

City Council Meeting

June 13, 2023

Responses to City Council Agenda Questions

5:30pm Special Meeting

6. Consent Calendar

Item 4.a. Study Session – Operating & CIP Budget FY23-24

- Page 33/Page 255 In-Lieu Professional Fees. Does this mean we used In-Lieu funds to pay for some of our professional services we engaged to complete our housing element? Is that a normal practice?

No amount of the In-Lieu Fund was used for the completion of the Housing Element. The Housing Element itself was funded by the General Fund and General Plan Maintenance, supplemented by State grants.

The In-Lieu Fund has been used since 2013 for housing programs including HIP, Life Moves and 21 Elements. For FY 22-23, an appropriation of an additional \$70,000 for the Strategic Initiative to prepare the Affordable Housing Implementation Plan was approved, which brought the total to \$122,350 as shown on page 255. Due to staff constraints, the \$70,000 was not used this fiscal year. This shows it has been common practice in the City to use these funds for housing programs and preparation of plans. This is a fairly common practice in the region as well.

Note, the \$9.7 M commercial linkage impact fee that YouTube paid in FY 2022-23 specifically has to go toward the creation of workforce housing. As a result, the proposed appropriations would not draw from the \$9.7 M, they would draw down from the fund balance that pre-dated the commercial linkage fees.

For the upcoming fiscal year, the budget requests \$252,000 from the In-Lieu Funds for housing:

The first four items build off FY2022-23:

- HIP (\$30,000)
- Life Moves (\$10,000)
- 21 Elements (\$2,350)
- Strategic Initiative – Aff. Hsg Imp. Plan (\$70,000) – effectively carrying over the unused appropriation from FY 22-23

New items proposed from this fund are:

- a. HEART regional housing staff (0.2 FTE) (\$40,000) – this is for a portion of a regional staff resource to manage the City's housing programs. Currently, the City has no dedicated staff for housing

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b. Housing Element implementation (\$100,000) – this is not to complete the Housing Element, but to go toward the first year of implementing the Housing Element – including but not limited to updating regulations, expanding, and creating new programs that the City has committed to in our Housing Element.

- Page 41 Personnel. For how many budget years beyond 23/24 will we be using ARPA funds to supplement staffing costs. I know we will slowly absorb those costs into the general fund over time but I'm not remembering the timeline (3 years? 4?)

In 2023-24 the recommendation will be to use \$1.6 million for staffing costs, in 2024-25 the recommendation will be to utilize all remaining ARPA funds previously designated for staffing, which is estimated to be \$813,000.

- Page 66. (Not important, just a curiosity) Why does the HR Director have two titles (HR Director/Chief People Officer) while our renamed Finance Director is now only CFO?

It was a preferred and more modern title adopted by the previous City Manager.

- Page 76. City Attorney's Office. Suggestion: I think this would be a good place to articulate that we transitioned from a permanent employee as City Attorney to a contracted CA and firm, to help the public reading the budget understand the increase in costs and more importantly the increase in throughput/results as we are now able to complete more work. And contract fewer outside legal consultants for project work.

Noted. Staff will highlight that point for the Council during the Budget presentation.

- **A1** Please specify which positions have been restored and added since Covid 2020. How many positions were initially frozen and eventually restored by ARPA (and other funding), what are the yearly costs, and what ARPA funds remain?

This will require additional time to research as it crosses multiple fiscal years and multiple funding streams.

- **A2** "Pending labor negotiations" ... are any still pending? Are negotiations concluded? Are all increases to salaries included in this budget?

Labor unit negotiations and subsequent agreements/MOUs with salary adjustments were reached with all bargaining units in 2022. Salary increases are included in the proposed FY 2023-24 Budget.

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- **A3** What is the RAC completion date? As we obtain more clarity in the construction schedule it would be best to provide an update to the community if there will be a delay.

The construction completion is anticipated by the end of 2023. Initially the anticipated completion date was Fall of 2023, but due to the recent atmospheric rivers this winter, the schedule was affected. Those updates were provided to the community via the quarterly council updates and monthly RAC Construction Advisory Committee, Parks and Rec Commission, and San Bruno Community Foundation updates. When a delay affects the overall construction completion schedule, the community is updated through those publicly held meetings.

- **A4** How many miles of water/sewer have been replaced? What percentage of the system has been upgraded? How many services have been upgraded? What percentage of the services have been upgraded?

Since the previous water/sewer rate study in 2017, the City has completed over 26,000 LF of water main (approximately 4% of the system) and over 47,000 LF of sewer main (approximately 10% of the system). Over 670 water services were upgraded (approximately 6% of the system).

- Clarification... Is Mills Park returning to council for consideration?

The Development Agreement was extended in FY 2022-23. At this time, staff does not expect the item to return to Council in FY 2023-24.

- **A5** How many new fiber connections are available? What percent of the new installations have CityNet?

217 new fiber connections are available in the Mirasol, Mira Luna, Skyline, Spyglass and Seacliff neighborhoods. These neighborhoods, except for Skyline apartments, are all single- family neighborhoods. 47% of the new neighborhoods currently have CityNet services. Based on the time sales began in these neighborhoods, CityNet's subscriptions have achieved the following levels of penetration:

- Sales begun in July 2022 for 140 homes – 56%
- Sales begun in May 2023 for 67 homes – 34%

- **A6** What are the right reserve targets for our organization? These targets do not include inflation. \$3 Million in 2010 dollars isn't the same in 2023 dollars?

Current reserve targets, as directed by the City Council, are as follows:

- General Fund - \$1,500,000
- General Fund Reserve – 25% of annual budgeted expenditures
- General Fund Capital Reserve – Goal of \$5 million
- Emergency Disaster Fund – Target of \$3 million

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Only the General Fund Reserve is adjusted annually for inflation. The current reserve policies were adopted by the Council on January 22, 2013.

- **A7** What is the typical property tax rate? We are at 12.5%? Please provide a little detail explaining this being “low”.

The County collects property taxes at a rate of 1% Ad Valorem, as limited by the State Constitution (Article XIII (A) Section 1), meaning it is based on assessed valuation of the property. For each dollar that is collected, roughly 87.5% goes to the County, School Districts, and Special Districts with approximately 12.5% coming to the City of San Bruno. It is the opinion of the Finance Department that 12.5% of the overall \$1 collected is very typical among California municipalities, consistent with the directives of California Prop 13 (1978) and the ERAF Shift (1992).

- **A10 A Suggestion... it may be worthwhile mentioning Measure G being approved by the voters... we will need the voters to approve future funding.**
- Historically, how much tax revenue has been generated from Tanforan? How is the change being accounted for in the budget?

Measure G fund expenditure recommendations by the Oversight Committee are included in tonight’s presentation.

For all business types at The Shops at Tanforan, the following revenues have been generated:

- 2016-17: \$1.78 million
- 2017-18: \$1.69 million
- 2018-19: \$1.53 million
- 2019-20: \$1.14 million
- 2020-21: \$825,000
- 2021-22: \$890,000

The change in the revenue projections is estimated each year by the Finance Department. Estimates are created looking at historical data, and considering revenue trends by sector as well as expected changes in the local economy. For 2022-23, the estimated amount to be received was \$930,000. For 2023-24, the recommended amount for budgeted revenue at The Shops at Tanforan remains the same at \$930,000.

- **A11** How much has been budgeted for short term rental income?

\$100,000 is included in the FY2023-24 budget for short term residential rental revenue. This includes transit occupancy taxes received, plus a modest amount of rental application income.

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- **A13** Pending Labor negotiations? Same as question on page A2.

Labor unit negotiations and subsequent agreements/MOUs with salary adjustments were reached with all bargaining units in 2022. Salary increases are included in the proposed FY 2023-24 Budget.

- **A14** There are several approved projects that have not been started by the developer. Please provide a list of these projects. Please provide a listing of the various development projects that are in the pipeline.

The following projects have planning approvals and are expected to be under construction in FY 23-24:

- Hyundai/Genesis at Crossings – projected permit issuance in early FY 2023-24, with construction to commence shortly thereafter.
- 732-740 ECR – permits issued, construction to start in the next month.

The following projects have planning approvals, but the properties are for sale and potential buyers propose a new project citing the approved projects are not financially feasible in the current economy:

- Glenview Terrace – 29 units at Glenview and San Bruno. The new developer is preparing an application for a higher density project.
- 160 El Camino Real – 28 room hotel. Potential buyers looking at residential.
- 271 El Camino Real – 23-unit project. Potential buyers looking at new project.

The City has not received submittals for building permits for the Mills Park project, 427 units, 7,900 sq. ft. of commercial. At this time, it is unknown if it stated they plan to do so in the near future.

- **A16** Approximately how much funding is needed to complete the council's initiatives?

An approximate cost would require additional staff time to evaluate. Several initiatives have one-time and on-going cost implications, for example the City of San Bruno sign/arch at the Caltrain Station. This initiative is not currently budgeted and can have a varying impact depending on analysis of approach to address the interest of the City Council. In addition, there are staff resource impacts that limited the ability to carry out each initiative.

City Council can consider enhancements with use of reserve funds, if desired, to begin the administrative process of initiatives. An example of this would be the development of an economic development program focused on small, medium, and large businesses. Should City Council approve an enhancement in line with this initiative, \$100,000 can be added to the adopted budget and work program.

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- **A17** What are the 5% franchise fees for video and internet when they are separated?

The 5% franchise tax is currently separated and tax only for video revenues generated by the franchise is charged @ 5% of total video revenues from all sources.

Year	Franchise Fee Total	Video (@5% of total revenues)	Internet (@5% of total revenues)
2022-23 Projected	\$202,314.14	\$202,314.14	\$0

- **A18** We currently share 33% of the cost with SSF. San Bruno hasn't grown as much as SSF over the last 10 years. Is the 33% a fair number?

The 33% cost share stated in the agreements with South San Francisco (SSF) for the operation and maintenance of the Water Quality Control Plant is based on San Bruno's share of 3 parameters: average volume of wastewater, Biochemical Oxygen Demand, and Total Suspended Solids. 33% was based on samples collected at the time of the agreement. Prior to May 1st of every year, SSF provides to the San Bruno, an estimate of San Bruno's costs for operations and maintenance for the succeeding fiscal year based on new samples collected for the parameters. Recent estimates provided by SSF show San Bruno's share to be around 26%, which is much lower than 33% estimated at the time of the agreement. Extra-ordinary/major repairs shall also be prorated using the same parameters. Therefore, staff has determined the City is paying a fair amount.

- **A19** Seventeen projects completed? How much did this cost? We added eighteen projects... how much do these cost?

17 CIPs were closed out (6 from Facilities, 4 from Streets, 3 from Sewer, 2 from Water, 1 for Parks and 1 from the Technology program). The total appropriated project cost of the projects that are expected to be closed out in FY2023-24 is \$24,441,232. There will be a total of \$2,511,694 to be returned to different funding sources after the budget is approved. This brings the overall total cost to \$21,929,538 for the 17 closed out projects.

The 18 new CIPs were requested in FY2023-24 (10 from Streets, 4 from Stormwater, 2 from Sewer and 2 from the Technology program). These projects have a combined funding request of \$9,349,661 in FY2023-24. The funding/appropriation for these projects are budgeted in phases and there will be approximately an additional \$12,000,000 funding request in future years thru FY2027-28. This brings the overall estimated total cost of the 18 newly requested CIPs to be \$20,914,661.