

APPROVED MINUTES*
SUNNYVALE CITY COUNCIL SPECIAL MEETING
COUNCIL BUDGET WORKSHOP
MAY 20, 2010 - 8:30 A.M.

CALL TO ORDER - Mayor Hamilton called the meeting to order in the Council Chambers.

SALUTE TO THE FLAG

ROLL CALL

PRESENT:

Mayor Melinda Hamilton
Vice Mayor Christopher Moylan
Councilmember Otto Lee
Councilmember Anthony (Tony) Spitaleri
Councilmember David Whittum
Councilmember Jim Griffith

ABSENT:

Councilmember Ron Swegles (excused)

STAFF PRESENT:

City Manager Gary Luebbers
Assistant City Manager Robert Walker
City Attorney David Kahn
Director of Finance Mary Bradley
Director of Community Development Hanson Hom
Chief of Public Safety Don Johnson
Director of Public Works Marvin Rose
Finance Manager Grace Leung
Budget Analyst Drew Corbett
City Clerk Kathleen Franco Simmons

PUBLIC COMMENTS

None.

REVIEW OF THE RECOMMENDED FY 2010/2011 BUDGET AND TWENTY-YEAR FINANCIAL PLAN

Councilmember Whittum disclosed he met with Mike Andrade and Marshall Clifford of the Public Safety Officers Association on January 27 and Pamela Dunn and members of the Sunnyvale Employees Association on February 6. Councilmember Whittum stated he received answers to questions he had asked of staff and a copy is available for members of the public present.

**Approved by City Council June 15, 2010*

City Manager Luebbers outlined the agenda for the workshop, provided an overview of the budget and presented a PowerPoint presentation.

Vice Mayor Moylan stated it would be helpful to hear from each department the most significant service cuts that have already occurred, service cuts planned for the upcoming year, and the percent reduction in funding for each department.

Councilmember Whittum referenced the FY 2007/2008 twenty-year financial plan which was in effect when he came into office and inquired as to why we are having a problem if we are making approximately as much revenue as we thought we were going to make two years ago.

City Manager Luebbers stated expenses are up over the same period of time.

Councilmember Whittum inquired as to what is going to be done differently to ensure we do not have the same problem three years from now.

City Manager Luebbers stated there are several different options Council can take, and one is to raise enough revenue to keep pace with expenses, or reduce expenses over the long term.

Councilmember Whittum stated we are making \$3 million more in revenue than predicted in FY 2005/2006 and \$2 million more than predicted in FY 2006/2007 for this year. Councilmember Whittum stated revenue is going up.

City Manager Luebbers stated revenues are not going up as fast as expenses are and are not going up at a significant enough rate. Luebbers stated expenses are going up faster.

City Manager Luebbers confirmed for Councilmember Whittum he has had conversations with the bargaining units.

Councilmember Lee confirmed with City Manager Luebbers that the key to this budget is moderation, compromise and security. Councilmember Lee stated the good news is there are no furloughs or layoffs with this budget, but confirmed with City Manager Luebbers there are positions being eliminated that are vacant now, and retirements or vacancies anticipated over the next two years.

Councilmember Lee stated the budget stabilization fund would be reduced in order to meet the imbalance between revenue and expenditures. Councilmember Lee encouraged employee participation to come up with ideas to reduce expenses in the future.

Mayor Hamilton inquired about the extent the potential solutions listed on slide 15 of the PowerPoint presentation would help the budget.

Budget Analyst Drew Corbett stated the least impact would be lowering the budget stabilization fund balance, as it is already being drawn down over the next twelve years to \$8 million. Different service level reductions have been proposed and it is a matter of what Council wants to do and trying to stay within the bounds of no furloughs and no layoffs. Budget Analyst Corbett stated if the City were to go to a two-tier retirement system at the end of the current contracts, the savings would be significant; approximately \$1.1 million worth of services could be reinstated. Budget Analyst Corbett stated another option discussed is employees picking up a percentage of their PERS

contribution. The model discussed has been 1 percent one year and going to 2 percent the next year, which would equate to approximately \$1.3 million worth of services which could be reinstated. Finance Director Mary Bradley discussed revenue increases. Finance Director Bradley stated any changes to the utility user tax would range from a low of approximately \$1.8 million per year to a high of approximately \$6-7 million per year. Director Bradley stated the landscaping and lighting district could be approximately \$2.4 million per year.

City Manager Luebbers stated lowering the budget stabilization fund is not a desirable solution and puts the City in jeopardy. City Manager Luebbers stated service reductions can be done a few different ways, swapping this for that, instead of reducing this and that. City Manager Luebbers stated most of the money left in the departments is personnel costs, so service reductions equate to personnel reductions.

Mayor Hamilton confirmed with City Manager Luebbers that lowering the budget stabilization fund is the shortest term solution, and the other three have varying degrees of impact.

Councilmember Spitaleri inquired as to when a savings would be anticipated based on a two-tier retirement system. Budget Analyst Corbett stated the difference between the employee pick up and the two-tier is that the employee pick-up has a greater benefit up front, but it stays more flat going forward. He stated that on the two-tier there is not nearly the benefit up front, but in years 10, 15 and 20 the difference between the two-tier and the employee pick-up is a lot more of a gain with the two-tier. Budget Analyst Corbett stated that because we are in a twenty-year financial plan and we have a budget stabilization fund, going to the two-tier would create greater savings over the long term.

Councilmember Spitaleri confirmed with City Manager Luebbers that in a two-tier retirement system a bottom line benefit would not be seen for many years.

Vice Mayor Moylan inquired about the salary increases of 7 percent or more indicated in one of the slides. Budget Analyst Corbett responded that after a number of years with no increase, the most recent SEA contract had the gain of a 6th step in the salary scale.

Director of Finance Bradley stated that part of the reason for the zero years were because we were going to the 2.7 percent at 55 and that was part of the deal.

City Manager Luebbers confirmed for Vice Mayor Moylan that Assistant City Manager Robert Walker would take over the Director of Community Services position for two years, which is reflected in the budget.

Vice Mayor Moylan stated that some of the items listed for increased revenues are fees. Vice Mayor Moylan stated the policy is to charge fees based on our cost, therefore we don't arbitrarily have the ability to increase fees. City Manager Luebbers stated all fees would be collected on the nexus of fees equating to cost.

Vice Mayor Moylan stated any changes made to fees would be fairly tiny compared to the fiscal problem to solve. Director Bradley stated staff has been reviewing all fees, and some are for services which are discretionary which we may or may not be charging for. In addition, some fees by Council policy are currently subsidized, most notably some of the recreation fees.

Vice Mayor Moylan inquired as to what the maximum amount of additional revenue would be if all undercharged fees were corrected and Council no longer did any subsidizing. City Manager Luebbers stated it would not solve the problem, but it would go toward solving the problem. City Manager Luebbers noted a potential technology fee in the Community Development Department and a potential street maintenance fee.

Vice Mayor Moylan stated he agreed with City Manager Luebbers that it takes a combination of tools to solve the problem and any increase will go towards solving the problem, but he is trying to figure out how much toward solving the problem.

Director Bradley stated the staff is very focused on every few dollars being a portion of someone's salary or a portion of a layoff that does not have to occur. Director Bradley stated the technology fee the city manager mentioned is included in the fee schedule this year, which is about \$100,000 the City can legally collect to replace our permitting system that we had not been collecting previously.

City Manager Luebbers stated over the last year almost \$300,000 in money owed to the City has been collected. City Manager Luebbers stated the City has been aggressive in doing that and there is a person focused on that.

Vice Mayor Moylan confirmed with City Manager Luebbers that on the list of possible revenue enhancements, the utility user tax dwarfs all of the others. Vice Mayor Moylan stated if we are really serious about considering enhancing revenues and not just cutting services, employees and salaries, then we have to ask the voters to consider it.

Councilmember Whittum suggested it is worth considering the employees pick up the full employee contribution for PERS, which would save \$7.75 million per year.

Councilmember Whittum stated if we went to a more normal Park Dedication Fee standard of 5.5 acres per thousand which would hold us at our current park ratio, it would generate about \$2.1 million annually in restricted funds for park dedication.

City Manager Luebbers stated he agrees that the first suggestion would close the gap but the second one does not close the gap; it gives money to develop parks, but associated with development of parks is the maintenance of the parks. Councilmember Whittum stated that since 1999 Park Dedication Fees have not been used to develop parks but to fix park roofs and park parking lots, so this would give \$2.1 million more per year to fix park roofs and park parking lots.

Finance Manager Grace Leung presented the General Fund Expenditures and Revenues and a PowerPoint presentation. Finance Manager Leung stated several budget supplements are included in this budget, seven of which are in the General Fund, in Volume 1 under the Budget Supplements tab. Finance Manager Leung stated an additional supplement was provided to Council to consider funding for three study issues. Finance Manager Leung stated the three study issues, one for the Community Theatre, one for Reliable Electrical Power Options, and one for Comprehensive School Traffic Study were deferred in February due to the costs associated with the studies and Council wanted to review them in the context of the budget. Finance Manager Leung stated the city manager does not recommend funding the studies due to current fiscal challenges; if they were to be funded something else would not be funded in order to do so. Finance Manager Leung continued with the presentation on revenues.

Councilmember Whittum stated revenues this year are projected at \$123 million, which is close to what was predicted in FY 2005/2006 and FY 2006/2007 and it was discussed that revenues are down, but they are actually up compared to what was predicted in FY 2005/2006 and FY 2006/2007 and close to the \$124.2 million predicted in FY 2007/2008. Councilmember Whittum inquired as to how we got such accurate predictions during that time despite the fact that revenues are down. Finance Manager Leung stated part of the revenues includes inter-fund revenues and a large inter-fund revenue source is the General Fund loan repayment from the RDA. Leung stated there was a State takeaway to balance the State's budget which for us was a \$2 million impact for FY 2009/2010 that was not projected three years ago which has an impact on the numbers.

Budget Analyst Corbett stated five years ago the FY 2005/2006 and FY 2006/2007 budgets we were on the upswing from the dot com and the projections at that point were more conservative. Budget Analyst Corbett stated that if you were to look at FY 2007/2008 budget for FY 2010/2011, it was higher than where we are today. Budget Analyst Corbett stated as part of the long-term projection process, we were probably a little conservative then and as the sales tax and property taxes continued to rise during those years, if you looked at FY 2007/2008, we are probably off for what we thought for FY 2010/2011 and now we have had to bring it back down.

Councilmember Whittum stated what he thinks is remarkable and worth observing is that we were accurate in the thing we do not control but in expenses we do control, we were not accurate, so now we are spending more which is why we have a deficit.

Mayor Hamilton stated she would have thought the reason the expenses went up so high was due in large part to the CalPERS situation.

Finance Director Bradley stated we do not control some of our expenses, most notably the CalPERS situation and some salaries which are increased by a market survey.

Councilmember Whittum stated Council is responsible for the salary decisions in the end.

Finance Manager Bradley stated the PERS situation is sadly uncontrollable.

Finance Manager Leung confirmed for Councilmember Griffith that commercial property taxes are projected to drop 5 percent each year for the next two years and it is expected to rebound over a three year period. Councilmember Griffith stated his understanding of Proposition 13 is the most we can go up is either CPI or 2 percent, and it is typically 2 percent. Councilmember Griffith stated commercial tends to rebound less quickly because the only way it jumps up any faster is if property is sold, and compared to residential, commercial is sold a lot less frequently. Given a 2 percent limit, Councilmember Griffith inquired how we are jumping back 10 percent in three years.

Finance Manager Leung stated when there is an appeal and it is successful and the assessed valuation comes down, the County tracks where the assessed valuation was before, so they legally can bring the assessed valuation back up to where it was pre-appeal.

Mayor Hamilton inquired about the impact of the federal legislation regarding medical insurance. Finance Manager Leung stated we do not know yet and stated she just saw some literature on the dependent age coverage increasing happening relatively quickly which will have an impact on our costs and a tax on higher benefited health plans three years down the line that will have an impact as well.

Councilmember Spitaleri stated we have lost some car dealers but at the same time there are new businesses coming in. Councilmember Spitaleri inquired if there has been an analysis including these new businesses and future business growth. Finance Manager Leung stated \$1.5 million new sales tax revenue is projected for downtown beginning in FY 2012/2013.

Finance Director Bradley stated staff included Sprouts, a full year of Target and some others coming in.

Finance Manager Leung confirmed for Councilmember Spitaleri that with National Health Care there is a potential of lowering costs of medical care.

Councilmember Griffith inquired about the budget impact of current and future state take backs. Finance Manager Leung stated part two of the Education Revenue Augmentation Fund (ERAF) shift, approximately \$400,000 for FY 2010/2011 from the RDA is there, but we have not seen further takeaways in that budget. Finance Manager Leung stated that in the current year budget, it seems with the way they have shifted some of the gas tax Proposition 42 monies, they have laid the groundwork for potential future reductions.

Councilmember Griffith stated he spoke with one of our two State legislators over the weekend and mentioned the State take backs; the response he received was it is a loan we will get back.

Finance Director Bradley stated they may be referring to the transportation money and they are not giving us gas tax until March or April so there is a slow down in the cash flow. Director Bradley stated any time there is a Proposition 42 it is a loan; they are considering using the gas tax to pay the State's debt on transportation. Finance Director Bradley stated Proposition 1A on the November ballot is seeking to address that.

Budget Analyst Corbett stated they were probably referring to last year's property tax take which we have securitized and is basically a net zero to us so that was a loan, but the ERAF shift is not a loan. Corbett stated the \$2.4 million that is gone over the next two years from RDA which impacts our General Fund is not a loan.

Finance Director Bradley confirmed for Councilmember Griffith that in the cases where it is a loan, we have already securitized the one and they are constitutionally protected.

Mayor Hamilton called a recess at 10:07 a.m.

Mayor Hamilton reconvened the meeting at 10:22 a.m. with all Councilmembers present except Councilmember Swegles.

Chief of Public Safety Don Johnson provided a report of the Department of Public Safety's programs and services, budget overview, significant changes, and initiatives.

Vice Mayor Moylan stated some proposed expense reductions would be done anyway, and some are driven by the bad economy. Chief Johnson stated the reductions driven by the budget process are the lieutenant positions in Office of Emergency Services, Worker's Compensation and Emergency Medical Services. Chief Johnson stated the Emergency Medical Services lieutenant reduction was recommended in the 2004 Matrix Study – that a civilian be put in as an educator and quality improvement person, and combine the lieutenant's duties in supervising that person and managing fire training. Recruiting Officer and Range Master are also proposed reductions due to

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the budget process. Chief Johnson stated the efficiencies are the civilian professionals and the technology efficiency gains in statistics unit and the dispatcher.

Vice Mayor Moylan confirmed with Chief Johnson that in the Matrix Study the shift duration was a prime number and if it were ten or twelve or something that divided into a day that would provide some savings. Vice Mayor Moylan inquired if the officers were amenable to that, would that allow some of the economy-driven cuts to be undone. Chief Johnson stated he would rather look first at where he considered the need to be greater.

Vice Mayor Moylan confirmed with Chief Johnson that there have already been some vacant positions which have not been filled. Vice Mayor Moylan confirmed the proposal of a net five reduction; ten converted to civilian positions and five that go away. Vice Mayor Moylan inquired if there must be some level of service reduction that has already happened and will happen going forward; when positions are vacant and do not get filled either we were inefficient before, have thought of a better way of doing it or can get technology to replace the person. Chief Johnson stated there are currently two unfunded positions, a Grants Manager and a Bureau of Technical Services Manager, which came as a result of the \$4 million savings and they have been plugging people in to do those jobs and left holes elsewhere. Chief Johnson stated he has committed to the city manager that they will get the job done but it may be the dollar value, not necessarily the position itself. Chief Johnson stated they have moved a dispatch supervisor down to coordinate the dispatch center and moved the person who was doing the emergency medical services quality control to the dispatch floor. Chief Johnson stated each supervisor will have to listen to four or five tapes over the period of a month and evaluate the people they are working with on their emergency medical services instruction. He stated that might be an example where we weren't as efficient as we could have been and weren't using our supervisors as we should have been. Chief Johnson stated he thinks we are accomplishing the work in emergency medical services, the correct placement for the lieutenant who was dealing with worker's compensation is Human Resources, and the Office of Emergency Services can be in a maintenance mode. Chief Johnson stated he does not equate anything to a loss of service as he does not think there will be any visible reduction of service to the community.

Vice Mayor Moylan stated there have been people in all departments who have left and the positions were not filled, and he wants to be sure everyone in town understands that at some level things that used to get done already are not getting done, and it is not a question of should we cut services or raise revenues or do both, to some extent we are already cutting services.

City Manager Luebbers confirmed for Vice Mayor Moylan that the Department of Public Safety accounts for 54.2 percent of the overall cuts, and Department of Public Safety is 58 percent of the budget. City Manager Luebbers stated the Department of Public Works accounts for 8 percent of the budget and they are contributing 15 percent of the cuts; Human Resources accounts for 2.9 percent of the budget and they are accounting for 7.5 percent of the cuts; the Office of the City Manager accounts for 3.2 percent of the budget, and they are contributing 5.7 percent of the cuts. City Manager Luebbers stated the Office of the City Attorney, much like the Department of Human Resources, is almost entirely staff driven; there are very little outside discretionary costs.

Vice Mayor Moylan stated it would be useful to have a table broken down by department with what fraction of the budget and fraction of the proposed savings each department is.

Chief Johnson confirmed for Vice Mayor Moylan the current percentage of lateral hires in the Department of Public Safety is 15-17 percent.

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Councilmember Spitaleri requested copies of the PowerPoint presentation.

Councilmember Spitaleri stated it concerns him when he hears the Chief of Public Safety or any Fire Chief state they think reductions may not have an impact on public safety.

Councilmember Spitaleri confirmed with Chief Johnson that for one person to be recruited it costs the City \$341,000. Chief Johnson stated \$118,000 represents the salary, benefits and cost of the academy for 14 weeks of training.

Director of Finance Mary Bradley clarified the salary for a PSO I, a person who is in the academy, is \$75,000 - \$85,000 per year.

Councilmember Spitaleri stated he is concerned with the reduction in the recruitment program is the problem the City had some years ago; because they fell behind in recruitment it cost much more money in overtime to get back up to staffing and recruitment levels. Councilmember Spitaleri inquired if we are in danger of falling back into that trap by reducing recruitment efforts.

Chief Johnson stated there is still a recruitment program in place.

Councilmember Spitaleri inquired about dispatch. Chief Johnson stated there are currently 19 people in the communications center. One is a coordinator, one manages systems, and the others are online 24 hours per day. Chief Johnson stated there are 4-5 per diem dispatchers used on a regular basis to supplement employees who might be out on disability.

Councilmember Spitaleri inquired about the impact of losing four public safety officers. Chief Johnson stated they have minimum staffing levels set by contract in police and staffing levels maintained in fire. Chief Johnson stated the positions they would be looking to place civilian professionals in are not 911 positions.

Councilmember Spitaleri inquired if there is minimum staffing on the patrol side and they happen to be short, would they take people out of the fire stations to maintain minimum staffing on the patrol side, and would it cause overtime to make that work.

Chief Johnson stated any time there are vacancies due to injury or illness, there are typically two groups of people working, 24 in the fire stations and 33 on the patrol side. Chief Johnson stated they draw on overtime from the remaining 150 public safety officers to fill. The idea of working toward civilian professionals would be not to place those civilian professionals in line functions.

Chief Johnson stated there would be no change to the delivery of 911 emergency services in police where there is minimum staffing or in fire where there is no contractual minimum staffing but a staffing level of 24 is maintained.

Councilmember Spitaleri inquired if there would be a potential for an increase in overtime with less people. Chief Johnson stated he did not believe so.

Councilmember Spitaleri expressed concern about the handling of worker's compensation issues.

City Manager Luebbers stated Worker's Compensation is typically managed out of the Human Resources Department and the new Human Resources Director has a significant amount of experience in this area.

Councilmember Spitaleri stated he is very concerned about the Office of Emergency Services and who the workload will fall on, in the event that we have a major incident in the community.

Chief Johnson stated that from his experience, the position of lieutenant in the Office of Emergency Services has been one of planning. Chief Johnson stated the workload might go up to the Captain in charge, or to people in Fire who have the experience.

Councilmember Griffith inquired to what extent we have to worry about losing officers we have trained to other cities. Chief Johnson stated that over the course of 30 years he can count a handful.

Chief Johnson confirmed for Councilmember Griffith that there are confidentiality restrictions with the availability of traffic reports online and the program in place accounts for that.

Councilmember Griffith expressed concern about the civilianization of the officer in charge of booking and holding and stated it strikes him as a position for a trained public safety officer.

Chief Johnson stated that depending on Council's action, he would work with the Public Safety Officers Association to figure out where civilian professionals would best be placed. Chief Johnson stated Matrix recommended it as an industry practice that is a potential place for civilianization. Chief Johnson stated some of the primary reasons for having a desk officer is point of contact for people across the front counter that may not have the same understanding as a records person would. Chief Johnson stated other agencies close their records and desks overnight but the City of Sunnyvale does not. Chief Johnson stated as far as prisoner handling, it has been successful elsewhere and he does not think it would affect the safety of the public.

Councilmember Griffith inquired about mobile booking. Chief Johnson described the current booking process and stated mobile booking would eliminate a step for an arrestee to have to be brought to Public Safety.

Councilmember Whittum confirmed the Department of Public Safety budget is up.

City Manager Luebbers confirmed for Councilmember Whittum the reason the budget is up is the cost per officer and costs can be negotiated with the bargaining units in 2012 when the negotiations occur.

Councilmember Whittum stated a sign of paying too low would be losing people to other agencies, but that is not happening.

City Manager Luebbers stated pay is only one part of that; there is a lot of attraction to Sunnyvale because of the Public Safety model, it is a safe community and it is a well-liked department, which are all factors for a public safety officer when they are choosing where to work.

Councilmember Whittum stated the salary and benefits of a public safety officer have increased 98 percent in the last 10 years, from \$108K to \$214K and the public safety budget has increased 76

percent in that time from \$38.7 million to \$68 million. Councilmember Whittum stated the budget has been outpaced in the cost per unit.

Councilmember Whittum inquired if and when he is going to meet with the officers to talk about the cost per unit, suggestions, and if the meeting is going to happen before Council decides on a budget.

City Manager Luebbers stated the City is in discussion with all the bargaining units and a lot of the discussion revolves around the retirement system and they are aware, as all of the employees are, that if there is money that flows into the revenue line from any source that the opportunity to enhance services in any of those areas is the same, but between now and 2012 we are not in a position to bring them to the bargaining table to reopen negotiations.

City Manager Luebbers confirmed for Councilmember Whittum that Council is in the position to cut the costs in our twenty-year plan from 2012 going forward, and the cut will be more severe if it is not done sooner rather than later.

Councilmember Spitaleri stated questioning expenses is not inappropriate, but telling the city manager how to negotiate with the bargaining units is to close to the line.

Councilmember Spitaleri stated the number one priority of any city is public safety, and it also says that in the Constitution of the State of California. Councilmember Spitaleri stated he understands the cost of public safety and we need to be smart in how we spend our dollars; a dual discipline officer in our community is unique to the country and costs more than some jurisdictions but less than a lot of jurisdictions.

City Manager Luebbers confirmed for Councilmember Lee that the two civilianization proposals on page 12 of the City Manager's transmittal letter have been factored into the budget in the year they become effective.

Councilmember Lee inquired about the training cost reduction.

Budget Analyst Corbett stated the training number will fluctuate each year with how many people are in the pipeline and those are the people who are paid out of the recruitment project; it does not come out of the Department of Public Safety's operating budget. Budget Analyst Corbett stated the drop from 20 is not a 20 headcount drop; if the civilianization proposal of 10 officers over the next two years is approved, it will happen through attrition not through layoffs, so there will not be a need to do the recruitment that had been planned previously. Budget Analyst Corbett stated that for the FY 2010/2011 budget there is about \$700K for recruitment to finish off the recruits currently in the pipeline, followed by two years of zero dollars for public safety recruitment which reflects the move to civilianization where there will not need to be the recruitment efforts; however, after the next three years there is \$52 million programmed over the final 17 years of the plan, to handle the recruitment at the lower level of sworn officers.

Chief Johnson confirmed for Councilmember Lee that laterals are a PSO I until fully trained.

Finance Manager Leung confirmed for Councilmember Lee that although the number seems large, because of the training time being shortened because they are lateral versus a brand new hire, the number is not that significant of a change.

Budget Analyst Corbett confirmed for Councilmember Lee that with retirements, five positions would not be replaced outright, but for 10 of the positions, a civilian professional would replace a PSO II.

City Manager Luebbers confirmed for Councilmember Lee that the civilian professionals would be new employees.

Councilmember Lee inquired how we would be able to respond if we find the cuts were too aggressive and we need to hire people back. Chief Johnson stated it is a matter of looking at the metrics in place for the 26 measures to track if they are being met and if we are able to have a certain amount of productive time for the officers on the street. Councilmember Lee stated that if the metrics are slipping he does not want to wait until the next budget cycle to address them. Councilmember Lee expressed concern about the desk officer position being replaced.

City Manager Luebbers stated that because the changes are going to be through attrition it will not be a dramatic change all at once; it will be segmental so there will be plenty of time to watch and see how it is progressing. City Manager Luebbers stated Chief Johnson will meet with PSOA to mutually agree on the best selections for civilian professionals.

Councilmember Lee stated he is concerned if the economy gets worse the crime rate will increase and that if the economy does improve and downtown is built and more people are moving in, the level of service needed will increase.

Councilmember Griffith inquired about the budgetary impact of a significant mutual aid such as the Santa Cruz fire.

Chief Johnson stated the response to the mutual aid is based on the ability to cover our own City, and there is a State mutual aid plan and a County mutual aid plan that we follow, and the City of Sunnyvale gets called in a particular order. Chief Johnson stated when a truck is sent, the billing process is started and the reimbursement is typically received by the time the budget closes. Chief Johnson stated if the mutual aid was for the City of Mountain View on a Friday night, we do not bill them and they do not bill us.

Councilmember Griffith stated that our situation is bad but not nearly as bad as some of our neighbors, and we do not know what reductions in services they are looking at. Councilmember Griffith asked if there is any concern that the situation in surrounding jurisdictions may increase the amount of mutual aid we have to respond to. Chief Johnson stated there could be a concern, but one of the things he is looking at with City of Santa Clara and City of Mountain View is the consolidation of services.

Councilmember Griffith stated when it comes to planning for housing and land use, we take future job growth and population into account; Councilmember Griffith inquired to what extent the twenty-year budget going forward takes into account the increase in service levels that will be required from an increase in population and job base, and the corresponding service requirements for public safety.

Finance Director Bradley stated we have a performance based budget therefore we do look at activities and programs and provided an example if the response time slipped a conversation is prompted between the department director and the city manager.

City Manager Luebbers stated it would be very speculative to account for possible job growth and possible housing growth, so we will have to react to that when it occurs.

Councilmember Griffith stated we see these types of numbers when we talk about Parks of the Future and Libraries of the Future.

City Manager Luebbers stated as these things move through Community Development, Planning Commission, and City Council, at that point there should be some kind of metric about the impact to the services the City is able to develop whether in parks, public safety, etc.

Finance Director Bradley stated the value of the City has also been continuous improvement, so staff has been making technological improvements to continually do more with the same amount of resources.

City Manager Luebbers stated that at the next League of California Cities Peninsula Division meeting the primary item on the agenda is shared services which is high on the city managers' radar and there is a committee in Santa Clara County in which the City of Mountain View city manager and himself are co-chairs. City Manager Luebbers stated there will be considerable discussion on shared services as a way of providing the same services at a reduced cost.

Councilmember Whittum commented that a public safety impact fee on development might be something to discuss if people are concerned about the impacts of development. City Manager Luebbers stated staff would look into that.

Chief Johnson confirmed for Mayor Hamilton that there is currently a charge for traffic accident reports and with the availability of the reports online, a convenience fee will be charged which will be a reduction in the dollars coming in, but will be a convenience factor for citizens to get a report.

Mayor Hamilton inquired if the trainers at the academy are in-house or contracted with an outside agency. Chief Johnson responded that Alameda County Police Academy is used for the police academy and a retiree is hired to run the Fire academy.

Chief Johnson stated he would provide a breakdown to Council via a City Manager's Bi-weekly Report.

Director of Human Resources Teri Silva provided a report of the Department of Human Resources' programs and services, budget overview, significant changes, and initiatives.

Director Silva confirmed for Councilmember Lee that the Risk Manager in the risk management division will handle public safety worker's compensation as well as a third-party administrator. Councilmember Lee inquired if the additional responsibility will affect the department's performance. Director Silva stated she has not been with the department long enough to assess the impact it would have, but she does not foresee it being a significant increase in work.

Vice Mayor Moylan inquired about the status of succession planning.

City Manager Luebbers stated Assistant City Manager Walker is the project manager and will address succession planning in his presentation.

Director of Libraries Lisa Rosenblum provided a report of the Department of Libraries' programs and services, budget overview, significant changes, and initiatives.

Councilmember Griffith inquired about where the teen program is going to be held. Director of Rosenblum stated she is working with staff to locate a space which would have the least amount of impact on the quiet spaces but also serve the teens.

Director Rosenblum confirmed for Councilmember Griffith that the maximum number of DVDs checked out at a time has been raised from three to ten due to the efficiency of the RFID technology.

Director Rosenblum confirmed for Councilmember Griffith that the reduction noted in the City Manager's transmittal letter is a reference to last year's budget that is impacting this year's budget.

Councilmember Griffith stated the reason he is asking because in a library budget the materials acquisition has traditionally been sacrosanct.

Finance Director Bradley confirmed for Councilmember Griffith that the \$82,000 taken out in FY 2009/2010 is an ongoing cut.

Director Rosenblum confirmed for Councilmember Griffith that last year's cuts were focused on little-used materials, not books such as children's materials. Director Rosenblum stated we were serving a library philosophy that is no longer valid with the internet; print books were cut but only where they felt they could get the information online. Director Rosenblum stated the focus she has always brought to libraries is to not cut children's materials, bestsellers and the things that people really come to the library for.

Director Rosenblum stated cuts have been made to as many non-book sources as possible and going forward if cuts must be made to the materials budget it is going to be books.

Councilmember Griffith requested a more detailed breakdown of proposed cuts.

Vice Mayor Moylan inquired if the collections budget is dollar-limited or space-limited. Director Rosenblum stated it is a little of both; the children's area is space limited.

Vice Mayor Moylan stated 40 percent of the computer users are job seekers and inquired if there would be any way to achieve synergy with NOVA in that. Director Rosenblum stated they already have some partnerships with NOVA; library staff train some of the NOVA customers and NOVA staff send NOVA customers to the library to use computers to write resumes; the library is open 66 hours and NOVA closes at 5 p.m.; an effort has been made to buy materials and create a special space for the NOVA customers.

Vice Mayor Moylan stated it may be a possibility to consolidate the services so there is just one place to do all of that.

Vice Mayor Moylan stated his biggest concern is the Fremont High School kids who come from the north end of Sunnyvale. Vice Mayor Moylan inquired if there might be some way to start a program without spending a lot of money, to encourage teens to stop at the library on their way home from school. Director Rosenblum stated they do have a program where a teen librarian goes to Fremont High School during lunch and gives out library cards, and there is a book discussion group. Director

Rosenblum stated one focus is to expand teen services; they have just started a teen advisory group where teens get community service credits for being involved; they help choose materials for the library and may help in the design of the teen spaces.

Councilmember Lee inquired about the impact of the reduction in personnel on the level of service, specifically about the teen after-school purpose the library is serving as a gathering place and regarding outreach to various communities. Director Rosenblum stated she believes in strategically planning the priorities each year and the priority is outreach to the north Sunnyvale community. Director Rosenblum stated there are ways to creatively deploy staff so desks are covered but people can still be sent out to do outreach. Director Rosenblum stated everything they do is important but they have to focus on what is most important. Councilmember Lee stated because this is one of the highest priorities he hopes the level of service does not dip because of the proposed changes. Director Rosenblum stated it may mean that instead of having two children's librarians on a service point at 3 p.m. when school gets out there may only be one which could mean longer lines.

Councilmember Lee inquired whether a new person would need to be hired to handle technical issues with the RFID, or is it something current employees could be trained to do. Director Rosenblum stated that as part of our contract, the vendor has hired someone in the south bay area to come in and address those issues and a lot of the fixes can be done online.

Councilmember Lee inquired if the revenue is expected to go up from the fines with the new machines. Director Rosenblum stated there is a possibility it will because it is easier to use than going online, and there is a truer picture of when people return books.

Mayor Hamilton confirmed with Director Rosenblum that the Library Specialist III positions being reduced by 6,100 hours are vacant positions cut as a result of the RFID machine going in.

Mayor Hamilton inquired about the elimination of inter-library loan services. Director Rosenblum stated inter-library loan was very time intensive; Link+ is customer empowered and the majority of people were not using inter-library loan services.

Mayor Hamilton inquired about the elimination of security services. Director Rosenblum stated there is a contracted security guard at the library approximately 20 hours per week, but with the Department of Public Safety across the street, it is a service that could be eliminated rather than take dollars from the book budget.

Mayor Hamilton called a recess for lunch at 12:29 p.m. until 1:15 p.m.

Mayor Hamilton called the meeting to order at 1:19 p.m. with all Councilmembers present except Councilmember Swegles.

Assistant City Manager Robert Walker provided a report of the Department of Community Services' programs and services, budget overview, significant changes, and initiatives.

Councilmember Griffith expressed concern about closing Lakewood Village pool as Highway 101 is a barrier that divides the north and south and causes people to not want to cross over. Councilmember Griffith stated that although it may be the most cost effective, closing the only pool in that area is unpalatable to him. Councilmember Griffith inquired if there is a second best option to pursue.

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Assistant City Manager Walker stated there might be a second best and he would want to work with staff on it. Assistant City Manager stated the cost savings would be different; this is the only pool where the City inherits all of the cost, and over the next ten years there is about \$250,000 worth of infrastructure costs that go into Lakewood pool. Assistant City Manager Walker stated there is a boiler anticipated to be replaced next year and it will cost approximately \$100,000. Assistant City Manager Walker reiterated the pool is anticipated to close next year.

Councilmember Griffith stated this is an area where he could see Council saying even though the cost is greater, marginalizing people in North Sunnyvale even more is not something that sits right for us. Councilmember Griffith stated Lakewood can't be left open and close one other pool and have it be apples to apples, but we could keep Lakewood open, close one other pool and achieve some other savings somewhere else. Councilmember Griffith requested additional information in advance of the budget hearing.

Assistant City Manager Walker confirmed for Councilmember Whittum that the \$800,000 in capital costs listed for Lakewood pool in the Parks of the Future list came from the consultant; staff is unsure how the number was derived but it is not the same as the infrastructure staff put together.

Assistant City Manager Walker confirmed for Councilmember Whittum that the capital costs are eligible for park dedication fees.

Councilmember Whittum stated one of the questions he had asked was if the park dedication fee standard was raised to 5.5 acres per thousand how much would be generated. Whittum stated as he understands it, \$2.1 million might be generated annually for a total of \$45 million over 20 years. Councilmember Whittum inquired as to what Council would need to do to make that happen.

Assistant City Manager Walker stated it would need to be on an agenda, and formal action taken by Council to add to the municipal code.

Councilmember Whittum confirmed with Assistant City Manager Walker that park dedication fees can also be spent on trails.

Councilmember Whittum stated the golf and recreation fees are intended to be competitive with surrounding communities and inquired as to whether fees in surrounding cities are going up significantly. Assistant City Manager Walker confirmed for Councilmember Whittum that golf fees will next be evaluated on June 15, and we may not know what is adopted by another city until after we adopt our budget. Walker stated that in general fees are going up.

Councilmember Whittum stated we subsidize the golf activity using park dedication fees for capital improvements, and those costs are not captured in the fees.

Councilmember Whittum stated park dedication fees are used to fix park buildings; we are not actually charging the amortized cost. Walker stated we do not charge on the basis of those costs; we charge what the market will bear and the golf course brings in a good deal of net profit to the community recreation fund.

Budget Analyst Corbett stated as a stand alone entity they would cover their costs including capital costs as of now.

Councilmember Whittum spoke in favor of setting fees in a way that is fair but also adequate to recover costs.

Assistant City Manager Walker confirmed for Councilmember Spitaleri that the golf course usage for Sunnyvale Municipal Golf Course and Sunken Gardens Golf Course is approximately 143,000 rounds of golf.

Councilmember Spitaleri inquired if there has been a sense that Sunken Gardens has been used less. Assistant City Manager Walker stated that in the last decade golf in general has gone steadily downward.

Councilmember Spitaleri inquired if Sunken Gardens could stand alone. Assistant City Manager stated staff will get Council that information. Assistant City Manager Walker stated golf courses, as compared to pools, are huge winners.

Councilmember Lee inquired about potential rental revenue for Plaza Del Sol and whether a lower rental rate might attract more people to rent these types of facilities.

Assistant City Manager Walker stated it sometimes makes sense to lower fees, and he will look at Plaza del Sol with staff. Assistant City Manager stated Plaza del Sol was offered for free for two years, but there were no rentals.

Councilmember Lee inquired about the increase in budgeted positions. Assistant City Manager Walker stated the Department of Community Services adopted roadside and median landscaping, which represents the increase. Assistant City Manager Walker stated if the roadside and median landscaping positions were removed, a decrease would be reflected from previous to current.

Assistant City Manager Walker confirmed for Councilmember Lee that the Parks Worker position is a flexibly staffed position which is one classification, Parks Worker I/II/III.

Mayor Hamilton inquired about the impact of the recommendation to eliminate the Senior Center fitness room attendant at the Senior Center. Assistant City Manager Walker stated most cities do not have an attendant or have a volunteer at their Senior Center fitness room; the user comes in, signs a waiver and can begin exercising. Assistant City Manager Walker stated it will probably have no impact to service level. Mayor Hamilton confirmed with Assistant City Manager Walker the City is not liable for any injuries a user might occur.

Director of Public Works Marvin Rose provided a report of the Department of Public Works' programs and services, budget overview, significant changes, and initiatives.

Councilmember Griffith inquired about the savings of implementing Light Emitting Diode (LED) Street Lights. Councilmember Griffith stated he understands LEDs are more efficient but the LED bulbs cost more plus additional infrastructure costs.

Director Rose stated it is anticipated that capital replacement of street lights will be completed substantially by grant funds. Director Rose stated there will be a long-term issue of replacement, but LEDs have a significantly longer life cycle estimated to be between seven and ten years while mercury vapor lamps generally last only two years.

Director Rose stated that if we had no grant money, we would still move forward with this project because there is payback in the long term. Rose confirmed for Councilmember Griffith it is an operating savings immediately and it affects the replacement schedule in future operating budgets. Rose stated we have one energy efficiency block grant that will pay for part of the LED conversions, part went for the Climate Action Plan and part went for energy audits.

Councilmember Spitaleri inquired about the elimination of two Traffic Engineer positions. Director Rose responded one Traffic Engineering Technician position is being eliminated; a position was frozen and eliminated last year.

Councilmember Spitaleri inquired as to the impact reduced staffing will have on traffic engineering.

Director Rose explained it impacts the ability to provide traffic engineering services, with less of an impact in development review; there is the ability to bring in assistance because of development fees, but it has a bigger impact on the basic traffic analysis, design and calming issues.

Councilmember Whittum stated he does not support backing off on the sidewalks, trees and graffiti and requested that if the City receives concessions from the bargaining units, those funds be put back. Whittum inquired whether Council would know in time for the June hearing.

City Manager Luebbers stated he has mentioned cost reductions to the bargaining units and Council would have the opportunity to reprogram some portion of that money.

Councilmember Whittum spoke in favor of the current sidewalk, tree, and graffiti removal programs.

Councilmember Whittum inquired about the status of Pavement Condition Indicators (PCI).

Director Rose stated there is a chart in the Public Works section which details where we are with our PCI; there is an extreme drop off when it gets to a certain point. Director Rose stated ten years ago we were one of the highest rated cities in the metropolitan transportation district area for our PCI index on our City streets; we are now about average and on the decline. Rose stated it is not because we have reduced budgets for that program, but escalating oil costs have had a negative affect on the City's ability to get the work done Director Rose stated the good news is the City is in good shape relative to neighboring cities but the bad news is the City is getting close to a point where it could cost significantly more to maintain facilities.

Councilmember Whittum inquired if it is possible to attach a dollar figure that we should be putting into streets for the coming fiscal year.

Director Rose stated the Pavement Management System indicates the conditions of streets and where energies should be spent on pavement; the City is approximately \$2-3 million per year below what is recommended.

Vice Mayor Moylan inquired about the \$315K cut in Program 218, pruning of street trees and stated he wants to be sure cuts occur in areas which correspond to the relative Council priority ranking of all of the programs.

Director Rose stated cuts have been made in the Department of Public Works where it makes sense from a priority perspective, and staff reviewed what other cities are doing. Director Rose stated most other cities have backed off significantly in the street tree program, if not completely.

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Vice Mayor Moylan stated that since Council has priority ranked all of the programs twice in the four years he has been on Council, he would like reassurance that things are being cut from the bottom up. Vice Mayor Moylan stated the most important policy activity the City Council does is prioritize how money is spent. Moylan stated he is now hearing there is a disconnect between the policy ranking and what is actually being proposed.

City Manager Luebbers stated for that policy ranking to be valid, it needs to be updated regularly.

Councilmember Whittum stated it may be worthwhile to have a subcommittee meet and evaluate the items near the top of the unfunded list.

City Manager Luebbers explained there are other factors involved, with the primary concern being trying to trim personnel costs without layoffs, so other areas had to be found to reduce. Luebbers stated those cost reductions are not necessarily strategic but opportunistic. Luebbers stated those policy rankings should be more regularly updated and suggested a redo or review of the priority list every other year on the same cycle as the budget.

Finance Manager Leung provided a report of the Finance Department's programs and services, budget overview, significant changes, and initiatives.

Director of Information Technology Cuong Nguyen provided a report of the Department of Information Technology's programs and services, budget overview, significant changes, and initiatives.

Councilmember Griffith inquired if the employee costs in the IT department at 57 percent are the lowest percent of employee costs in the city. Staff responded Public Works would be, because of their contracts, with General Services a close second because of the IT contracts, equipment and capital.

Councilmember Griffith confirmed with Director Nguyen the IT Department supports 104 applications and expressed concerns that department requests for new applications may not be taking into account the bigger picture with consideration of existing solutions. Director Nguyen responded this may potentially have been a problem in the past, but today the departments coordinate with IT early on.

Councilmember Griffith confirmed with Director Nguyen the department supports bandwidth of nine megabits per second, and stated he has twelve at home and the company he works at has over one hundred. Griffith stated nine is an incredibly low number for an enterprise that has 85 percent usage, and stated he hopes we find the means to deal with that.

Councilmember Griffith inquired as to support of cell phones for certain City employees and confirmed with Director Nguyen the departments absorb the costs. Griffith expressed concern that, as with applications, we may not be looking at the big picture and determining if we have a problem.

City Manager Luebbers stated the City is currently going through a citywide audit to determine usage and types of cell phones. Councilmember Griffith stated with cell phones and multiple systems there could be any number of areas where IT has broad jurisdiction but tends to defer to the local departments' requests. City Manager Luebbers stated IT is now being involved in the front end of most decisions relating to hardware, software, programs, and applications in departments

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and that IT and Human Resources were not previously but are now at the level he would place them.

Councilmember Griffith expressed concern IT needs to have the authority to analyze whether the requests from departments are the best solution for the City. City Manager Luebbers stated it is a matter of ensuring everyone in the organization understands the role of each department and with training over the past year and a half it is getting considerably better. Luebbers stated Cuong is at the lead in mapping systems and processes, which affects all the departments and IT is becoming much more integrated. Director Nguyen stated in the past IT may not have taken some action on their own to increase that type of partnership, but since last year has established quarterly meetings with the departments for better coordination.

Mayor Hamilton inquired whether AT&T pays franchise fees to the state or to the City. Director Nguyen stated the administration of the franchise is with the state but they pay franchise fees to the City.

Mayor Hamilton inquired whether cell tower approvals would come to the City Council as a regular public hearing matter. City Manager Luebbers responded Community Development Director Hanson Hom would provide information later.

City Attorney David Kahn provided a report of the Office of the City Attorney's programs and services, budget overview, significant changes, and initiatives.

Councilmember Whittum inquired as to potential cost saving or revenue-generating issues, and asked if changing to even year elections is a study issue within the City Attorney's jurisdiction. City Attorney Kahn responded that is a study issue that will be coming back to the Council, but not listed as part of the OCA budget.

Councilmember Whittum inquired whether the issue of medical marijuana dispensaries could be addressed by OCA as a revenue-generating issue. City Attorney Kahn stated OCA would be involved in the analysis and review, and any revenue would not come to the OCA but to the City. Mayor Hamilton stated that matter will be discussed on May 25.

Councilmember Griffith inquired whether there is a predominant class of litigation the City should look at that would mitigate costs at a policy level or anything else the City could do preventatively. City Attorney Kahn responded every group of cases are looked at as to the facts of the individual cases, lessons learned, and measures that can be taken to do better in the future. Kahn provided information regarding areas where they are providing training and minimizing exposure to litigation.

Assistant City Manager Robert Walker provided a report of the Office of the City Manager's programs and services, budget overview, significant changes, and initiatives.

Councilmember Spitaleri requested and Assistant City Manager Walker provided information regarding the duties of the Corporation Yard shop attendant.

Councilmember Spitaleri stated he understands the purpose for consolidation of services and expressed concern that it may lead to micromanaging. Assistant City Manager Walker responded to the concerns and clarified he would be relying heavily on Assistant to the City Manager Coryn Campbell on the management of these groups; the divisions will have less oversight than in the past and they have capable managers.

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City Manager Luebbers stated there were several functions such as Fleet, the mail room, and Facilities that didn't belong in the departments as they were internal service functions and are more commonly grouped under General Services.

Councilmember Spitaleri inquired as to consideration of reducing costs by consolidating print shops with other nearby cities. Assistant City Manager Walker stated he and Assistant to the City Manager Campbell meet with other Assistant City Managers and the topic of print shop operations has been discussed. He stated that could be looked at as part of the study of outsourcing. Community Development Director Hanson Hom provided a report of the Department of Community Development's programs and services, budget overview, significant changes, and initiatives.

Councilmember Griffith stated the City Manager's transmittal letter has a table listing the proposed changes by department; however there are different amounts between what is proposed and what is listed. He stated the department is proposing \$278,000 in cuts but only \$70,000 and none of the head-count reduction are listed. Director Hom reported the actual reduction is one position, but a lot of staff savings is reflected in reductions in the regular contract budget which doesn't translate to staff positions. Also reduced is the overtime budget, casual, and part-time employees.

Vice Mayor Moylan stated the twenty-year plan was based on input from citizens and shows we are at the twenty percent point; we're way ahead of the twenty percent point in City population but below the twenty percent point in number of housing units. Moylan asked if the City's goals for the year 2025 are inconsistent with each other in that there are too many people and not enough houses. Director Hom stated the statistics indicate average occupancy per unit has very likely gone up as a reflection of the economic recession with unemployment and doubling up and a stand-still in residential construction. He stated there is a pent-up demand for new housing and the rate of housing construction in 2011 and 2012 is expected to increase. The statistics may also reflect a trend for higher occupancy per household, called eco-boom, where the baby boom generation's children are starting families. Vice Mayor Moylan stated that may be a permanent trend, suggesting a need to adjust the rate assumed in 2005. Director Hom agreed the trends should be looked at, but trend tends to be cyclical with the baby boom and eco-boom.

Councilmember Whittum inquired about the number of housing staff funded by grant funding. Director Hom responded there are seven housing staff, entirely funded with federal funds, CDBG HOME funds and housing mitigation funds.

Councilmember Spitaleri inquired as to the impact a reduction in Project Sentinel funding from \$100,000 to \$25,000 will have on seniors. Director Hom stated the scope of their services include marketing activities which don't reflect core services that serve seniors and low-income or needy clientele. Hom stated \$25,000 should be sufficient based on their past performance to cover their core services, but Council can increase that amount if felt to be insufficient.

NOVA Director Kris Stadelman provided a report of the NOVA Workforce Services Department's programs and services, budget overview, significant changes, and initiatives.

Councilmember Spitaleri confirmed with Director Stadelman Sunnyvale is the lead with seven other cities and requested information regarding their contributions. Director Stadelman stated NOVA has great partnerships with the other cities; they do a lot of outreach, introductions to business and industry, and referrals to companies looking to hire, however Sunnyvale receives no financial

investment from them. She stated she has plans for when the economy changes and NOVA's funding is shrinking to approach city managers about the potential for an investment that could act as a safety valve during funding fluctuations.

Mayor Hamilton inquired whether Sunnyvale assumes the pension costs and loaded benefit costs of NOVA. Finance Director Bradley confirmed NOVA has an additive rate like everyone else.

Mayor Hamilton called for a recess at 3:29 p.m.

Council reconvened at 3:44 p.m. with all present, with the exception of Councilmember Swegles.

Assistant City Manager Walker presented the report on the Park Dedication Fund.

Councilmember Whittum asked a procedural question regarding the process for taking action to require a higher park dedication fee be included in the twenty-year plan. Assistant City Manager Walker stated that a motion is in order as it is on the agenda.

MOTION: Councilmember Whittum moved and Vice Mayor Moylan seconded the motion to direct staff to bring back information showing what would be involved in going to a 5.5 acre per thousand park dedication fee requirement, with the time frame to be determined.

Councilmember Whittum spoke to his motion and stated there is presently about 5.5 acres per thousand in the City and as development is added that ratio is going down because the park dedication fee standard is transitioning from 1.25 up to three. He stated that at three acres per thousand, the City would be losing acres per thousand, so this would help to steady the acres per thousand. Whittum stated it is clear there are quite a few capital projects that would help to fund and support quality of life.

Vice Mayor Moylan stated one of the reasons when the issue was addressed was that a slow, delayed phase-in would not deter development that would otherwise happen. He stated enough time has gone by to show that keeping the fee low did not produce a lot of development, so the purpose for the slow phase-in is not being served anymore. Moylan stated the issue should be studied.

VOTE: 5 - 1 (Councilmember Swegles absent, Councilmember Griffith dissented)

Councilmember Spitaleri asked with regard to the Morse Park issue, why it took so long to find out that we have a bigger problem than we had. Assistant City Manager Walker responded when the property was first purchased, a phase one analysis was done to analyze the site for environmental hazards. The phase one was cursory, but standard at the time and it showed up clean so there was no need to go to a phase two at that time. However the phase two analysis is required prior to development and in the course of doing that, environmental hazards were found. Councilmember Spitaleri stated there should be a better way of figuring out if there are problems when we acquire land. City Manager Luebbers stated he had the same questions, but now going forward, we know that when land has been agriculture, automotive repair or those types of industries, the second step should be done earlier.

Vice Mayor Moylan inquired as to the nature of the findings. Public Works Director Marvin Rose responded they found some minor solvents that are probably surface-related, some arsenic and

lead, probably lead-arsenate which was used as a pesticide/herbicide fifty years ago. Rose stated the property was purchased in 1991-92 and the standards are different today.

Assistant City Manager Walker presented the report on the Infrastructure Fund.

Councilmember Spitaleri inquired as to whether staff will come back with a plan on how to start putting money away on a regular basis and stated he did not want the City to get to the point where departments and services have to be cut severely. City Manager Luebbers stated when he arrived, the City was in the throes of finishing the third facilities study plan that had been done over five or six years and this has been refined. Luebbers stated it will show what the plan has identified and provide options in terms of City Hall, the library, the corporate yard for direction, after which staff will come back with a funding plan. He stated the problem is there are years of deferred maintenance with no funding source and if it is let go long enough, the problem becomes so big, the impact is too great at any one time.

Councilmember Whittum stated Director Rose mentioned an increment of \$2-3 million for roadways would be helpful and asked whether traffic impact fees (TIF) can be used to rehabilitate roadways and keep up infrastructure. Finance Director Bradley stated traffic impact fees can not, they are only for roadway capacity. Bradley stated there are some cities in the area which have recently implemented traffic impact fees for maintenance. Director Rose agreed the current TIF had a specific list of projects and roadway maintenance was not one of them, but capital infrastructure was. Rose stated there were some maintenance items so it could be included but is not now; the Council would have to re-visit that.

Councilmember Whittum stated it would probably not be premature to provide direction now for the twenty-year plan and suggested a TIF be looked at that would be eligible. City Manager Luebbers stated staff is halfway through that and will continue through it if direction is received from the Council.

Mayor Hamilton asked whether it would come forward as part of the fee schedule. City Manager Luebbers stated it is not; this would be brought back as a whole plan for Council consideration and a fee study will have to be done.

Councilmember Whittum inquired with regard to the use of TIF for sidewalks and Moffett Park and whether any direction is needed. Director Rose stated it is already in the fee as a project and that fee has in excess of \$90 million dollars in projects with a current balance of about \$2 million.

Assistant City Manager Walker presented the report regarding the Community Recreation Fund.

Councilmember Lee pointed out a typo where it says "recurring revenues."

Mayor Hamilton inquired whether the recreation guide could be produced as paperless guides or if the City could promote more on-line registration rather than having the printed guides. Assistant City Manager Walker responded that staff is looking at everything from postcards to paperless guides to activity guides that would incorporate the activity guide with the quarterly report. Walker stated the activity guide remains one of the most valuable assets the Community Services Department provides in terms of marketing the program.

Budget Analyst Drew Corbett provided an overview of the general fund's long-term financial plan.

Councilmember Spitaleri stated the budget stabilization over this period of time will draw it all the way down and asked whether it will be done purposely to put money into capital improvement or the infrastructure fund. Budget Analyst Corbett stated this plan incorporates that the rate of revenues is growing slower initially than the rate of expenditures, so in order to continue providing the services that are proposed, which includes all of the cuts that have been proposed today, \$24 million would still need to be drawn down over twelve years. At that point, it is projected the trend of revenues will grow faster than the projected trend of expenditures, and the fund will start to grow, at which money can be put into the infrastructure fund around year fourteen or fifteen of the long-term plan.

Revenue Systems Supervisor Tim Kirby provided a report of the Utility Enterprise Funds: the Water Utility Fund, the Wastewater Management Fund, and the Solid Waste Management Fund.

Councilmember Lee stated the Wastewater Management Fund reserve has dropped \$21.7 to \$15.6 million from current year to proposed 2010-2011 and requested further explanation. Revenue Systems Supervisor Kirby stated it is being drawn down in the current year for capital: Public Works has project expenditures of \$7.1 million for the current year. Kirby stated a new reserve has been created this year for capital and infrastructure as identified in the fiscal policy: \$3.6 million has been moved into reserve to fund projects going forward on a cash basis, and the remainder is in the rate stabilization reserve.

Councilmember Griffith stated it was reported the 16.2 percent increase averaged out to a certain number increase in the water costs. Revenue Systems Supervisor Kirby stated it is a 6.2 percent increase and clarified there is the increase in unit costs from each of the wholesalers and a difference in how much is projected to be used. Councilmember Griffith confirmed with Kirby that 6.2 of the 7.5 percent increase will be directly passed on to the consumers.

Councilmember Griffith stated with regard to the Solid Waste increases, the City recent lost Raisch as the construction material recycler and asked if that had any budgetary impact on the City. Kirby responded there was an impact in the current year with \$40,000 in rent from the landfill and loads from City public works projects that were handled by Raisch on a reduced rate.

Councilmember Griffith stated other municipalities are operating very large solid waste digesters and asked whether the City is pursuing a regional approach. Public Works Director Rose stated the City is continually watching opportunities to improve bottom-line costs and that is key to the Council-prioritized zero waste process.

Councilmember Whittum stated on page 63, under the SMaRT Station fund, the Mountain View Expense share didn't change, Palo Alto increased 10 percent, and Sunnyvale increased five percent. Whittum inquired as to what determines the share. Revenue Systems Supervisor Kirby responded it is usage, based on actual delivery of solid waste to the SMaRT Station.

Revenue Systems Supervisor Kirby provided a correction of his earlier report: sweeping is returning to every other week, not twice a month.

City Manager Luebbers stated this concludes the presentations and the next scheduled event will be the public hearing on June 15.

Councilmember Griffith stated one area of the budget staff didn't spend a lot of time studying as closely as it should have is the Council budget. He stated there was one mention of an item he thinks staff felt precluded from telling Council what it should do with its budget. Griffith stated he

would like to encourage his colleagues that when looking at what they should be funding or de-funding, to take some time to look at the Council budget to see what things don't provide benefit as much as programs that are being cut. Griffith suggested looking at membership fees for organizations they are a part of, or the Council travel budget. Griffith stated when he is looking at cutting \$4000 from neighborhood grants as compared to his own travel budget, it seems like the neighborhood grants are more important. He stated he hopes the Council can take a long and serious look at how the Council budget is spent and perhaps make some changes.

Vice Mayor Moylan commented that is probably good advice but in his four years, he has received no complaints from a citizen regarding the travel budget, but has received one complaint this year about the neighborhood grant program from a person who thought their neighborhood was wasting the money. Moylan stated he agrees those need to be prioritized, but that he would probably come to a slightly different priority ranking.

Vice Mayor Moylan stated he has several questions about the supplements. He stated with regard to Supplement No. 1, the Orchard Gardens Park business, the document mentions that the budget doesn't currently reflect the disappearance of rental income from those properties and asked that to be included.

Vice Mayor Moylan stated the chart summarizing the supplements says Supplement No. 4 – Action Minutes, the twenty-year financial impact equals zero. He stated he doesn't understand why this is brought up over and over when there is zero financial impact. Assistant City Manager Walker stated in the first year it shows no net reduction because the savings will be reallocated to records management and other exercises that need a slight increase over the next year but in future two-year budgets there is an on-going savings to that. Walker stated the twenty year impact of zero is in error and staff will look at it.

Vice Mayor Moylan stated when Council has taken the trouble to do prioritization, he would like to see that incorporated at the beginning for the draft whenever possible. Moylan stated this is something Council has voted on several times already, and that he'd rather see something else come up as the first thing proposed to be cut.

Vice Mayor Moylan stated staff has proposed a reduced level of contribution for Junior Achievement, which runs K through 12 programs. He stated a strong argument could be made that business training for a high school senior is probably more beneficial to the City than business training for a Kindergartener and asked whether it would be possible to stipulate that the contribution be used for high school programs. City Manager Luebbers responded staff would inquire about that.

Assistant City Manager Walker provided information regarding the elimination of the capital project for records management.

Councilmember Whittum inquired as to the status of the left-turn on southbound Sunnyvale Avenue. Public Works Director Rose reported Public Works is continuing to pursue that project and will provide an update. Rose stated CalTrans has given preliminary indication that it is a local issue within CalTrans which will be much easier to deal with from the City's perspective, and funding is being pursued.

Councilmember Whittum asked if action is necessary to pursue funding in this cycle. Director Rose stated no policy direction is necessary right now; funding issues will be looked at when the costs are known and an agreement is finalized with CalTrans.

Councilmember Whittum stated it would be helpful on the theater study issue and the PG&E study issue if staff would come back with constructive suggestions to try to meet the intent of those study issues. He stated for example on the PG&E case for reliable electric power, to point to something we're doing that is going to resolve the situation. He stated with regard to the theater study issue, we've gone through some hearings and it seemed clear we need more theater space. Whittum stated it would be helpful to have a constructive alternative suggestion that would move things in that direction in consideration of canceling the study issue.

City Manager Luebbers stated staff is not suggesting canceling the study issue; staff is suggesting Council not go forward with the study issue right now and that it was moved forward to the budget discussions due to the amount of money it will cost to conduct the study.

Councilmember Whittum requested staff to come back with ideas such as in Cupertino where they have a multiple-use/dual-use facility that they can use. He stated there are a lot of creative ideas that would meet the goal of more performance space and prosperity of the local economy. Councilmember Whittum stated one item reported was to save money by reducing the number of pages in the quarterly report, but stated he thought the main cost was not the quarterly report but the postage. Whittum asked if anyone would be interested in cutting out the cost of postage for the quarterly report.

Councilmember Whittum stated the gist of everything heard today is that we need to hear about how we're going to control personnel costs. He stated we have clear ideas on the table for the MOU costs for 2012 when the MOUs expire but it would be nice to get some help before then. He stated it is obviously going to affect the quality of life for residents based on all the things under consideration for being cut. Whittum stated the city manager stated this budget does not align expenses and revenues and he would like to hear a solution for that when we come back to vote on it.

City Manager Luebbers stated from a technical standpoint, he agrees and that it is problematic the budget stabilization fund is being drawn down as a source of revenue to balance the budget.

Councilmember Whittum stated that with new revenue sources, if we're not controlling personnel costs, all the revenue source we can come up with we're eventually going to work through because revenues right now are where we thought they would be four years ago. City Manager Luebbers stated most of the bargaining units were represented in the audience at some point during the day and maybe this discussion will encourage them to continue their discussions with him toward making some progress. He stated Public Safety Management is working diligently with him to try to accomplish that too.

Councilmember Spitaleri expressed appreciation to staff for putting together the information presented.

Councilmember Lee stated he echoes the comments from his colleagues, thanked staff for the hard work and thanked the city manager for reducing it to only two binders.

Mayor Hamilton stated she thinks it will be a bad precedent to ask Junior Achievement to restrict who they spend the money on. She stated Kindergarteners, middle school students, and elementary school students don't need the same level of education a high school student would need, but the organization is in a better position to make the decisions about when the appropriate time is to teach kid about business or the value of money or the value of savings.

Mayor Hamilton stated she believes Councilmember Griffith was correct about the Council budget. She stated the \$12,000 membership in the U.S. Conference of Mayors becomes almost \$250,000 over twenty years and it is not something she sees the City as getting a quarter of a million dollars of benefit out of. She stated employees are being asked to take cuts in consulting, travel, and the return on that money would be better spent on something within the city. Hamilton stated if there is an important reason for the Mayor to attend the Conference of Mayors, one doesn't have to be a member to attend, and she encouraged cutting that from the budget.

Mayor Hamilton commented on the theater project that she agrees with the staff recommendation to delay the three budget issues because it is a lot of money the City doesn't have right now. She asked if there is another way to look at the theater, maybe by doing a public-private partnership. City Manager Luebbers stated the theater is privately owned but staff would make some inquiries and to review the study done a number of years ago.

Vice Mayor Moylan stated with regard to the theater study issue, it was looked into a long time ago, but he would say that something that was looked into in the 1980s is more likely to have changed than Council priorities on spending that were looked at two years ago.

Vice Mayor Moylan stated he would like to propose a study issue to look into alternatives to the current CalPERS program, including a hybrid program where it is partly CalPERS and partly a defined contribution plan to see what options we might have to save hundreds of millions of dollars down the road.

Councilmember Whittum co-sponsored the study issue.

MOTION: Vice Mayor Moylan moved and Mayor Hamilton seconded the motion to move the discussion of the Utility Users Tax (UUT) up from next March to this October.

Vice Mayor Moylan spoke to his motion and stated this is another item that has to be on the table and staff needs to be given enough time to look into it. He stated we can either do this all with cuts, or we can use our one revenue alternative.

Councilmember Whittum stated he would want to see some idea of how to control personnel costs, and he hasn't seen that. He stated one would want to know before voting on such a measure is what the City actually did to control costs. Councilmember Whittum stated he would oppose the motion.

Mayor Hamilton inquired when the civic structure issue would be on the agenda. City Manager Luebbers responded there will be a study session in June and action in September. Mayor Hamilton stated by October there would be a better idea of what the facilities infrastructure situation will be. City Manager Luebbers stated in June there will be more focus on the study issue and the direction Council wants to provide. Assistant City Manager Walker added this study will be only with regard to the City Hall campus, not the broader infrastructure look.

Mayor Hamilton asked whether it will make a difference one way or another whether it is looked at in October or March for purposes of the budget. City Manager Luebbers responded the utility user's tax has been at the top of Vice Mayor Moylan's list for obvious reasons, as it is money that all the cities around us are taking in to operate and we're not. Luebbers stated on the other hand, Councilmember Whittum has been talking about how to control personnel costs. Luebbers stated he thought Councilmember Whittum is saying he would be willing to work with you if you could make some progress on his issue. Luebbers stated both of those issues would go towards a solution on our infrastructure because they are big money issues.

Vice Mayor Moylan requested a call for a vote on the motion.

Mayor Hamilton called for the vote on the motion.

VOTE: 3-3 (Councilmembers Lee, Spitaleri, and Whittum dissented; Councilmember Swegles absent)
Motion failed.

SUMMARY AND CONCLUDING REMARKS

City Manager Luebbers provided brief concluding remarks and expressed appreciation for the tremendous efforts by staff in preparation of the proposed budget.

ADJOURNMENT

Mayor Hamilton adjourned the meeting at 5:01 PM

Kathleen Franco Simmons
City Clerk

Date