & School Zone Traffic	A total of 28 schools would be targeted by the study. Staff estimates 200 consultant hours per school would be required for data collection, meetings with stakeholders, and development of school-specific action plans. A budget modification of approximately \$500,000 would be required. There would be staff time implications to the Department of Public Works and the Department of Public Safety.	Should a TDM program be adopted, this could involve capital improvements to direct traffic or improve alternative transportation routes to schools. An ongoing program involving elements such as ridematching, walking school buses, or bike safety courses would require resources to manage the program, provide educational and promotional materials, etc. This study could also result in recommendations for new traffic controls at schools Citywide. This could represent a capital investment of considerable scope. The study could also result in recommendations for additional traffic enforcement or crossing guard resources, which can have a significant operating cost.
DPW 09-05 Caltrain Community Wall Benefit Assessment District Study	Costs are estimated at approximately \$50,000 to \$60,000 for consultants, plus from 180 to 280 hours of staff time. Design and construction costs cannot be determined without these studies but would likely be upwards of \$1.5 to \$5 million depending upon concept, permits, right-of-way, and mitigation requirements. If an Assessment District were formed, further costs would all be charged against the Assessment District Bond, that would be paid for by property tax assessments.	Study may result in a benefit assessment district that would generate revenue to construct sound attenuation improvements. Staff time and consultant costs done prior to the formation of the assessment district could not be recovered unless the assessment district is approved, including the preliminary costs, which could be subject to challenge.
DPW 09-07 Sunnyvale Cyclovia Event	This study would be prepared by City staff from the departments of Public Works, Public Safety, Community Development, Community Services and the Office of the City Manager. Costs would be absorbed by operating budgets.	An event would potentially require significant staff support from the Departments of Public Works, Public Safety, Community Services, and the Office of the City Manager, and could require expenses such as food, signage, and traffic control. Promotional materials may also be necessary to develop and distribute.
DPW 10-09 Reliable Electrical Power Options	This study is estimated to take approximately 260 to 300 hours of staff time to administer consultant contract(s). A power systems consultant would be hired to research information and evaluate options. Legal expertise, familiar with Public Utilities Commission and other power related regulations would be hired to coordinate regulatory and environmental compliance. The consultant hours are estimated at 1040 hours or about \$165,000.	The value of the study would be to maintain and attract businesses by ultimately providing a better and more reliable power system. The study costs are substantial and would be an investment towards achieving more reliable energy systems. The study may also reveal opportunities for the city to save money on its own power costs or to develop a new utility that would be self-funded with start-up money through bond financing.
DPW 11-01 Ban the Use of Expanded Polystyrene (EPS) Food Containers	Study will require a significant amount of work by the Solid Waste and Environmental Divisions (stormwater) to research actions taken by other jurisdictions, develop draft ordinance language and conduct community outreach. The CEQA Initial Study may require consultant assistance at a cost estimated at \$40,000 for preparation of a Negative Declaration.	Depending on the content of the ordinance adopted, staff time may be required to enforce the ordinance, respond to public complaints about non-compliant stores, etc. A ban may result in small savings in the cost of litter cleanup performed by City staff.

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Number Title	Cost of Study	Fiscal Impact Explanation
DPW 11-04 Placement of "Bicycle Allowed Use of Full Lane - Vehicles Change Lanes to Pass" signs.	The subject signs are considered optional according to the updated Federal Manual on Uniform Traffic Control Devices (MUTCD), and optional devices are not presently pursued due to City budget constraints. In addition, the updated MUTCD has not yet been adopted by Caltrans, and the City's zoning ordinance requires following the CA MUTCD. Placing signs is an operational issue that would have a minor impact on the Division of Transportation and Traffic and the Division of Field Services.	The study could cause a minor increase in the City's capital and operational costs associated with the initial installation of the signs, as well as their regular maintenance.
DPW 11-07 Adopt a Policy to Utilize the VTA Bicycle Technical Guidelines	The VTA Bicycle Technical Guidelines contains elements that are not consistent with established federal and state standards. This study would assess the dissimilarities and make a recommendation on policy changes. The study would be prepared by staff and costs would be absorbed by existing operating budgets.	Project could result in new bike improvements of an unknown, potentially significant fiscal impact. For example, requiring wider bicycle lanes could have significant fiscal impacts when it would require roadway widening. Other standards would need to be assessed but could have unknown fiscal impacts of a similar nature.
DPW 11-09 Community Bus Feasibility Study	This study would be conducted by Division of Transportation and Traffic staff. Impacted program would be Program 119. Costs would be absorbed by the existing operating budget.	Minimum capital costs would be approximately \$ 300,000, and minimum annual operating costs would be approximately \$ 250,000. This might be offset slightly by farebox revenue, although the level of fares would impact the ridership of a proposed service.
DPW 11-10 Fair Oaks Avenue/Route 237 Parking Facility Study	This study would be performed by City Public Works, Community Development, and Finance staff. Costs would be absorbed by existing operating budgets.	Should a parking facility be implemented, there could be capital costs in the \$ 100K to \$200K range. New operating costs would be incurred for management of the parking pay stations and cleaning and maintenance of the parking facilities. These costs would be offset to some degree by revenue from the parking facility. The amount of offsetting revenue would depend upon the number of parking spaces, parking demand, and pricing.