

**CITY OF
MOUNTAIN VIEW,
CALIFORNIA**

**FISCAL YEAR 2019-20
NARRATIVE BUDGET REPORT
AND
FISCAL YEARS 2020-2024
FINANCIAL FORECAST**



Mission Statement:

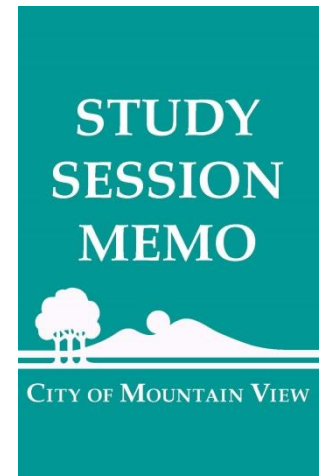
The City of Mountain View provides quality services and facilities that meet the needs of a caring and diverse community in a financially responsible manner.

DATE: April 25, 2019

TO: Honorable Mayor and City Council

FROM: Jesse Takahashi, Finance and Administrative
Services Director
Daniel H. Rich, City Manager

TITLE: **Fiscal Year 2019-20 Narrative Budget Report**



PURPOSE

This Study Session provides the City Council an opportunity to review and discuss the Fiscal Year 2019-20 Narrative Budget Report, which includes the City Manager's recommendations and is the foundation for the Proposed Budget. Based on input from the Narrative Budget Study Session, the Proposed Budget will be presented at public hearings on June 11 and June 18, and is scheduled for adoption after the public hearing on June 18, 2019.

The information in this report is for the following major funds: General Operating Fund (GOF), Development Services, Shoreline Golf Links, Shoreline Regional Park Community (Shoreline Community), Water, Wastewater, Solid Waste Management, and Reserves. For each fund, the report includes a current fiscal year status update of revenues, expenditures, and balance available, as well as budget recommendations for Fiscal Year 2019-20. To provide some context and assist with decisions that have longer-term implications, a 5-Year Financial Forecast (Forecast) for the GOF has been prepared and is included in this document.

BACKGROUND

The City continues to benefit from a strong local economy that is stimulating development and significant property tax growth. The Assessed Value (AV) growth for the entire City is a net 4.9 percent for Fiscal Year 2018-19 and Fiscal Year 2019-20 is projected to grow 8.4 percent. This includes growth in AV from new development and changes in ownership being added to the tax roll. Property Tax revenues for the City's General Operating Fund (GOF) are projected 7.9 percent higher for Fiscal Year 2019-20 compared to the current fiscal year Adopted. Other Local Taxes (Transient Occupancy Tax, Business License Tax, and Utility Users Tax) are projected 17.4 percent higher for Fiscal Year 2019-20 compared to the current fiscal year Adopted, primarily due to increases from Business License Tax and Transient Occupancy Tax (TOT). The Business License Tax includes an estimated \$2.0 million increase in revenue related to the new

Business License Tax structure approved by voters in November 2018 to be phased in over three years starting with Fiscal Year 2019-20. The City Council has preliminarily indicated 80.0 percent of this new revenue would be allocated to transportation and 10.0 percent to housing. TOT includes an increase in revenue related to the opening of both the Hyatt Centric hotel (San Antonio Phase II) and the Shashi hotel. The other major category projected with a significant increase in Fiscal Year 2019-20 is Use of Money and Property, which includes Investment Earnings and Rents and Leases. Investment Earnings are increasing due to the Federal Reserve's actions raising rates 2.0 percent from December 2016 to December 2018. Rents and Leases are increasing as a result of annual adjustments to ground leases. Most other revenue sources are expected to remain the same or see modest changes.

Although the City's revenues are cyclical and reflect the boom and bust of economic cycles, the City has addressed past recessions, balancing the GOF by strategically reducing expenditures, establishing more efficient operating models, and working closely with employee groups to contain employee compensation costs, as well as implementing limited revenue enhancements where appropriate. While the City has added positions back in recent years as the economy has improved, the City continues to operate with fewer staff than before the last recession. In Fiscal Year 2001-02, the City peaked with 651.25 positions, and in Fiscal Year 2012-13 there was a low of 564.75 positions Citywide.

The City organization has found methods to improve efficiencies, to do more with less staff, but heavy workloads have continued to place serious pressures on staff and the organization. To address some of the staffing needs within the City, there were a total of 29.0 positions and 33.0 positions (including limited-period positions) for all funds added in the Fiscal Year 2017-18 and 2018-19 Adopted Budgets, respectively. Nine of these positions are ongoing positions in the GOF. Total Citywide position count is still down 38.0 positions from the peak, supplemented with 22.5 limited-period positions.

The City has been prudent and watchful for a slowdown in the economy. Currently, the environment has continued to be positive and, overall, revenue growth has remained strong. Most economists currently believe the State and regional fundamentals of employment and job growth are strong and that the chance of a recession over the next 24 months is possible but low. Historically, recessions have generally occurred between 3 and 9 years, post-World War II, with the longest period of expansion lasting 10 years, from 1991 to 2001. It has been approximately 10 years since the end of the last recession (June 2009), the same recovery and expansion period of the 1990s. There are other factors such as housing/rent prices, recent market volatility, global trade, and political discourse that impact the economy. Although it is uncertain when the next economic slowdown will occur, based on history, it is certain there will

be another decline in the future. Consequently, it is assumed there will be an economic downturn beginning in Fiscal Year 2020-21 and continuing into Fiscal Year 2021-22.

EXECUTIVE SUMMARY

General Operating Fund

Fiscal Year 2018-19 revenues are estimated to exceed budget and expenditures are estimated below budget. After contributions of \$4.0 million to the California Public Employees' Retirement System (CalPERS), \$1.0 million to the Retirees' Health Other Post-Employment Benefits (OPEB) to increase the funding status of these liabilities, and transfers of \$1.0 million to the General Fund Reserve, \$2.0 million to the Transportation Reserve, \$2.0 million to the Capital Improvement Reserve, and \$2.0 million to the Strategic Property Acquisition Reserve (SPAR), the remaining \$8.8 million balance is recommended to be used to fund limited-period expenditures, supplement reserves, make an additional contribution toward the City's unfunded CalPERS liability, and transfer to the Capital Improvement Reserve, if desired.

It is fortunate the City is in a desirable position to be generating significant operating balances. It provides the opportunity to address some infrastructure needs and unfunded liabilities, which were unable to be addressed during tough economic times. The overall funding status of CalPERS has declined over the past decade due to the CalPERS Fund's investment losses, demographic assumption changes, discount rate reductions, etc., and CalPERS continues its commitment towards raising the funding level of the pension plan. Staff continues to recommend lump-sum payments when possible to address this unfunded liability.

Continuing to focus on adding personnel resources where most needed and to the extent the budget will allow, long-term, additional positions are recommended for Fiscal Year 2019-20. A total of 13 net positions are recommended as ongoing positions and there are a net of 10.25 new personnel added. A summary of the positions recommended is as follows:

	<u>GF</u>	<u>Other Funds</u>	<u>Total Positions</u>
New Ongoing Regular	4.85	3.65	8.50
Limited-Period to Regular	3.95	0.55	4.50
Continuing Limited-Period	8.65	6.35	15.00 ⁽¹⁾
New Limited-Period	<u>1.75</u>	<u>0.00</u>	<u>1.75</u>
<u>TOTAL</u>	<u>19.20</u>	<u>10.55</u>	<u>29.75⁽¹⁾</u>

⁽¹⁾ Does not include 2.0 FTE limited-period positions reimbursed by Google per the agreement that expires June 30, 2019.

With the new positions recommended, this would provide for 626.25 ongoing positions and 16.75 limited-period positions, or a total of 643 positions, still lower than the peak of 651.25 positions. There have been some changes in operations (e.g., adding positions from contracts, such as insourcing IT, or contracting out positions, such as Shoreline Golf Links, etc.), but overall there are still fewer positions while the working environment has become more complex. The positions recommended are for almost all departments; however, about half of the resources being added or continued are development services-related, for Community Development and Public Works, in response to the continued heavy workload.

Fiscal Year 2019-20 revenues are projected to continue to rise to \$148.4 million and expenditures are projected at \$136.1 million (including recommendations). Revenues are at a level sufficient to fund expenditures and additional funding of \$2.0 million to the General Fund Reserve, \$3.0 million to the Capital Improvement Reserve, \$1.0 million to the SPAR, and a contribution of \$4.0 million to CalPERS. There is a projected balance of \$2.3 million after these allocations. Recommendations include \$781,000 in nondiscretionary increases, as well as \$1.7 million in discretionary increases in high-priority areas. As in the Fiscal Year 2018-19 Adopted Budget, \$2.3 million of budget savings is built into the budget.

In the 5-year Forecast, revenues are projected to continue growing; however, this Forecast assumes an economic downturn will occur during this 5-year period. It is unknown exactly when this will occur, but staff has incorporated the possible financial impact of a downturn beginning in Fiscal Year 2020-21. At that point, the projected operating balance declines and deficits are projected in Fiscal Years 2021-22 and 2022-23 and a modest balance in Fiscal Year 2023-24.

Items for City Council Discussion and Direction

In addition to the direction on the recommendations in this report, there are specific items staff would like direction on regarding whether these are items should be included in the Fiscal Year 2019-20 Proposed Budget. This section can be found at the end of the General Operating Fund.

Items that Will Be Brought Back with the Proposed Budget

In addition to the items recommended in this report, there are items that, due to timing, could not be incorporated or require further analysis before a recommendation can be made. A list of these items can be found at the end of the General Operating Fund.

Other Major Funds

- **Development Services:** Development activity for Fiscal Year 2018-19 remains strong and is anticipated to continue into the upcoming fiscal year. The Development Services Fund (DSF) is able to meet its current financial obligations; however, revenues are received in advance of the services provided and, therefore, a significant balance should be maintained in the fund for these services and to continue operations during the next slowdown in development activity.
- **Shoreline Golf Links and Restaurant (SGL&R):** Course conditions continue to improve and both revenues and expenditures are below budget for Fiscal Year 2018-19. For Fiscal Year 2019-20, revenues are projected to be higher than the current fiscal year estimated and the transfer is projected at \$150,000, \$40,000 higher than the current fiscal year estimated. Touchstone Inc. took over management of Michaels at Shoreline Restaurant in January 2019. A full year's operating budget is reflected for Fiscal Year 2019-20 with a projected balance of \$125,000.
- **Shoreline Regional Park Community (Shoreline Community):** Fiscal Year 2018-19 Property Tax revenues are estimated to be \$1.6 million lower than the Adopted Budget, primarily related to an unanticipated 22.9 percent decline on the July 2018 unsecured tax roll. Fiscal Year 2018-19 estimated operating expenditures are \$2.2 million higher than the Adopted Budget, primarily due to a debt issuance in December 2018. Fiscal Year 2019-20 operating revenues are projected with an increase over both the current fiscal year adopted and estimated. Fiscal Year 2019-20 operating expenditures are higher than the Fiscal Year 2018-19 adopted, primarily due to operating and intergovernmental payment increases. The new debt service payments from the debt issuance are offset by the final 2014 loan payment being made in the current fiscal year.

Utility Funds

- Water Fund: The financial position of this fund had been severely impacted by reduced water sales from conservation efforts due to the drought. Over the last few years, usage has increased and is having a positive financial impact, though usage is still approximately 22.0 percent below the 2013 drought baseline.

For the upcoming fiscal year, the San Francisco Public Utilities Commission (SFPUC) is currently proposing no wholesale water rate increase, and the Santa Clara Valley Water District (SCVWD) is proposing a 6.6 percent increase for ground (well) water, which corresponds to a 6.1 percent increase for treated water. **A 1.0 percent rate increase is recommended for the average cost of potable water and meter rates** to fund the increased cost of water and operating expenditures. The recycled water rate is recommended to increase from \$3.75 to \$4.50 per unit (20.0 percent), the second year of a three-year phase in to bring the rate into alignment with total costs.

- Wastewater Fund: Staff previously indicated through the Capital Improvement Program (CIP) process that there are major City sewer main replacement projects necessary over the next 10 years. On October 23, 2018, the City Council approved a \$10.1 million loan financing for wastewater infrastructure projects to fund capital projects identified in the CIP.

For Fiscal Year 2019-20, the Treatment Plant is currently proposing no increase in treatment costs. **A 3.0 percent rate increase is recommended** to fund operating cost increases and the additional 2.0 percent rate increase (the sixth year of 10 years) recommended to gradually increase rates to pay for major capital improvements at the Treatment Plant.

- Solid Waste Management Fund: For Fiscal Year 2018-19, revenues are trending higher than budgeted and expenditures are trending less than the Adopted Budget; however, SMaRT costs are higher due to increased tonnage due to development. For Fiscal Year 2019-20, the agreement with Recology provides for a 3.97 percent increase. The City's share of SMaRT costs is currently proposed to increase 16.0 percent, 4.5 percent adjusted for tonnage. These increases, as well as City operating cost increases result in an overall average rate increase of approximately 4.0 percent; however, the fund is in stable financial condition and **a 3.0 percent overall rate increase is recommended.**

Non-Major Funds

There are recommendations for Non-Major funds, and these are highlighted after the discussion of the Utility Funds, under the Other Major Funds Section.

Reserves

With the recommendations to supplement the General Fund Reserve and the Compensated Absences Reserve, most reserves are at or higher than the target or policy balance.

There is a sufficient GOF surplus for Fiscal Year 2019-20 to recommend allocations of \$2.0 million to the General Fund Reserve, \$3.0 million to the Capital Improvement Reserve, \$1.0 million to SPAR, and a \$4.0 million contribution towards the CalPERS unfunded liability. Any remaining GOF carryover balance up to \$3.0 million is recommended to be transferred to the Capital Improvement Reserve. Should the balance exceed the amount recommended, staff will return to the City Council at a later date for approval of the allocation of additional funds.

Next Steps

Based on the feedback provided by the City Council at the Narrative Budget Report (NBR) Study Session, staff will prepare the Proposed Budget to be presented to the City Council at a public hearing on June 11, 2019. The Proposed Budget is scheduled for adoption after another public hearing on June 18, 2019. Staff is available to meet with Councilmembers to discuss the Narrative Budget Report before or after the April 25 Study Session.

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DISCUSSION

GENERAL OPERATING FUND

The GOF is the single largest City fund and provides funding for core services, including Police, Fire, Parks, Recreation, Library, Planning, Public Works, and Administration. The City's financial health is shaped in part by economic forces beyond our control. Revenues fluctuate with the economic climate of Silicon Valley and the Bay Area. During the dot-com boom, City revenues, especially Sales Tax revenue, increased significantly and then, just as significantly, declined with the dot-com bust. During this past recession, due primarily to declines in Property Taxes, Sales Taxes, and Transient Occupancy Tax revenues, the GOF faced structural deficits (before corrective actions were taken) for four consecutive fiscal years. By addressing these ongoing structural deficits, the City was able to better position itself for the economic recovery. In addition, the City's sound fiscal practices and budget discipline have allowed the City to maintain its AAA credit rating, a status only a fraction of other California cities can claim.

Building on this strong financial foundation, and with the current continuation of revenue growth, this report briefly summarizes the current fiscal year financial situation and provides the recommendations for the General Operating Fund budget for Fiscal Year 2019-20.

Updated General Operating Fund Status for Fiscal Year 2018-19

Staff continually monitors the General Operating Fund revenues and expenditures. As the fiscal year progresses, estimates are refined with a higher degree of confidence, but the final results are not available until after the close of the fiscal year. A summarized comparison of estimated amounts to budget for the GOF follows (dollars in thousands):

	2018-19 Adopted Budget	2018-19 Adjusted Budget ⁽¹⁾	2018-19 Estimated	Variance of Estimated to Adopted Budget
Revenues	\$137,682	\$139,255	\$143,374	\$5,692
Expenditures	(124,939)	(128,569)	(122,604)	2,335
Rebudgets ⁽¹⁾	<u>-0-</u>	<u>2,255</u>	<u>-0-</u>	<u>-0-</u>
Operating Balance	12,743	12,941	20,770	8,027
Transfer to GF Reserve	(1,000)	(1,000)	(1,000)	-0-
Transfer to Transp Res	(2,000)	(2,000)	(2,000)	-0-
Transfer to Cap Imp Res	(2,000)	(2,000)	(2,000)	-0-
Transfer to SPAR	-0-	(2,000)	(2,000)	(2,000)
CalPERS Contribution	(4,000)	(4,000)	(4,000)	-0-
OPEB Contribution	<u>-0-</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>
Ending Balance	<u>\$ 3,743</u>	<u>\$ 941</u>	<u>\$ 8,770</u>	<u>\$5,027</u>

⁽¹⁾ The Adjusted Budget includes the Adopted Budget; any encumbrance and grant/donation carryovers from the prior fiscal year (rebudgets); increases for reimbursed expenditures, grants, and donations; and any budget changes approved through January by Council for the current fiscal year.

Overall, total revenues for Fiscal Year 2018-19 are currently estimated to be \$5.7 million, or 4.1 percent higher than adopted revenues. Many of the GOF major revenue sources are estimated to perform better than expected this fiscal year. However, Property Tax and Other Local Taxes are estimated below budget. Sales Tax revenue is estimated \$3.2 million higher; however, \$1.6 million in payments belong in the prior fiscal year (see Sales Tax section of Forecast for more information).

On the expenditure side, total operating expenditures for Fiscal Year 2018-19 are estimated to be \$6.0 million, or 4.6 percent, lower than the Adjusted Budget and \$2.3 million lower than the Adopted Budget. After accounting for higher revenues, the ending balance is estimated to be \$8.8 million this fiscal year compared to the \$3.7 million budgeted. This is an improvement, primarily related to revenues, from the estimates provided in the Midyear Report, where the operating balance was estimated at \$7.7 million.

Although we expect the City will end the current fiscal year with an operating balance greater than budgeted, it is important to note the carryover balance is the funding source for key organizational needs, such as limited-period expenditures, maintaining reserve levels, funding one-time capital projects, and contributions towards unfunded liabilities.

After the \$4.0 million contribution to CalPERS, \$1.0 million contribution to OPEB, and transfers of \$1.0 million to the General Fund Reserve, \$2.0 million to the Transportation Reserve, \$2.0 million to the Capital Improvement Reserve, and \$2.0 million to the SPAR included in the Fiscal Year 2018-19 Budget, the estimated Fiscal Year 2018-19 carryover balance of \$8.8 million (subject to changes in assets and liabilities and grants/donations carryovers), in addition to the \$5.8 million remaining unallocated balance from Fiscal Year 2017-18 for a total of \$14.6 million, is available to fund a net \$3.7 million of limited-period expenditures plus other recommendations.

It is recommended the City transfer \$1.8 million and \$2.0 million to the General Fund Reserve and Compensated Absences Reserve, respectively, to bring the balances to policy levels. A contribution of \$2.0 million to CalPERS is also recommended. In addition, a potential new Environmental Sustainability Reserve is being reviewed and staff will bring back a recommendation for funding with the Proposed Budget. Any remaining carryover available up to \$3.0 million is recommended to supplement the Capital Improvement Reserve. The final carryover available will be determined after the fiscal year-end close and audit of the City's financial records.

The Reserve Section of this report has additional information and detail related to Reserves.

General Operating Fund Projections for Fiscal Year 2019-20

In presenting the Preliminary GOF revenues and expenditures in the Midyear Budget Status Report on February 12, 2019, staff projected a \$14.1 million operating balance for Fiscal Year 2019-20. With additional information available on both revenues and expenditures as the fiscal year has progressed and the addition of budget recommendations, the updated projection is an operating balance of \$12.3 million, but after allocation recommendations to the General Fund Reserve, the Capital Improvement Reserve, SPAR, and CalPERS, a balance of \$2.3 million, or approximately 1.5 percent of projected revenues, is recommended. This balance is after recommendations for expenditure increases and includes \$2.3 million of budget savings. A brief discussion of revenues and expenditures for Fiscal Year 2019-20 follows.

Compared to the current Adopted Budget, and including recommendations, total revenues are anticipated to grow by \$10.7 million, or 7.8 percent, next fiscal year, and total expenditures are projected to increase \$11.2 million or 8.9 percent.

Comprehensive information for revenues and expenditures is included in the GOF Forecast Section included in this document. A summary comparison of the prior fiscal year audited, current fiscal year adopted and estimated, and the upcoming fiscal year recommended follows (dollars in thousands):

	2017-18 <u>Audited</u>	2018-19 Adopted <u>Budget</u>	2018-19 <u>Estimated</u>	2019-20 <u>Recommended</u>	Variance of 2019-20 Recom- mended to 2018-19 <u>Adopted</u>
Revenues	\$136,377	\$137,682	\$143,374	\$148,401	\$10,719
Expenditures	(113,682)	(124,939)	(122,604)	(136,116)	(11,177)
Rebudgets ⁽¹⁾	<u>429</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Operating Balance	23,124	12,743	20,770	12,285	(458)
Transfer to GNOF	(15,124)	-0-	-0-	-0-	-0-
Transfer to GF Reserve	-0-	(1,000)	(1,000)	(2,000)	(1,000)
Transfer to Transp Res	-0-	(2,000)	(2,000)	-0-	2,000
Transfer to Cap Imp Res	-0-	(2,000)	(2,000)	(3,000)	(1,000)
Transfer to SPAR	(2,000)	-0-	(2,000)	(1,000)	(1,000)
CalPERS Contribution	(4,000)	(4,000)	(4,000)	(4,000)	-0-
OPEB Contribution	<u>(2,000)</u>	<u>-0-</u>	<u>(1,000)</u>	<u>-0-</u>	<u>-0-</u>
Ending Balance	\$ <u>-0-</u>	\$ <u>3,743</u>	\$ <u>8,770</u>	\$ <u>2,285</u>	\$ <u>(1,458)</u>

⁽¹⁾ Rebudgets include grant and donation carryovers and changes in assets, liabilities, and reserves for encumbrances.

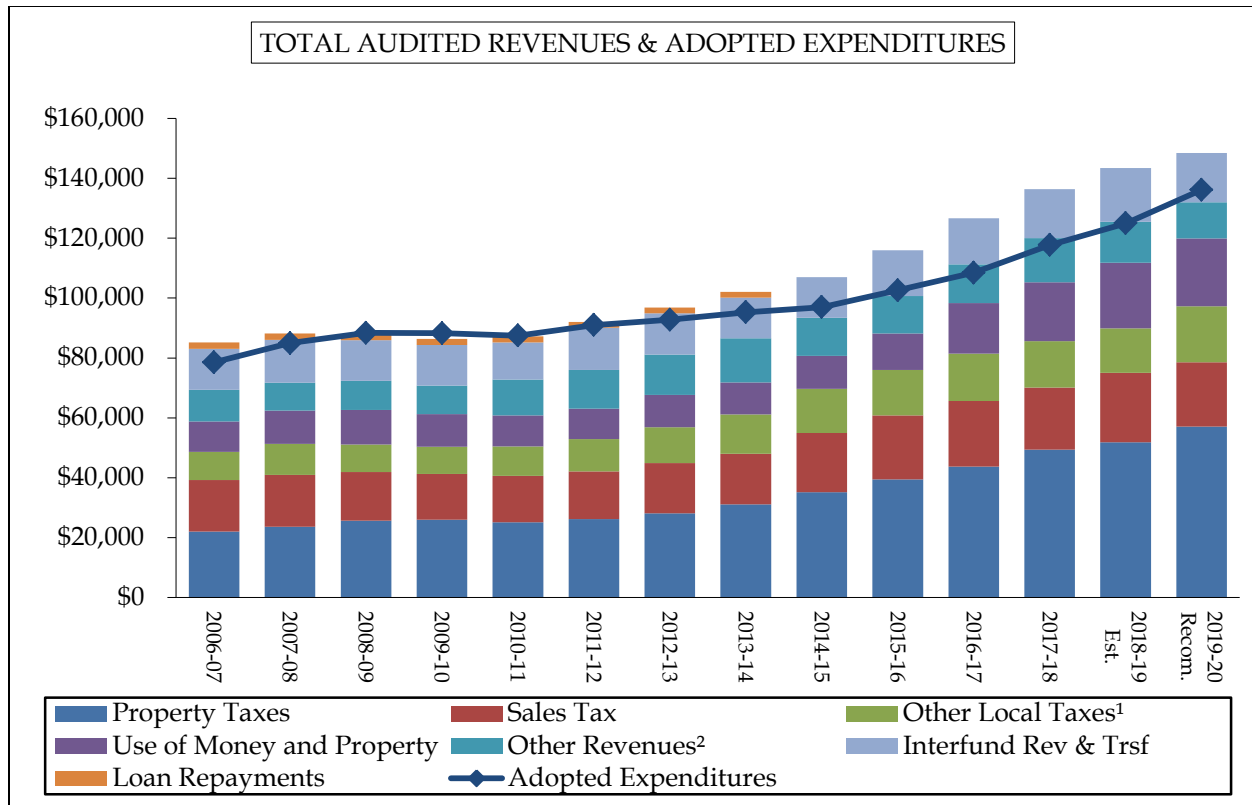
A summary of the Fiscal Year 2019-20 budget recommendations is as follows (dollars in thousands):

Total Revenues	\$148,144
Total Net Expenditures	(133,671)
Recommendations:	
Non-Discretionary	(781)
Discretionary Increases	(1,664)
Revenue Changes	<u>257</u>
Operating Balance	<u>12,285</u>
Transfer to General Fund Reserve	(2,000)
Transfer to Capital Improvement Reserve	(3,000)
Transfer to SPAR	(1,000)
CalPERS Contribution	<u>(4,000)</u>
Balance	\$ <u>2,285</u>

Revenue Projections for Fiscal Year 2019-20

For Fiscal Year 2019-20, GOF revenues are projected to grow by 7.8 percent compared to the current fiscal year adopted, to \$148.4 million, including recommendations. All major categories of revenues are projected with increases over the current fiscal year adopted. More detail on each revenue source can be found in the Forecast.

The City's recent revenue history and estimated revenues for the current fiscal year and projected revenues for the upcoming fiscal year are as follows (dollars in thousands):



¹ Other Local Taxes is comprised of Transient Occupancy Tax, Business Licenses, and Utility Users Tax.

² Other Revenues is comprised of Licenses, Permits & Franchise Fees, Fines & Forfeitures, Intergovernmental, Charges for Services, and Miscellaneous Revenues.

This table demonstrates the cyclical nature of the City's balance between revenues and expenditures. In recessionary years, small margins existed between GOF revenues and expenditures, while that gap widens during high-revenue-growth years as we are currently experiencing. The adopted expenditures in the table include budget savings; however, for Fiscal Years 2008-09 through 2010-11, the actual budget saving results were greater than adopted and were necessary to maintain a positive operating balance due to revenue shortfalls compared to budget. In comparison, for Fiscal Year 2011-12 through Fiscal Year 2014-15, actual budget savings have declined, but revenues were greater than adopted.

Recommendations regarding new fees and modifications to current fees are included with this report (see Attachment 1).

Expenditure Projections for Fiscal Year 2019-20

The recommended expenditures for Fiscal Year 2019-20 include the addition of \$781,000 of non-discretionary increases, which preserves current service levels, and \$1.7 million discretionary additions for resources to meet demands and reduce some of the strain on staff.

While several new expenditure requests by departments are being recommended, there were more requests by departments for ongoing expenditure increases, many of which would be desirable. However, as can be seen in the Forecast, although more expenditures could be afforded in the Fiscal Year 2019-20 Budget, it is recommended to only add expenditures that are generally sustainable through the next economic downturn, when the GOF could be once again facing an operating deficit, requiring budget reductions to maintain a balanced GOF. To address heavy workloads, many current demands for resources are being addressed through limited-period funding.

Although service levels are generally not increasing, except in limited areas, the City's costs are increasing. As a service organization, approximately 80.0 percent of expenditures are for personnel. Total costs of personnel are increasing \$8.0 million. Although there were structural changes adopted Statewide with pension reform in 2012, retirement costs are still projected to increase by \$2.1 million for Fiscal Year 2019-20 (not including new position recommendations) over the current fiscal year Adopted Budget. The changes resulting from pension reform will likely not be realized for 15 years or more, until there are a majority of employees under the new formula.

The categories of changes in costs from the Fiscal Year 2018-19 Adopted Budget to the Fiscal Year 2019-20 recommended budget are as follows (dollars in thousands):

Expenditure Changes:

Compensation Changes	\$4,011
Retirement (CalPERS)	2,135
Health and Other Benefits	337
New Personnel Recommendations	<u>1,499</u>
Total Changes Personnel Costs	7,982
Nonpersonnel Recommendations, Net	947
Transfers	2,005
Other Recommendations, Net	<u>243</u>
Total Expenditures Increase	<u>\$11,177</u>

All labor contracts and resolutions expire June 30, 2020, but have a reopener on salary for Fiscal Year 2019-20 and discussions are under way. Open enrollment for health care is on a calendar year, and new premiums are effective each January 1. The premiums budgeted for Fiscal Year 2019-20 are actual rates through December 2019 and assume an increase of 5.0 percent to 10.0 percent, depending on the plan for medical, and 2.0 percent for dental beginning January 2020. CalPERS rates are budgeted based on the actuarial rates provided by CalPERS.

Changes to transfers include the 80.0 percent and 10.0 percent of the new Business License Tax structure which the City Council preliminarily earmarked for transportation and housing, respectively, increases to "At Risk" revenue allocated to the Capital Improvement Reserve, and the Ameswell rent allocated to the Budget Contingency Reserve. Other net recommendations of \$243,000 include increases to Capital Outlay, Fleet Maintenance, Liability self-insurance, and the amortization of the Retirees' Health unfunded actuarial accrued liability (UAAL), offset by a temporary reduction in Equipment Replacement funding.

Fiscal Year 2019-20 Budget Recommendations

The following is a discussion of non-discretionary and discretionary recommended expenditure increases. Departments have reviewed their programs, work levels, and preliminary goals for the upcoming fiscal year and developed their budget requests. The Citywide non-discretionary increase is primarily related to information technology, janitorial services, contractual services, and City utility cost increases. The discretionary items are based on requests made by departments that have been reviewed by the City Manager and are recommended for City Council consideration. These recommendations are included in the Fiscal Year 2019-20 numbers presented and complete lists of the non-discretionary, discretionary, and limited-period recommendations can be found in Attachments 2, 3, and 4, respectively.

Non-Discretionary Increases

Non-discretionary increases totaling \$781,000, offset by \$177,000 in new revenue, are recommended to fund existing and new required operational costs such as increases in information technology costs, City utility cost increases, and contract services. A listing of recommended items, \$25,000 and over, are as follows (see Attachment 2 for a complete listing of non-discretionary items with descriptions):

- **Shared Public Safety System Maintenance:** \$155,000 (offset by \$155,000 revenue)
- **Information Technology Licenses and Maintenance:** \$146,200

- **City Utility Cost Increase (placeholder):** \$100,000
- **Janitorial Cost Increases for City Facilities:** \$91,900
- **School Crossing Guard Services:** \$65,300
- **False Alarm Outsourcing:** \$38,500
- **Congestion Management Agency Dues:** \$29,700

Discretionary Recommendations

New expenditures totaling \$1.7 million, offset by \$80,000 in new revenue, are recommended for high-priority ongoing programs; \$1.5 million is related to personnel. A listing of recommended items, \$25,000 and over, is as follows (see Attachment 3 for a complete listing of discretionary items with descriptions):

- **Senior Deputy City Attorney Position:** \$240,700
- **Assistant Communications Operations Supervisor Position:** \$227,200
- **Senior Human Resources Analyst Position:** \$200,500
- **Analyst I/II – Environmental Sustainability Position:** \$186,200 (see Attachment 5)
- **CMO Office Assistant III Position:** \$135,900 (see Attachment 5)
- **IT Office Assistant III Position:** \$135,900
- **Conversion of a 0.5 FTE Librarian I/II position to 1.0 Analyst I/II:** \$102,200
- **Associate Civil Engineer – Traffic Section Position (0.45):** \$96,300
- **Short-Term Rental Compliance Contract:** \$80,000 (offset by \$80,000 revenue)
- **Library Books, eBooks, and Electronic Resources:** \$51,800
- **Fire Special Operations Overtime for Training:** \$51,000
- **Parks and Open Space Worker I/II Position (0.35): No Net Cost** (\$46,100 offset by a reduction in wages and contracts)
- **Building Attendant Wages for new Community Center:** \$40,000

Limited-Period Recommendations

Limited-period funding totaling \$3.7 million (excluding rebudgeted items), offset by \$10,000 in revenue, is recommended; \$2.3 million is related to personnel, much of which is a continuation of current staffing (notated with an *). A listing of items recommended as limited-period expenditures, \$25,000 and over, are as follows (see Attachment 4 for a complete listing of limited-period items with descriptions):

- **Firefighter Recruit Academy:** \$497,000
- **Police Officer Position – Community Outreach*:** \$264,000 (see Attachment 6)
- **Professional IT Services:** \$225,000
- **Two Public Safety Dispatcher Overhire Positions (50 percent funded)*:** \$199,000
- **Human Resources Analyst I/II Position*:** \$160,000
- **Smart City Innovation:** \$150,000
- **Management Fellow Position*:** \$145,000
- **HazMat Training:** \$139,800
- **Citywide Succession Planning:** \$125,000
- **CMO/CSD Communications Coordinator Position (0.50):** \$105,400
- **Human Resources Analyst Wages:** \$100,000
- **Employee Relations/Labor Negotiations Attorney Services:** \$95,000
- **Two Police Officer Trainee Positions (25 percent funded)*:** \$91,000
- **Fire Training and Education:** \$90,000
- **Community Services Officer (CSO) Position (0.50)*:** \$87,000
- **Program for Sidewalk Ramping and Grinding:** \$75,000
- **Visual Arts Committee:** \$60,000
- **PW Hourly Staff to Support the Traffic Section:** \$60,000

- **PW Hourly Staff to Support the Capital Projects Section:** \$60,000
- **Senior System Specialist Overhire Position (3 months funding):** \$57,000
- **Peninsula Bikeway Phase II/Bike Racks:** \$54,700
- **Employee Wellness Program:** \$53,000
- **Sustainability Outreach and Engagement Program:** \$50,000 (see Attachment 5)
- **FASD Consultant Services:** \$50,000
- **Lot 12 Development:** \$50,000
- **New Community Center – Pilot Program for Day Porter Services:** \$44,100
- **Public Records Act Management Software:** \$40,000
- **Towing Fee Subsidy:** \$40,000 (see Attachment 6)
- **Parking Enforcement Hourly:** \$40,000 (see Attachment 6)
- **Multilingual Community Coordinator Position (0.25):** \$35,800
- **CPA Lobby Furniture:** \$33,500
- **PW Hourly Staff to Support the Transportation Section:** \$30,000
- **Fire Entry-Level Recruitment Program:** \$30,000
- **City's Antique Fire Apparatus:** \$30,000
- **Window and Blind Cleaning:** \$25,000
- **Community Risk Assessment:** \$25,000

Listings of Fiscal Year 2019-20 Recommended Capital Outlay and Equipment Replacement are included as Attachments 7 and 8, respectively. In addition, as directed by the City Council as part of the revised nonprofit funding process and review of Citywide memberships, Attachment 9 provides a summary of Citywide memberships included in the Fiscal Year 2019-20 budget. The Fiscal Year 2019-20 Proposed Budget will include a summary of nonprofit funding incorporating direction from the April 23, 2019 CDBG Public Hearing.

Items for City Council Discussion and Direction

There are items staff is providing additional information on and requests City Council direction before preparing the Fiscal Year 2019-20 Proposed Budget:

- **Library Services Department Potential Fee Modification**—Over the past year, the Library staff has been researching and analyzing Library fines and fees. Information was presented to the Library Board for discussion over a series of meetings and the Library Board approved the recommendation to eliminate fees at their December 2018 meeting. See Attachment 10 for more information.
- **City Council's Budget**—A Finance Committee meeting is scheduled for April 23, 2019 to discuss the City Council's budget. Any recommendations will be brought back with the Fiscal Year 2019-20 Proposed Budget.

Items that will be brought back with the Fiscal Year 2019-20 Proposed Budget

There are items that either due to timing or the need for further analysis before a recommendation can be made are not included in this Narrative Budget Report. Recommendations related to the following items will be brought back with the Fiscal Year 2019-20 Proposed Budget:

- Environmental Sustainability (see Attachment 5)
- Homeless and Enforcement requests discussed at the March 19, 2019 City Council meeting (see Attachment 6)
- Public Safety and Public Works Succession Planning
- Fire and Environmental Protection Division Staffing
- Additional Management Fellow for CDD and PWD
- Community Health Awareness Council's (CHAC) Request
- Homeless Census Count (Below-Market-Rate Housing Fund)

SUMMARY

Assisted by an extended period of strong economic growth, combined with fiscally responsible actions taken in prior fiscal years, the City is poised to strategically invest funds in needed areas such as additional staff and capital projects, as well as continuing

to address liabilities such as CalPERS and increase reserve levels for the General Fund Reserve and SPAR. The growing economy has resulted in overall revenues projected to increase 7.8 percent over the Fiscal Year 2018-19 Adopted Budget. This results in the ability to include ongoing non-discretionary expenditure increases of \$781,000 and discretionary increases of \$1.7 million for the most needed areas, as well as \$3.7 million in limited-period expenditures. The recommendations include 29.75 positions, with a net of 10.25 new staff. The result of the recommendations is a projected GOF surplus for Fiscal Year 2019-20 of \$2.3 million after recommended transfers.

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OTHER MAJOR FUNDS

General Fund: Development Services Fund

Development Services is a General Fund program, separated from the GOF in order to facilitate better tracking and accounting. This separation was established to allow for an effective way to match revenues and expenditures. Initially created for Building Services, this fund was expanded for Fiscal Year 2014-15 to more fully encompass all development activity.

For the current fiscal year, development activity continues to remain strong. Operating revenues estimated for Fiscal Year 2018-19 are \$18.5 million, \$4.6 million higher than adopted; however, \$354,000 lower than the prior fiscal year audited. Development-related revenues are cyclical in nature, and there is a timing difference for each project as plan check revenue is collected at the beginning of the development process and permit revenue just prior to construction; all services are provided subsequent to the payment of fees.

Operating expenditures for the current fiscal year are estimated at \$16.5 million, \$1.5 million (10.4 percent) higher than the Adopted Budget, primarily as a result of encumbrances carried over from the prior fiscal year which are estimated to be spent. Included in operating expenditures is \$1.8 million to reimburse the cost of administrative support by the GOF. In addition, Development Services contributed \$503,000 to CalPERS (proportionate to the General Fund contribution), \$56,000 to the Compensated Absences Fund, and funded capital projects of \$295,000. After further analysis during the fiscal year, the \$250,000 budgeted for the Retirees' Health UAAL is not needed.

The Land Use Document Fee was approved with the Fiscal Year 2015-16 Adopted Budget to establish a reserve for the purpose of accumulating costs associated with the update of Land Use Documents (e.g., General Plan, Precise Plans, Zoning Ordinance, etc.). For the current fiscal year, Land Use Document fees of \$2.1 million have been received, \$1.3 million more than budgeted. The fund is estimated to end the current fiscal year with a balance of \$16.8 million and a Reserve for Land Use Documents of \$9.0 million.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated, and the upcoming fiscal year recommended follows (dollars in thousands):

	<u>2017-18</u> <u>Audited</u>	<u>2018-19</u> <u>Adopted</u>	<u>2018-19</u> <u>Estimated</u>	<u>2019-20</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 424	\$ 441	\$ 635	\$ 748
Permits	11,305	7,755	9,704	9,773
Charges for Services	7,067	5,723	8,150	7,036
Other	<u>61</u>	<u>34</u>	<u>14</u>	<u>10</u>
Total Revenues	18,857	13,953	18,503	17,567
Operating Expenditures	<u>14,114</u>	<u>14,905</u>	<u>16,451</u>	<u>16,022</u>
Operating Balance (Deficit)	4,743	(952)	2,052	1,545
Land Use Documents	2,414	800	2,055	800
CalPERS Contribution	(689)	(503)	(503)	(503)
Transfer to Comp Absences	(22)	(56)	(56)	(100)
Retirees' Health UAAL	-0-	(250)	-0-	-0-
Capital Projects	<u>(40)</u>	<u>(295)</u>	<u>(295)</u>	<u>(3,066)</u>
Excess (Deficiency) of Revenues	6,406	(1,256)	3,253	(1,324)
Beginning Balance	16,138	22,544	22,544	25,797
Land Use Doc Reserve	<u>(6,951)</u>	<u>(7,751)</u>	<u>(9,007)</u>	<u>(9,807)</u>
Ending Balance	<u>\$15,593</u>	<u>\$13,537</u>	<u>\$16,790</u>	<u>\$14,666</u>

The Fiscal Year 2019-20 recommendations total \$2.2 million and there is \$133,000 recommended to be rebudgeted. Those recommendations \$25,000 and over are as follows (see Attachments 2, 3, and 4 for complete listings with descriptions):

- **Consultants to Support Land Development Section*:** \$450,000 (limited-period)
- **Consultants to Support Construction Section*:** \$400,000 (limited-period)
- **Building Inspector I/II positions (2.0):** \$137,400 (\$387,400 offset by reduction in contracts) (ongoing)
- **Associate Civil Engineer—Construction Section Position*:** \$214,000 (limited-period)

- **Associate Civil Engineer—Land Development Section Position*:** \$214,000 (limited-period)
- **Associate Planner Position*:** \$189,900 (limited-period)
- **Transportation Demand Management Ordinance:** \$100,000 (limited-period)
- **Consultants to Support Traffic Engineering Section*:** \$100,000 (limited-period)
- **Associate Civil Engineer—Traffic Section Position (0.30):** \$64,200 (ongoing)
- **PW Hourly Staff to Support the Construction Section*:** \$60,000 (limited-period)
- **PW Hourly Staff to Support the Land Development Section*:** \$60,000 (limited-period)
- **Associate Civil Engineer—Land Development Section Position (0.25)*:** \$53,500 (limited-period)
- **Precise Plan Noticings:** \$36,000 (limited-period)
- **Permitting System Maintenance:** \$25,000 (ongoing)

*Represents a continuing limited-period position, hourly staff, or contract/consultant.

- Major Capital Projects:
 - Downtown Precise Plan Update: \$1,750,000
 - Terra Bella Precise Plan: \$1,200,000

Fiscal Year 2019-20 operating revenues are projected at \$17.6 million, \$3.6 million higher than the current fiscal year Adopted Budget, and \$936,000 lower than the current fiscal year estimate. Development is projected to remain strong through Fiscal Year 2019-20, but the timing of project approvals and payment of fees is uncertain. Fiscal Year 2019-20 operating expenditures are recommended at \$16.0 million, \$1.1 million more than the current fiscal year Adopted Budget. The fund is projected to end the 2019-20 Fiscal Year with an operating balance of \$1.5 million. Land Use Document fees are projected at \$800,000 and, after funding the \$503,000 contribution to CalPERS (proportionate to the General Fund contribution), \$100,000 transfer to Compensated Absences, and \$3.1 million for capital projects, there is a projected ending balance of \$14.7 million and a Reserve for Land Use Documents of \$9.8 million. This ending balance represents fees

paid in advance of the services provided, including multi-year development projects, and is necessary to continue funding operations during the next slowdown in development activity.

General Fund: Shoreline Golf Links/Restaurant Fund

Shoreline Golf Links (SGL) is an 18-hole course designed by Robert Trent Jones II & Associates that was completed in 1983. The course is owned by the City and generally open to the public 364 days a year. Touchstone Golf, LLC (Touchstone), assumed management and operations of SGL (Pro Shop and maintenance) in January 2012.

In March 2018, the current tenant of Michaels at Shoreline Restaurant advised staff of his desire to terminate the lease at the end of the calendar year. Following deliberations on the terms for the termination of the lease, the City Council directed staff to work with Touchstone to integrate the Michaels at Shoreline Restaurant operation into the Touchstone golf course management agreement. On October 23, 2018, City Council approved amending the operating agreement with Touchstone to include management of Michaels at Shoreline Restaurant. The amended operating agreement began January 1, 2019, and after making some improvements to the facility, Touchstone began operations January 24, 2019.

Although SGL and the Michaels at Shoreline Restaurant are considered General Fund programs, they are tracked and reported separately for management information purposes and to provide a more comprehensive overview of the operations.

For Fiscal Year 2018-19, total revenues are estimated at \$3.0 million, including \$2.2 million for the golf course and \$809,000 for the restaurant for less than six months of operations. Golf Revenues are estimated \$362,000 (14.3 percent) lower than the Adopted Budget due to some unfortunate timing of weather and the smoke from the fires up north impacting air quality during November.

The Fiscal Year 2018-19 operating expenditures are estimated at \$3.0 million, including \$2.1 million for the golf course and \$807,000 for less than six months of operations for the restaurant. Golf expenditures are estimated \$274,000 (11.3 percent) below the Adopted Budget of \$2.4 million, and restaurant expenditures are as budgeted midyear. Included in operating expenditures is the management fee of \$112,000 to Touchstone, \$77,600 to reimburse the cost of administrative support provided by the GOF, and annual funding of liability insurance and equipment replacement. After allowing for a minimum ending balance of \$5,000, there is \$25,000 available to transfer to the GOF, less than the budgeted transfer of \$110,000.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated, and the upcoming fiscal year recommended follows (dollars in thousands):

	<u>2017-18</u> <u>Audited</u>	<u>2018-19</u> <u>Adopted</u>	<u>2018-19</u> <u>Estimated</u>	<u>2019-20</u> <u>Recommended</u>
Revenues:				
Golf Revenues	\$2,323	\$2,532	\$2,170	\$2,458
Restaurant Revenues	<u>-0-</u>	<u>-0-</u>	<u>809</u>	<u>2,000</u>
Total Revenues	2,323	2,532	2,979	4,458
Expenditures:				
Golf Expenditures	2,250	2,423	2,149	2,306
Restaurant Expenditures	<u>-0-</u>	<u>-0-</u>	<u>807</u>	<u>1,871</u>
Total Expenditures	2,250	2,423	2,956	4,177
Operating Balance	73	109	23	281
Transfer to GOF	<u>(89)</u>	<u>(110)</u>	<u>(25)</u>	<u>(275)</u>
Excess (Deficiency) of Revenues	(16)	(1)	(2)	6
Beginning Balance	<u>23</u>	<u>7</u>	<u>7</u>	<u>5</u>
Ending Balance	\$ <u><u>7</u></u>	\$ <u><u>6</u></u>	\$ <u><u>5</u></u>	\$ <u><u>11</u></u>

The Fiscal Year 2019-20 recommendations include a full fiscal year of funding for the restaurant and a net reduction of \$53,400 for the golf course. Those recommendations \$25,000 and over are as follows (see Attachments 2 and 3 for complete listings with descriptions):

- **Restaurant Operating Costs:** \$1.8 million (offset by \$2.0 million revenue)
- **Golf Course Water Cost Increases:** \$28,600 (ongoing)
- **Golf Course Net Operating Cost:** \$(82,000) (offset by \$74,800 reduced revenue)

Projected revenue for Fiscal Year 2019-20 is \$4.5 million, including \$2.5 million for the golf course and \$2.0 million for the restaurant. Golf course revenue is projected \$74,000 lower than the current fiscal year Adopted, and \$288,000 and \$135,000 higher than the current fiscal year estimated and prior fiscal year audited, respectively. Touchstone continues to monitor the membership programs and incorporates adjustments as appropriate. Frequent Player fees are recommended to increase approximately 3.0

percent; and Loyalty Program fees, Tournament fees and all other Greens fees are recommended with a \$1 per player increase. The recommended fee increases were reviewed and approved by the Advisory Greens Committee.

Fiscal Year 2019-20 projected expenditures by Touchstone and the City are \$4.2 million, including \$2.3 million for the golf course and \$1.9 million for the restaurant. Golf course expenditures are projected \$117,000 lower than the current fiscal year adopted. The golf course operating costs reflect recommended increases for utilities offset by decreases in funding for supplies and personnel costs, in addition to lower administrative and City staff costs which are now accounted for in the restaurant. Included in the Fiscal Year 2019-20 recommended operating expenditures are the management fee of \$120,000 to Touchstone, contributions of \$204,500 for annual equipment replacement, and \$106,400 for reimbursement of administrative support provided by the GOF. Fiscal Year 2019-20 is projected with an operating balance sufficient for \$275,000 to be transferred to the General Operating Fund and allow for the \$5,000 minimum balance.

Staff continues to work with Touchstone and meets quarterly to review the operations and financial status of the golf course and restaurant. The second term of the operating agreement with Touchstone expires December 31, 2021.

Shoreline Regional Park Community Fund

The Shoreline Regional Park Community (Shoreline Community) was created by legislation in 1969, known as the Shoreline Regional Park Community Act (Act), for the development and support of the Shoreline Regional Park (Shoreline Park) and to economically and environmentally enhance the surrounding North Bayshore Area. In accordance with the Act, all tax revenues received by the Shoreline Community are deposited into a special fund and used to pay the principal of and interest on loans, advances, and other indebtedness of the Shoreline Community. The Act prescribes the powers of the Shoreline Community, including the construction and replacement of the infrastructure needed to serve the Shoreline Community such as streets, curbs, gutters, parking lots, sidewalks, water and sewer services, lighting, waste disposal, power and communications, housing and levees, as well as operations and maintenance of Shoreline Park. The Shoreline Community is a separate legal entity with its own budget and financial statements, but is considered a blended component unit of the City and financial activities are reported with the City's financial document.

The primary source of revenues for the Shoreline Community is property taxes, which include the revenue generated from the Shoreline Community's 1.0 percent levy assessed on the incremental taxable value of real and personal property located within the Shoreline Community. The AV of secured real property that does not experience a

change in ownership or is not subject to new construction is adjusted annually at a rate not to exceed the California Consumer Price Index (CCPI) or 2.0 percent, whichever is lower. However, if a property changes ownership, it is reassessed at the current market value and new construction is initially valued at the cost of the construction. Unsecured tax on personal property, such as computers and other equipment, is assessed on the value of the property as self-reported annually to the County by businesses.

Fiscal Year 2018-19 property taxes are estimated lower and investment earnings are estimated higher than budget, resulting in estimated operating revenues of \$42.5 million, \$1.0 million (2.3 percent) lower than budget and \$1.7 million (3.8 percent) lower than the prior fiscal year audited. The property tax revenue adopted for Fiscal Year 2018-19 anticipated a net increase compared to the July 1, 2017 tax roll resulting from changes in ownership, the 2.0 percent annual CCPI, and resolution of appeals. The Fiscal Year 2018-19 estimated property tax is lower than budget as a result of the unanticipated 22.9 percent decrease in unsecured AV on the July 1, 2018 tax roll compared to the prior fiscal year.

Operating expenditures for the current fiscal year are estimated at \$33.1 million, \$2.2 million (7.2 percent) higher than the Fiscal Year 2018-19 Adopted Budget of \$30.9 million, the net result of savings in salary and benefits, and supplies and services offset by the additional debt service for the 2018 Shoreline Regional Park Community Bonds issued in December 2018. This estimate includes the operations of the Shoreline Regional Park, landfill, and street maintenance, as well as the Shoreline Community's share of costs for services such as Police and Fire protection, planning, and general administration.

The intergovernmental payment to the County, in accordance with the agreement authorized in December 2004, is estimated to be \$152,400 lower than budget as a result of the estimated lower than budgeted property taxes. Contributions to the Mountain View Whisman School District (MVWSD) and the Mountain View Los Altos Union High School District (MVLAUHSD) have been made in accordance with the 10-year Joint Powers Authority (JPA) Agreement approved in June 2013 and are \$122,000 higher than budget, as this calculation is based on the percent change in total property tax received between the two prior fiscal years.

The North Bayshore Development Impact Fees (NBSDIF) is made up of three pieces accounted for separately. The transportation-related piece is accounted for in the Shoreline Community, and the water and sewer infrastructure pieces are accounted for in the Water and Wastewater Funds, respectively (see Water and Wastewater Funds). Interest on the transportations related NBSDIF of \$468,000 is estimated and there have been no fees received during the current fiscal year through February 2019. The

estimated balance available for transportation projects is \$4.3 million and is held in the Development Impact Fees Reserve for funding of future transportation projects.

The estimated operating balance of \$9.4 million is funding a \$201,000 contribution to CalPERS (proportionate to the General Fund contribution), \$42,000 to the Compensated Absences Fund, and a \$195,000 contribution to the Retirees' Health UAAL. In addition, there is funding of \$14.6 million for capital projects, including \$6.4 million for the Shoreline Boulevard/Highway 101 Off-Ramp Realignment, Design CIP funded from the NBSDIF. The Shoreline Community Fund is estimated with a \$13.0 million ending balance and \$19.5 million in reserves, which includes the General, Landfill, Sea Level Rise, and Development Impact Fee Reserves.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated, and the upcoming fiscal year recommended follows (dollars in thousands):

	<u>2017-18</u> <u>Audited</u>	<u>2018-19</u> <u>Adopted</u>	<u>2018-19</u> <u>Estimated</u>	<u>2019-20</u> <u>Recommended</u>
Revenues:				
Property Taxes	\$42,100	\$41,808	\$40,219	\$48,154
Investment Earnings	1,225	1,339	1,709	1,987
Other	<u>861</u>	<u>366</u>	<u>594</u>	<u>478</u>
Total Revenues	<u>44,186</u>	<u>43,513</u>	<u>42,522</u>	<u>50,619</u>
Expenditures:				
Operating	12,597	14,036	13,966	14,442
Intergovernmental Payments	10,293	10,272	10,241	10,669
Debt Service	<u>4,902</u>	<u>6,566</u>	<u>8,897</u>	<u>6,423</u>
Total Expenditures	<u>27,792</u>	<u>30,874</u>	<u>33,104</u>	<u>31,534</u>
Operating Balance	16,394	12,639	9,418	19,085
CIP Refunds	19	-0-	-0-	-0-
Bond Proceeds	-0-	-0-	-0-	69,280
Development Impact Fees & Int	17,135	-0-	468	-0-
CalPERS Contribution	(302)	(201)	(201)	(201)
Transfer to Comp Absences	(20)	(42)	(42)	(70)
Retirees' Health UAAL	(995)	(195)	(195)	(500)
Capital Projects from Fees	(13,370)	(6,400)	(6,400)	(3,848)
Capital Projects from Bond				
Proceeds	-0-	-0-	-0-	(69,280)
Capital Projects	<u>(43,369)</u>	<u>(7,118)</u>	<u>(8,218)</u>	<u>(14,771)</u>
Excess (Deficiency)				
of Revenues	(24,508)	(1,317)	(5,170)	(305)
Beginning Balance	62,188	37,680	37,680	32,510
Reserve	(4,600)	(5,200)	(5,200)	(5,300)
Reserve for Landfill	(6,000)	(7,000)	(7,000)	(8,000)
Reserve for Sea Level Rise	-0-	(3,000)	(3,000)	(6,000)
Reserve for Dev Impact Fees	<u>(10,248)</u>	<u>(3,848)</u>	<u>(4,316)</u>	<u>(468)</u>
Ending Balance	<u>\$16,832</u>	<u>\$17,315</u>	<u>\$12,994</u>	<u>\$12,437</u>

The Fiscal Year 2019-20 recommendations total \$372,200. Those recommendations \$25,000 and over are as follows (see Attachments 2, 3, and 4 for complete listings with descriptions):

- **Parks and Open Space Worker I/II Position (1.65 FTE): No Net Cost (\$217,300 offset by a reduction in wages and contracts) (ongoing)**
- **City Utility Cost Increase (placeholder): \$125,000 (ongoing)**
- **Associate Civil Engineer – Traffic Section Position (0.25): \$53,500 (ongoing)**
- **Associate Civil Engineer – Land Development Section Position (0.25)*: \$53,500 (limited-period)**
- **Consultants to Support Traffic Engineering Section: \$50,000 (limited-period)**
- **Community Risk Assessment: \$50,000 (limited-period)**

*Represents a continuing limited-period position.

- **Major Capital Projects:**
 - **Plymouth/Space Park Realignment: \$27,780,000 (\$21.4 million 2018 Bond Proceeds)**
 - **NB Shoreline Blvd/101 Off-Ramp Realignment, Construction: \$23,000,000 (\$14.1 million 2018 Bond Proceeds)**
 - **Shoreline Blvd at 101 Ped/Bike Overcrossing, Construction: \$20,000,000 (\$14.8 million 2018 Bond Proceeds, \$3.8 million Development Impact Fee)**
 - **Charleston Pump Station Realignment: \$4,150,000**
 - **Fire Station 5 Classroom/Training, Construction: \$2,840,000 (\$2.5 million 2018 Bond Proceeds)**
 - **Sailing Lake Improvements, Construction: \$2,500,000 (\$1.5 million 2018 Bond Proceeds)**
 - **Charleston Road Improvements, Design: \$2,135,000**
 - **Shoreline Boathouse Expansion: \$1,640,000 (\$1.0 million 2018 Bond Proceeds)**

Projected revenues for Fiscal Year 2019-20 are \$50.6 million, \$7.1 million, and \$8.1 million higher than the current fiscal year adopted and Fiscal Year 2018-19 estimated, respectively. The 2.0 percent CCPI, changes in ownership, new development, and projected reductions from resolved appeals result in a net increase in property tax compared to Fiscal Year 2018-19 estimated property taxes. Primarily, Google's purchase of 2025 and 2011 Stierlin Court for \$1.0 billion in November 2018 increased Fiscal Year 2019-20 property tax by \$6.3 million. Unsecured AV is reported by business owners and can fluctuate significantly. As of January 2019, the County has approximately 5,300 active appeals for properties throughout the County, including properties located in the Shoreline Community. The County has provided summarized information about pending appeals and the Fiscal Year 2019-20 revenue includes a projected tax loss based on historical resolution of appeals. In addition, certain revenues, such as precise plan reimbursements, are not budgeted.

Fiscal Year 2019-20 expenditures are recommended at \$31.5 million. In addition, there is a \$201,000 contribution to the CalPERS liability (proportionate to the General Fund contribution); \$70,000 transfer to the Compensated Absences Fund; \$500,000 contribution to the Retirees' Health UAAL; and \$87.9 million for capital projects, of which \$3.8 million is funded from development impact fees and \$69.3 million is funded from the 2018 Shoreline Regional Park Community Bond proceeds.

The Sea Level Rise Reserve is increasing \$3.0 million as part of the plan to set aside \$3.0 million annually over 10 fiscal years to fund approximately \$30.0 million for projects identified in the Shoreline Sea Level Rise Study. The General Reserve and Landfill Reserve are also increasing based on guidelines previously approved. The Shoreline Community Fund is projected to end the 2019-20 Fiscal Year with an ending balance of \$12.4 million, and \$19.8 million in Reserves.

UTILITY FUNDS

WATER, WASTEWATER, SOLID WASTE MANAGEMENT

The City's enterprise utility funds are fully funded by the rates charged to customers; there is no General Fund support to the utility funds. Utility rates charged by governmental entities for water, sewer, and trash and recycling services are considered property-related fees and are subject to the procedural requirements of Proposition 218, Article XIII, of the California Constitution. Proposition 218 requires governmental agencies to conduct a majority protest hearing prior to adopting any changes in utility rates. A notice is required to be mailed no later than 45 days prior to the public hearing and is required to include the proposed rate adjustment, the calculation methodology, and describe the process for submitting a protest vote. The legislation also provides for future rate increases within prescribed limits to be approved without holding a hearing each year for up to an additional four years.

A Proposition 218 hearing is not required for the recommended rate increases as all recommended increases for Fiscal Year 2019-20 are within the prescribed limits as noticed May 6, 2016 and approved at the June 21, 2016 public hearing (for Water and Wastewater rates) and noticed May 4, 2018 and approved at the June 19, 2018 public hearing (for trash and recycling rates) pursuant to Government Code Section 53756. Staff will be mailing a notification of the recommended rate changes on or before June 1.

Water Enterprise Fund

The Water Enterprise Fund is a utility fund accounting for the revenues and expenditures associated with the provision of retail water service to Mountain View residents and businesses. The City provides potable water service to approximately 96.0 percent of water customers within the City limits while California Water Service (a private company) provides service to the remaining 4.0 percent of water customers in a few previously unincorporated neighborhoods. Potable water for the City's system is obtained primarily from the San Francisco Public Utilities Commission (SFPUC) regional Hetch Hetchy water system (88.0 percent). Water is also purchased from the Santa Clara Valley Water District (SCVWD) (10.0 percent) and City well production (2.0 percent). The primary costs associated with water service are the purchase of water, staffing to operate and maintain the system, ongoing maintenance, and capital replacement and improvement projects. Charges for services are designed to fully fund ongoing annual costs and a base level of annual capital projects as well as to maintain adequate reserves in accordance with Council policy.

A 1.0 percent increase for the average cost of water and meter rates, and a 22.0 percent increase for recycled water rates were adopted for Fiscal Year 2018-19. Operating revenues for Fiscal Year 2018-19 are estimated at \$37.4 million, approximately \$1.0 million (2.7 percent) higher than budget. Although this fund has been significantly impacted by previous water conservation efforts due to the drought, the financial condition of the fund is now benefiting from increased water usage from the past three years. However, usage is still approximately 22.0 percent below the 2013 drought baseline.

The recycled water rate was previously set to recover the cost of the program, including the loan repayment and ongoing recycled water program operating costs. Costs have increased over the last three fiscal years due to added limited-period and operating costs for regulatory compliance. This resulted in the rate no longer covering the cost of the program based on current usage. City Council approved phasing in the rate increase needed to cover the cost of the program over a three-year period, adopting a rate for Fiscal Year 2018-19 of \$3.75 per unit from \$3.07 per unit, and approving increases for Fiscal Years 2019-20 and 2020-21 to \$4.50 per unit and \$5.00 per unit,

respectively. Recycled water sales are currently trending as budgeted. If recycled water consumption increases or decreases, the rate increases recommended will be reduced or increased, respectively, to cover the cost of the program. Staff continues efforts to convert customers from potable water to recycled water when possible.

Operating expenditures for Fiscal Year 2018-19 are estimated at \$32.4 million, \$357,000 (1.1 percent) lower than the budget of \$32.7 million. This is primarily the result of savings in operations offset by slightly higher SCVWD retail water costs than budgeted. The City's long-term contract with the SFPUC has a minimum water purchase requirement and an individual supply guarantee (ISG) maximum purchase through 2040. During the drought, the SFPUC waived the minimum purchase requirement. However, the SFPUC is no longer waiving the City's minimum water purchase and the Fiscal Year 2018-19 budget reflects full funding of the minimum purchase requirement.

During Fiscal Year 2016-17, staff evaluated options to minimize or eliminate future penalties as a result of the City's minimum water purchase requirement with the SFPUC. The City of East Palo Alto (EPA) was approaching their individual water supply guarantee (ISG) with the SFPUC which precluded approval of large development projects in EPA. The City of Mountain View is not anticipated to reach its ISG through 2040. Therefore, staff worked with EPA to transfer 1.0 million gallons of the City's ISG to EPA in return for \$5.0 million. The agreement was approved in 2017, and the \$5.0 million is reserved to be used toward future minimum water purchase penalties when insufficient water service charges are collected. A penalty of \$3.0 million is currently estimated for Fiscal Year 2018-19.

The estimated operating balance for Fiscal Year 2018-19 is \$5.0 million, which is sufficient to fund the CalPERS contribution of \$387,000 (proportionate to the General Fund contribution), Retirees' Health UAAL of \$200,000, and the current fiscal year's \$3.0 million for capital projects.

Restructured capacity fees were adopted by the City Council effective July 1, 2015. The updated fee structure accounts for increased water and sewer infrastructure costs based on additional demands resulting from new development or changes to the type of development. Capacity fees are not included in the Adopted Budget as the fees are uncertain; funds are available for capital projects after the fees are actually received. Capacity fees received through February 2019 total \$921,000 and interest is estimated at \$117,000. Various Development Impact Fees have been adopted by the City Council, and for Fiscal Year 2018-19, no revenue has been received through February 2019, but interest is estimated at \$124,000. Any fees received and interest earned will be designated for specific projects, and are identified in the Five-Year CIP or have been set aside in reserves. Capacity and Development Impact Fees received in prior fiscal years are sufficient to fund the \$3.6 million in additional capital projects. The Water Fund is

estimated to have an \$8.9 million ending balance and \$22.3 million in reserves, which includes the water transfer reserve, and the balance of capacity and development impact fee revenues received and interest earned on the balance.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated, and the upcoming fiscal year recommended follows (dollars in thousands):

	2017-18 <u>Audited</u>	2018-19 <u>Adopted</u>	2018-19 <u>Estimated</u>	2019-20 <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 563	\$ 502	\$ 631	\$ 789
Water Sales	33,305	34,002	34,577	34,924 ⁽¹⁾
Recycled Water Sales	640	660	668	750
Other	<u>1,626</u>	<u>1,242</u>	<u>1,529</u>	<u>1,250</u>
Total Revenues	<u>36,134</u>	<u>36,406</u>	<u>37,405</u>	<u>37,713</u>
Expenditures:				
Operating	9,359	10,510	10,100	11,178
Water Purchases	20,973	21,290	21,343	21,627
Loan Repayment —				
Recycled Water	300	300	300	300
Debt Service	<u>630</u>	<u>629</u>	<u>629</u>	<u>634</u>
Total Expenditures	<u>31,262</u>	<u>32,729</u>	<u>32,372</u>	<u>33,739</u>
Operating Balance	4,872	3,677	5,033	3,974
Capacity/Development				
Impact Fees & Int	7,239	-0-	1,162	-0-
Water Transfer	5,000	-0-	-0-	-0-
CalPERS Contribution	(590)	(387)	(387)	(387)
Retirees' Health UAAL	(294)	(200)	(200)	(500)
Capital Projects from Fees	(2,287)	(3,640)	(3,640)	(6,173)
Capital Projects	<u>(3,082)</u>	<u>(3,038)</u>	<u>(3,038)</u>	<u>(3,174)</u>
Excess (Deficiency)				
of Revenues	10,858	(3,588)	(1,070)	(6,260)
Beginning Balance	21,320	32,178	32,178	31,108
Capacity/Dev Impact				
Fees Reserves	(8,692)	(5,052)	(6,214)	(41)
Water Transfer Reserve	(5,000)	(5,000)	(5,000)	(5,000)
Reserves	<u>(10,830)</u>	<u>(11,042)</u>	<u>(11,042)</u>	<u>(11,296)</u>
Ending Balance	<u>\$ 7,656</u>	<u>\$ 7,496</u>	<u>\$ 8,852</u>	<u>\$ 8,511</u>

⁽¹⁾ Based on the recommended 1.0 percent rate adjustment.

The Fiscal Year 2019-20 recommendations total \$433,500. Those recommendations \$25,000 and over are as follows (see Attachments 2, 3, and 4 for complete listings with descriptions):

- **Associate Civil Engineer – Engineering and Environmental Compliance Section Position*:** \$214,000 (limited-period)
- **GIS contract:** \$100,000 (limited-period)
- **Hourly Utility Locating:** \$66,000 (limited-period)
- **Associate Civil Engineer – Land Development Section Position (0.25)*:** \$53,500 (limited-period)

*Represents a continuing limited-period position.

- **Major Capital Projects:**
 - Water & Sewer Replacement at 101, Construction: \$5,627,000
 - Miscellaneous Water Main/Service Line Replacement: \$2,636,000
 - Water System Improvements and Recycled Water System Improvements: \$641,000

The major factors that influence rate setting for the Water Fund are: (1) the cost of wholesale water; (2) water consumption level; (3) annual operating costs; and (4) level of capital improvements. The cost of water purchases from the SFPUC and other water sources (approximately 65.0 percent of recommended expenditures) has been subject to major fluctuations for more than a decade and has caused the City's retail water rate adjustments to vary significantly. Annual capital project funding of \$3.0 million is included in the rate calculation as the three-year rolling average of annual projects.

For Fiscal Year 2019-20, a 1.0 percent rate increase is recommended for the average cost of water and meter rates and a 20.0 percent increase (the second year phase-in of increasing the rate at stated above) is recommended for the recycled water rate. The recycled rate will be 35.2 percent lower than the potable Uniform water rate. The Uniform and Tier 2 rates reflect the average cost of water; Tier 1 is set at 75.0 percent and Tier 3 is set at 160.0 percent of the average cost of water. Meter rates are tied to the capacity ratios published by the American Water Works Association (AWWA). Because of these relationships, individual rate increases may be slightly more or less than the 1.0 percent stated. This 1.0 percent rate increase is for rate increases from providers and

CPI as allowed. Recommended fee modifications are included in Attachment 1, and a comparison of the current rates and the recommended rates are included in Attachment 11.

Fiscal Year 2019-20 projected revenues, with the recommended rate adjustments and water consumption based on the current fiscal year trend, are \$37.7 million and recommended expenditures are \$33.7 million (after eliminating the budget effect of depreciation expense). Included in expenditures are the proposed rate adjustments to wholesale water costs. For Fiscal Year 2019-20 the SFPUC has proposed a zero rate increase and SCVWD is proposing 6.6 percent for groundwater, which corresponds to an 6.1 percent rate increase for treated water (treated water is \$100 more per acre-foot than groundwater). Final rates will not be approved by the SFPUC until mid-May and by SCVWD on April 23, 2019. Staff will provide an update to Council if there are any changes to the proposed rate increase with the Proposed Budget on June 11, 2019.

The recommendation results in an operating balance of \$4.0 million. There are also capital projects of \$3.2 million, a contribution to CalPERS of \$387,000 (proportionate to the General Fund contribution), and funding for Retirees' Health UAAL of \$500,000. This results in projected Fiscal Year 2019-20 reserve balances of \$16.3 million, which includes the water transfer reserve, and the balance of capacity and development impact fee revenues received and the interest earned on the balance. The projected ending balance for this fund is \$8.5 million.

As stated above, Capacity fees are not included in the projection for Fiscal Year 2019-20 as the fees are uncertain, and are available for capital projects after the fees are actually received. Capacity Fees previously received will fund \$518,000 additional capital projects recommended for Fiscal Year 2019-20. The North Bayshore Development Impact Fees and other Development Impact Fees previously received will fund \$5.6 million in additional capital projects recommended for Fiscal Year 2019-20. Both Capacity and Development Impact fees provide funding for additional capital projects and mitigate the need to fund these projects with rate increases.

The SFPUC has provided estimated future water rate increases of 0.0 percent through Fiscal Year 2021-22, 15.1 percent in Fiscal Year 2022-23, and 8.3 percent in Fiscal Year 2023-24. It has been requested the SFPUC consider a rate smoothing strategy for the estimated 15.1 percent rate increase in Fiscal Year 2022-23.

Wastewater Enterprise Fund

The Wastewater Enterprise Fund is the utility fund that accounts for the costs and revenues associated with the collection, transportation, and treatment of wastewater generated from all residences and businesses in the City. Other associated functions

included in this fund are the Hazardous Materials Permit Program and the Industrial Liquid Waste Management Program. Expenditures in the Wastewater Fund include the construction and maintenance of sanitary sewer lines, stormwater lines, and pump stations; the City's share of costs associated with the operation of the Treatment Plant; and personnel costs for the operation and maintenance of the system. This fund is affected by costs associated with stringent requirements for the Treatment Plant, stormwater discharges into San Francisco Bay, and fluctuations in water usage. Revenues are partially governed by the amount of water used by commercial dischargers in the City each fiscal year.

A 8.0 percent overall rate increase was adopted for Fiscal Year 2018-19. This includes a 4.0 percent rate increase for operations, a 2.0 percent rate increase for future Treatment Plant capital costs, and 2.0 percent for unanticipated Treatment Plant costs in Fiscal Year 2015-16. As previously outlined, future capital expenditures are forecasted for the Treatment Plant as the facility began operations in 1972 and is in need of major renovations. A cumulative rate increase of 20.0 percent is projected and City Council approved a gradual phase-in of 2.0 percent annually for 10 years to fund these long-term capital costs, of which Fiscal Year 2018-19 is the fifth year.

Unforeseen Treatment Plant costs in Fiscal Year 2015-16 caused the fund to be in a distressed financial condition. To fully fund the impact of the increases in Treatment Plant costs, the rate increase for Fiscal Year 2016-17 would have needed to be 26.0 percent. City Council approved staff's recommendation to spread the increase needed to stabilize the financial position of this fund over three years (6.0 percent in each of Fiscal Years 2016-17, 2017-18, and 2018-19) and utilize half of the rate stabilization reserve for Fiscal Years 2016-17 and 2017-18 to balance the fund. Only a 2.0 percent increase was needed in Fiscal Year 2018-19 (the third and final year) and the rate stabilization reserve has been restored to the policy level.

Operating revenues for Fiscal Year 2018-19 are estimated at \$23.9 million, essentially the same as the budget of \$23.8 million. Operating expenditures are estimated at \$17.5 million, \$860,000 (4.7 percent) lower than the budget of \$18.4 million. This is due to a \$419,000 credit for prior fiscal year Treatment Plant expenses and savings in operations.

Each fall, an annual reconciliation of the prior fiscal year's actual treatment costs (based on volume) is performed by the Treatment Plant, and an adjustment is provided to each member agency. The City's share of audited expenditures of the Treatment Plant for last fiscal year were \$419,000 lower than budgeted, resulting in a credit that is applied towards the current fiscal year's treatment costs. The credit from the Treatment Plant is related to obligations encumbered but not spent and, therefore, is being reserved in anticipation the expenditures will be included in the reconciliation for Fiscal Year 2018-19. The estimated operating balance of \$6.4 million will fund the CalPERS contribution

of \$222,000 (proportionate to the General Fund contribution), Retirees' Health UAAL of \$50,000, and \$2.4 million for capital projects, as well as the \$419,000 Treatment Plant credit being reserved.

Restructured capacity fees were adopted by the City Council effective July 1, 2015. Capacity fees are not included in the Adopted Budget as the fees are uncertain; funds are available for capital projects after the fees are actually received. The Capacity fees received through February 2019 total \$740,600 and interest is estimated at \$214,100. Various Development Impact Fees have been adopted by the City Council, and thorough February 2019, \$28,800 has been received and interest is estimated at \$29,900. Any fees and interest earned will be designated for specific projects and will be identified in the Five-Year CIP. Capacity and Development Impact Fees received in prior fiscal years are sufficient to fund the \$6.5 million in additional capital projects.

The majority of the sanitary sewer trunk main infrastructure was installed in the 1950s and 1960s. Staff has previously indicated through the CIP process that there are major City sewer main replacement projects necessary over the next 10 years. As identified last year, capacity and development impact fees have provided a source of funding for some projects; however, the fees received are not sufficient to fund all projects and staff recommended issuing debt to secure additional funds. On October 23, 2018, the City Council approved a \$10.1 million loan financing for Wastewater infrastructure projects. The \$10.1 million proceeds will fund capital projects as identified. The financing structure includes the ability to draw funds as needed for the first 18 months, lowering interest cost, and the ability to prepay 10 percent of the outstanding balance each year and all of the outstanding balance after 10 years without penalty. After the full \$10.1 million is drawn, annual payments will be approximately \$852,000.

The fund is estimated with a \$5.3 million ending balance and \$16.0 million in reserves, which includes the accumulation of the rate increases needed for future Treatment Plant capital expenditures, the reservation of the \$419,000 prior year Treatment Plant credit, the balance of capacity and development impact fee revenues received and the interest earned on the balance, as well as the full reserve requirement for the fund.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated, and the upcoming fiscal year recommended follows (dollars in thousands):

	<u>2017-18</u> <u>Audited</u>	<u>2018-19</u> <u>Adopted</u>	<u>2018-19</u> <u>Estimated</u>	<u>2019-20</u> <u>Recommended</u>
Revenues:				
Hazardous Materials/ Fire Safety Permits	\$ 557	\$ 425	\$ 484	\$ 425
Investment Earnings	297	272	385	482
Wastewater Service	21,700	23,095	23,025	23,716 ⁽¹⁾
Other	<u>342</u>	<u>34</u>	<u>18</u>	<u>34</u>
Total Revenues	<u>22,896</u>	<u>23,826</u>	<u>23,912</u>	<u>24,657</u>
Expenditures:				
Operating	6,931	7,135	6,634	7,359
Wastewater Treatment	8,710	11,254	10,835 ⁽²⁾	11,579
Debt Service/ Issuance	<u>-0-</u>	<u>-0-</u>	<u>60</u>	<u>909</u>
Total Expenditures	<u>15,641</u>	<u>18,389</u>	<u>17,529</u>	<u>19,847</u>
Operating Balance	7,255	5,437	6,383	4,810
Capacity/Development				
Impact Fees & Int	5,660	-0-	1,013	-0-
Loan Proceeds	-0-	-0-	58	6,891
CalPERS Contribution	(349)	(222)	(222)	(222)
Retirees' Health UAAL	(246)	(50)	(50)	-0-
Capital Projects from Fees	(627)	(6,500)	(6,500)	(999)
Capital Projects from Loan				
Proceeds	-0-	-0-	-0-	(6,891)
Capital Projects	<u>(2,103)</u>	<u>(2,409)</u>	<u>(2,409)</u>	<u>(2,157)</u>
Excess (Deficiency)				
of Revenues	9,590	(3,744)	(1,727)	1,432
Beginning Balance	13,476	23,066	23,066	21,339
Capacity/Dev Impact Fees				
Reserves	(7,969)	(1,469)	(2,483)	(1,484)
Treatment Plant Reserve	(3,844)	(6,354)	(6,773) ⁽²⁾	(8,342) ⁽¹⁾
Reserves	<u>(6,542)</u>	<u>(6,765)</u>	<u>(6,765)</u>	<u>(6,925)</u>
Ending Balance	<u>\$ 4,711</u>	<u>\$ 4,734</u>	<u>\$ 5,318</u>	<u>\$ 6,020</u>

⁽¹⁾ Based on a recommended 3.0 percent rate increase and includes \$1.9 million in revenue generated by the rate increases for planned Treatment Plant capital costs that is being reserved.

⁽²⁾ Includes \$419,000 credit for the prior fiscal year.

The Fiscal Year 2019-20 recommendations total \$103,500 and rebudgets of \$20,000. Those recommendations \$25,000 and over are as follows (see Attachments 2, 3, and 4 for complete listings with descriptions):

- **Associate Civil Engineer—Land Development Section Position (0.25)*: \$53,500 (limited-period)**
- **Hourly Staff to Review Sewer Video: \$50,000 (ongoing)**

*Represents a continuing limited-period position.

- Major Capital Projects:
 - Water & Sewer Replacement at 101, Construction: \$4,273,000 (Loan proceeds)
 - Interceptor Force Trunk Rehab, Construction Phase II: \$1,840,000 (\$1.6 million from Loan proceeds)
 - Miscellaneous Storm/Sanitary Sewer Main Replacement: \$1,649,000
 - San Antonio Area Sewer Improvements, Construction Phase I: \$1,500,000 (\$1.0 million from Loan Proceeds)

Costs for the Treatment Plant are proposed with no increase for Fiscal Year 2019-20, resulting in the cost of wastewater treatment to be approximately 60.0 percent of the total recommended operating expenditures. **A 3.0 percent overall rate increase is recommended for Fiscal Year 2019-20:** 1.0 percent is the result of no increase from the Treatment Plant for Fiscal Year 2019-20 and operating cost increases up to the CPI, and 2.0 percent is the sixth year of the phase-in of planned Treatment Plant capital costs as noticed and approved for Fiscal Year 2019-20 at the rate hearing on June 21, 2016. For rate-setting purposes, a \$2.2 million base level of annual maintenance capital projects is assumed for Fiscal Year 2019-20.

Based on the recommended rate increase, operating revenues for Fiscal Year 2019-20 are projected at \$24.7 million and recommended operating expenditures are \$19.8 million (after eliminating the budget effect of depreciation expense). The operating balance of \$4.8 million will fund the contribution to CalPERS of \$222,000 (proportionate with the General Fund contribution), and \$2.2 million of the \$9.0 million recommended for capital projects. The remaining \$6.9 million is funded from loan proceeds. Additionally, there is \$1.9 million in revenue generated by the rate increases for

planned Treatment Plant capital costs that is being reserved. This results in a reserve balance of \$6.9 million, in addition to the Capacity/Development Impact Fee and Treatment Plant reserves of \$9.8 million. The projected ending balance for Fiscal Year 2019-20 is of \$6.0 million.

As with the Water Fund, Capacity fees are not included in the projection for Fiscal Year 2019-20 as the fees are uncertain, and are available for capital projects after the fees are actually received. Capacity Fees previously received will fund \$645,000 in additional capital projects recommended for Fiscal Year 2019-20. The North Bayshore Development Impact Fees and other Development Impact Fees previously received will fund \$354,000 in additional capital projects recommended for Fiscal Year 2019-20. Both Capacity and Development Impact fees provide funding for additional capital projects and mitigate the need to fund these projects with rate increases.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund is the utility fund that accounts for the revenues and expenditures of solid waste-related services, including trash collection and disposal, recycling services, street sweeping, and the maintenance of two of the City's three closed landfill sites.

Trash and recyclables generated in the City are transported to the SMaRT® Station (the City is one of three partners) for removal of recyclables and the remaining trash is transported for final disposal at the Kirby Canyon Landfill in South San Jose. The City provides a variety of services through an outside contractor (Recology) for the collection of trash and recyclables. The City bills and collects all revenues for solid waste services.

For Fiscal Year 2017-18, a 5.0 percent rate increase was adopted for carts, incorporating the new residential food scraps program, and there was no increase for all other services.

The City's Solid Waste Fund operating revenues for Fiscal Year 2018-19 are estimated at \$15.5 million compared to the budget of \$14.0 million. Trash and recycling service charges are trending \$1.5 million (10.7 percent) higher than budget, mainly due to higher debris box revenue associated with the high level of development activity. City operating expenditures are estimated at \$13.1 million, \$233,000 (1.6 percent) lower than the Adopted Budget of \$13.3 million, as a result of savings in operations offset by higher SMaRT Station costs due to the prior fiscal year SMaRT Station reconciliation. The SMaRT Station performs an annual reconciliation of the prior fiscal year's costs and an adjustment is provided to each member agency. For Fiscal Year 2017-18, the City owed an additional \$387,000, which has been paid in the current fiscal year. This was mainly

due to increased tonnage from debris boxes associated with development activity for which the City is also seeing increased revenue, and also higher processing costs for the food scraps program. The current fiscal year is continuing to see these trends and staff expects the reconciliation for the current fiscal year to show the City owing the SMaRT Station for these reasons. These trends have been incorporated into the Fiscal Year 2019-20 SMaRT budget. Recology revenues and expenditures are not considered part of the City's budget as these are contractually passed through to Recology, but are shown for informational purposes.

Operating revenues are estimated higher than operating expenditures by \$2.4 million. After funding the additional CalPERS contribution of \$159,000 (proportionate with the General Fund contribution), and the current fiscal year's \$594,000 for capital projects, there is an estimated ending balance of \$8.7 million and reserves of \$4.2 million.

A comparison of the prior fiscal year audited, current fiscal year adopted and estimated, and the upcoming fiscal year recommended follows (dollars in thousands):

	<u>2017-18</u> <u>Audited</u>	<u>2018-19</u> <u>Adopted</u>	<u>2018-19</u> <u>Estimated</u>	<u>2019-20</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 152	\$ 169	\$ 194	\$ 253
Trash and Recycling				
Service Charges	14,666	13,676	15,138	15,429 ⁽¹⁾
Other	<u>204</u>	<u>195</u>	<u>129</u>	<u>195</u>
City Revenues	15,022	14,040	15,461	15,877
Recology Revenues ⁽²⁾	<u>15,679</u>	<u>15,655</u>	<u>16,865</u>	<u>17,535</u>
Total Revenues	<u>30,701</u>	<u>29,695</u>	<u>32,326</u>	<u>33,412</u>
Expenditures:				
Operating	4,798	5,685	4,815	5,867
Disposal and SMaRT				
Station Charges	<u>7,059</u>	<u>7,653</u>	<u>8,290⁽³⁾</u>	<u>8,887</u>
City Expenditures	11,857	13,338	13,105	14,754
Recology Payments	<u>15,679</u>	<u>15,655</u>	<u>16,865</u>	<u>17,535</u>
Total Expenditures	<u>27,536</u>	<u>28,993</u>	<u>29,970</u>	<u>32,289</u>
Operating Balance	3,165	702	2,356	1,123
CalPERS Contribution	(241)	(159)	(159)	(159)
Retirees' Health UAAL	(876)	-0-	-0-	-0-
Capital Projects	<u>(338)</u>	<u>(594)</u>	<u>(594)</u>	<u>(293)</u>
Excess (Deficiency)				
of Revenues	1,710	(51)	1,603	671
Beginning Balance	9,596	11,306	11,306	12,909
Reserve for Future Fac Equip	(440)	(880)	(880)	(1,320)
Reserves	<u>(3,186)</u>	<u>(3,335)</u>	<u>(3,335)</u>	<u>(3,689)</u>
Ending Balance	<u>\$ 7,680</u>	<u>\$ 7,040</u>	<u>\$ 8,694</u>	<u>\$ 8,571</u>

⁽¹⁾ Based on a 3.0 percent rate adjustment recommended.

⁽²⁾ Neither revenues nor expenditures are adopted for Recology.

⁽³⁾ Includes \$387,000 owed for SMaRT Station reconciliation for the prior fiscal year.

The Fiscal Year 2019-20 recommendations total \$256,000. Those recommendations \$25,000 and over are as follows (see Attachments 2, 3, and 4 for complete listings with descriptions):

- **Administrative Aide – Solid Waste Section Position*:** \$159,800 (limited-period)
- **Reclassification of an Environmental Compliance Specialist position to Associate Civil Engineer:** \$38,200 (ongoing)
- **City Utility Cost Increase (placeholder):** \$30,000 (ongoing)

*Represents a continuing limited-period position.

- Major Capital Improvements:
 - Shoreline Landfill Cap Maintenance and Repairs: \$139,000
 - Landfill Gas/Leachate System Repairs and Improvements: \$139,000

The agreement with Recology provides for an increase based on CPI and for Fiscal Year 2019-20 is 3.97 percent. The City's share of SMaRT Station costs is currently proposed to increase 16.0 percent, 4.5 percent after adjusting for tonnage increases that have associated revenue. These provider increases, as well as increases in the cost of City programs up to the CPI, result in an overall average rate increase of 4.0 percent. However, this fund is in a stable financial condition and staff is recommending an overall rate increase of 3.0 percent for Fiscal Year 2019-20.

For Fiscal Year 2019-20, **a 3.0 percent overall rate increase is recommended.** With a 3.0 percent rate increase, the rate for a 32-gallon cart will increase by \$1.05 a month to \$34.95 per month, which is still lower than our neighboring cities' rates. Attachment 1 includes recommended fee modifications and Attachment 11 includes a comparison of the current rates and the recommended rates. Revenues for Fiscal Year 2019-20, including the rate adjustment recommended, are projected to total \$33.4 million (City revenues of \$15.9 million) with total expenditures of \$32.3 million (City expenditures of \$14.8 million). There is also funding of \$293,000 for capital projects and a contribution to CalPERS of \$159,000 (proportionate with the General Fund contribution). The fund is projected to end the 2019-20 fiscal year with a reserve at the policy level of \$3.7 million, the reserve for future facility equipment of \$1.3 million, and an \$8.6 million ending balance.

Non-Major Funds

The Fiscal Year 2018-19 recommendations (\$25,000 and over) for non-major funds are as follows (see Attachments 2, 3, and 4 for complete listings with descriptions):

Child-Care Commitment Reserve

- **Low-Income Child-Care Subsidies:** \$100,000 (limited-period)

Measure B Fund

- **Safe Routes to Schools (SRTS) Education Program:** \$184,900

Certified Access Specialist (CAsp) and Training Fund

- **CAsp Training:** \$50,300 (limited-period, includes \$33,800 rebudget)

Below-Market-Rate (BMR) Housing Fund

- **Lot 12 Development:** \$100,000 (limited-period)
- **Fair Housing Assessment:** \$85,000 (\$60,000 rebudget) (limited-period)

Downtown Benefit Assessments Districts Fund

- **Downtown Parking Consultant Services/Long-Term Solutions:** \$300,000 (limited-period)
- **Secretary – Economic Development Position (0.25 FTE)*:** \$39,600 (limited-period)

General Liability Self-Insurance Fund

- **Liability Insurances:** \$181,300 (ongoing)

Equipment Maintenance and Replacement Fund

- **Service Maintenance and Repair Contracts:** \$107,000 (ongoing)
- **Hourly Staff to Support Fleet Section:** \$25,000 (limited-period)

Retirees' Health Fund

- **Retirees' Health Actuarial Valuation:** \$30,000 (limited-period)

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RESERVES

The City has established reserves for various purposes in the General Fund, Shoreline Regional Park Community Fund, Utility funds, Internal Services funds, and other Special Revenue funds. Reserves are essential elements in maintaining financial stability, meeting long-term objectives, and providing the ability to respond to unanticipated situations. They are also a source of interest income that is used for operating needs or offsets other funding requirements. A factor considered by Standard & Poor's in reconfirming the City's AAA underlying credit rating is the structure and funding status of reserves. Most reserves are established pursuant to City Council Policy A-11, Section 4, Reserve Policies, and others have been approved, as needed, by the City Council. A discussion regarding the reserve classifications, estimated fiscal year-end reserve balances compared to policy, or target balances and the recommended allocations are described below.

Utility reserves are recorded in the Water, Wastewater, and Solid Waste Management Funds for emergencies, contingencies/rate stabilization, and capital improvements.

Reserve Classifications

Reserves can be classified as those uncommitted but designated for a specific purpose and those created to fund liabilities.

- Reserves uncommitted but designated for specific purposes:
 - General Fund
 - General Fund Budget Contingency
 - Earned Lease Revenue
 - Capital Improvements
 - Transportation
 - Open Space Acquisition
 - Strategic Property Acquisition
 - Child-Care Commitment
 - Minor Trust

- Reserves to fund liabilities:
 - Property Management
 - Graham Site Maintenance
 - Compensated Absences
 - Equipment Replacement
 - Workers' Compensation Self-Insurance
 - Unemployment Self-Insurance
 - Liability Self-Insurance
 - Retirees' Health Insurance Program

Reserves in the first group are uncommitted but designated for a specific purpose and are funded entirely by the General Fund (except the Minor Trust). Those in the second group have current or future liabilities offsetting all or most of the reserve balance and, with the exception of the Property Management and Graham Site Maintenance, receive transfers from multiple operating funds.

Staff has performed a preliminary review of reserve levels and included funding recommendations for specific reserve requirements. With the recommendations, all reserves are at or above policy level. The City continues to make progress toward the funding of its retirees' health and pension liabilities.

Background and Analysis

The table below details the estimated balance, recommended allocations, recommended balance, and policy/target balance for each reserve (dollars in thousands):

	6/30/19 Estimated Balance	Amount Recommended for Allocation	Other Funds	7/1/19 Recommended Balance	Policy/ Target Balance
Uncommitted but Designated for Specific Purpose:					
GF Reserve	\$ 25,435	\$1,800 ⁽¹⁾	\$ -0-	\$ 27,235	\$ 27,235 ⁽¹⁾
GF Budget Contingency	6,644	-0-	-0-	6,644	6,644
GF Earned Lease Revenue	5,823	-0-	-0-	5,823	4,682
GF Transportation ⁽²⁾	4,000	-0-	-0-	4,000	4,000
GF Capital Improvements	15,135	TBD ⁽³⁾	-0-	15,135 ⁽⁴⁾	8,041 ⁽⁴⁾
GF Open Space Acquisition	456	-0-	-0-	456	456
GF Strategic Property Acquisition	11,707	-0-	-0-	11,707	11,707
GF Child-Care Commitment	497	-0-	-0-	497	-0-
Minor Trust	<u>423</u>	<u>-0-</u>	<u>-0-</u>	<u>423</u>	<u>415</u>
Subtotal	<u>70,120</u>	<u>1,800</u>	<u>-0-</u>	<u>71,920</u>	<u>63,180</u>
To Fund Liabilities:					
GF Property Management	1,560	-0-	-0-	1,560	1,560
Graham Site Maintenance	778	-0-	-0-	778	778
Compensated Absences ⁽⁵⁾	5,430	2,000	170	7,600	7,600 ⁽⁶⁾
Equipment Replacement ⁽⁵⁾	27,990	-0-	-0-	27,990	25,000
Workers' Compensation ⁽⁵⁾	12,600	-0-	-0-	12,600	8,149 ⁽⁷⁾
Unemployment ⁽⁵⁾	600	-0-	-0-	600	600
Liability Self-Insurance ⁽⁵⁾	<u>5,100</u>	<u>-0-</u>	<u>-0-</u>	<u>5,100</u>	<u>4,403⁽⁷⁾</u>
Subtotal	<u>54,058</u>	<u>2,000</u>	<u>170</u>	<u>56,228</u>	<u>48,090</u>
Total	<u>\$124,178</u>	<u>3,800</u>	<u>170</u>	<u>128,148</u>	<u>112,270</u>
Retirees' Health ⁽⁸⁾	<u>\$130,150</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$130,150</u>	<u>\$189,938⁽⁹⁾</u>

⁽¹⁾ Policy balance is between 20.0 percent and 25.0 percent of the Net General Operating Fund budget.

⁽²⁾ New reserve recommended.

⁽³⁾ Balance recommended up to \$3.0 million, to be determined based on actual results for Fiscal Year 2018-19.

⁽⁴⁾ Includes \$3.0 million balance for prepaid lease from Downtown Family Housing Project.

⁽⁵⁾ Funding provided by the General Fund, Development Services, Shoreline Golf Links, Parking District, Community Development Block Grant (CDBG), Shoreline Regional Park Community, Enterprise Funds, and Fleet Maintenance, as applicable.

⁽⁶⁾ Based on the liability established as of June 30, 2018.

- (7) Actuarial liability, in addition to reserve for catastrophic claims per policy, as applicable.
- (8) Funds accumulated in the California Employers' Retiree Benefit Trust (CERBT).
- (9) Based on the actuarial valuation as of July 1, 2017 for Fiscal Year 2019-20 at the recommended discount rate of 6.25 percent.

General Fund Reserve

Per Policy A-11, as recently modified, the General Fund Reserve has a policy balance of between 20.0 percent and 25.0 percent of the GOF adopted net expenditures. This reserve is the source of funding for necessary, but unanticipated, expenditures during the fiscal year, unanticipated revenue shortfalls, source for interfund loans, emergencies, and to generate ongoing interest earnings. In Fiscal Year 2009-10, up to \$1.0 million in the General Fund Reserve was earmarked for the first-time homebuyers program. These loans would be considered as an investment alternative and would be included as funds toward the policy balance. No loans have been issued to date and staff is currently reviewing the program for potential revisions.

For Fiscal Year 2019-20, staff is recommending an estimated allocation from the GF carryover of \$1.8 million to maintain this reserve at 20.0 percent and an additional allocation of \$2.0 million from the Fiscal Year 2019-20 GOF to bring the reserve up to 21.5 percent. The final amount necessary from the current fiscal year carryover to maintain the minimum will be calculated with the Adopted Budget. If there is any use of this reserve for the remainder of the current fiscal year, it will modify the amount available.

General Fund Budget Contingency Reserve

This reserve was created during the downturn in the economy in the early 2000s to position the City to adjust to anticipated lower revenues and provide financial flexibility in case revenue estimates were not met or State actions forced further budget reductions. In Fiscal Year 2006-07, the Council consolidated and eliminated what was believed at the time to be an unnecessary reserve as the economy and City revenues had improved. Then the economy plunged into the deepest recession since the Great Depression and this reserve was reestablished in Fiscal Year 2008-09.

During this past recession, this reserve was used for the transitioning of positions to be eliminated, the phasing out of certain expenditures, in addition to funding for the transitioning of employee benefit changes, transitioning Shoreline Golf Links to a new operating model, and the elimination of the City's redevelopment agency. The reserve is estimated with a balance of \$6.6 million, as of June 30, 2019, and will be available for similar purposes during the next economic downturn.

The full projected annual revenue from the Ameswell (Moffett Gateway) property after a few years of operations is estimated at over \$3.5 million. The majority of this revenue is currently recommended to be earmarked for debt service to fund the Police/Fire Administration Building Remodel and Expansion. During the Fiscal Year 2017-18 budget process, a strategy was adopted for the revenue received in the fiscal years prior to the beginning of debt service be used for a limited-period need and transferred to this reserve. Fiscal Year 2018-19 includes a transfer in the amount of \$1.4 million, and Fiscal Years 2019-20 through 2021-22 include transfers in the amount of \$1.6 million to the Budget Contingency Reserve.

General Fund Earned Lease Revenue

In April 2011, the City leased the remaining portion of the Charleston East site to Google Inc. (Google) and Google prepaid \$30.0 million as rent for the approximately 52-year lease term that coincides with the lease term for the northern portion of the site. The initial \$30.0 million was placed in a fiduciary fund for the benefit of Google. The annual rent of approximately \$580,900 is recognized as it is earned and accumulated in this reserve with the intent the \$30.0 million principal balance will be available at the end of the 52-year lease term. Based on an average 3.5 percent interest rate over the 52-year lease term, it was originally projected annual average interest earnings would be \$1.1 million.

Beginning in Fiscal Year 2011-12, \$1.1 million was transferred to the GOF from this reserve. However, due to the unprecedented low interest rate environment, the transfer was reduced to \$750,000 for Fiscal Years 2012-13 and 2013-14, and in Fiscal Year 2014-15 transfers were ceased altogether. The estimated balance at the end of Fiscal Year 2018-19 is \$5.8 million, higher than the target balance of \$4.7 million. Staff will reevaluate projected interest earnings, but at this point it is recommended that no transfers be made and funds continue to be accumulated in this reserve.

General Fund Transportation Reserve

This reserve was established with the Fiscal Year 2018-19 budget and initially funded with \$2.0 million from the Fiscal Year 2017-18 GF carryover and an additional \$2.0 million from the GOF in Fiscal Years 2018-19.

In addition, an update to the Business License Tax structure was approved by voters in November 2018. City Council preliminarily earmarked 80.0 percent of new tax generated to transportation and 10.0 percent to housing. Council's prior discussions focused on the tax measure in conjunction with the Comprehensive Modal Plan to fund transportation capital projects for transportation needs. A number of significant priority transportation projects have been identified to mitigate traffic congestion,

improve infrastructure, and allow for continued growth in the City. The new Business License Tax structure is to be phased in over three years. Fiscal Years 2019-20 and 2020-21 include an estimated \$1.6 million and \$2.9 million, respectively, Fiscal Years 2021-22 and 2022-23 include an estimated \$4.1 million each, and Fiscal Year 2023-24 includes an estimated \$4.2 million, representing 80.0 percent of new tax generated transferred to this reserve.

General Fund Capital Improvement Reserve

The City has a long-term policy to reserve a minimum of \$5.0 million for unspecified capital projects in the General Fund Capital Improvement Reserve. This provides flexibility in the City's planning for capital projects, serves as a contingency fund for capital projects, generates ongoing investment earnings, and also serves as an emergency pool of funds for unanticipated high-priority capital needs.

As previously noted during the Fiscal Year 2017-18 budget process, the Google agreement to sublease Parking Lots C and D from SFX (LiveNation) ended in December 2017. The City Council approved Google's request for a three-year extension of the sublease through December 2020 for a \$600,000 one-time payment to the City, which was received in early April 2017 and will be transferred to the Capital Improvement Reserve over the life of the remaining lease.

Additional contributions to the Capital Improvement Reserve are recommended from the funds set aside, identified as at risk, from the increases generated from the Google Leases revaluations. During Fiscal Year 2017-18, the decennial revaluation process has been completed for the three City-owned land leases between the City and Google. Based on the revaluations of the three sites, annualized rent payments increased approximately \$6.8 million. Since it is probable that during the time span before the next decennial adjustment in April 2026, there will be at least one economic downturn and if a downturn occurs when a revaluation occurs, the lease revenues to the City could decline. Staff reviewed the changes in AV for the past 13 years and identified a potential 15.0 percent loss in secured AV in the event of an economic downturn. Therefore, to reduce the dependency on these revenues, staff recommended, and the City Council adopted, a strategy to set aside 10.0 percent of this potential decline in lease revenues to fund future capital projects. In Fiscal Year 2018-19, a potential 10.0 percent decline in revenues, calculated at \$1.4 million, was transferred to the Capital Improvement Reserve to fund projects in Fiscal Year 2019-20 or later. For Fiscal Year 2019-20 through the forecast period, this is calculated at between \$1.5 and \$1.7 million and will be available to fund projects the fiscal year after it is received.

This reserve generally receives an allocation from the General Fund carryover balance and received \$3.0 million from the Fiscal Year 2017-18 carryover. It is recommended the

balance up to \$3.0 million of the Fiscal Year 2018-19 carryover be transferred to this reserve. Additional allocations of \$4.0 million from the Fiscal Year 2018-19 GOF and \$3.0 million recommended from the Fiscal Year 2019-20 GOF is for potential debt service to fund the Police/Fire Administration Building Remodel and Expansion if Council desires to fund this project sooner than when the revenues from the Ameswell development will be available.

In June 2009, \$3.5 million was appropriated for the acquisition of the property at 263 Escuela Avenue (now The View Teen Center) and was repaid from the land lease prepayment for the Downtown Family Development Project in Fiscal Year 2011-12. However, these funds are considered unearned revenue and are available to be allocated as rent is earned. There is a remaining balance of \$3.0 million of unearned revenue.

General Fund Open Space Acquisition Reserve

This reserve was established for the purpose of acquiring open space to meet the needs of the City. Council Policy A-11 provides the proceeds from sale of surplus property be allocated to this reserve if there is no other recommendation. These funds are designated to be available as supplemental funding to Park Land Dedication fees for open space acquisition. During Fiscal Year 2016-17, \$2.9 million was deposited in this reserve from the sale of the Mora Drive property. On December 11, 2018, City Council authorized \$3.0 million for the Funding and Joint Use Agreement between the Los Altos School District and the City, to be repaid from funds received for the 2580 California Street project. There is an estimated available balance of \$456,000 in this fund.

General Fund Strategic Property Acquisition Reserve (SPAR)

This reserve was created in Fiscal Year 2000-01 for the purpose of setting aside specific funds for the City to use for the acquisition of strategic property(ies) in order to take advantage of economic development opportunities. This fund was used to purchase the Vector Control site (Ameswell/Moffett Gateway) which will provide ongoing revenue to the City. The proceeds from the sales of City-owned property have been placed in this reserve as one source for its funding.

For Fiscal Year 2016-17, \$2.0 million was transferred to this fund as part of the GOF budget, \$1.0 million was transferred from Fiscal Year 2016-17 General Fund carryover, and this reserve funded \$5.0 million towards the capital improvements for the Community Center. For Fiscal Year 2017-18, \$2.0 million was transferred to this fund as part of the GOF budget. During the current fiscal year, City Council appropriated \$1.8 million from this reserve for the acquisition of real property located at 310/312 Escuela Avenue and approved a transfer of \$2.0 million from the GOF budget. Additional

activity in this reserve is the lease and sublease of the property on Villa and View Streets. The estimated balance available in this reserve is \$11.7 million.

The City has a positive history of leveraging City properties with long-term ground leases to generate ongoing revenues for the GOF. Long-term ground lease revenues are recession-resistant and are usually structured with inflationary increases.

General Fund Child-Care Reserve

This reserve was established for the repayment to the Packard Foundation for the financing of the Child-Care Center. The final payment to the Packard Foundation was made in January 2016. Community Gatepath was selected as the new operator of the Child-Care Center in 2015 and will continue to make the same annual payments of \$201,000.

As the annual \$201,000 lease payment from Community Gatepath was no longer needed for repayment of the loan, the City Council initially approved using up to \$100,000 per fiscal year for low-income subsidies through the initial term (June 30, 2019) of the Operator Agreement with Community Gatepath, and the annual \$201,000 lease payment was moved to the GOF. On November 27, 2018, the City Council authorized renewal of the agreement with Community Gatepath and authorized continuing up to \$100,000 per fiscal year for low-income subsidies over the next five fiscal years. The balance of this reserve is estimated at \$497,000.

Minor Trust

On September 13, 2016, the Council accepted a donation in the amount of \$400,000 from the Minor Trust, to be invested on behalf of the Mountain View Public Library. A residual amount of \$10,235 was received later in the fiscal year for a total donation of \$410,235. Per the terms of the Trust, the funds are to be placed in a separate account and up to 75 percent of the annual income may be appropriated each year to support Library materials and programs at the discretion of the Library Services Director. The balance in this reserve is estimated to be \$423,000.

General Fund Property Management Reserve

This reserve was established in Fiscal Year 1995-96 to provide a source of funds for landlord obligations that could arise from the lease of City property in the North Bayshore Area and has been expanded to encompass any City-owned leased property. These obligations could include environmental testing, certain responsibilities identified in land leases, or other costs normally incurred by a lessor. There is an estimated balance of \$1.6 million in this reserve.

Graham Site Maintenance Reserve

This reserve was established in Fiscal Year 2004-05 to fund maintenance obligations for the Graham Sports Complex. In the agreement with the school district to construct the reservoir beneath the playing fields at Graham Middle School, the Water Fund contributes \$220,000 per year to this reserve. The City agrees to maintain this site and the GOF is reimbursed from this reserve for the maintenance costs of the Graham Sports Complex. The Council also approved costs associated with the Mountain View Sports Pavilion to be reimbursed from this reserve. The reserve has an estimated balance of \$778,000 to fund future maintenance or improvements to the site.

Compensated Absences Reserve

The Compensated Absences Reserve was established in Fiscal Year 1991-92 to fund the City's liability for the accrued vacation, comp time, and sick leave obligations of employees in all funds except the Enterprise and Internal Services Funds. The liabilities of the Enterprise and Internal Services Funds are recorded in those respective funds as required by governmental accounting standards. This reserve is drawn down for leave payoffs to separating and retiring employees (for accumulated vacation and sick leave, if applicable, under the City's Personnel Rules) and current employee vacation cash-out payments during the fiscal year. The leave liability is recalculated, in accordance with generally accepted accounting principles (GAAP), each fiscal year with the close of the City's financial records.

As of March 31 for the current fiscal year, \$1.2 million has been paid out and it is estimated an additional \$600,000 will be utilized by the end of the fiscal year. The calculated liability for this reserve has increased \$337,000 from the prior fiscal year. The current estimated reserve balance of \$5.4 million is below the calculated liability of \$7.6 million based on 80.0 percent of the liability as of June 30, 2018. Although it has been a long-standing policy to fund 100.0 percent of the liability in this reserve, 100 percent funding is unlikely to ever be required at any particular time. As part of the CalPERS strategy to increase the funding of the City's pension obligation, the funding level was approved to be decreased to 80.0 percent for Compensated Absences. To bring the funding level to the current policy level of 80.0 percent funding would require \$2.2 million of additional funding. The liability will be recalculated at the close of the current fiscal year.

Equipment Replacement Reserve

The City established the Equipment Replacement Reserve in Fiscal Year 1991-92 to stabilize the annual funding needed for the replacement of certain City equipment.

Level annual contributions are received from various funds and this reserve absorbs the large fluctuations in annual expenditures for equipment replacement from fiscal year to fiscal year. Only major categories of capital assets are included in the Equipment Replacement Fund. The assets included are all vehicles, information technology equipment (e.g., computers, printers, servers, etc.), Police and Fire radios, CAD/RMS system hardware, and Communications Center furniture and equipment. The equipment for the maintenance of Shoreline Golf Links is also separately accounted for in the Equipment Replacement Reserve. The annual contribution level is based on the cost or estimated replacement cost of the asset divided by the estimated useful life of the asset.

The annual funding level is projected at \$4.3 million. However, there are many pieces of equipment that have reached their life, have been fully funded, but are not recommended for replacement yet as they are still in good operating condition. Therefore, Fiscal Year 2019-20 funding has been reduced to \$3.8 million. The current estimated balance of \$28.0 million is slightly higher than the policy balance; however, the target balance is under review. Equipment replacements scheduled for Fiscal Year 2019-20 total \$1.3 million, plus there is \$1.0 million recommended to be rebudgeted (from the \$3.0 million budgeted in the current fiscal year) for a total of \$2.3 million. Staff generally reviews all items before purchasing and will only replace those items necessary due to expected failure or that will provide improved efficiencies.

Workers' Compensation Self-Insurance Reserve

The Workers' Compensation Fund was established by Council resolution in 1975 to account for the City's self-insured obligations for Workers' Compensation liabilities to City employees injured while at work. The primary reasons to be self-insured are to control costs and pay claims as they are incurred to maximize cash flow and provide timely and better services. When insured, one pays the entire premium fees up front and then the insurance carrier manages the claim in hopes of incurring less cost.

Expenditures paid out of this fund include the cost for the City's third-party administrator (TPA), the insurance above our self-insurance retention of \$750,000, claims, indemnity payments, and the State self-insurance fee.

In addition, the City budgets \$200,000 a year to fund Public Safety employees' salaries while on Workers' Compensation. This is utilized when Police or Fire is required to backfill with overtime or other personnel for an employee out on Workers' Compensation and cannot absorb the cost of the employee's salary in the department's budget.

The required balance of this reserve is based on projected liabilities as determined by an actuarial valuation conducted every fiscal year. In addition, the reserve policy includes funding of \$1.5 million for the potential of two catastrophic claims at the City's current level of self-insured retention of \$750,000 per claim (i.e., deductible). The accrued liability is reviewed on an annual basis with the fiscal year-end close of the City's financial records.

The Reserve has an estimated balance of \$12.6 million, which is higher than the \$8.1 million policy level as of June 30, 2018. Staff is not recommending any reduction in this reserve at this time and will evaluate as needed.

Unemployment Self-Insurance Reserve

The Unemployment Self-Insurance Reserve was approved by Council in 1978. This program provides for the State-mandated unemployment insurance benefits for former employees. The City pays for unemployment claims on a pay-as-you-go basis and generally, contributions for the estimated payments are made annually. Annual expenditures will fluctuate in this fund and during the Great Recession higher unemployment and longer eligibility periods resulted in higher unemployment costs. However, with the economic recovery, unemployment claims have decreased. The balance in this reserve is approximately \$600,000.

Liability Self-Insurance Reserve

The Liability Self-Insurance Reserve was approved by Council in 1980. The City currently self-insures for the first \$1.0 million of liability exposure per occurrence. The City is a member of the Authority of California Cities Excess Liability (ACCEL) Program for the pooling of liability insurance above the \$1.0 million self-insured retention. ACCEL began in 1986 as a pool for medium-sized cities and the City joined ACCEL in 1992. Other members of the pool are Anaheim, Bakersfield, Burbank, Modesto, Monterey, Ontario, Palo Alto, Santa Barbara, Santa Cruz, Santa Monica, and Visalia. ACCEL pools liability coverage and the City purchases additional coverage through ACCEL. Other expenditures funded from the Liability Fund are for outside legal counsel for defense against claims, insurance (e.g., property, automobile, flood, etc.), and payment for claims.

Council Policy A-11 specifies the policy level of this reserve to be \$2.0 million for the self-insured exposure for two catastrophic incidents and an amount to fund estimated incurred claims. The estimated incurred claims are determined by an actuarial valuation performed every year and are reviewed on an annual basis with the close of the City's financial records. The actuarial valuation, last updated as of June 30, 2018, indicates a liability of \$2.4 million, resulting in the policy level for this reserve at \$4.4

million. The current estimated balance of \$5.1 million is higher than the policy level, but staff is recommending the surplus balance remain in the fund to offset potential future liability increases.

Retirees' Health Insurance Program Reserve

The City provides other postemployment benefits (OPEB) by contributing all or a percentage of the premium cost for its retired employees' health care. The cost for current employees who will be eligible for this benefit in the future, as well as those already retired, represents an outstanding liability to the City.

The Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, became effective for the City with the fiscal year ending June 30, 2008. This statement requires the City to update its Retirees' Health valuation every two years and it was recently updated as of July 1, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, is effective with the fiscal year ending June 30, 2018. The new OPEB standard parallels the pension standard issued with GASB Statement No. 68, *Financial Reporting for Pension Plans*, which essentially requires the City to report the unfunded liability on the face of the City's financial statements and enhances the note disclosures and required supplementary information (RSI) the City's OPEB liability.

The 2015 valuation included the migration of Public Safety employees into the CalPERS health system (PEMHCA). As previously discussed with Council, it is anticipated the City's total actuarial accrued liability (AAL) will increase significantly by adding dependent coverage; however, the plan costs are lower and the employees are now contributing annually towards this liability.

The major changes resulting in the change in the 2017 valuation includes the change in the ultimate health-care trend, the passage of time, savings from lower than projected PEMCHA premiums, and changes in demographics. The City participates in the California Employers' Retiree Benefit Trust (CERBT or Trust) managed by CalPERS. The 2017 valuation included a reduction in the discount rate from 6.73 percent to 6.50 percent to provide a margin for adverse deviation or uncertainty. It was also anticipated CERBT would consider a reduction in the discount rate in June 2018 and the valuation included a model at a 6.25 percent discount rate to be used for Fiscal Year 2019-20 if the discount rate was reduced by CERBT. The discount rate was reduced and the liability reflected for Fiscal Year 2019-20 is at the 6.25 percent discount rate.

The City has made great strides toward funding the AAL of \$189.9 million (projected for Fiscal Year 2019-20), with estimated assets set aside of \$130.2 million, or 68.5 percent funded, at a discount rate of 6.25 percent. Previously, all funds other than the GOF had contributed their share of the unfunded AAL (UAAL). However, certain factors have caused some volatility in calculating the UAAL for each fund, and some funds are no longer fully funded. Many factors can cause the liability for each fund to change: (1) the actuarial accrued liability (AAL) generally increases with each updated valuation; (2) the unfunded AAL (UAAL) can be reduced when greater than expected interest is earned or reduced when less is earned; (3) lump-sum contributions reduce the UAAL; (4) position count increases or decreases due to budget changes (moved between funds or added); and (5) position count in the Defined Benefit (DB) Plan increases or decreases as a result of nonsafety employees being able to choose the Defined Contribution (DC) Plan option. The last factor has caused some volatility in calculating the UAAL for each fund; therefore, some funds are no longer fully funded. Staff is attempting to smooth the effect that position turnover and the choice of benefit option is having on funding status in order to avoid large spikes in the amount of funding needed.

To reduce the GOF share of its UAAL, a total of \$11.5 million additional funds have been budgeted and transferred to the CERBT since Fiscal Year 2014-15, including \$1.0 million from the GOF in Fiscal Year 2018-19 and also includes funding from other funds to maintain the other funds' funding level. Prior to the discount rate change to 6.25 percent, this liability was estimated to be over 80.0 percent funded, and it is now at just under 70.0 percent funded. Staff continues to focus on the City's pension liability as a higher priority. The Fiscal Year 2019-20 budget includes recommended funding from other funds to maintain their share of the liability with consideration of the volatility factors mentioned above. The valuation will be updated during Fiscal Year 2019-20 as of July 2019.

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CONCLUSION

Strong revenue growth has continued and the GOF is in a good financial position. For Fiscal Year 2019-20, the economy is anticipated to remain strong with growth in revenues primarily in Property Taxes, Business License Tax due to the previously mentioned tax structure change, and Rents and Leases, with other major categories remaining stable or with modest changes. The GOF revenues are projected to increase to \$148.4 million, or 7.8 percent, compared to the current fiscal year adopted revenues. The City Manager is making the following new expenditure recommendations:

- \$781,000 non-discretionary
- \$1.7 million discretionary

These contribute to an 8.9 percent total expenditure increase and the GOF is projected to have an operating balance of \$12.3 million at the end of Fiscal Year 2019-20. Additional recommendations to transfer funds to reserves and towards unfunded liability, leaves a balance of \$2.3 million or 1.5 percent of projected revenues. A total of 29.75 positions, including a net of 10.25 new personnel, are recommended. Although there are other areas where additional resources could be added, more are not recommended at this time as it is anticipated there will be a slowdown in the economy in the next few years, at which time operating deficits will return. In addition, the City Manager recommends net limited-period expenditures of \$3.7 million to address the need for additional staff resources.

The Development Services Fund revenues for the current fiscal year are estimated to exceed budget as development activity remains strong. The Fund is estimated to end Fiscal Year 2018-19 with an available balance of \$16.8 million and the Land Use Document Reserve of \$9.0 million. This balance is necessary due to the timing of development-related revenues and expenditures. Revenues for development activity are often collected well in advance of the performance of services and occurrence of the corresponding expenditure. Development activity is anticipated to remain strong through Fiscal Year 2019-20.

The condition of the Shoreline Golf Links continues to improve under the management of Touchstone. In January 2019, Touchstone also took over management of Michaels at Shoreline Restaurant. Fiscal Year 2018-19 revenues and expenditures for Shoreline Golf Links are estimated less than budget, allowing for a reduced transfer of \$25,000 to the GOF. Continued improvement is projected for Fiscal Year 2019-20 with modest fee increases recommended. Restaurant revenues and expenditures were appropriated midyear for six months and are estimated as budgeted with no transfer to the GOF.

The Shoreline Community's total Fiscal Year 2018-19 property taxes are estimated \$1.6 million lower than budget due to an unanticipated 22.9 percent decrease in unsecured AV on the July 1, 2018 tax roll. Fiscal Year 2019-20 revenues are projected with an increase over both the current fiscal year adopted and estimated. Fiscal Year 2019-20 expenditures are projected higher than the current fiscal year adopted due to recommendations and higher costs in administration and intergovernmental payments. New debt service payments for the 2018 debt issue are offset by the final payment for the 2014 Loan made in the current fiscal year.

The financial position of the Water Fund was severely impacted by reduced water sales from conservation efforts during the drought. However, over the last several fiscal years, water usage increased and has resulted in an improved financial condition of the Water Fund. For Fiscal Year 2019-20, the SFPUC is proposing no rate increase in wholesale water costs and SCVWD is proposing a 6.6 percent for ground (well) water and 6.1 percent rate increase for treated water. A 1.0 percent rate increase in the average cost of water and meter rates is recommended for Fiscal Year 2019-20 to fund the increased cost of water and City operational costs. A 20.0 percent increase in the recycled water rate is recommended for the second year of a three-year phase-in of increased rates to cover the cost of the program.

Wastewater Fund revenues are trending as budgeted and expenditures are trending lower than budget. Expenditures are below budget, primarily due to savings in operating costs and the credit from the Treatment Plant from the prior fiscal year. For Fiscal Year 2019-20, a 3.0 percent rate increase is recommended. There is no proposed increase in Treatment Plant costs, which, combined with City operating cost increases, results in a 1.0 percent increase. The additional 2.0 percent is for the incremental phasing in of funding for capital replacements at the Treatment Plant (the sixth year of 10). A \$10.1 million loan was approved during the current fiscal year to fund recommended infrastructure projects included in the CIP for Fiscal Year 2019-20.

Solid Waste Management Fund revenues are higher than budget, primarily due to higher debris box revenue associated with the high level of development activity. Expenditures are trending lower than budget, a net of lower operating costs offset by higher SMaRT Station costs for the prior fiscal year. For Fiscal Year 2019-20, a 3.0 percent rate increase is recommended attributable to increased costs for Recology, the SMaRT Station, and City operating costs. Tonnage at the SMaRT Station from the City has increased due to debris box construction activity, and it is expected the reconciliation for the current fiscal year will show the City owing money, for which revenue has been received. The increased trend in tonnage and cost has been incorporated in the Fiscal Year 2019-20 SMaRT budget.

The recommended rate increases for all three utilities are within those provided, noticed, and approved under Proposition 218 in 2016 and 2018. The total average increase for a single-family residential customer as recommended for all three utilities is 2.1 percent, resulting in an estimated increase of \$3.17 monthly. Rates will generally still be comparable to, or lower than, our neighboring cities. A comparison of the current and the recommended rates is included in Attachment 11.

With the recommendations in this report, most reserves are at or exceed their target or policy balance. Any remaining GOF carryover balance up to \$3.0 million is recommended to be transferred to the Capital Improvement Reserve. Should the balance exceed the amount recommended, staff will return to the City Council at a later date for approval of the allocation of additional funds.

There is also a sufficient GOF surplus for Fiscal Year 2019-20 to recommend allocations of \$2.0 million to the General Fund Reserve, \$3.0 million to the Capital Improvement Reserve, and \$1.0 million to the SPAR, and contributions of \$4.0 million to CalPERS.

NEXT STEPS

Council input and direction are sought on the material in this report at the April 25, 2019 Study Session. Based on feedback from the City Council, the Fiscal Year 2019-20 Proposed Budget will be prepared for distribution to the City Council prior to the first budget hearing on June 11. A second public hearing and final adoption is scheduled for the City Council meeting of June 18, 2019.

PUBLIC NOTICING

Agenda posting, notice on social media, and notice published in the *San Jose Post Record* and the *Mountain View Voice*.

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- Attachments:
1. Fiscal Year 2019-20 Recommended Fee Modifications
 2. Fiscal Year 2019-20 Recommended Non-Discretionary Ongoing Changes
 3. Fiscal Year 2019-20 Recommended Discretionary Ongoing Changes
 4. Fiscal Year 2019-20 Recommended Limited-Period Expenditures
 5. Fiscal Year 2019-20 Funding for Sustainability
 6. Homeless Initiatives and Parking Enforcement Strategies
 7. Fiscal Year 2019-20 Recommended Capital Outlay
 8. Fiscal Year 2019-20 Recommended Equipment Replacement
 9. Fiscal Year 2019-20 City-wide Memberships
 10. Library Services Department Potential Fee Modification
 11. Comparison of Current and Recommended Utility Rates

GENERAL OPERATING FUND 5-YEAR FINANCIAL FORECAST

INTRODUCTION

Forecasting is an important part of a city's financial planning process. While it is difficult to predict local government revenues due to the variable nature of the revenue sources and their connection to regional, State, national, and even international economic conditions, it is possible to identify reasonable financial trends and provide a conceptual financial picture for a multi-year period which is useful to policy-makers' decision-making.

A 5-Year Financial Forecast is prepared annually and a longer range 10-year Financial Forecast is prepared periodically and presented to the City Council during the budget process. This report is a 5-Year Financial Forecast (Forecast) for the time period of Fiscal Years 2019-20 through 2023-24. The last 10-year Financial Forecast was completed for Fiscal Years 2019-2028.

A financial forecast, even with fluctuating economic variables, can assist with identification of long-term financial trends, causes of fiscal imbalances, future fiscal challenges, opportunities, and potential requirements, all of which may assist in keeping the City on a continuing path of fiscal sustainability. Growth and development will occur at a different pace than anticipated in this Forecast, and actual revenues and expenditures in future years will vary, but trend lines will be apparent. This Forecast is intended to provide a foundation for the City Council's decision-making for Fiscal Year 2019-20 budget deliberations. The Forecast is for the General Operating Fund (GOF), which provides funding for the majority of City services, including Police, Fire, Parks, Recreation, Library, and administrative functions necessary for ongoing City operations. The GOF is also the fund that is most significantly influenced by economic conditions.

BACKGROUND

The Forecast is based on reasonable assumptions utilizing available information from a wide variety of sources. These sources include reviewing the City's historical trends, gathering information from economists that specialize in the regional economics of Silicon Valley, reviewing various indicators (e.g., unemployment data, etc.), networking with staff of neighboring agencies, reviewing State of California (State) and national economic trends, and factoring in known Mountain View conditions, such as lease terms, and economic and property development. The level of City services, staffing, and cost of operations projected for Fiscal Year 2019-20 is the base year for subsequent fiscal years' expenditures in the Forecast. Confidence levels in the Forecast assumptions

become less certain with each subsequent fiscal year, and actual future revenues and expenditures will vary from the Forecast.

The City is fortunate to be experiencing strong revenue growth, with economists currently believing the State and regional fundamentals (employment, job growth) are strong and that the likelihood of a recession in the next 24 months is possible, but low. There are other factors such as housing/rent prices, recent market volatility, global trade, and political discourse that impact the economy. Historically, recessions have generally occurred between 3 and 9 years, post-World War II, with the longest period of expansion lasting 10 years, from 1991 to 2001. It has been approximately 10 years since the end of the last recession (June 2009); now the same recovery and expansion period of the 1990s. A table of previous recessions is as follows:

Name	Period Range	Duration (months)	Time Since Previous Recession (years)
Recession of 1949	Nov. 1948-Oct. 1949	11	3.1
Recession of 1953	July 1953-May 1954	10	3.8
Recession of 1958	Aug. 1957-Apr. 1958	8	3.3
Recession of 1960-1961	Apr. 1960-Feb. 1961	10	2.0
Recession of 1969-1970	Dec. 1969-Nov. 1970	11	8.8
1973-1975 Recession	Nov. 1973-Mar. 1975	16	3.0
1980 Recession	Jan. 1980-July 1980	6	4.8
1981-1982 Recession	July 1981-Nov. 1982	16	1.0
Early 1990s Recession	July 1990-Mar. 1991	8	7.7
Early 2000s Recession	Mar. 2001-Nov. 2001	8	10.0
Great Recession	Dec. 2007-June 2009	18	6.1

Although it is uncertain when the next economic slowdown will occur, based on history, it is certain there will eventually be another, and within the next few years is highly likely; therefore, an economic downturn is assumed during the Forecast period. The City's Forecast continues the presumption that the next downturn will occur in Fiscal Year 2020-21 and continue into Fiscal Year 2021-22. The Forecast is not intended to predict precisely when the next slowdown in the economy will occur but, rather, an indication of what the financial picture might look like when it does occur. The next slowdown could occur sooner or later than projected. The trend, based on the assumptions utilized, and assuming \$2.3 million annual budget savings, indicates revenues will exceed expenditures through Fiscal Year 2020-21 even with another downturn, but as a result of the anticipated economic downturn, revenues may not be sufficient to fund all expenditures in Fiscal Years 2021-22 and 2022-23.

The various GOF revenue sources respond differently to such an economic event—some, such as Transient Occupancy Tax (TOT), react almost immediately while others,

such as property taxes, sales tax, and investment earnings, lag behind. While the budget is projected to be balanced through the first year of the downturn, it is important to note the Forecast includes revenues from projected development. If development is hampered and does not occur, annual negative operating balances would be greater and could occur earlier.

Influencing Factors

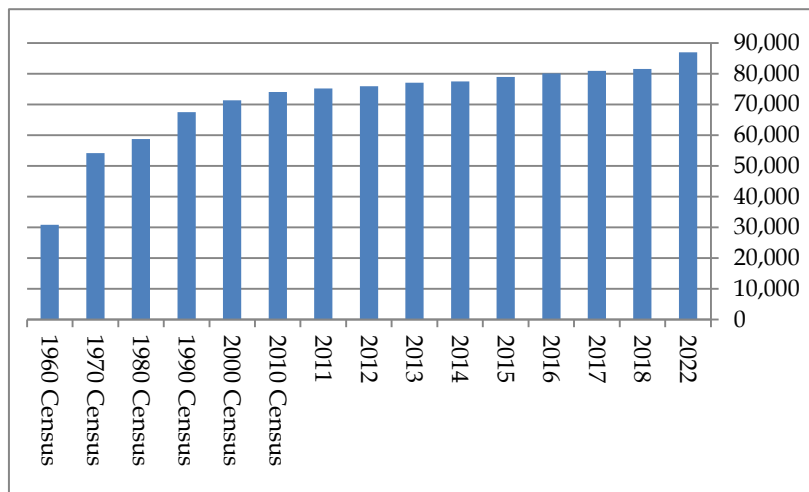
There are factors which influence each individual revenue source, some of which have broad ranges affecting multiple revenues and some are specific to an individual revenue source. The Forecast includes a discussion of these factors below.

Population

The following chart shows historical population annually for the past eight years, and each U.S. Census year back to 1960. From the 2000 Census to the 2010 Census, the City of Mountain View population grew by 2,697 (3.8 percent). According to the California State Department of Finance, the City's population estimate as of January 1, 2018 is 81,527, 10.1 percent growth since the census. With the current pace of housing development, and potential for housing in the North Bayshore Area, staff has estimated a population of 86,915 for 2022 based on projects approved through January 2018. After 2020, it is expected population will grow more rapidly.

Population

1960 Census	30,889
1970 Census	54,132
1980 Census	58,722
1990 Census	67,460
2000 Census	71,369
2010 Census	74,066
2011	75,199
2012	75,972
2013	77,069
2014	77,447
2015	78,970
2016	80,122
2017	80,897
2018	81,527
2022 Forecast	86,915



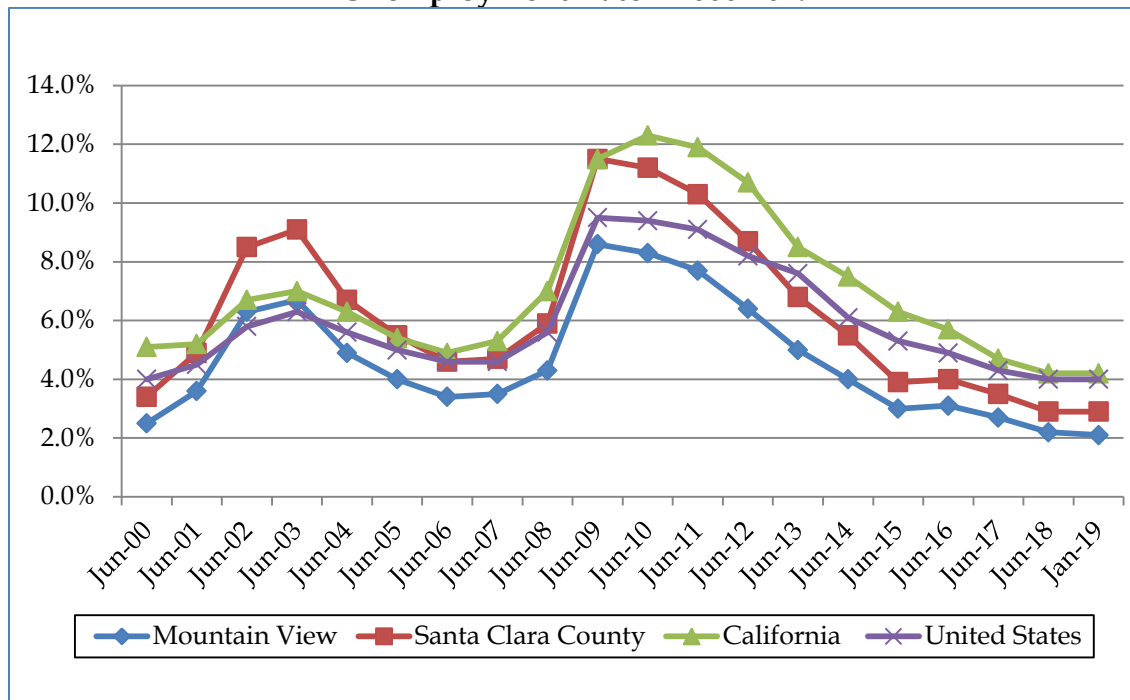
Sources: U.S. Census Bureau (1960-2010)
City of Mountain View (2022, based on unbuilt approved projects through 1/1/2018)
California State Department of Finance estimates as of January 1 (all other years, provisional estimates)

Unemployment

As detailed in the chart below, Mountain View's unemployment level has been below the County of Santa Clara (County), State, and nation, except during the recession of the early 2000s, which hit Silicon Valley the hardest. As of January 2019, the preliminary

unemployment rate in the City is at 2.1 percent, well below the County (2.9 percent), the State (4.2 percent), and the nation (4.0 percent).

Unemployment Rate – 2000-2019



State of California

The Governor's Fiscal Year 2019-20 Proposed Budget Summary maintains a balanced budget for the foreseeable future under current projections and will pay down the unfunded retirement liabilities, eliminate long-standing budgetary debts, and continues to build reserves to prepare for the next economic slowdown. The Proposed Budget includes funding increases for emergency readiness, early childhood education and child care, K-12 schools and higher education, affordable housing, health care, immigration-related services, mental health, and homelessness. Despite this strong fiscal health in the short term, the risks to long-term fiscal health continue to mount due to the uncertain effects of Federal policies, global risks, rising costs, and volatility of the stock market.

ANALYSIS

Revenue and Expenditure Overview

In order to maintain a base level of services in the City, revenue growth is necessary. If the existing revenue base cannot generate sufficient revenues to fund the cost of operations, the economic base must be enhanced or operating costs reduced. Fiscal Year 2019-20 revenues are projected, including recommendations, to increase \$10.7

million (7.8 percent) compared to Fiscal Year 2018-19 adopted revenues and \$5.0 million (3.5 percent) compared to the Fiscal Year 2018-19 estimated revenues. Approximately \$2.0 million of the increase is related to the new Business License structure approved by voters November 2018. The new structure is phased in over three years with the first phase in Fiscal Year 2019-20. The City Council preliminarily earmarked 80.0 percent of these funds for transportation and 10.0 percent for housing.

The City is in a strong financial position with an annual surplus projected for the next two fiscal years, the result of increased revenues generated by continued economic growth. Locally, this includes major new private and public developments, such as The Village at San Antonio Center Phase II, Ameswell project, Hope Street project, and various rental and ownership housing, hotel, and commercial office developments. These developments will provide housing, hotel rooms, shopping, and entertainment as well as generate additional ongoing revenues for the City.

During Fiscal Year 2016-17, the City negotiated three-year agreements with most employee groups (the EAGLES group contract negotiations were completed early in Fiscal Year 2017-18). All contracts previously expired June 30, 2017 and the new agreements continue until June 30, 2020, with a reopener on salary in the third year, currently under way. The Forecast includes cost-of-living adjustments (COLAs) and other pay and benefit changes as adopted in the new labor agreements. A modest COLA has been included in each of the remaining Forecast years, and all Forecast years include step and merit increases. In conjunction with the approval of labor agreements for employees, the City Council adopted an increase from \$1.8 million to \$2.3 million in projected budget savings, which is carried throughout the Forecast.

Fiscal Year 2019-20 recommended expenditures are \$11.2 million (8.9 percent) higher compared to the Fiscal Year 2018-19 adopted expenditures. The increases in expenditures are primarily related to personnel costs as approximately 80.0 percent of the budget is for the cost of employees to provide services. New ongoing expenditures of \$2.4 million are recommended to address some of the strains on staff resources. After allowing for transfers of \$2.0 million to the General Fund Reserve, \$3.0 million to the Capital Improvement Reserve, \$1.0 million to the Strategic Property Acquisition Reserve (SPAR), and a contribution of \$4.0 million to the unfunded California Public Employees' Retirement System (CalPERS) liability, the operating balance is projected to be \$2.3 million (after budget savings of \$2.3 million) for Fiscal Year 2019-20, which represents approximately 1.5 percent of GOF projected revenues.

Staff and Council have recognized the opportunity to take advantage of the City's improved financial position to reduce unfunded liabilities for CalPERS and OPEB. For Fiscal Years 2014-15 through 2016-17, the City Council approved allocations of \$9.0 million toward the CalPERS liability and \$6.5 million toward the OPEB liability. For Fiscal Year 2017-18, the City Council approved allocations of \$12.4 million towards the

CalPERS liability, as part of the CalPERS Discount Rate Change Funding Strategy, and \$4.0 million towards the OPEB liability. For the current fiscal year, the City Council approved additional allocations of \$7.6 million toward the CalPERS liability and \$1.0 million toward the OPEB liability.

The following chart shows the Fiscal Years 2014-15 through 2016-17 combined contributions, contributions for each Fiscal Year 2017-18 and 2018-19, contributions recommended for Fiscal Year 2019-20, and forecasted contributions for Fiscal Year 2020-21 (dollars in millions):

	Fiscal Years 2014-15 through 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21		Total	
	PERS	OPEB	PERS	OPEB	PERS	OPEB	PERS	OPEB	PERS	OPEB	PERS	OPEB
GOF	\$4.0 M	\$4.0 M	\$4.0 M	\$2.0 M	\$4.0 M	\$1.0 M	\$4.0 M	—	\$1.0 M	—	\$17.0 M	\$7.0 M
GNOF	\$3.5 M	\$2.5 M	\$6.0 M	\$2.0 M	\$2.0 M	—	\$2.0 M	—	—	—	\$13.5 M	\$4.5 M
Other Funds	\$1.54 M	—	\$2.35 M	—	\$1.59 M	—	\$1.59 M	—	\$0.28 M	—	\$7.35 M	—
Total	\$9.04 M	\$6.5 M	\$12.35 M	\$4.0 M	\$7.59 M	\$1.0 M	\$7.59 M	—	\$1.28 M	—	\$37.85 M	\$11.5 M

For CalPERS, the City's funded status as of June 30, 2017, the date of the most recent valuation, is 69.9 percent combined for both safety and miscellaneous. This is higher than the 67.4 percent as of June 30, 2016. The unfunded liability is \$224.3 million as of June 30, 2017. For the CalPERS liability, the City Council adopted the strategy recommended by staff to contribute a significant lump-sum contribution of \$10.0 million (General Fund) in Fiscal Year 2017-18, as well as proportionate contributions from other funds. This contribution will be included in the valuation of June 30, 2018. As part of this strategy, an additional \$10.0 million General Fund payment is proposed from the future Google Parking Lease revenues, as well as proportionate contributions from other funds. The total recommended contribution for Fiscal Year 2019-20 is \$7.59 million: \$4.0 million from the General Operating Fund, \$2.0 million from the Fiscal Year 2018-19 carryover, and \$1.59 million from other funds, proportionate to the General Fund contribution.

For Retirees' Health, the liability was last calculated as of July 1, 2017. For Fiscal Year 2018-19, the actuarial accrued liability (AAL) is \$151.3 million using a 6.5 percent discount rate in order to provide a small margin of adverse deviation. For Fiscal Year 2019-20, the actuarial accrued liability (AAL) is \$189.9 million using a 6.25 percent discount rate as recommended by staff and approved by the City Council in response to the California Employers' Retiree Benefit Trust (CERBT), the trust the City's funds are held, recommending a reduced discount rate. The City has made great strides toward funding the actuarial accrued liability with \$11.5 million additional contributions from

the General Fund between Fiscal Years 2014-15 and 2018-19. Other funds also make additional contributions toward full funding. The Reserve Section of the Narrative Budget Report has additional information on Retirees' Health funding.

The following table includes the projected revenues and recommended expenditures by category for Fiscal Year 2019-20 and projections for the subsequent Forecast years. The table indicates the budget is healthy through Fiscal Year 2020-21, but deficits are projected in Fiscal Years 2021-22 and 2022-23, and a modest balance is projected for Fiscal Year 2023-24.

GENERAL OPERATING FUND FORECAST
(dollars in thousands)

	2018-19 <u>ADOPTED</u>	2018-19 <u>ESTIMATED</u>	2019-20 <u>RECOM- MENDED</u>	2020-21 <u>FORECAST</u>	2021-22 <u>FORECAST</u>	2022-23 <u>FORECAST</u>	2023-24 <u>FORECAST</u>
REVENUES:							
Property Taxes	\$ 52,909	\$ 51,822	\$ 57,091	\$ 58,418	\$ 58,643	\$ 60,695	\$ 63,889
Sales Tax	20,026	23,179	21,433	20,559	19,328	19,852	20,470
Other Local Taxes ¹	15,989	14,874	18,771	19,067	20,124	22,935	24,655
Use of Money and Property	21,613	21,889	22,657	23,717	24,661	25,799	26,808
Other Revenues ²	<u>27,145</u>	<u>31,610</u>	<u>28,449</u>	<u>28,039</u>	<u>27,819</u>	<u>27,979</u>	<u>28,385</u>
TOTAL REVENUES	<u>137,682</u>	<u>143,374</u>	<u>148,401</u>	<u>149,800</u>	<u>150,575</u>	<u>157,260</u>	<u>164,207</u>
EXPENDITURES:							
Salaries and All Pays	63,507	61,929	69,017	69,619	71,537	73,347	75,130
Retirement	19,662	18,359	21,798	24,151	26,051	27,635	28,744
Health Benefits	10,705	8,662	10,714	11,581	12,345	13,169	14,058
All Other Benefits	<u>6,943</u>	<u>6,490</u>	<u>7,270</u>	<u>7,488</u>	<u>7,698</u>	<u>7,906</u>	<u>8,118</u>
Salaries and Benefits	100,817	95,440	108,799	112,839	117,631	122,059	126,650
Supplies and Services	17,501	18,146	18,582	19,595	20,155	20,731	21,325
Capital Outlay/ Equipment Repl.	3,276	3,373	2,772	3,436	3,524	3,615	3,709
Interfund Expenditures and Transfers	5,645	5,645	8,263	10,044	11,590	10,386	10,619
Debt Service	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,000</u>	<u>1,000</u>	<u>4,300</u>	<u>4,300</u>
Total Operating Exp	127,239	122,604	138,416	146,914	153,900	161,089	166,003
Budget Savings	<u>(2,300)</u>	<u>Included</u>	<u>(2,300)</u>	<u>(2,300)</u>	<u>(2,300)</u>	<u>(2,300)</u>	<u>(2,300)</u>
NET EXPENDITURES	<u>124,939</u>	<u>122,604</u>	<u>136,116</u>	<u>144,614</u>	<u>151,600</u>	<u>158,789</u>	<u>163,703</u>
Transfer to GF Reserve	(1,000)	(1,000)	(2,000)	-0-	-0-	-0-	-0-
Transfer to Trans Res	(2,000)	(2,000)	-0-	(1,000)	-0-	-0-	-0-
Transfer to Cap Imp Res	(2,000)	(2,000)	(3,000)	-0-	-0-	-0-	-0-
CalPERS Contribution	(4,000)	(4,000)	(4,000)	(1,000)	-0-	-0-	-0-
OPEB Contribution	-0-	(1,000)	-0-	-0-	-0-	-0-	-0-
Transfer to SPAR	<u>-0-</u>	<u>(2,000)</u>	<u>(1,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
OPERATING BALANCE/(DEFICIT)	\$ <u>3,743</u>	\$ <u>8,770</u>	\$ <u>2,285</u>	\$ <u>3,186</u>	\$ <u>(1,025)</u>	\$ <u>(1,529)</u>	\$ <u>504</u>

¹ Other Local Taxes consists of Transient Occupancy Tax, Business Licenses, and Utility Users Tax.

² Other Revenue consists of License, Permits & Franchise Fees, Fines & Forfeitures, Intergovernmental, Charges for Services, Miscellaneous Revenues, and Interfund Revenues & Transfers.

³ Balance is prior to the change in assets and liabilities, encumbrances, and rebudgets for grants and donations.

Revenue and Expenditure Background

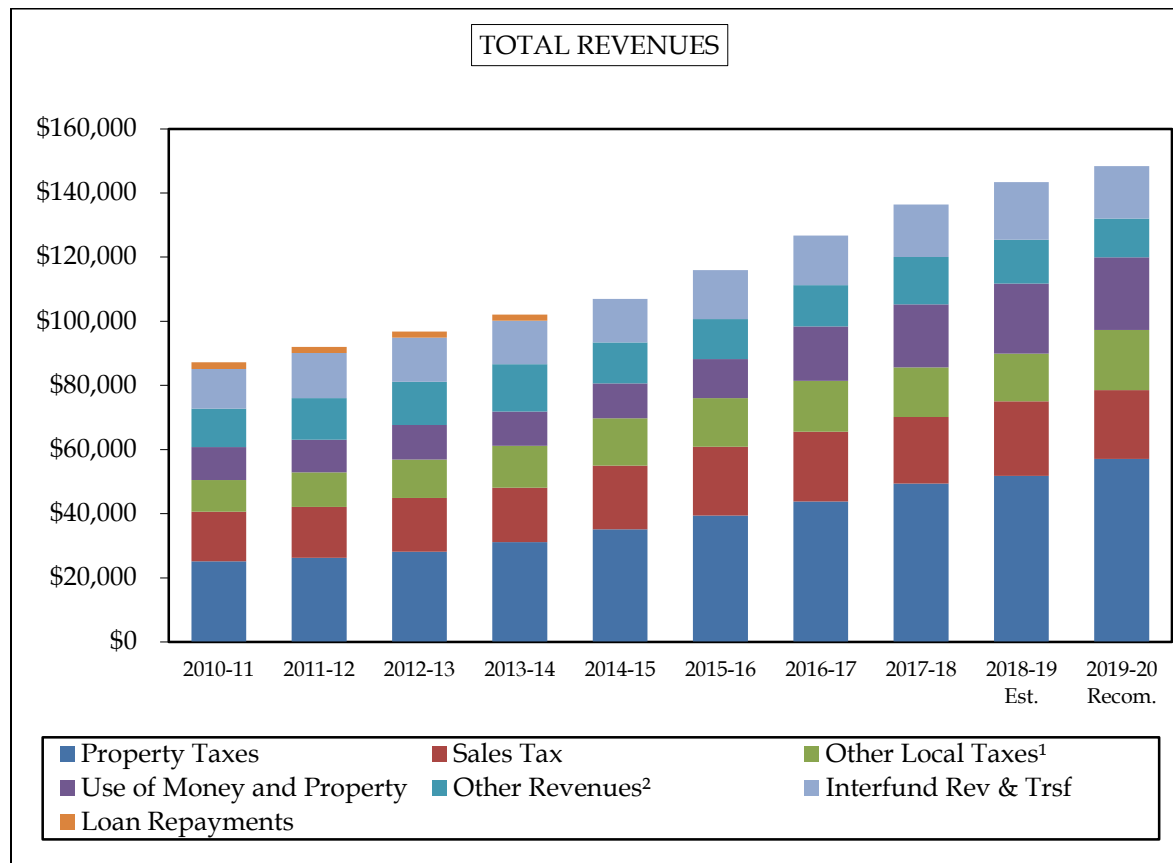
Revenues

Historical experience demonstrates Mountain View had a relatively volatile revenue base, primarily related to sales tax, with substantial variation in the amount of revenues collected over time (see Exhibit A for revenue and expenditure history). In addition to the overarching factors described in the Impacting Factors Section, the City's revenue volatility is continually affected by local factors. In the past decade, however, other revenue sources, such as property taxes and lease revenues, have led to a more stable and predictable overall revenue base.

For Fiscal Year 2019-20, all the main categories of GOF Revenues listed in the previous table are projected to meet or exceed the Fiscal Year 2018-19 Adopted Budget. Significant factors, such as increasing property and lease values, improved interest yields, and the restructured Business License Tax are contributing to an improved financial condition and an overall indication the City is in a strong revenue growth period.

Growth in total revenues continues throughout the Forecast period. The decline in revenues from the anticipated downturn is masked by the restructured Business License Tax phased in over three years and strong development activity.

A history of total GOF Revenues is as follows (dollars in thousands):



Total Fiscal Year 2019-20 revenues are projected to increase \$10.7 million (7.8 percent) compared to the Fiscal Year 2018-19 Adopted. Additional discussion of individual revenue sources can be found later in this Forecast.

Expenditures

During Fiscal Years 2009-10 through 2012-13, there were projected structural deficits ranging from \$1.1 million to \$6.0 million: through a combination of operating efficiencies and expenditure reductions (totaling \$7.4 million), modest revenue enhancements, and employee cost containment (totaling \$2.2 million), the City was able to balance those budgets and weather the Great Recession. Revenues recovered sufficiently and no budget restructuring was necessary beginning in Fiscal Year 2013-14. Since then, the economic health of the City has continued to improve, resulting in a higher level of demand for services to support significant commercial and residential

development, as well as to support other community priorities such as affordable housing, transportation, and sustainability. Revenue projections for Fiscal Year 2019-20 indicate the strong economic activity will continue and allow for the opportunity to address infrastructure needs and a strategy for reducing employee benefit unfunded liabilities which the City was unable to address during the last recession.

From the peak in Fiscal Year 2001-02 through Fiscal Year 2012-13, the GOF employee count was reduced by more than 70.0 positions (over 14.0 percent). Although there have been positions added in recent years, overall, the City continues to operate at a staff level less than the prerecessionary level. This is further exacerbated by the high level of demand for services in City departments. The Fiscal Year 2019-20 recommendations include additional regular and limited-period positions to address the most critical workload demands.

The Forecast expenditures are calculated in the same manner as the annual budget and include the full cost of each existing position (salary and benefits). For Fiscal Year 2019-20, COLAs are included as agreed to in MOUs and for unrepresented employees. A modest COLA is included in each of the remaining Forecast years. Also included are multi-year assumptions related to the remaining cost components (e.g., steps, merits, retirement, health care, etc.) throughout the Forecast period. The factors for future health benefit costs are based on health-care trends and historical experience. The CalPERS rates for Fiscal Years 2019-20 through 2023-24 were provided by CalPERS. CalPERS rates are expected to increase 16.2 percent and 16.6 percent over the next 5 years for Miscellaneous and Safety, respectively.

For Supplies and Services and the remaining categories, a base level of expenditures is calculated and then adjusted based on the multi-year assumptions related to each component of cost (e.g., City utilities, equipment maintenance, self-insurance funding, etc.).

Based on past experience, it is typical to underspend the budget due to vacant positions and savings in Supplies and Services accounts. Beginning in Fiscal Year 2009-10, a budget savings amount was assumed. It has ranged between \$1.8 million and \$2.8 million. In Fiscal Year 2017-18, it was increased to \$2.3 million to reflect a current five-year average, and it remains at that level throughout the Forecast period.

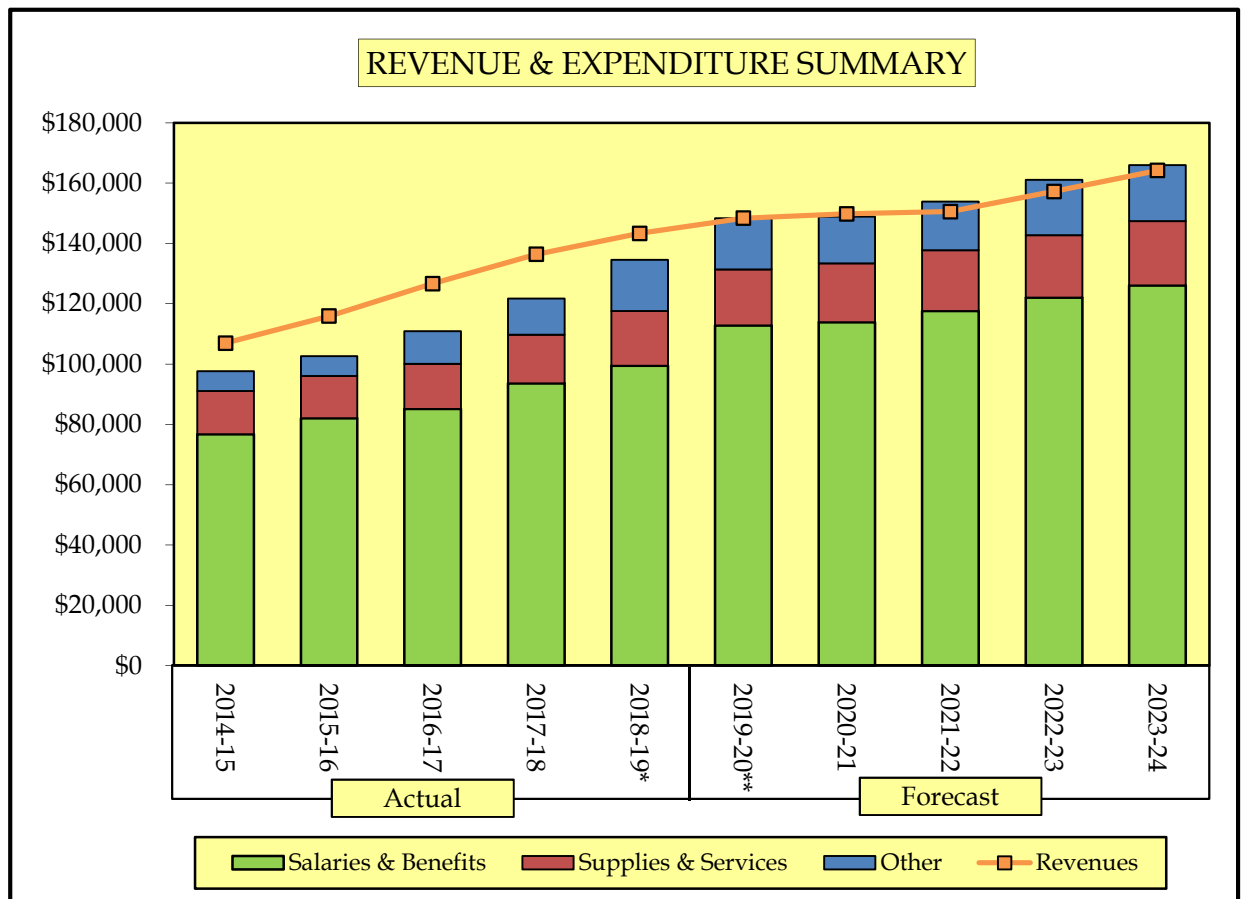
SUMMARY

The Silicon Valley region continues to be a leader in the local and national economies—job creation, vacant space utilization, development of both residential and commercial projects, and the recovery of property values are contributing to the overall strong health of the local economy. Although anticipated CalPERS and medical rate increases are significant factors, the Forecast projects revenue growth and positive operating

balances (including funds set aside for reserves and CalPERS) through Fiscal Year 2020-21. Fiscal Years 2021-22 and 2022-23 project negative balances before any corrective actions and Fiscal Year 2022-23 projects a modest balance. Future financial stability will be dependent upon the continued strength of the economy, the timing of the next economic downturn, and continued fiscal restraint.

Following is a detailed and graphic presentation of the Forecast, summarizing the assumptions and resulting revenues and expenditures.

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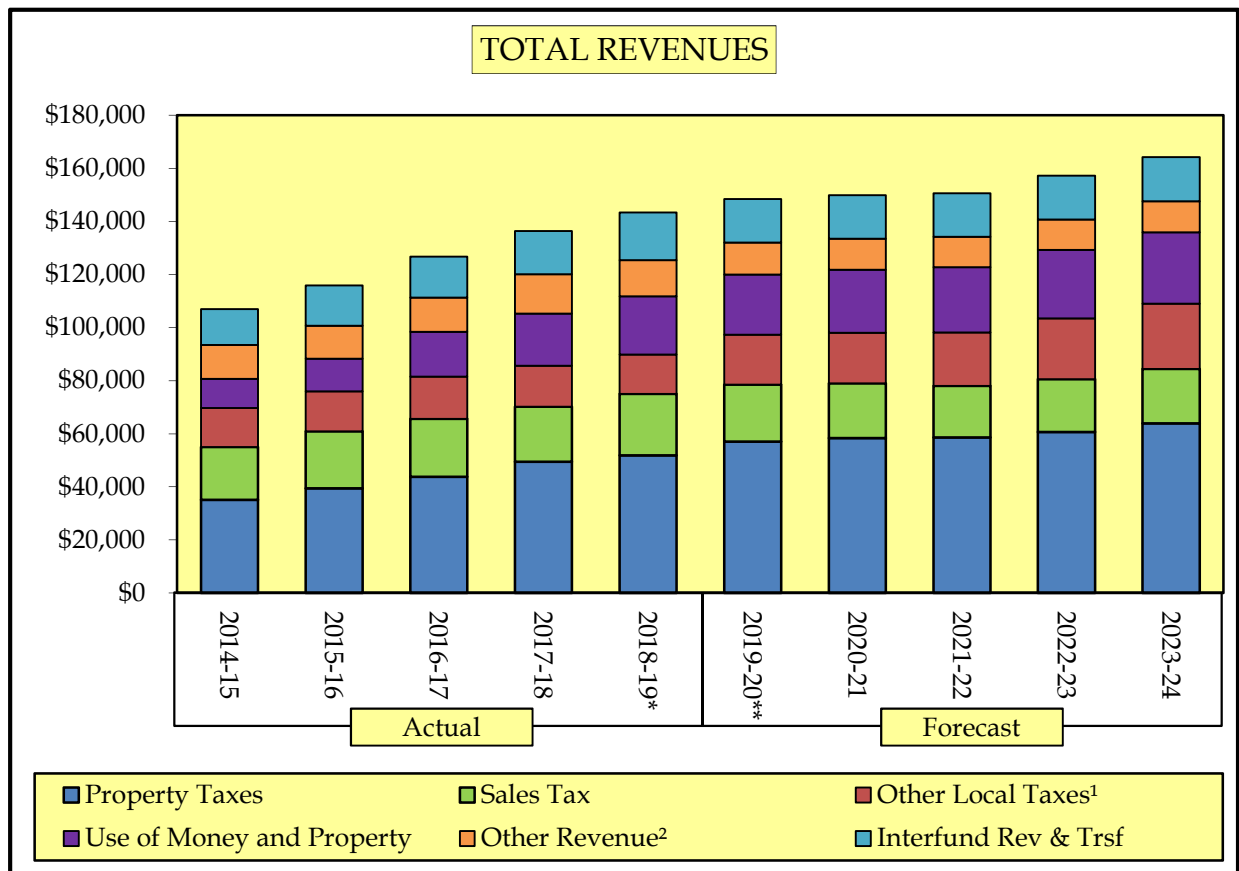
<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>
2014-15	106,940	97,677
2015-16	115,911	102,590
2016-17	126,689	110,936
2017-18	136,377	121,682
2018-19 *	143,374	134,604
2019-20 **	148,401	148,416
2020-21	149,800	148,914
2021-22	150,575	153,900
2022-23	157,260	161,089
2023-24	164,207	166,003

* Estimated

** Recommended

(dollars in thousands)

The Fiscal Year 2019-20 recommended expenditures and all forecast years do not include the projected operating budget savings.



<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>% Change</u>
2014-15	106,940	4.8%
2015-16	115,911	8.4%
2016-17	126,689	9.3%
2017-18	136,377	7.6%
2018-19 *	143,374	5.1%
2019-20 **	148,401	3.5%
2020-21	149,800	0.9%
2021-22	150,575	0.5%
2022-23	157,260	4.4%
2023-24	164,207	4.4%

* Estimated

** Recommended

(dollars in thousands)

¹ Includes Transient Occupancy Tax, Business Licenses, and Utility Users Tax.

² Includes Licenses, Permits & Franchise Fees, Fines & Forfeitures, Intergovernmental, Charges for Services, and Miscellaneous Revenues.

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PROPERTY TAXES

Property Taxes include the revenue generated from the City's share of the 1.0 percent levy assessed on the taxable value of real and personal property located within the City limits. The assessed value (AV) of secured real property that does not experience a change in ownership or is not subject to new construction is increased annually at a rate not to exceed the California Consumer Price Index (CCPI) or 2.0 percent, whichever is lower. However, if a property changes ownership, it is reassessed (up or down) at the current market value and new construction is initially valued at the cost of the construction. In addition, the County Assessor has the authority to proactively adjust the AV of properties downward to market value during periods of declining property values. Unsecured tax on personal property, such as computers and other equipment, is assessed on the value of the property as self-reported annually to the County.

SOURCES

- Property tax assessed on secured real property.
- Property tax assessed on unsecured personal property.
- Property tax assessed on leased property.

ECONOMIC FACTORS

- General economic conditions.
- Proposition 13 – determines methodology of tax application, limits the annual AV increase, and sets the tax rate.
- California Consumer Price Index (CCPI – October through October).
- New development.
- Property demand, sales, and values.
- County processing time for new development and ownership transfers and inclusion on the tax roll.
- Assessment appeals and proactive assessment reductions by the County Assessor.
- Availability of credit.
- State legislation regarding tax allocation.

HISTORY

In 1992, as a way of solving its own budget shortfall, the State enacted legislation that shifted partial financial responsibility for funding education to local government. Property tax revenues belonging to cities, counties, and special districts were shifted to the Education Revenue Augmentation Fund (ERAF). The net cumulative loss to the GOF resulting from all ERAF shifts through Fiscal Year 2018-19 exceeds \$114.0 million (\$117.0 million for the entire City).

For the past two decades, housing activity has remained strong with short periods of uncertainty or declines related to the availability of housing stock, interest rates, and the overall economy. During Fiscal Year 2008-09, the housing market collapsed and assessed values across the County suffered and caused some properties to be appraised at less than the outstanding debt on the property. During that time, foreclosures nationwide increased dramatically as homeowners defaulted on their mortgages, and California was the epicenter of the foreclosure crisis. Mountain View experienced foreclosures, but not as severely as other parts of the State. For calendar 2018, the most recent information available, there were a total of 168 foreclosures in the County. Mountain View had one foreclosure, the least in the County.

Beginning Fiscal Year 2008-09, the County began processing Proposition 8 (Prop 8) reductions for residential and commercial properties. The majority of the lost value for residential Prop 8 reductions in the City was recaptured by Fiscal Year 2015-16.

In the time period since the beginning of the recession and continuing into the recovery and expansion, commercial property owners have submitted applications for value reductions. The number of appeals submitted Countywide as of January 2019 is slightly higher than the same time frame in 2018, but, much lower compared to the level of activity during, and for several years after, the recession. As of January 2019, the County had approximately 5,300 active appeals, the same as January 2018. Because of the variable nature of commercial properties, the process of reviewing and valuing them is lengthy and more complicated. The County processes Countywide AV roll reductions (primarily the result of resolved appeals) and corrections throughout the year and currently estimates a net \$4.0 billion in reductions for Fiscal Year 2018-19. The General Fund's share of this estimated property tax revenue loss is approximately \$384,000.

Tracking of property sales activity, including new developments, was initiated in 2007 and the most recent 10 years of history is detailed below. The highest number of sales transactions for all types of properties and the largest increase in AV resulting from changes in ownership (CIO) occurred in 2018. For the first time since tracking began the increase in AV related to sales exceeded \$1.0 billion. There has been growth in the median price of single-family homes (SFH) experiencing a CIO every year since 2010.

Median Price Statistics (Mountain View Residential Properties with a CIO)

<u>Year</u>	<u>Single-Family Home (SFH)</u>	<u>Number of SFH CIO</u>	<u>Condo/ Townhome</u>	<u>Number of Condo/ Townhome CIO</u>
2009	\$845,000	182	\$535,000	179
2010	\$892,000	267	\$572,500	268
2011	\$900,750	306	\$445,000	241
2012	\$1,000,000	341	\$570,000	299
2013	\$1,245,000	297	\$639,000	356
2014	\$1,450,000	255	\$781,000	322
2015	\$1,600,000	274	\$910,000	312
2016	\$1,700,000	253	\$1,013,000	345
2017	\$1,900,000	278	\$1,175,000	387
2018	\$2,100,000	343	\$1,360,000	417

Also impacting the growth in Property Taxes is the CCPI. Over the past 10 fiscal years (2009-10 to 2018-19), five years have had annual CCPI increases less than the maximum 2.0 percent allowed, and one of those five years was a negative CCPI.

In total, Fiscal Year 2018-19 Property Tax revenues of \$51.8 million is estimated to exceed the Fiscal Year 2017-18 Audited of \$49.4 million by 4.9 percent and estimated to be 2.1 percent below the Fiscal Year 2018-19 Adopted Budget of \$52.9 million. This decline is primarily the result of an incorrect revaluation included on the July 1, 2017 tax roll and subsequently corrected for Fiscal Year 2018-19. The City was not aware of this error until after the Fiscal Year budget was adopted. In addition, the Fiscal Year 2018-19 Adopted included \$500,000 of excess ERAF property tax to be reimbursed to the City. However, this revenue is not ongoing, and staff recommends recording as one-time revenue to the General Non-Operating Fund.

FORECAST

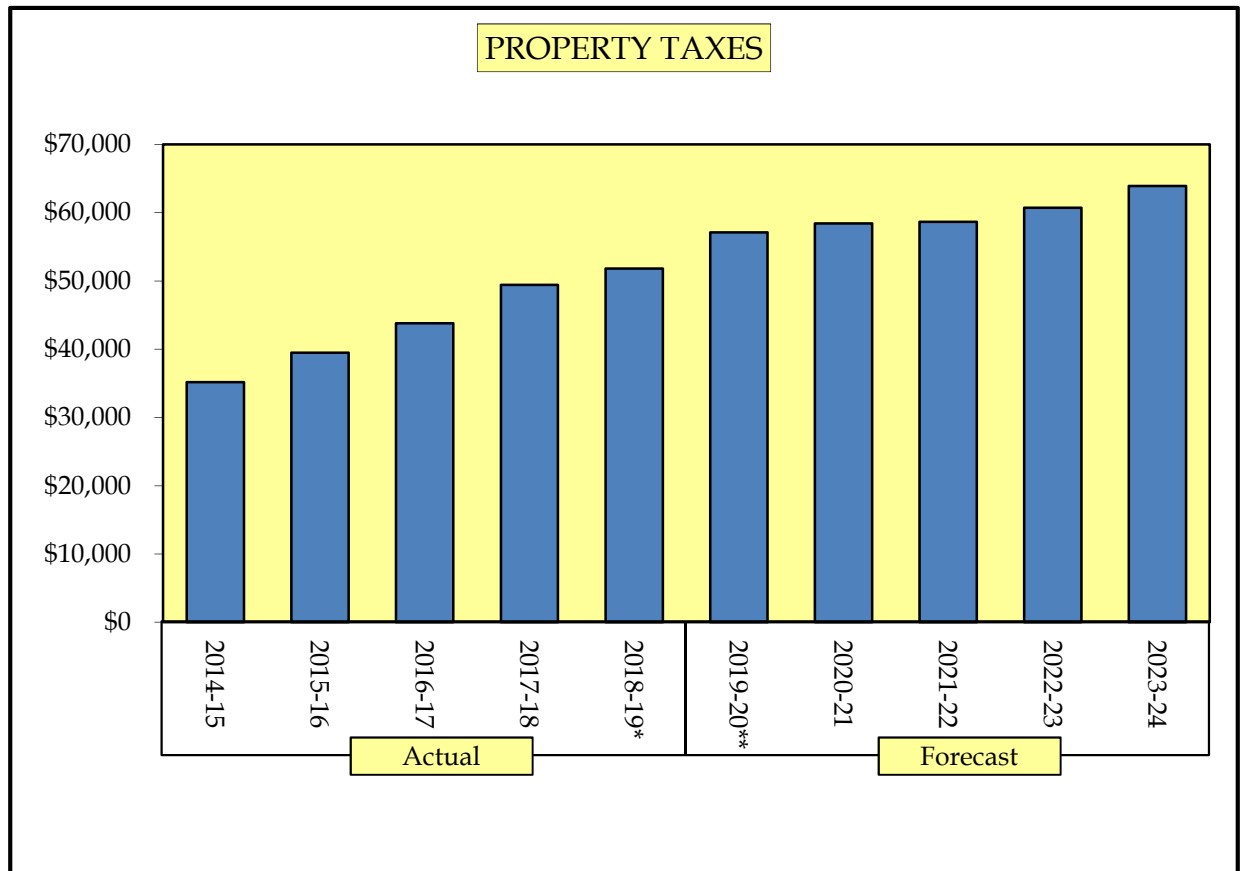
The Fiscal Year 2019-20 projected secured property tax revenue is based on the July 1, 2018 tax roll adjusted for the following:

- A 2.0 percent CCPI increase to the AV of all eligible residential and commercial property;
- Projected AV loss from resolution of pending appeals;

- AV changes related to property transfers and sales prior to the January 1 lien date; and
- Projected AV increase related to new development, tenant improvements and remodels.

As mentioned earlier, the County has approximately 5,300 active appeals, of which 179 have been filed over a 6-year span for properties located in the City; 104 filed for properties located in the Shoreline Community. The Fiscal Year 2019-20 revenue includes a projected tax loss based on the historic resolution of appeals. For the remaining Forecast years, total secured property tax is projected with net annual increases ranging from 1.9 percent to 4.6 percent. These increases include an annual change in AV based on a 2.0 percent CCPI for Fiscal Years 2020-21 and 2023-24, the final Forecast year. However, the anticipated economic downturn is projected to impact the intervening two fiscal years resulting in CCPI increases of 1.0 percent and 1.5 percent. In addition, increased AV is projected for Fiscal Years 2019-20 through 2023-24 as a result of new development projects under construction and in the pipeline (including The Village at San Antonio Phase II, Ameswell, and numerous housing, hotel, corporate campus and office developments), and anticipated growth from CIO and remodeling. The increased revenue from Ameswell has previously been identified as a revenue source for the Police/Fire Administration Building Remodel and Expansion project. The Forecast assumes appeals will continue to be filed annually and a portion will be resolved resulting in an AV loss.

Unsecured property tax revenue is projected to increase by 1.0 percent for Fiscal Year 2019-20, decline for the two subsequent fiscal years as a result of the anticipated economic downturn, and grow for the remainder of the Forecast period.



<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>% Change</u>
2014-15	35,173	13.0%
2015-16	39,461	12.2%
2016-17	43,774	10.9%
2017-18	49,419	12.9%
2018-19 *	51,822	4.9%
2019-20 **	57,091	10.2%
2020-21	58,418	2.3%
2021-22	58,643	0.4%
2022-23	60,695	3.5%
2023-24	63,889	5.3%

* Estimated

** Recommended

(dollars in thousands)

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SALES TAX

Sales Tax revenue is the second largest single revenue source of the GOF and also the most volatile. The City of Mountain View is allocated 1.0 percent of every sales dollar subject to sales tax. In the late 1990s, sales tax from commercial/industrial businesses generated a greater amount of sales tax than retail businesses, an approximate 1.5:1.0 ratio. During the current decade, as a result of relocations, recession, growth of the service economy (nontaxable products), and California Department of Tax and Fee Administration (CDTFA) (previously known as State Board of Equalization or BOE) reporting changes, retail contributes a greater share, and the ratio for the most recent completed fiscal year is 1.0:5.7.

SOURCES

- Retail sales of tangible personal property to individuals and other businesses.
- Use tax on business consumption of personal property.
- State and County pooled sales tax allocated by the City's share of the Countywide tax on point of sale transactions.

ECONOMIC FACTORS

- Business expansion, reduction, or relocation.
- State of the economy.
- Purchasing patterns.
- CDTFA allocation decisions.
- Level of business-to-business sales.
- Technology changes.

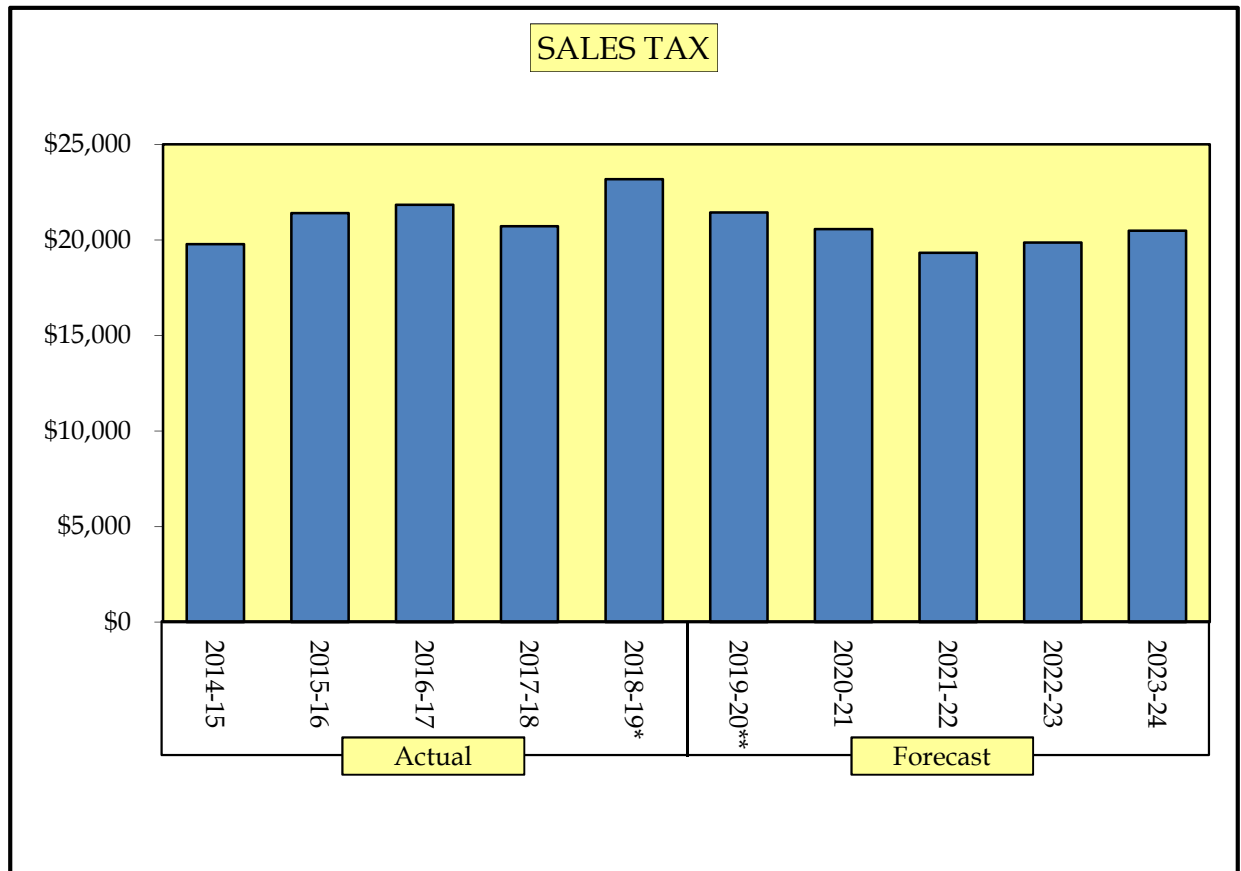
HISTORY

Since the early 1990s, sales tax has been an extremely volatile revenue source, reaching a record high of \$24.1 million in Fiscal Year 2000-01, primarily resulting from high-tech businesses. A precipitous decline to \$14.2 million occurred in Fiscal Year 2003-04 followed by steady growth through Fiscal Year 2007-08 to \$17.3 million. These variations typically occur as businesses move in and out of the City, companies modify reporting and/or sales methods, and the economy changes. Fundamentally, as the service economy grows, less manufacturing is done locally, resulting in a smaller commercial tax base as sales tax is not applicable to most technology company sales. As

a result of the Great Recession, Sales Tax revenue fell in excess of \$2.0 million (11.8 percent) to \$15.2 million in Fiscal Year 2009-10. Subsequently, sales tax revenue grew steadily through Fiscal Year 2015-16, but, since then, has either seen little growth or has declined. In Fiscal Year 2017-18 the CDTFA experienced issues with its new software system which delayed payments to local agencies. Approximately \$1.6 million received in Fiscal Year 2018-19 has been identified as late payments for Fiscal Year 2017-18. After adjusting for these late payments, total sales tax revenue for Fiscal Year 2017-18 would be \$452,700 (2.1 percent) higher than the prior fiscal year audited. Fiscal Year 2018-19 sales tax is estimated at \$23.2 million including the late payments. After adjusting for the late payments, Fiscal Year 2018-19 sales tax is estimated at \$21.6 million, \$669,700 (3.0 percent) lower than the adjusted previous fiscal year and \$1.6 million (7.9 percent) higher than the Fiscal Year 2018-19 Adopted. The \$669,700 net decrease is primarily the result of prior year audit/one-time adjustments and an increase in the allocation from the county pool.

FORECAST

Fiscal Year 2019-20 sales tax revenue is projected at \$21.4 million, including The Village at San Antonio Center Phase II, which is anticipated to open June 2020 with retail tenants in place and beginning to generate sales tax. This projection is essentially the same as the Fiscal Year 2018-19 adjusted estimate. Fiscal Years 2020-21 and 2021-22 reflect 4.1 percent and 6.0 percent declines respectively, related to the anticipated downturn in the economy. Recovery begins in Fiscal Year 2022-23 with incremental growth continuing into the final Forecast year.



<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>% Change</u>
2014-15	19,773	16.8%
2015-16	21,401	8.2%
2016-17	21,828	2.0%
2017-18	20,713	(5.1%)
2018-19 *	23,179	11.9%
2019-20 **	21,433	(7.5%)
2020-21	20,559	(4.1%)
2021-22	19,328	(6.0%)
2022-23	19,852	2.7%
2023-24	20,470	3.1%

* Estimated

** Recommended

(dollars in thousands)

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OTHER LOCAL TAXES

Other Local Taxes is comprised of Transient Occupancy Tax (TOT), Business License Tax, and Utility Users Tax (UUT).

SOURCES

- TOT is a 10.0 percent tax assessed on hotel and motel occupancies. Any occupancy by a government employee while on government business, or a stay exceeding 30 consecutive days, is exempt from the tax. This tax is self-reported on a quarterly basis by hotels and motels within the City limits, and a compliance audit is performed on a periodic basis. On November 13, 2018, the City Council adopted an ordinance related to the short term rental (STR) of residential property. These rentals will be subject to the City's 10.0 percent TOT.
- Business License Tax is assessed on all businesses known to be operating in Mountain View and billed annually. Currently, there are approximately 6,100 active businesses licensed. The tax rate varies by type of business, generally \$30 per year for most (73.0 percent), but can reach \$250 for certain types of businesses. Measure P, approved by Mountain View voters in November 2018, changes the Business License Tax. Effective January 1, 2020, the tax will be assessed on a structure of tiered number of employees and phased in over a three-year period for businesses with more than 50 employees. The City Council preliminarily earmarked 80.0 percent of additional revenue generated from the restructured tax to transportation and 10.0 percent to housing.
- UUT is a 3.0 percent tax assessed on the consumption of all telecommunication (2.5 percent tax on purchases of Mobile Telephony Services (MTS)), electricity, and gas services. Companies providing taxable utility services remit UUT payments monthly, and a compliance audit is performed on a periodic basis.

ECONOMIC FACTORS

- TOT: Number of hotel rooms and STR properties, room rate, occupancy rate, and number of exemptions.
- Business License Tax: Number and types of businesses licensed by the City, number of employees, and the applicable tax rate.
- UUT: Customer base, level of consumption, and price of the commodity.

HISTORY

TOT: The current tax rate of 10.0 percent was last modified in June 1991 from 8.0 percent. Occupancy and room rates in the City typically grow in nonrecessionary times. The impacts of economic downturns or disruptions are immediately reflected in TOT revenue as demonstrated by the 52.1 percent decline resulting from the dot-com bust and the 26.6 percent decline during the Great Recession. TOT revenues began to recover from this last recession in spring 2010 and growth continued through Fiscal Year 2017-18. The current fiscal year estimate is lower than both the current fiscal year adopted and prior fiscal year audited. The first two quarters of Fiscal Year 2018-19 (ending September 30 and December 31) reflect the closure of Hotel Aria, which was anticipated in the current fiscal year Adopted Budget. The Adopted Budget also included the opening of the Hyatt Centric hotel, but the opening has been delayed and it is now anticipated in Fiscal Year 2019-20.

Business License Tax: Prior to the approval of Measure P, this revenue did not change significantly from year to year as the tax rate has remained essentially unchanged since June 1954 (excluding two business types updated in 1985). Any fluctuation in the number of businesses did not significantly change annual revenue because of the low annual tax rate. Fiscal Year 2018-19 revenue is estimated to be less than both the prior fiscal year audited and the current fiscal year adopted.

As mentioned previously, in November 2018, Mountain View voters approved Measure P, which restructures the Business License Tax. The new structure is an incremental, progressive, tax based on a tiered number of employees. Persons operating businesses with 50 employees or more shall pay a phased-in tax over a three-year period, with the first phase of the new tax rates effective January 1, 2020.

UUT: The tax is calculated on the consumer cost of the energy (gas and electricity) and telecommunication services utilized. The tax revenue fluctuates with the cost, customer usage, and/or customer base and is negatively impacted by economic downturns as a result of business closures and reduction in usage by both residential and commercial customers. In November 2010, the voters approved a ballot measure which broadened the base to include all telecommunications services in order to treat all customers equally and the amended ordinance became effective March 2011. As a result, UUT generated from telecommunications increased.

An audit of telecommunications providers was completed in January 2014 and resulted in a \$1.1 million settlement and one-time assessment. In addition, during Fiscal Year 2014-15, staff worked to bring another telecommunications provider into compliance, resulting in a payment of the amount due for that fiscal year and a \$1.6 million payment for a prior time period. Both of these companies are remitting monthly UUT payments, contributing to ongoing revenue.

The Agreement between the CDTFA and the City for prepaid phone cards was executed in December 2015, and the City received the first quarterly payment in September 2016. In addition, direct providers of prepaid phone cards began remitting UUT payments in July 2016. UUT revenue from telecommunications has been declining since Fiscal Year 2015-16. Payments from a major telecommunications provider have been steadily declining since Fiscal Year 2015-16, and the pervasive use of cell phones has eliminated the necessity and cost of a landline for many people, and it is not uncommon for a cell phone to be utilized for both personal and professional uses. The City began receiving UUT payments from Silicon Valley Clean Energy (SVCE) in the beginning of Fiscal Year 2017-18, offset by lower payments from PG&E resulting from customer migration. Fiscal Year 2018-19 UUT revenue is estimated to be lower than both the prior fiscal year audited and the current fiscal year adopted, 5.0 percent and 7.8 percent, respectively.

FORECAST

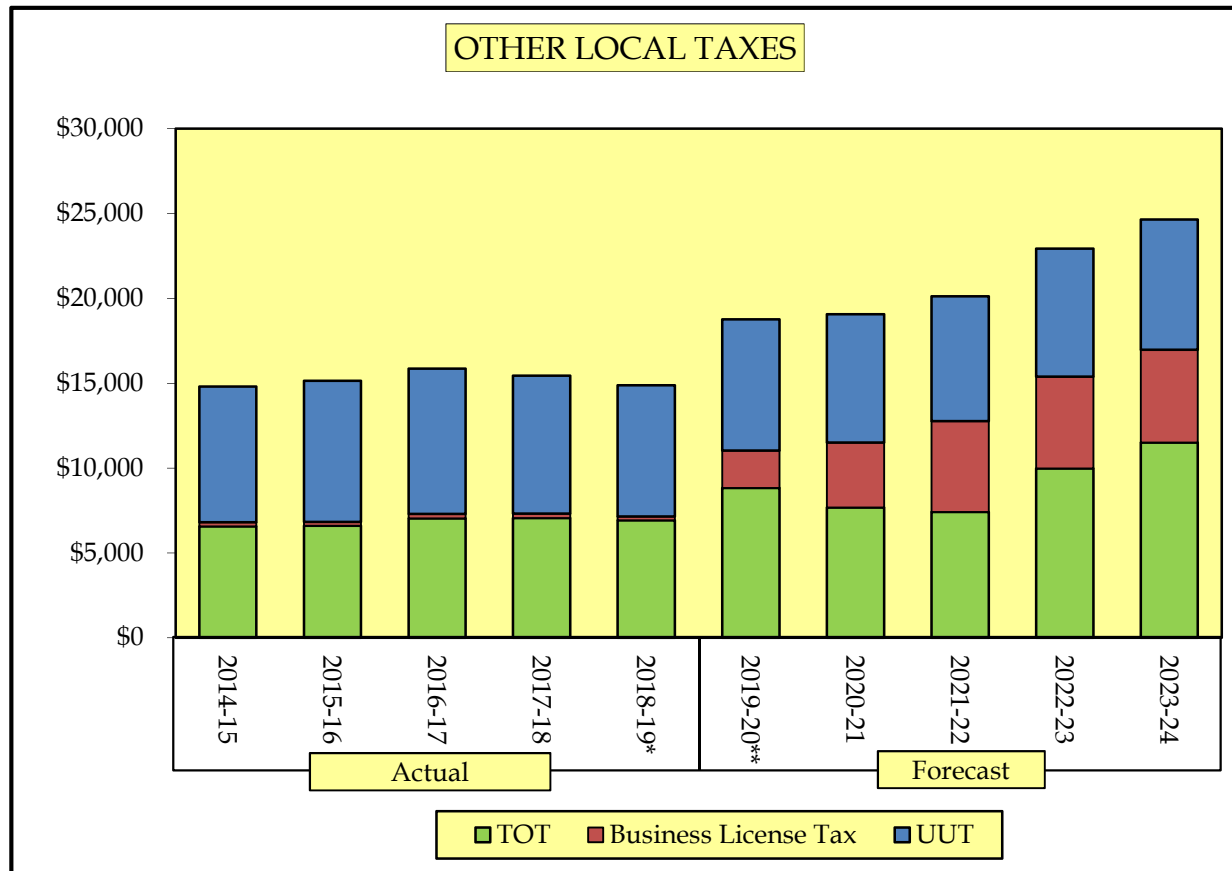
TOT: Fiscal Year 2019-20 revenue is projected 27.8 percent higher than the Fiscal Year 2018-19 estimated, and includes the opening of both the Hyatt Centric hotel (San Antonio Phase II) and Shashi hotel. No revenue from STR is included for Fiscal Year 2019-20 as there is insufficient data for an accurate projection. Revenue received will be reported to City Council in the Fiscal Year 2019-20 Mid-Year Report. Fiscal Years 2020-21 and 2021-22 include the opening of the Holiday Inn Express and Hampton Inn, respectively, and a reduction in revenue resulting from the anticipated economic downturn. Fiscal Year 2022-23 reflects the beginning of recovery and the opening of the hotels planned as part of the Ameswell and Hope Street projects.

Business License Tax: Fiscal Years 2019-20 through 2021-22 business license tax revenue reflects the phase-in of the new business license tax structure and is projected at \$2.2 million, \$3.8 million, and \$5.4 million respectively, resulting in increased revenue of \$2.0 million, \$3.6 million, and \$5.1 million compared to the current fiscal year budget. City Council initially earmarked 80.0 percent of the increased tax revenue for transportation and 10.0 percent for housing; resulting in a net revenue gain to the GOF of approximately \$450,000, \$600,000, and \$760,000, respectively. Transfers to the Transportation Reserve and Affordable Housing Fund are included in the forecast and discussed later in the expenditures section.

The anticipated two-year downturn in Fiscal Years 2020-21 and 2021-22 include a projected 3.0 percent annual decline followed by incremental recovery in the remaining two Forecast years.

UUT: Fiscal Year 2019-20 total projected UUT revenue is essentially the same as the Fiscal Year 2018-19 estimated. UUT revenue for the following two Forecast years

decline as a result of the anticipated economic downturn. Fiscal Years 2022-23 and 2023-24 reflect recovery plus UUT generated from development anticipated in the Shoreline Regional Park Community as identified in the North Bayshore Precise Plan Fiscal Impact Analysis.



Fiscal Year	Transient Occupancy Tax	Business License Tax	Utility Users Tax	Total Other Local Taxes	% Change
2014-15	6,559	258	7,988	14,805	13.1%
2015-16	6,591	245	8,301	15,137	2.2%
2016-17	7,043	251	8,572	15,866	4.8%
2017-18	7,057	251	8,136	15,444	(2.7%)
2018-19 *	6,913	234	7,727	14,874	(3.7%)
2019-20 **	8,833	2,204	7,734	18,771	26.2%
2020-21	7,671	3,832	7,564	19,067	1.6%
2021-22	7,407	5,361	7,356	20,124	5.5%
2022-23	9,971	5,415	7,549	22,935	14.0%
2023-24	11,502	5,469	7,684	24,655	7.5%

* Estimated

** Recommended

(dollars in thousands)

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USE OF MONEY AND PROPERTY

Use of Money and Property is comprised of investment earnings and revenue from rents and leases of City-owned property. Investment Earnings are generated from the General Fund's share of the City's pooled investment portfolio. Rents and Leases revenue is generated from rental properties and lease agreements.

SOURCES

- Monthly interest allocation generated by the City's pooled investment portfolio.
- Leased and rented properties, including:
 - North Charleston, Crittenden, and Charleston East ground leases
 - Shoreline Amphitheatre
 - Ameswell
 - Recology
 - Center for the Performing Arts
 - Michaels at Shoreline Restaurant
 - Community School of Music and Arts (CSMA)
 - CVS (parking structure, retail space)
 - Historic Adobe Building, Community Center, and Senior Center
 - Bean Scene Café, Olympus Caffé, and Savvy Cellar Wines, Inc.
 - Bank of America (ATM)
 - Hope Street Office and Hotel Development
 - Wireless Telecommunication Providers (GTE Mobilnet, Metro PCS, Sprint)
 - Various construction staging sites

ECONOMIC FACTORS

- Economy.
- Federal Reserve policy and interest rates.
- Portfolio balance.
- City Investment Policy.
- Rental revenues received and lease agreements.

HISTORY

Investment Earnings: Over the past decade, part of the City's financial strategy was to build reserves in anticipation of budget constraints in order to generate additional revenue in the form of investment earnings and to maintain sufficient funds to weather any further significant declines in revenues. The Federal Reserve aggressively managed short-term interest rates between late 2007 and 2008 in an effort to combat the ripple effect of the subprime lending crisis and support the economic recovery by reducing the Federal funds rate from 5.25 percent to a target of 0.25 percent. This significantly impacted the City's interest earnings for numerous years. Between December 2015 and December 2018, the Federal Open Market Committee (FOMC) increased the benchmark interest rate nine times for a total 225-basis-point increase. This has significantly improved the City's interest earnings and Fiscal Year 2018-19 investment earnings are estimated to exceed the prior fiscal year audited by \$543,000, and exceed budget by \$196,000. It is uncertain if FOMC will continue to implement small incremental increases in the near future, but it is anticipated if the economy continues to improve.

Rents and Leases: Over time, the City has strategically developed City-owned properties and negotiated lease agreements that generate long-term revenue for the GOF. These leases and the revenue generated become even more important during economic downturns as they do not immediately fluctuate with the economy, and most include annual inflationary increases.

In 1995, 1996, and 2008, the City first negotiated and signed ground lease agreements for the North Charleston, Crittenden, and Charleston East sites, respectively. As allowed in the ground leases, the rent includes fixed annual increases and is revalued every 10 years to market. The decennial revaluation of the North Charleston lease was effective April 1, 2016, resulted in a 141.0 percent rent increase (\$3.3 million for a full year) and will continue to escalate 4.0 percent annually. The decennial revaluation of the Crittenden lease was effective January 1, 2017, resulted in a 104.8 percent rent increase (\$3.1 million for a full year) and will continue to escalate 4.0 percent annually.

The first decennial revaluation for the Charleston East (Lot 1) lease between the City and Google LLC (Google) was effective February 1, 2018. This lease includes a cap on the revalued rent that is not included in the other two land leases. The cap is 165.0 percent of the monthly rent payable during the initial year of the prior 10-year period. In this case, the rent for the period beginning February 1, 2018 is capped at 165.0 percent of the rent paid in February 2008. The total annualized revalued rent is \$1.9 million, an increase of \$387,000 (26.5 percent) compared to the prior year annualized rent and will continue to escalate 3.0 percent annually.

In late Fiscal Year 2005-06, Council approved the amended and restated lease between the City and SFX Entertainment, Inc. (SFX-operating company of Live Nation, Inc.), for

the lease of the Shoreline Amphitheatre. The terms of the lease eliminated the percentage rent structure and replaced it with a fixed amount of \$200,000 per month for the concert season (nine months), a total of \$1.8 million annually. The first annual contractual increase of 2.0 percent went into effect March 2018, and the current annualized payment is \$1.9 million.

In September 2007, CVS opened in the Bryant Street parking structure and began paying the City the negotiated monthly lease rent. The parking structure was partially funded with former Revitalization Authority funds and, based on the Compensation Agreement, any revenues generated from the parking structures are shared with the taxing entities in the same proportion of the Authority's contribution to the structures. The Compensation Agreement was effective July 1, 2014, resulting in annual lease revenue of \$165,000 to the GOF, a loss of \$78,000 annually. The CVS lease agreement provides for an 11.9 percent increase that is effective September 2017 through September 2022.

In May 2010, Savvy Cellars opened to the public at the Centennial Plaza Train Depot and, in accordance with the lease, the annual revenue to the City for the first five years was \$29,700. The first annual increase was effective December 2014, and there have been annual increases effective each subsequent December. Lease of City-owned property during Fiscal Year 2018-19 for construction staging is anticipated to generate \$71,000. In addition, there are various other rentals of City-owned property as listed previously in the Sources section which contribute revenue to the GOF.

On December 11, 2018 staff updated City Council on the Police/Fire Administration Building Expansion Study and confirmed most of the revenue generated from the Ameswell development is earmarked for debt service related to this facility. City Council authorized staff to issue a request for proposal (RFP) to prepare a preliminary design for a renovation/addition as well as evaluation of a new building. Staff will return to City Council in the fall of 2019 with additional information.

The remodeled and expanded Community Center opened February 2019 and will be available for rent.

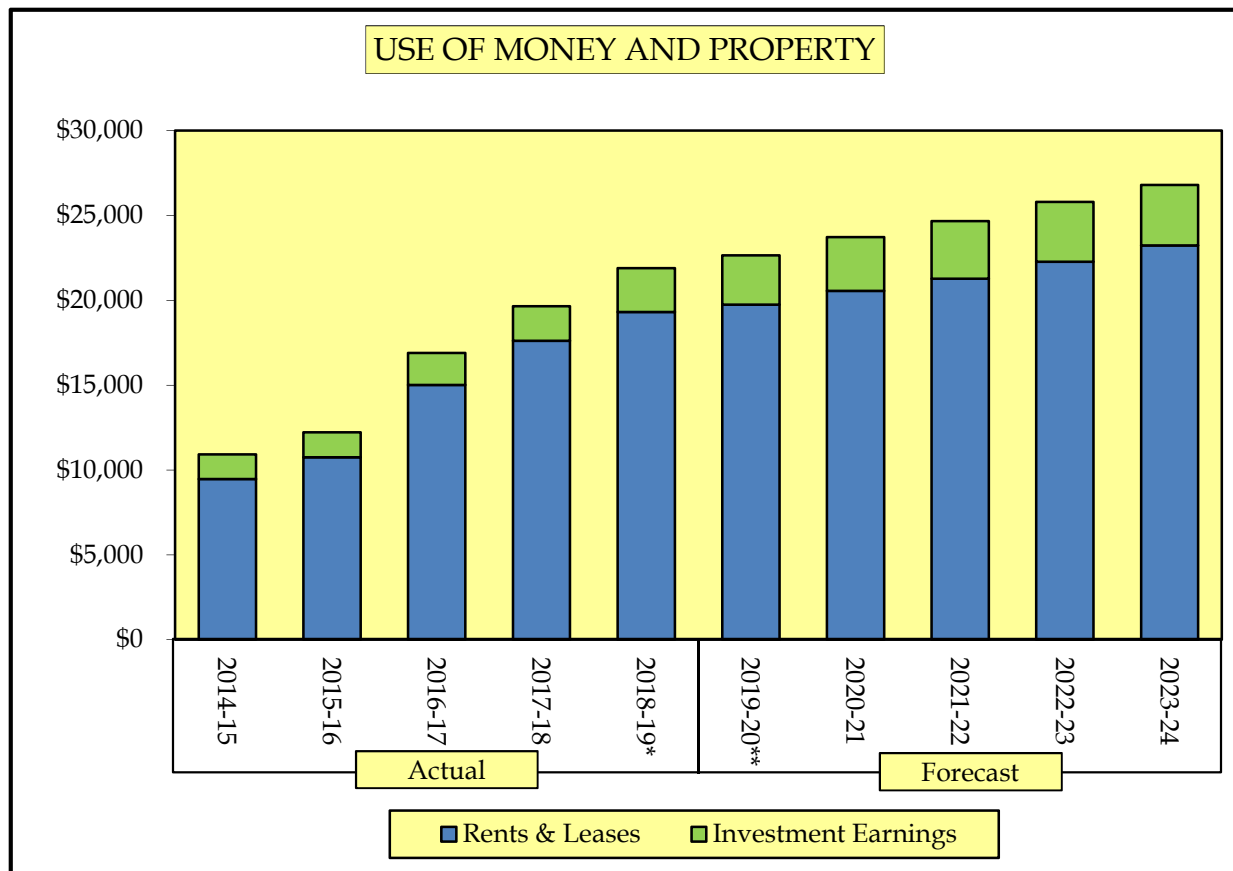
FORECAST

Investment Earnings: The Fiscal Year 2019-20 projection is based on the assumption that as instruments mature, the funds will be reinvested at rates slightly higher than those available in Fiscal Year 2018-19, resulting in a projected average portfolio yield of 2.32 percent for Fiscal Year 2019-20. The City's average portfolio yield is anticipated to continue rising through the end of the Forecast period. During the projected economic downturn, reinvestment rates are expected to be higher than the rates on the maturing instruments.

Rents and Leases: Fiscal Year 2019-20 includes a full year of the 10.0 percent rent increase generated from the CSMA ground lease and a partial year of rent from the Hope Street office development project. The Ameswell rent of \$1.4 million will continue to be transferred to the Budget Contingency Reserve to be utilized for funding of limited-period items until the proposed debt service related to the Police/Fire Administration Building remodel and expansion begins in Fiscal Year 2022-23.

The Forecast for the three long-term ground leases includes annual increases. During Fiscal Year 2022-23 the monthly CVS rent increases 12.0 percent in accordance with the lease. For the remaining leases and rental agreements, the Forecast period includes annual contractual increases and assumes renewal options will be exercised or extended.

As previously discussed with the City Council, Google has paid the City \$600,000 for extending the sublease of Parking Lots C and D from SFX through 2020. In addition, Google has agreed to lease the parking lots from the City for an additional five years (January 2021 to December 2025) and will be paying over \$2.0 million annually, unless the lease is terminated early. As these payments are limited-period in nature, they will not flow through the GOF. As discussed with the City Council during the Fiscal Year 2017-18 budget process, the \$2.0 million annual payments (\$10.0 million over the 5-year period) would be recorded as one-time GF revenues and then contributed to CalPERS toward the City's unfunded pension liability, and both the annual earned portion of the \$600,000 and the annual rent in excess of the \$2.0 million will be transferred to the Capital Improvement Reserve.



Fiscal Year	Rents & Leases	Investment Earnings	Total Use of Money and Property	% Change
2014-15	9,463	1,465	10,928	2.2%
2015-16	10,751	1,468	12,219	11.8%
2016-17	15,020	1,876	16,896	38.3%
2017-18	17,618	2,041	19,659	16.4%
2018-19 *	19,305	2,584	21,889	11.3%
2019-20 **	19,741	2,916	22,657	3.5%
2020-21	20,565	3,152	23,717	4.7%
2021-22	21,281	3,380	24,661	4.0%
2022-23	22,276	3,523	25,799	4.6%
2023-24	23,235	3,573	26,808	3.9%

* Estimated

** Recommended

(dollars in thousands)

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LICENSES, PERMITS, AND FRANCHISE FEES/FINES AND FORFEITURES

This revenue category is comprised of Licenses, Permits, Franchise Fees, and Fines and Forfeitures.

SOURCES

- Licenses and Permits revenues are generated from businesses requiring specific City permits such as police business permits.
- Franchisees are required to pay Franchise Fees as compensation to the City for the use of City property while providing a commercial service to Mountain View businesses and residents. The City has franchise agreements with Recology; Pacific Gas and Electric; Comcast and AT&T Cable; and California Water Service.
- Fines and Forfeitures are generated from Library fines and citations issued by the City Police Department and the California Highway Patrol.

ECONOMIC FACTORS

- State of the economy.
- Franchise agreements and revenues generated by franchisees.
- State and Federal regulations, legislation, and funded programs.

HISTORY

Licenses, Permits, and Franchise Fees: Historically, Licenses and Permits revenue tended to fluctuate with the development cycle. In Fiscal Year 2006-07, Building Services was separated from the GOF to better facilitate tracking and accounting. In order to provide a more comprehensive picture of the development process and to more accurately align all development-related revenues and expenditures, Council approved the consolidation of all development-related functions within the City into a Development Services Fund for Fiscal Year 2014-15. Development-related revenues and expenditures were moved from the GOF to the Development Services Fund, which decreased revenues in several categories, including this one, and eliminated the effect of development. Fiscal Year 2018-19 estimated Licenses and Permits revenue is 22.0 percent and 12.6 percent higher than the Fiscal Year 2018-19 Adopted and Fiscal Year 2017-18 Audited, respectively, primarily due to Cannabis Business Background Screening fee revenue of \$25,000 received.

Franchise Fee revenue generated from gas and electricity usage has historically increased as a result of significant commercial and residential development and

declined during economic downturns as a result of commercial office vacancies and conservation by residential and commercial customers.

In accordance with the agreement between the City and the City's trash and recycling collector, Recology, a monthly service fee is owed to the City. This fee includes a portion for the exclusive right to perform this activity and a portion is attributable to the City providing billing and collection services. This revenue has fluctuated over the past decade as a result of conservation efforts, migration to smaller-size containers, the amount of construction debris discarded, and increases in trash and recycling service charges in addition to the economic factors listed above.

Beginning in Fiscal Year 2011-12, Cable Franchise revenues were budgeted directly as General Fund Franchise revenue in lieu of a transfer from the Cable Fund. This revenue grew through Fiscal Year 2015-16, but has been declining since.

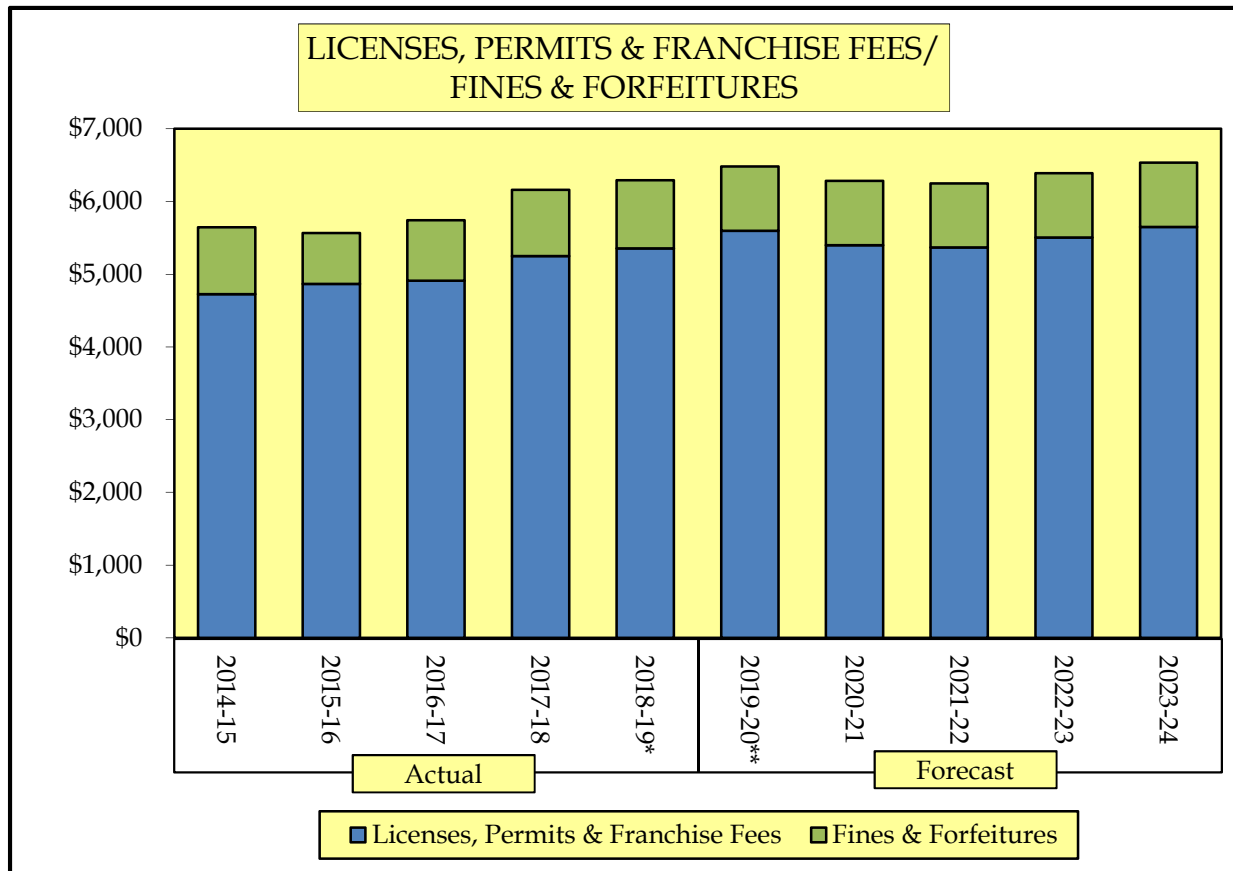
Fiscal Year 2018-19 estimated Franchise Fee revenues are 1.7 percent and 3.8 percent higher than the Fiscal Years 2017-18 Audited and 2018-19 Adopted, respectively.

Fines and Forfeitures: This revenue source includes false alarm response fees, bail/fine payments from the County, Library fines, and parking violation payments. Overall, the Fiscal Year 2018-19 estimated Fines and Forfeitures revenue sources are higher than budget and Fiscal Year 2017-18 Audited, primarily due to increased parking enforcement and City's share of bails and fines collections from the Superior Court, traffic court, and municipal cases

FORECAST

Licenses, Permits, and Franchise Fees: Revenue is projected to increase by a net \$243,000 in Fiscal Year 2019-20 from the current fiscal year estimate, primarily resulting from the Cannabis annual operating permit fees adopted October 2, 2018 and the Recology franchise fee which is projected to increase with the trash and recycling rate increase. Revenues decline for Fiscal Years 2020-21 and 2021-22, then recover in the last two years of the Forecast.

Fines and Forfeitures: Fiscal Year 2019-20 is projected to be 5.9 percent below Fiscal Year 2018-19 estimated, primarily due to parking violations revenue which tends to fluctuate. This revenue is essentially the same level throughout the Forecast period.



Fiscal Year	Licenses, Permits & Franchise Fees	Fines & Forfeitures	Total Licenses, Permits & Franchise Fees/ Fines & Forf	% Change
2014-15	4,725	920	5,645	(11.6%)
2015-16	4,869	697	5,566	(1.4%)
2016-17	4,913	830	5,743	3.2%
2017-18	5,249	912	6,161	7.3%
2018-19 *	5,356	936	6,292	2.1%
2019-20 **	5,599	881	6,480	3.0%
2020-21	5,401	881	6,282	(3.1%)
2021-22	5,368	881	6,249	(0.5%)
2022-23	5,507	881	6,388	2.2%
2023-24	5,652	881	6,533	2.3%

* Estimated

** Recommended

(dollars in thousands)

INTERGOVERNMENTAL

Intergovernmental revenue is remitted or allocated to the City by other governmental agencies.

SOURCES

- Other governmental agencies—Santa Clara County, State of California, U.S. government, and local government.

ECONOMIC FACTORS

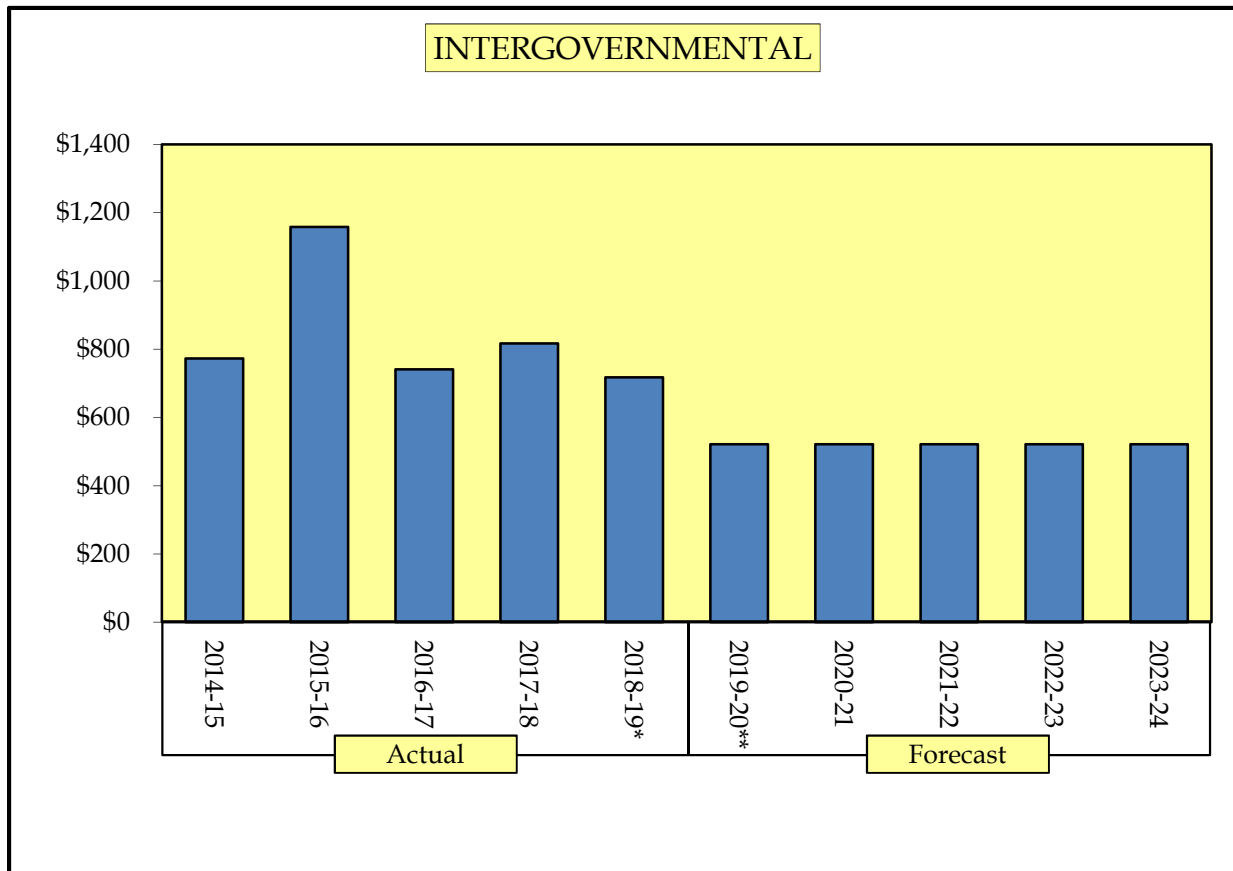
- Actions by the State Legislature.
- State and Federal regulations, legislation, and funded programs.

HISTORY

For more than a decade, many revenues from the State have been reduced or eliminated, including Vehicle License Fees (VLF), Community-Oriented Policing Services (COPS), Public Library Funds, Rapid Enforcement Allied Computer Team (REACT), SB 90 mandate reimbursement, and other programs. Fiscal Year 2018-19 is estimated with a net revenue gain compared to the Fiscal Year 2018-19 Adopted Budget due to grants, SB 90 and other State and County reimbursements; funding received that was not budgeted. This revenue is 12.2 percent lower than the Fiscal Year 2017-18 Audited as Police Officer staffing shortages have not allowed the City to assign an Officer to the Regional Auto Theft Task Force (RATTF) and, therefore, there is no reimbursement from the Santa Clara County Specialized Enforcement Team Task Force.

FORECAST

Fiscal Year 2019-20 is projected 16.4 percent lower than Fiscal Year 2018-19 Adopted as the City does not anticipate State AB 109 funding, or County reimbursements for RATTF and the Avoid the 13 DUI campaign. The remaining Forecast years are at essentially the same level.



<u>Fiscal Year</u>	<u>Intergovernmental</u>	<u>% Change</u>
2014-15	773	13.8%
2015-16	1,158	49.8%
2016-17	741	(36.0%)
2017-18	817	10.3%
2018-19 *	717	(12.2%)
2019-20 **	522	(27.2%)
2020-21	522	0.0%
2021-22	522	0.0%
2022-23	522	0.0%
2023-24	522	0.0%

* Estimated

** Recommended

(dollars in thousands)

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CHARGES FOR SERVICES

Charges for Services revenue is comprised of revenue from fees for services provided by various City departments, primarily related to recreation and development activities.

SOURCES

- City Recreation programs.
- City Sports Facility Use.
- Reimbursement of administrative costs related to private development activity.
- Center for the Performing Arts facility use and ticket services.

ECONOMIC FACTORS

- State of the economy.
- Level of participation in City Recreation programs.
- Level of attendance at Center for the Performing Arts (CPA) programs.
- Level of development activity.

HISTORY

In order to ensure appropriate pricing for services, during Fiscal Year 2009-10, staff initiated a Police services cost-of-service study, and the City Council approved a Recreation Cost Recovery Policy (Policy). As a result of these actions, increased recovery levels for services provided by other departments, and new or increased service fees were adopted. Subsequent to approval of the Policy, staff completed an analysis of participation levels, revenues, and changes in programming related to Recreation services. There was an indication that participation levels decreased in some programs, and the utilization of the fee waiver program increased (likely as a result of the struggling economy at that time). Therefore, the number of programs and classes was reduced as attendance did not achieve the minimum requirement authorized in the Policy, and new revenue sources, such as sponsorships, were approved.

As noted earlier, effective with the Fiscal Year 2014-15 Adopted Budget, Development Services was separated from the GOF in order to facilitate better tracking and accounting and allow for an effective way to match revenues and expenditures. The separation caused a significant decline in actual revenue from Fiscal Year 2013-14 to Fiscal Year 2014-15. The remaining development-related revenue is for Heritage tree

applications and reimbursement to the GOF for administrative support provided to development projects.

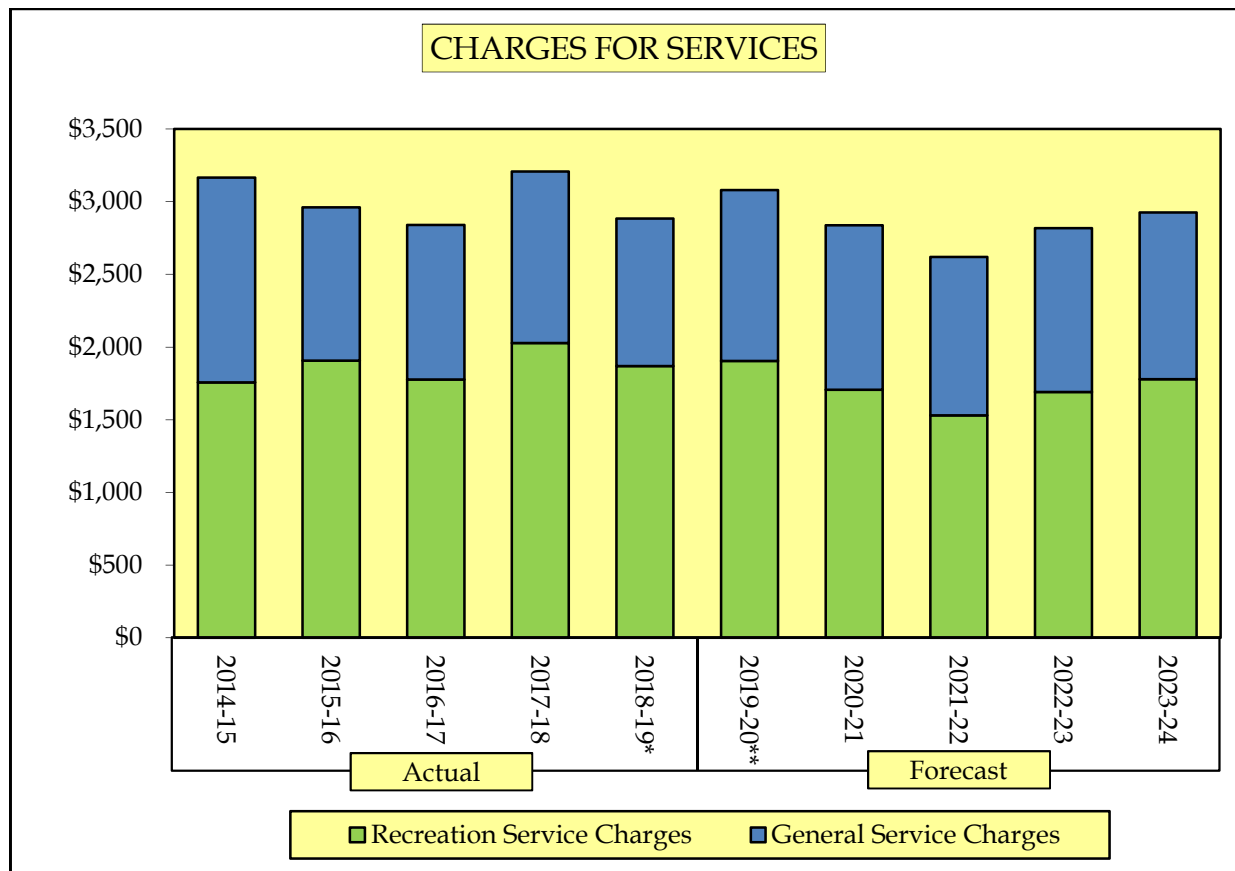
Staff continually reviews programming and pricing, adjusts as appropriate, and Recreation-related Service Charge revenue has continued to improve. Effective with the Fiscal Year 2015-16 Adopted Budget, some Charges for Services revenue was determined to be rental income and was moved to the appropriate revenue category.

On December 13, 2016, Council approved revision of the Recreation Financial Assistance Program (FAP) to a two-tier system which was implemented in September 2017. In addition, the City Council authorized staff to make future amendments to the FAP as part of the City's annual budget process and update the relevant information in the Master Fee Schedule.

Total Service Charge revenue for Fiscal Year 2018-19 is estimated higher than the Adopted Budget but indicates a net decline compared to Fiscal Year 2017-18 Audited, primarily due to lower registration fee revenue from youth classes and camps, reduced facility use fees and ticket service charge revenue at the CPA.

FORECAST

Total Service Charge revenue for Fiscal Year 2019-20 is projected to be slightly higher than Fiscal Year 2018-19 estimated. The subsequent two fiscal years reflect the impact of the projected economic downturn, followed by recovery for the remaining Forecast period.



<u>Fiscal Year</u>	<u>Recreation Service Charges</u>	<u>General Service Charges</u>	<u>Total Charges for Services</u>	<u>% Change</u>
2014-15	1,756	1,410	3,166	(39.1%)
2015-16	1,906	1,056	2,962	(6.4%)
2016-17	1,776	1,064	2,840	(4.1%)
2017-18	2,027	1,181	3,208	13.0%
2018-19 *	1,870	1,014	2,884	(10.1%)
2019-20 **	1,905	1,176	3,081	6.8%
2020-21	1,707	1,131	2,838	(7.9%)
2021-22	1,530	1,090	2,620	(7.7%)
2022-23	1,690	1,127	2,817	7.5%
2023-24	1,779	1,147	2,926	3.9%

* Estimated

** Recommended

(dollars in thousands)

Fiscal Year 2015-16 includes full impact of development related revenue moved from GOF to Development Services Fund.

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MISCELLANEOUS REVENUES

Miscellaneous Revenues is comprised of a variety of reimbursed services and nonspecific revenues.

SOURCES

- Donations and Grants.
- Reimbursements for services provided by the City.
- Miscellaneous.

ECONOMIC FACTORS

- State of the economy.
- Grant availability, City applications, and grants awarded to the City.
- Services provided to businesses, school districts, and other agencies.

HISTORY

The City receives numerous donations and grants for a variety of City programs and services, many of which are not budgeted. Appropriations are increased when a grant or donation is approved or the funds are received by the City.

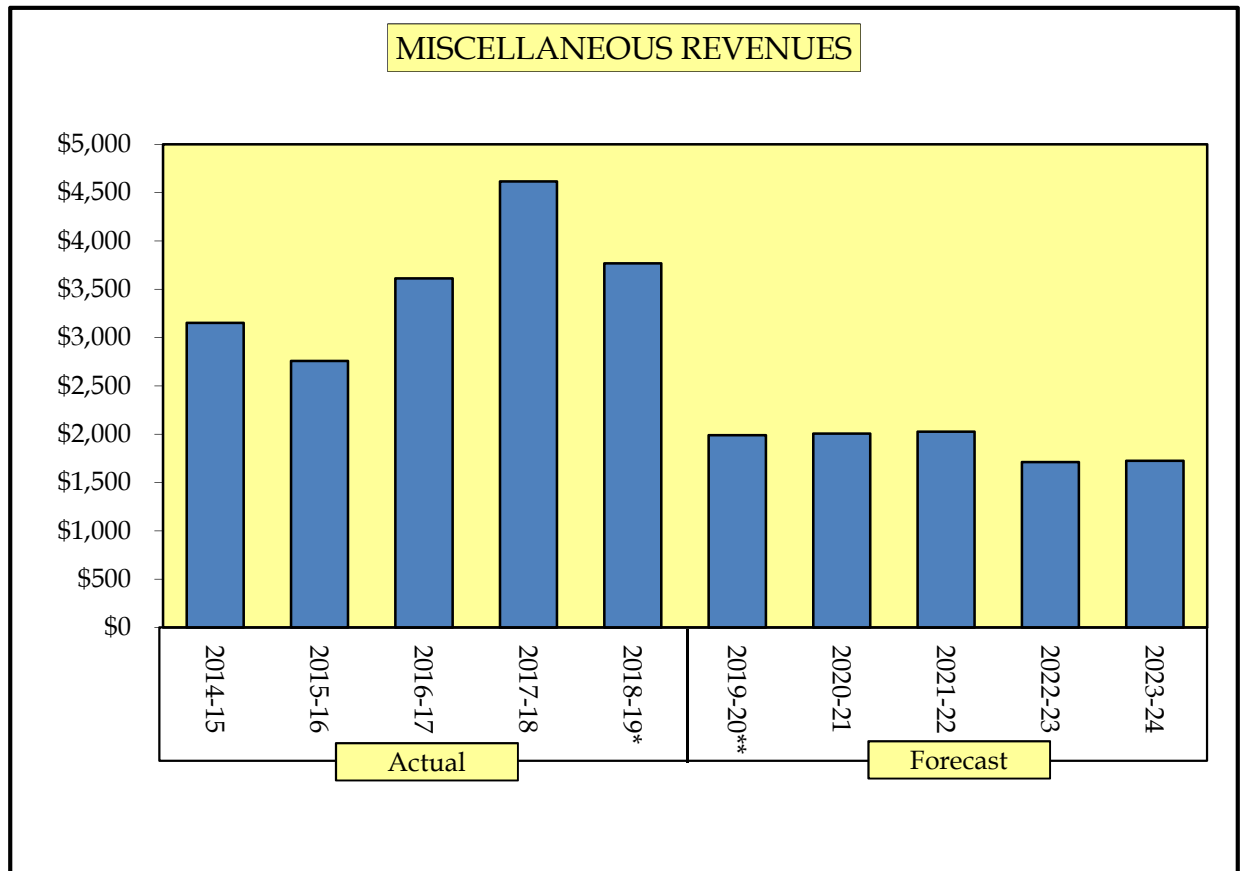
Some reimbursement for services provided in Fiscal Year 2018-19 and prior fiscal years are budgeted as they are ongoing in nature. Other reimbursements are one-time in nature and are not budgeted. The City provides the following categories of services:

- Maintenance services to the school districts for Graham Athletic Field, Whisman Sports Complex, and Mountain View Sports Pavilion.
- Mutual-aid fire support to other cities and the State of California which are later reimbursed by the State and Federal government.
- Public safety dispatch to the Midpeninsula Regional Open Space District (MROSD).
- Contractual first responder for Rural Metro.
- Staffing and other support for some Shoreline Amphitheatre events and other special events.

Total annual Miscellaneous Revenues vary, but over the past 10 years has averaged approximately \$2.7 million annually.

FORECAST

Fiscal Year 2019-20 Miscellaneous Revenues is projected to be higher than the Fiscal Year 2018-19 Adopted Budget and, as discussed earlier, lower than the Fiscal Year 2018-19 estimated as a result of grants, donations, and reimbursements not budgeted. Fiscal Years 2020-21 and 2021-22 are projected to be essentially level, and Fiscal Years 2022-23 and 2023-24 decline as the City's agreement with Santa Clara County to provide first responder support to Rural Metro expires June 30, 2022.



<u>Fiscal Year</u>	<u>Miscellaneous Revenues</u>	<u>% Change</u>
2014-15	3,152	26.9%
2015-16	2,757	(12.5%)
2016-17	3,611	31.0%
2017-18	4,616	27.8%
2018-19 *	3,768	(18.4%)
2019-20 **	1,988	(47.2%)
2020-21	2,006	0.9%
2021-22	2,024	0.9%
2022-23	1,710	(15.5%)
2023-24	1,724	0.8%

* Estimated

** Recommended

(dollars in thousands)

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INTERFUND REVENUES AND TRANSFERS

Interfund Revenues result from internal charges for staff time, building space, and maintenance services provided to other funds and capital projects by the GOF. The cost of this internal support provided to other funds is calculated in the City's Full Cost Allocation Plan (Plan). Interfund Transfers include transfers from a variety of other funds.

SOURCES

- Interfund Revenues are reimbursements to the GOF for internal support services provided to other funds and capital improvement projects.
- Interfund Transfers are transfers from other City funds.

ECONOMIC FACTORS

- Level and cost of services provided by GOF staff to other funds and capital improvement projects.

HISTORY

Interfund Revenues: In the early 1990s, with the assistance of a cost plan consultant, the City began preparing and utilizing a full cost plan allocation for reimbursement to the GOF. The Plan has been updated approximately every two to four years, most recently during Fiscal Year 2014-15 and the results incorporated for Fiscal Year 2015-16. Fiscal Year 2018-19 estimated is higher than budget as capital improvement project expenditures have been higher, generating a higher level of reimbursement.

Interfund Transfers: These vary from year to year and are both, ongoing and one-time/limited-period in nature. Fiscal Year 2018-19 estimated includes the annual transfers from the Gas Tax and Parking District funds, net operating income from Shoreline Golf Links, and transfers from the GF Reserve approved by City Council during the current fiscal year.

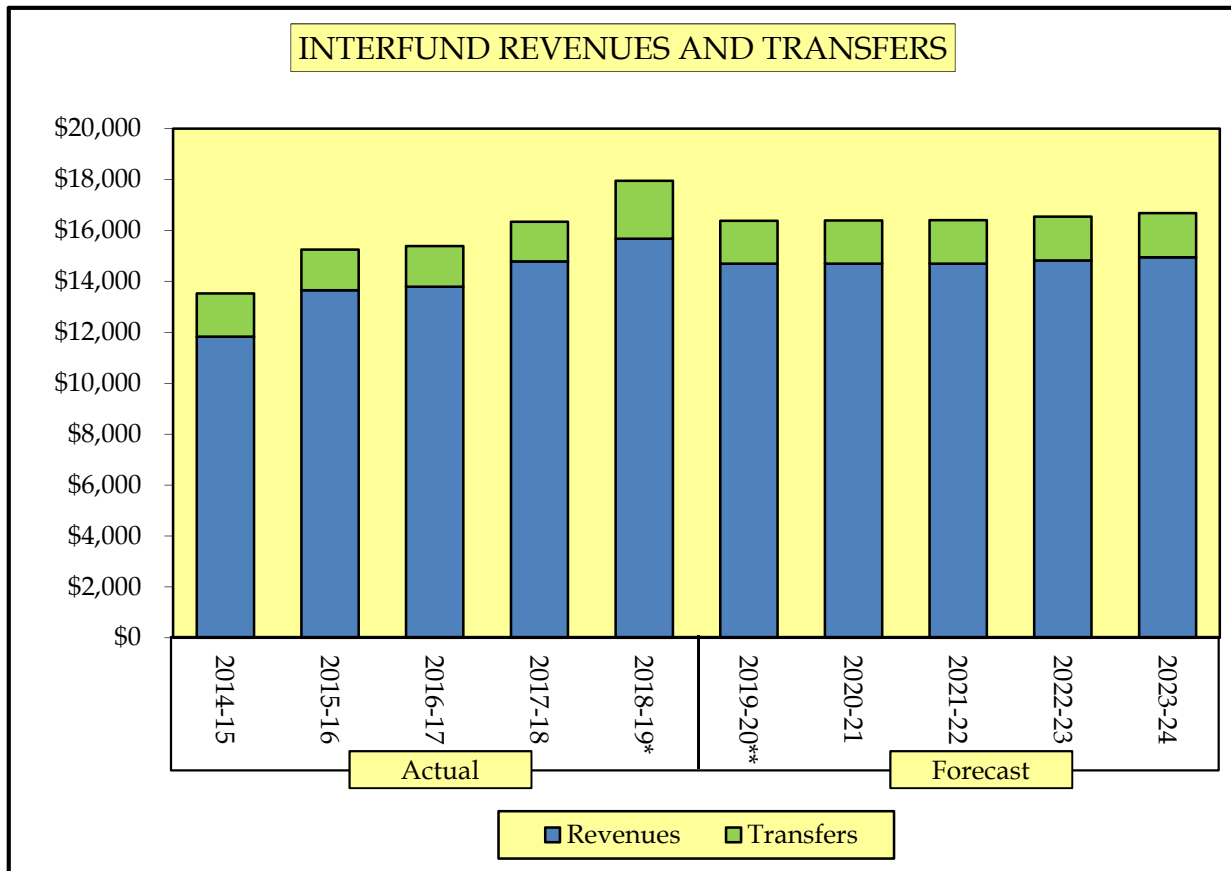
In April 2011, the City executed a long-term (52 years) ground lease with Google Inc. for the other portion of the Charleston East site which became effective in June 2011. Google remitted \$30.0 million in prepaid rent to the City which is invested and generates annual investment earnings. The \$30.0 million of prepaid rent was received from Google for the Charleston East site when the portfolio yield was above 2.5 percent and the average annual rate was projected at 3.5 percent for the 52 years. However, due to the recession, the FOMC reduced interest rates (and only began raising the benchmark rate beginning December 2015) and the actual investment yields have been

significantly lower than the 3.5 percent originally projected. This low interest rate environment has lasted longer than anticipated; therefore, in order to preserve the principal amount of the prepaid rent, beginning in Fiscal Year 2014-15, Council agreed to defer transfers until interest rates regain prior levels and revenues can be reevaluated.

FORECAST

Interfund Revenues: Fiscal Year 2019-20 Interfund Revenues include reimbursement from various funds which receive support from the GOF. Revenue is held level during the period of anticipated economic decline and the remaining Forecast period includes annual increases of less than 1.0 percent.

Interfund Transfers: For Fiscal Year 2019-20, Interfund Transfers include \$1.3 million of reimbursement from the Gas Tax Fund, \$100,000 of operating income from Shoreline Golf Links, \$150,000 of operating income from Michaels at Shoreline Restaurant, and \$108,000 of reimbursement from the Parking District. As discussed previously, the transfer from the Lease Reserve continues to be deferred. The remaining Forecast period includes level or slightly increasing transfers from the same funds.



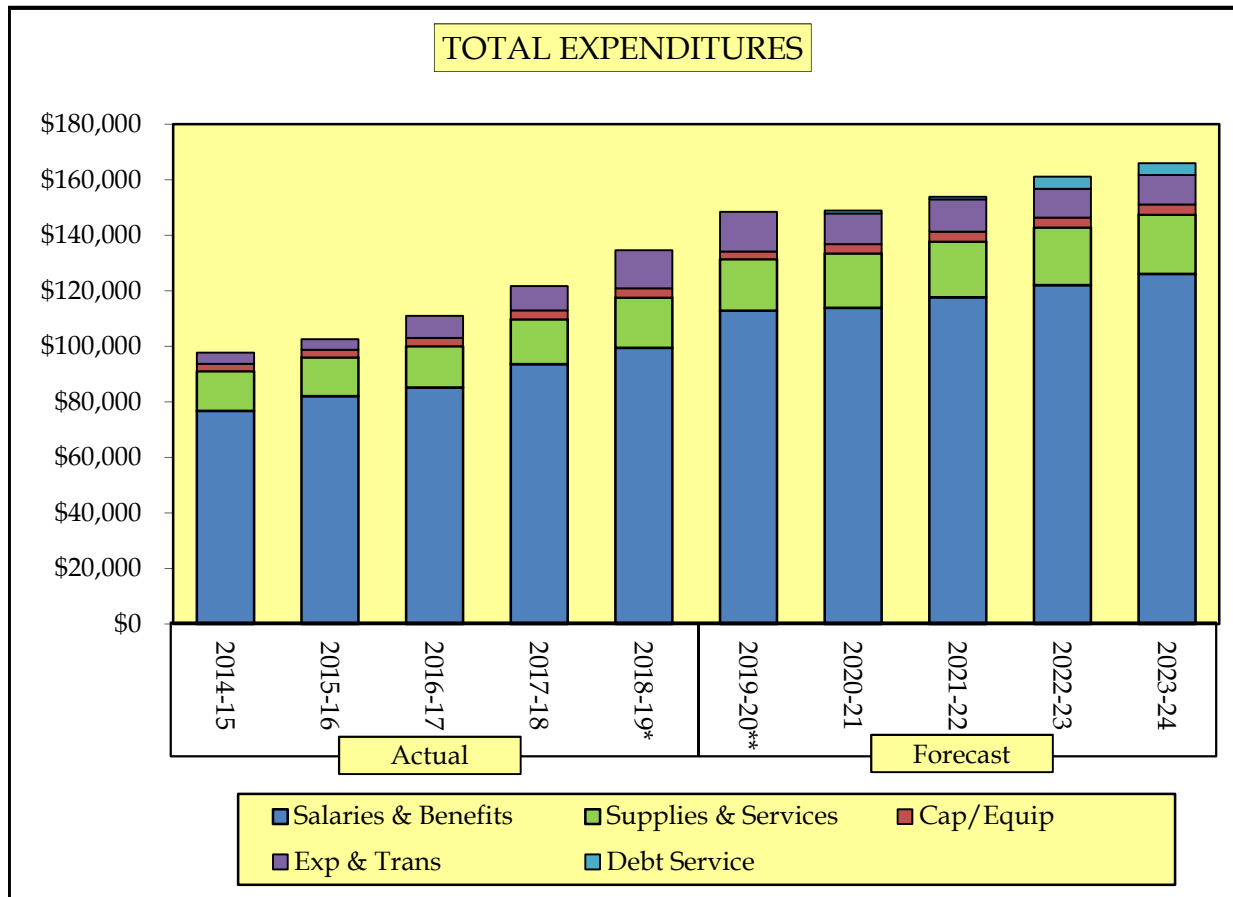
Fiscal Year	Interfund Revenues	Interfund Transfers	Total Interfund Rev & Trans	% Change
2014-15	11,836	1,689	13,525	(0.4%)
2015-16	13,654	1,596	15,250	12.8%
2016-17	13,795	1,595	15,390	0.9%
2017-18	14,790	1,550	16,340	6.2%
2018-19 *	15,681	2,268	17,949	9.8%
2019-20 **	14,699	1,679	16,378	(8.8%)
2020-21	14,699	1,692	16,391	0.1%
2021-22	14,699	1,705	16,404	0.1%
2022-23	14,823	1,719	16,542	0.8%
2023-24	14,948	1,732	16,680	0.8%

* Estimated

** Recommended

(dollars in thousands)

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<u>Fiscal Year</u>	<u>Total Expenditures</u>	<u>% Change</u>
2014-15	97,677	2.9%
2015-16	102,590	5.0%
2016-17	110,936	8.1%
2017-18	121,682	9.7%
2018-19 *	134,604	10.6%
2019-20 **	148,416	10.3%
2020-21	148,914	0.3%
2021-22	153,900	3.3%
2022-23	161,089	4.7%
2023-24	166,003	3.1%

* Estimated
 ** Recommended
 (dollars in thousands)

The Fiscal Year 2019-20 recommended expenditures and all forecast years do not include the projected operating budget savings.

SALARIES AND BENEFITS

The Salaries and Benefits category makes up the largest component of GOF expenditures and represents all personnel-related costs.

CATEGORIES

- Salaries.
- Wages.
- Overtime.
- Other Pays (e.g., holiday-in-lieu, out-of-class, etc.).
- Health Benefits.
- Retirees' Health.
- California Public Employees Retirement System (CalPERS).
- Workers' Compensation.
- Unemployment Insurance.
- Other Benefits (e.g., life insurance, long-term disability, FICA, etc.).

HISTORY

The City is essentially a service organization, based on the efforts of our employees. The City is obligated by law to meet and confer with bargaining units and also meets with other employees on matters of employee compensation. There are four recognized bargaining groups in the City: the Police Officers Association (POA sworn and nonsworn), the Mountain View Professional Firefighters Union (MVFF Local 1965), the Service Employees International Union (SEIU Local 715), and the EAGLES (Management, Professional, and certain Front-Line positions). The remaining employees include certain unrepresented Management, Professional, Confidential, and Front-Line positions. The outcome of negotiations with each group is a major factor in salary and benefit costs.

Since Fiscal Year 2000-01, there have been two downturns in the economy resulting in a net reduction of approximately 70.0 positions and other employee compensation cost containment. From Fiscal Year 2009-10 to Fiscal Year 2013-14, a salary freeze was in effect for two to four years, depending on the employee group. During Fiscal Year 2011-12, the City negotiated three-year contracts with all employee groups that expired June 30, 2015, then two-year contracts were negotiated with all employee groups that

expired June 30, 2017 and most recently three-year contracts were negotiated with all employee groups that will expire June 30, 2020. Additional cost-containment measures that became effective for Fiscal Year 2012-13 for all or some of the employee groups included maximum vacation accruals, modified sick-leave incentive program, HMO medical plan copay, option of new high-deductible health plans, improved alignment of dental and vision plans between groups, and Retirees' Health Trust contributions.

Pension costs have increased dramatically since 2000, when pension costs were \$2.9 million (4.7 percent of GOF expenditures), compared to \$19.7 million (15.5 percent of GOF expenditures) adopted for Fiscal Year 2018-19. Pension costs continue to grow and in many cities the employer pays some or all of the employee contribution. Mountain View employees not only pay the full employee contribution, but they also pay a portion of the employer contribution. This was an unusual and progressive arrangement when instituted in Mountain View and reflects the collaborative approach of our employees. For Fiscal Year 2018-19, cost shares range from 10.5 percent to 17.366 percent, depending on the employee group.

In 2012, structural changes were adopted Statewide with the Public Employees' Pension Reform Act (PEPRA). For new employees hired on January 1, 2013 and thereafter, reduced benefit formulas and increased retirement ages became effective. However, the changes resulting from pension reform will likely not be realized for 15 years or more, until there are a majority of employees under the new formula.

As a result of the significant financial losses to CalPERS during the last recession and the resulting impacts to the financial sustainability of the pension plans, many changes in the way CalPERS rates are calculated have been adopted in the past several years, as detailed below:

- In March 2012, the CalPERS Board approved the reduction of 0.25 percent in the discount rate used to calculate the pension liability and corresponding employer contribution rates. The impact was a 0.92 percent and 1.4 percent employer rate increase for miscellaneous employees and a 2.56 percent and 1.6 percent employer rate increase for safety employees for Fiscal Years 2013-14 and 2014-15, respectively. For Mountain View, this resulted in an increase to pension costs of \$1.3 million (net of additional cost share) phased in over two years.
- On April 17, 2013, the CalPERS Board adopted recommendations of the Chief Actuary that changed the methodology for the amortization and smoothing of rates. Overall, the methods are expected to result in higher volatility in employer rates in normal years, but less volatility in employer rates in years where extreme events occur (e.g., significant investment losses). The method will result in increased higher employer rates over time, but are also expected to result in

improved funding levels. This change is reflected in the employer rates beginning in Fiscal Year 2015-16.

- On February 18, 2014, the CalPERS Board adopted changes as a result of the demographic study. The study resulted in increased rates as life expectancy continues to rise. Generational mortality tables are also being incorporated in the actuarial assumptions. The demographic changes are anticipated to raise rates by 4.5 percent and 7.05 percent over five years, for miscellaneous and public safety, respectively. This impact is reflected in the employer rates beginning in Fiscal Year 2016-17.
- On November 18, 2015, the CalPERS Board adopted an approach to mitigate future rate volatility. The Funding Risk Mitigation Policy includes attributes of the flexible glide path methodology, a lowering of the discount rate, and expected investment volatility following a great investment return with reviews to allow the ongoing monitoring and assessing of the progress toward reducing risk and investment volatility in the funding of the pension system.
- On December 21, 2016, the CalPERS Board approved lowering the discount rate from 7.5 percent to 7.0 percent. The reduction is to be phased in over three years beginning in Fiscal Year 2018-19 for local governments with the full impact reached in Year 7 (Fiscal Year 2024-25) due to the five-year ramp-up and ramp-down methodology previously adopted. CalPERS initially indicated the reduction would result in employer normal costs rate increases between 1.0 percent and 3.0 percent of payroll for most miscellaneous plans and increases of 2.0 percent to 5.0 percent for most safety plans. In addition, CalPERS estimated increases of 30.0 percent to 40.0 percent in unfunded accrued liability (UAL) annual payments. Rates provided in the June 30, 2016 actuarial valuation showed the impact to the rates were not as drastic as CalPERS originally indicated: 1.9 percent and 3.1 percent for Miscellaneous and Safety normal cost, respectively, and 11.5 percent and 14.2 percent for Miscellaneous and Safety UAL, respectively.
- On February 14, 2018, the CalPERS Board adopted changes to the Amortization Policy to shorten the amortization period from 30 years to 20 years for new gains and losses and remove the ramp-up and ramp-down effects attributable to assumption, noninvestment, and investment gains and losses. The policy changes are effective June 30, 2019.

These actions have been adopted to maintain the financial sustainability of the pension fund; however, these actions result in higher rates for the City. The City Council has approved additional contributions (including the CalPERS Discount Rate Change Funding Strategy proposed by staff to pay down the unfunded CalPERS liability) from the General Fund totaling \$23.5 million from a combination of carryover funds and

budgets since Fiscal Year 2014-15 through Fiscal Year 2018-19. The GOF represents approximately 80.0 percent of the total CalPERS contribution; therefore, additional contributions from the Other Funds, proportional to the GOF contribution, were also included in Fiscal Years 2015-16 through 2018-19.

FORECAST

The discussion below includes information regarding COLAs and medical rates and comparisons of projected costs.

All labor contracts and resolutions expire June 30, 2020, but have a reopener on salary for Fiscal Year 2019-20, and discussions are under way. The Forecast includes COLAs and other benefits as negotiated for the third year of the contracts, 2019-20. Each of the remaining Forecast years includes a modest COLA and all Forecast years include step and merit increases.

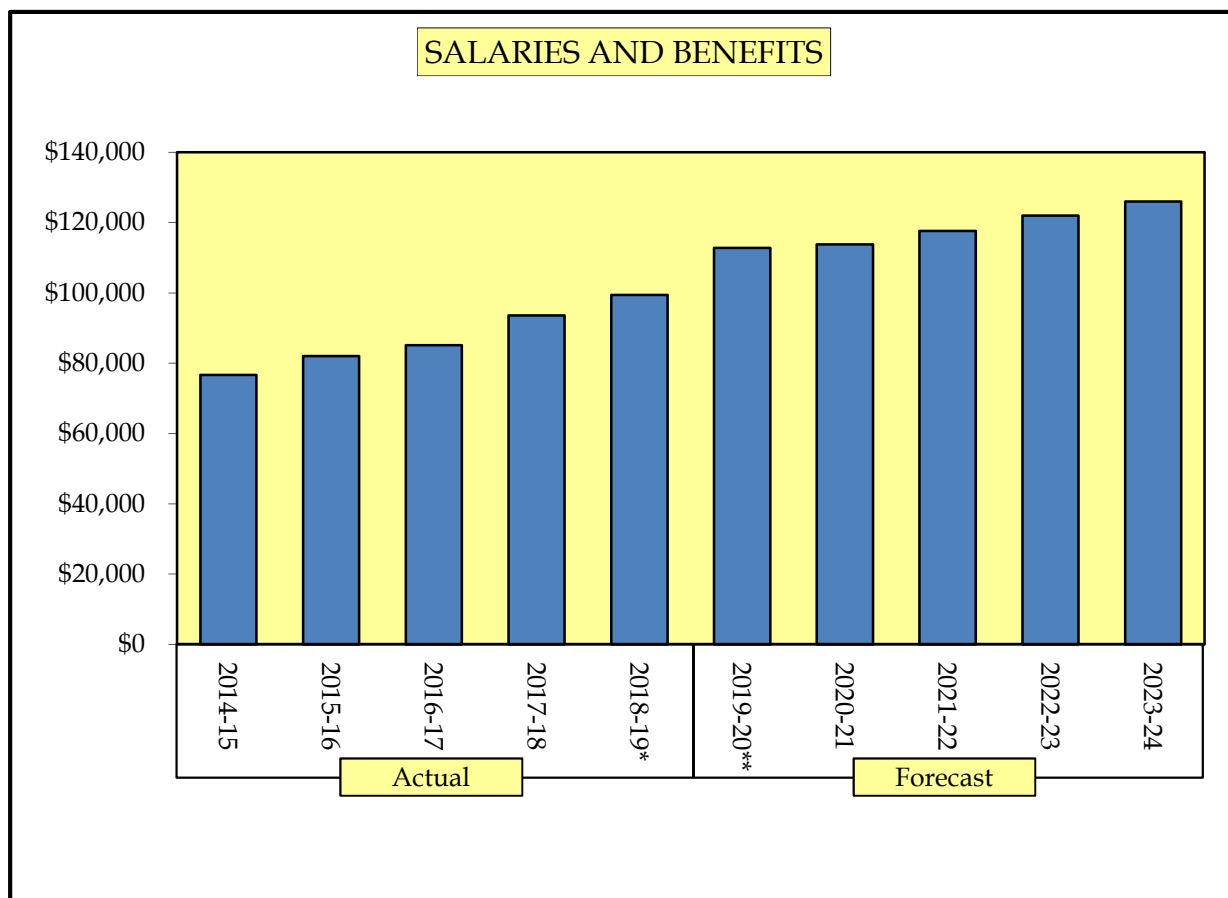
Fiscal Year 2019-20 medical insurance rates are projected to increase 5.0 percent to 10.0 percent (depending on the health plan), for the second half of the fiscal year and dental rates are projected to increase 2.0 percent. The remaining Forecast years assume medical rates will increase 5.0 percent to 10.0 percent annually (depending on the health plan) and dental rates will continue to increase by 2.0 percent annually.

For Fiscal Year 2019-20, retirement benefit costs, overall (excluding the cost for new positions), are projected to increase 10.9 percent compared to the Fiscal Year 2018-19 Adopted Budget. In Fiscal Year 2020-21, retirement costs are projected to increase another 10.8 percent and gradually decline to a 4.0 percent increase in the last year of the Forecast period. Retirement costs are impacted by salary increases (COLAs, steps, and merits) and CalPERS rates which include the impact of the discount rate change. Annual increases range from \$2.4 million to \$1.1 million by the end of the Forecast period. The Forecast continues to include available funding to pay down the unfunded CalPERS pension obligation with recommended contributions of \$2.0 million from the Fiscal Year 2018-19 carryover, \$4.0 million in Fiscal Year 2019-20, and \$1.0 million in Fiscal Year 2020-21 to reduce this unfunded liability. Contributions from other funds for their share of this liability are also included, proportionate to the GF contributions. The table in the Revenue and Expenditure Overview Section of the Forecast provides detailed amounts for each fiscal year.

Beginning with the June 30, 2015 CalPERS valuation report (rates for Fiscal Year 2017-18), CalPERS provides a rate for the normal cost component and a flat dollar payment for the UAL. Staff then converts the flat dollar UAL payment into a rate based on estimated payroll provided in the CalPERS actuarial in order to distribute the cost to all funds through payroll. Below are the projected employer rates provided in the June 30,

2017 CalPERS actuarial valuations (the valuation for Fiscal Year 2019-20 rates and estimates through Fiscal Year 2024-25).

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Miscellaneous	33.151	35.357	36.922	38.028	38.519	39.080
Safety	50.153	53.516	55.890	57.666	58.480	59.384



<u>Fiscal Year</u>	<u>Salaries and Benefits</u>	<u>% Change</u>
2014-15	76,707	0.7%
2015-16	82,073	7.0%
2016-17	85,156	3.8%
2017-18	93,624	9.9%
2018-19 *	99,440	6.2%
2019-20 **	112,799	13.4%
2020-21	113,839	0.9%
2021-22	117,631	3.3%
2022-23	122,057	3.8%
2023-24	126,050	3.3%

* Estimated

** Recommended

(dollars in thousands)

Fiscal Years 2015-16 and 2016-17 include an additional \$2.0M CalPERS contribution, Fiscal Years 2017-18 through 2019-20 include an additional \$4.0M CalPERS contribution, and Fiscal Year 2020-21 includes an additional \$1.0M CalPERS contribution.

SUPPLIES AND SERVICES

The Supplies and Services category makes up the second largest component of GOF expenditures and represents costs of operations.

CATEGORIES

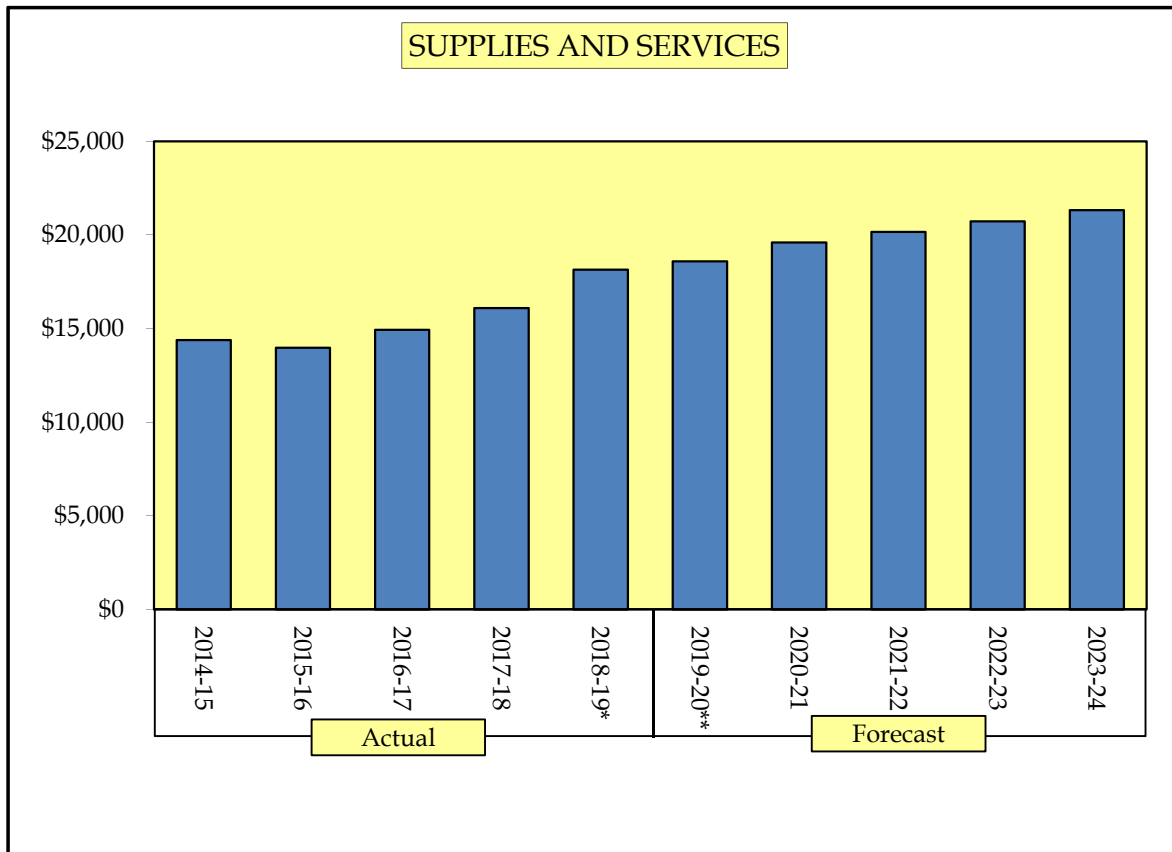
- Materials and Supplies.
- Maintenance and Operations.
- Utilities.
- Professional/Technical Services.
- Training, Conference, and Travel.
- Miscellaneous Expenditures.

HISTORY

The budget for Supplies and Services has fluctuated depending on economic conditions impacting the GOF, and staff has worked diligently to contain costs, particularly during recessionary times.

FORECAST

Fiscal Year 2019-20 (including recommended discretionary and nondiscretionary increases) is increasing \$1.3 million (7.3 percent) compared to the Fiscal Year 2018-19 Adopted. The increase is primarily related to a shared public safety system maintenance (offset by revenue), IT licenses and maintenance, increased City utility cost increases, janitorial cost increase, STR compliance contract, school crossing guard services, and Library supplies. The remainder of the Forecast period includes average annual changes of 3.0 percent.



<u>Fiscal Year</u>	<u>Supplies and Services</u>	<u>% Change</u>
2014-15	14,386	5.7%
2015-16	13,969	(2.9%)
2016-17	14,926	6.9%
2017-18	16,089	7.8%
2018-19 *	18,146	12.8%
2019-20 **	18,582	2.4%
2020-21	19,595	5.5%
2021-22	20,155	2.9%
2022-23	20,731	2.9%
2023-24	21,325	2.9%

* Estimated
 ** Recommended
 (dollars in thousands)

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CAPITAL OUTLAY AND EQUIPMENT REPLACEMENT

The Capital Outlay and Equipment Replacement category represents the new and replacement equipment needs of the City. Although Capital Outlay is one-time in nature, the City includes this category in the Operating Budget to reflect capital needs on an annual basis. In addition, annual contributions to the Equipment Replacement Fund are made by other funds as appropriate, based on the equipment used by each of those operations. Equipment replacement expenses are accounted for in the Equipment Replacement Reserve Fund.

CATEGORIES

- Capital Outlay.
- Equipment Replacement.

HISTORY

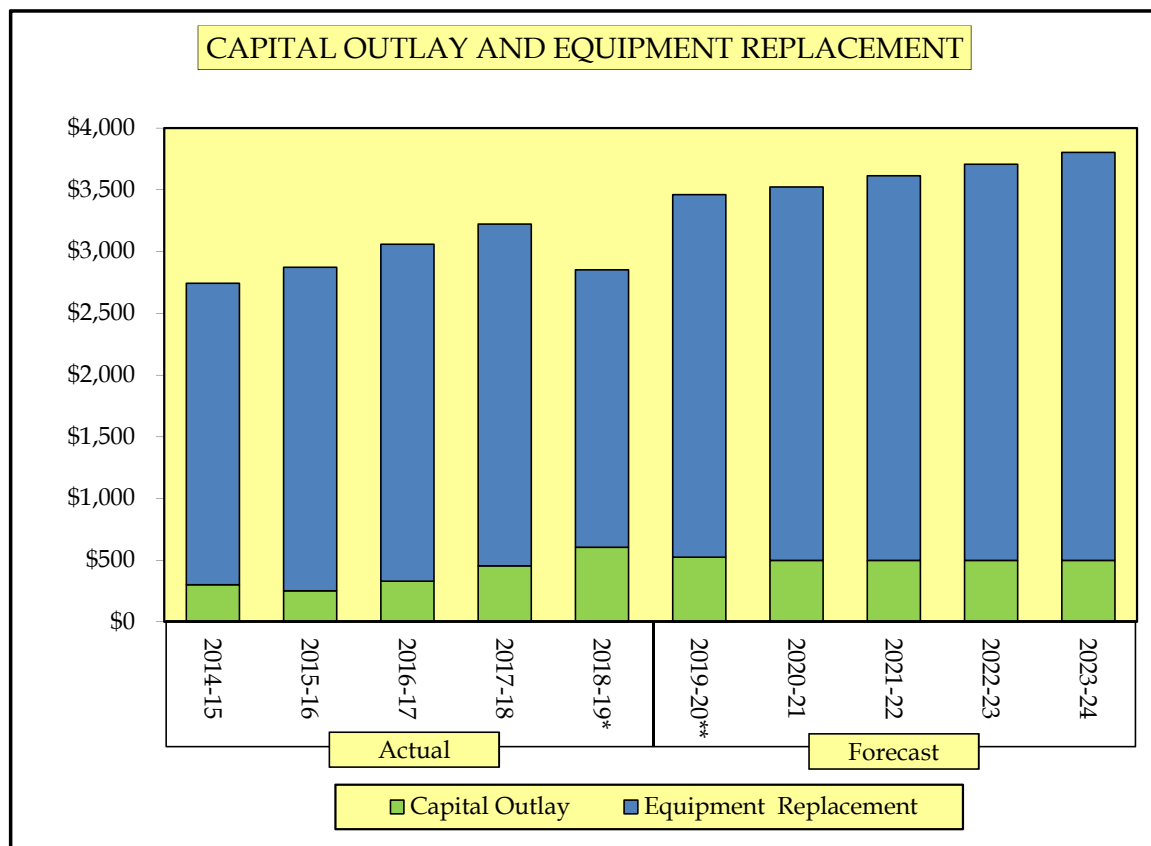
Capital Outlay: Since Fiscal Year 1993-94, annual expenditures have grown as a result of an increased level of technology and related equipment, an increase in the number and quality of safety vehicles, and the addition of hybrid vehicles to the fleet. This category is also influenced by the economic condition impacting the GOF and has experienced fluctuations over the past 10 fiscal years. For the past decade, annual budgeted expenditures for Capital Outlay have ranged between \$200,000 and \$500,000. For Fiscal Year 2018-19, Capital Outlay was funded at \$508,000.

Equipment Replacement: The Equipment Replacement Reserve was funded with year-end General Fund carryover in Fiscal Years 1992-93 and 1993-94. Subsequently, appropriations were gradually increased until the GOF was fully funding its share in Fiscal Year 2001-02. Then, after several years of reduced contributions, a review of cost methodologies, useful life assumptions, and annual contributions was completed in Fiscal Year 2005-06 and staff concluded annual funding would need to be restored in order to financially sustain the replacement schedule. This was accomplished through a combination of increasing operating budget contributions supplemented by General Fund carryover. Beginning in Fiscal Year 2009-10, the full share of funding is budgeted in the GOF. The Fiscal Year 2018-19 contribution to Equipment Replacement was adopted at \$2.8 million.

FORECAST

Capital Outlay: For Fiscal Year 2019-20, recommended capital outlay items total \$524,900, and annual funding of \$500,000 is included as the base level of funding for the remaining Forecast period.

Equipment Replacement: The GOF contribution for Fiscal Year 2019-20 is decreasing 18.8 percent to \$2.2 million due to a net of inflation for replacement cost and some adjustments to quantity of items and life expectancy offset by no annual funding needed for certain pieces of equipment that have reached their life expectancy but are not recommended for replacement as they are still in good operating condition. This is a one-time reduction, as when this equipment is replaced, the full annual funding will be required again. Fiscal Year 2020-21 is increasing 30.6 percent to \$2.9 million with the assumption that the delayed replacement of the equipment in the prior fiscal year will be replaced and the remaining Forecast period includes annual increases of 3.0 percent, continuing full funding of the GOF's share of equipment replacement.



Fiscal Year	Capital Outlay	Equipment Replacement	Total Capital Outlay & Equip. Replcmnt.	% Change
2014-15	303	2,279	2,582	0.8%
2015-16	254	2,442	2,696	4.4%
2016-17	331	2,619	2,950	9.4%
2017-18	456	2,728	3,184	7.9%
2018-19 *	605	2,768	3,373	5.9%
2019-20 **	525	2,247	2,772	(17.8%)
2020-21	500	2,936	3,436	24.0%
2021-22	500	3,024	3,524	2.6%
2022-23	500	3,115	3,615	2.6%
2023-24	500	3,209	3,709	2.6%

* Estimated

** Recommended

(dollars in thousands)

INTERFUND EXPENDITURES AND TRANSFERS

This category includes Self-Insurance funding and Interfund Transfers. Self-Insurance represents the GOF's share of insurance costs accounted for in the Internal Service Funds such as General Liability, Retirees' Health, and Vision Care. Special Funds and the Enterprise Funds also contribute to self-insurance. Interfund Transfers includes any transfers from the GOF to another fund (with the exception of the Equipment Replacement Transfer).

CATEGORIES

- General Liability.
- Vision Care.
- Retirees' Health Program.
- Housing.
- Limited-Period Needs.
- Capital Improvements.
- Strategic Property Acquisition.

HISTORY

General Liability: In Fiscal Year 1993-94, the City joined a liability insurance pool (ACCEL) with other select medium-sized cities for the provision of coverage in excess of the \$1.0 million self-insured retention (SIR). Beginning in Fiscal Year 2001-02, funding of liability insurance was spread to all funds which receive a benefit from this insurance coverage. Previously, the cost was funded entirely by the GOF.

Vision Care: Vision care claims for employees and retirees with the City's Health Net medical coverage and safety employees and retirees who are covered by the CalPERS health insurance program (PEMHCA), and reimbursement for safety glasses submitted by current employees are paid for by the Employee Benefits Fund. The annual cost of this program is allocated to other funds as appropriate.

Retirees' Health Insurance Program: The medical premiums for eligible retirees are paid by the Retirees' Health Fund. Council began allocating funds to this reserve beginning in Fiscal Year 1992-93, although the City is not required to fund this liability.

In 2004, the Government Accounting Standards Board (GASB) published Statement No. 45—*Accounting and Financial Reporting by Employers for Postemployment Benefits Other*

Than Pensions (OPEB) – which required the City report the annual cost of this liability in the City’s Comprehensive Annual Financial Report (CAFR) beginning in Fiscal Year 2007-08. The Retirees Health program encompasses annual funding of the normal cost (NC), annual self-insurance funding of the unfunded actuarial accrued liability (UAAL) and periodically includes additional funding transfers from the GOF. An actuarial report was completed and beginning in Fiscal Year 2006-07, the calculated NC portion for current employees has been budgeted in all the affected funds. In addition, for Fiscal Year 2006-07, Council approved contributions from other funds for their proportionate share of the UAAL. The combined NC and the amortization of the UAAL represents the annual required contribution (ARC). The City has committed to contributing the ARC on an annual basis. The actuarial valuation is required to be updated every two years and was most recently updated as of July 1, 2017.

In February 2008, Council approved an agreement authorizing the City’s participation in the CalPERS-administered CERBT Fund, and in February 2009, the City began depositing funds into the CERBT. The balance in the CERBT is estimated to be \$130.2 million by the end of the current fiscal year. All funds except the GOF had previously contributed their full share of the actuarial accrued liability. However, changes such as the option to choose the Defined Contribution plan, has added volatility to calculating the actuarial accrued liability for each fund. Staff will continue to work towards all other funds contributing their full share as valuations are updated. The City Council has approved additional General Fund contributions totaling \$11.5 million from Fiscal Years 2014-15 through 2018-19. As part of the agreement for Public Safety to move to the CalPERS Health Care system, Public Safety employees are contributing an ongoing 1.2 percent of salary towards the OPEB liability.

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, is effective with the fiscal year ending June 30, 2018. The new OPEB standard parallels the pension standard issued with GASB Statement No. 68, *Financial Reporting for Pension Plans*, which essentially requires the City to report the unfunded liability on the face of the City’s financial statements and enhances the note disclosures and required supplementary information (RSI) the City’s OPEB liability.

Housing: As a result of the dissolution of the former Revitalization Authority (RDA), the GOF now receives its share of the former RDA property taxes. For Fiscal Years 2014-15 and 2015-16, 20.0 percent of the GOF share has been appropriated for low- and moderate-income housing as limited-period funding in the General Non-Operating Fund. As directed by Council, beginning Fiscal Year 2016-17, the budget includes an annual transfer of these property taxes, in the amount of \$51,000, to the General Housing Fund. In addition, the Fiscal Year 2016-17 Adopted Budget included a transfer from the General Non-Operating Fund to the General Housing Fund for the balance of prior fiscal year funds.

General Non-Operating Fund (GNOF): As directed by the City Council at the Fiscal Year 2016-17 budget public hearing, the Adopted Budget included a transfer of \$500,000 to the GNOF to fund a one-time employee bonus, recruitment strategies and employee engagement activities, and a new limited-term Communications Training Supervisor position.

General Fund Reserve: For Fiscal Year 2018-19, a transfer of \$1.0 million from the General Fund is included to bring this reserve above the 20.0 percent minimum level.

GF Budget Contingency Reserve: The full projected annual revenue from the Ameswell property after a few years of operations is estimated at over \$3.5 million. The majority of this revenue is currently recommended to be earmarked for debt service to fund the Police/Fire Administration Building Remodel and Expansion (see Debt Service section).

During the Fiscal Year 2017-18 budget process, a strategy was adopted for the Ameswell property revenue received in the fiscal years prior to the beginning of debt service to be transferred to this reserve and used for a limited-period need. The Fiscal Year 2017-18 Adopted Budget included a transfer of \$755,400 to the Budget Contingency Reserve; however, only \$35,000 was transferred as the project was delayed and the building permit was not issued until June 2018. The Fiscal Year 2018-19 Adopted Budget included a transfer of \$1.4 million, which reflects a full year of office base rent.

GF Transportation Reserve: A number of priority transportation projects have been identified and a new Transportation Reserve was established with \$2.0 million initial funding from the Fiscal Year 2017-18 GF carryover and \$2.0 million from the Fiscal Year 2018-19 GOF.

GF Capital Improvement Reserve: By mid-Fiscal Year 2017-18, the decennial revaluation process had been completed for the three City-owned land leases between the City and Google. Based on the revaluations of the three sites, annualized rent payments increased approximately \$6.8 million. It is probable that during the time span before the next decennial adjustment in April 2026, there will be at least one economic downturn, and if a downturn occurs when a revaluation occurs, the lease revenues to the City could decline. Staff reviewed the changes in AV for the past 13 years and identified a potential 15.0 percent loss in secured AV in the event of an economic downturn. Therefore, to reduce the dependency on these revenues, staff recommended, and the City Council adopted, a strategy to set aside 10.0 percent of this potential decline in lease revenues ("at-risk" lease revenue) to fund future capital projects. In Fiscal Year 2017-18, a potential 10.0 percent decline in revenues, calculated at \$1.2 million, was transferred to the Capital Improvement Reserve to fund projects in Fiscal Year 2018-19 or later. In Fiscal Year 2018-19, a total \$3.4 million was transferred;

\$1.4 million in “at-risk” lease revenue, and an additional \$2.0 million from GOF balance for potential debt service to fund the Police/Fire Administration Building Remodel and Expansion project should the City Council desire to fund the project sooner than revenues from the Ameswell development will be received.

GF Strategic Property Acquisition Reserve (SPAR): The City has successfully leveraged City-owned property for ongoing revenues, and setting aside available resources in the SPAR could assist in obtaining future strategic properties. The Fiscal Years 2016-17 and 2017-18 Adopted Budgets included transfers of \$2.0 million each and Fiscal Year 2018-19 includes a transfer of \$2.0 million to the SPAR in order to increase the available funding for future property investment.

FORECAST

General Liability: The Fiscal Years 2019-20 through 2023-24 projections are based on maintaining the minimum policy level for reserve balances. The City currently has a \$1.0 million SIR. For Fiscal Year 2019-20, the GOF is contributing \$1.2 million for the cost of claims and administering the program, a 21.0 percent increase from Fiscal Year 2018-19 Adopted. The remaining Forecast period includes 3.0 percent annual increases.

Vision Care: The GOF’s contribution is the same level as Fiscal Year 2018-19 Adopted.

Retirees’ Health Insurance Program: Fiscal Year 2019-20 includes \$2.2 million for the UAAL amortization. The remaining Forecast years use projections based on information provided in the July 1, 2017 valuation for the UAAL amortization.

The City has made great strides toward funding the AAL of \$189.9 million (projected for Fiscal Year 2019-20), with estimated assets of \$130.2 million as of June 30, 2019, or 68.5 percent funded, at a discount rate of 6.25 percent. The discount rate for Fiscal Year 2019-20 is reduced from 6.5 percent to 6.25 percent, as previously approved, to provide a margin for adverse deviation or uncertainty.

Housing: As a result of the dissolution of the former Revitalization Authority (RDA), the GOF now receives its share of the former RDA property taxes. An annual transfer of these property taxes, in the amount of \$51,000, to the Housing Fund is included for the remaining Forecast period. As discussed previously in this document, in November 2018, Mountain View voters approved Measure P, which restructures the Business License Tax. The new structure is an incremental, progressive, tax based on a tiered number of employees. Persons operating businesses with 50 employees or more shall pay a phased-in tax over a three-year period, with the first phase of the new tax rates effective January 1, 2020. The City Council initially earmarked 80.0 percent of the increased tax revenue for transportation and 10.0 percent for housing. The Forecast

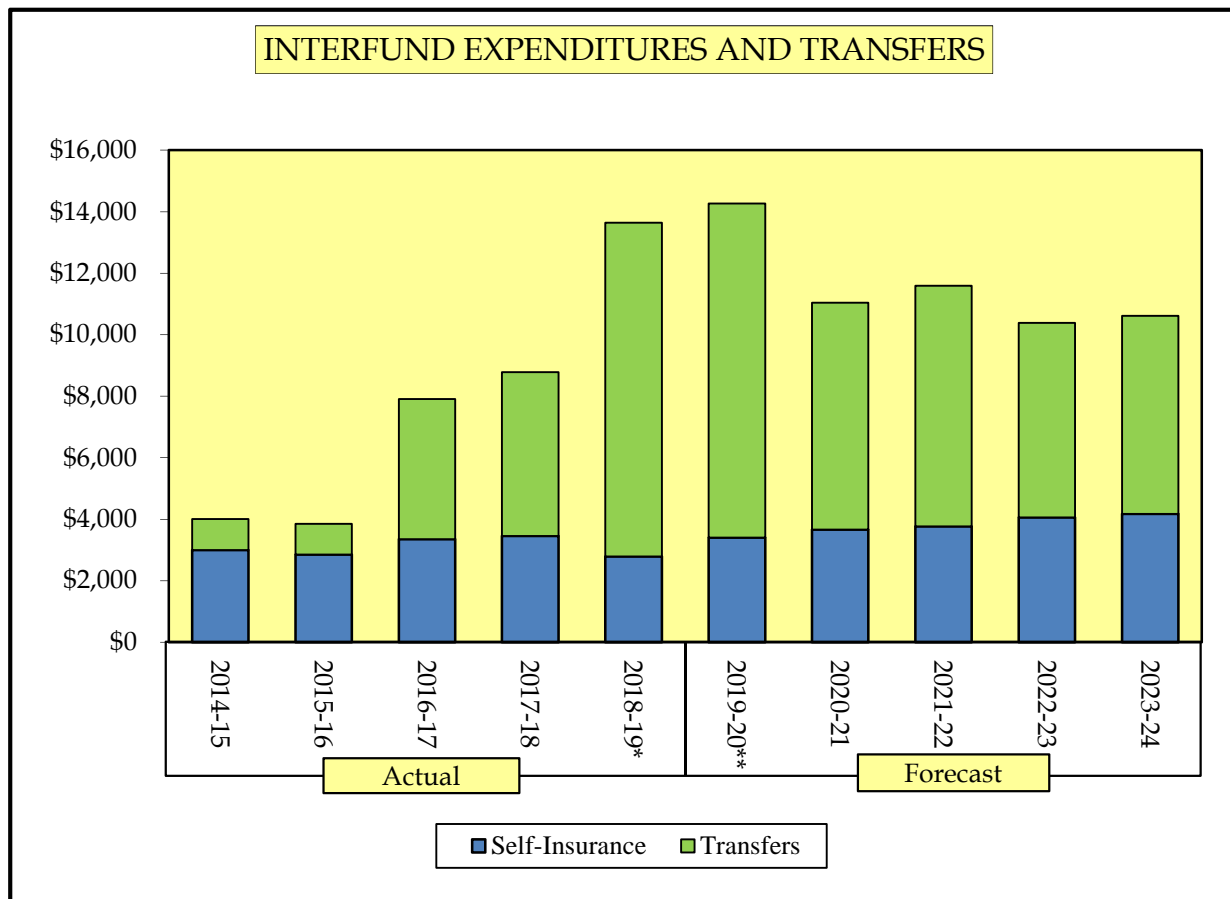
reflects 10.0 percent of the increased business license tax revenue estimated at \$195,400 for Fiscal Year 2019-20, growing to \$521,900 in the last year of the Forecast period.

General Fund Reserve: For Fiscal Year 2019-20, a transfer of \$2.0 million from the General Fund is recommended to bring this reserve above the 20.0 percent minimum level.

GF Budget Contingency Reserve: As discussed above, revenue from the Ameswell development began late Fiscal Year 2017-18 and by the end of the forecast period is projected over \$3.5 million annually. This revenue is earmarked for debt service payments related to the Police/Fire Administration Building Remodel and Expansion project (see Debt Service section). It is anticipated the debt will be issued in Fiscal Year 2022-23 and, in the interim, Fiscal Years 2019-20 through 2021-22 include transfers of \$1.6 million to the Budget Contingency Reserve.

GF Transportation Reserve: Fiscal Year 2020-21 includes a \$1.0 million transfer to this Reserve. The Forecast also reflects 80.0 percent of the increased business license tax revenue, estimated at \$1.6 million for Fiscal Year 2019-20 and growing to \$4.2 million in the last year of the Forecast period.

GF Capital Improvement Reserve: As mentioned in the History section above, in order to reduce the dependency on the long-term lease revenues, \$1.5 million is recommended to be transferred to the Capital Improvement Reserve for Fiscal Year 2019-20. For the remaining Forecast period, this amount is increased by the annual rent escalation factors referenced in the lease agreements. In addition, for Fiscal Year 2019-20 an additional \$3.0 million allocation is included for potential debt service to fund the Police/Fire Administration Building Remodel and Expansion project should the City Council desire to fund the project sooner than revenues from the Ameswell development will be received.



Fiscal Year	Self Insurance	Transfers	Total SI & Transfers	% Change
2014-15	3,002	1,000	4,002	56.0%
2015-16	2,852	1,000	3,852	(3.7%)
2016-17	3,353	4,551	7,904	105.2%
2017-18	3,457	5,328	8,785	11.1%
2018-19 *	2,792	10,853	13,645	55.3%
2019-20 **	3,404	10,859	14,263	4.5%
2020-21	3,659	7,385	11,044	(22.6%)
2021-22	3,769	7,821	11,590	4.9%
2022-23	4,055	6,331	10,386	(10.4%)
2023-24	4,176	6,443	10,619	2.2%

* Estimated

** Recommended

(dollars in thousands)

DEBT SERVICE

The Debt Service category represents the GOF's debt payment obligations.

CATEGORIES

- Police/Fire Administration Building.

HISTORY

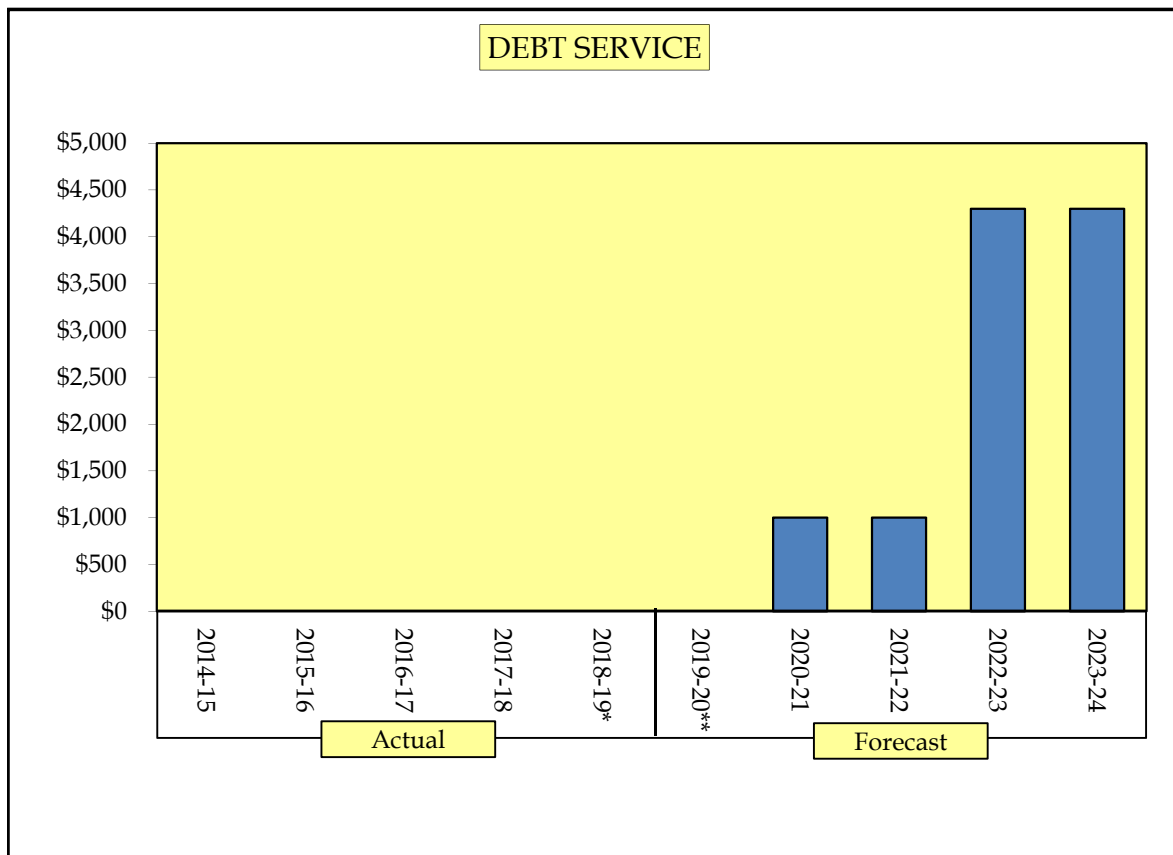
The GOF has had no debt obligations since prior to Fiscal Year 2009-10, when the City Hall/Center for the Performing Arts debt repayment was transferred to Construction/Conveyance Tax funding. This debt was fully retired in Fiscal Year 2015-16.

FORECAST

The Forecast assumes revenue generated from the Ameswell development is earmarked for the Police/Fire Administration Building Remodel and Expansion. It is assumed debt will be issued for the project and annual debt service payments of approximately \$3.3 million have been included as a placeholder beginning in Fiscal Year 2022-23.

SN/2/FIN

541-04-25-19GOFFY



<u>Fiscal Year</u>	<u>Debt Service</u>	<u>% Change</u>
2014-15	0	0.0%
2015-16	0	0.0%
2016-17	0	0.0%
2017-18	0	0.0%
2018-19 *	0	0.0%
2019-20 **	0	0.0%
2020-21	1,000	100.0%
2021-22	1,000	0.0%
2022-23	4,300	330.0%
2023-24	4,300	0.0%

* Estimated

** Recommended

(dollars in thousands)

EXHIBIT A

GENERAL OPERATING FUND HISTORY
(dollars in thousands)

	<u>2008-09</u> <u>AUDITED</u>	<u>2009-10</u> <u>AUDITED</u>	<u>2010-11</u> <u>AUDITED</u>	<u>2011-12</u> <u>AUDITED</u>	<u>2012-13</u> <u>AUDITED</u>
REVENUES:					
Property Taxes	\$ 25,647	\$26,017	\$25,142	\$26,216	\$28,122
Sales Tax	16,264	15,242	15,502	15,940	16,744
Other Local Taxes ¹	9,242	9,144	9,870	10,774	12,015
Use of Money and Property	11,480	10,881	10,290	10,138	10,783
Other Revenues ²	23,270	23,072	24,361	27,079	27,253
Loan Repayments	<u>2,060</u>	<u>2,060</u>	<u>2,075</u>	<u>1,894</u>	<u>1,894</u>
TOTAL REVENUES	<u>87,963</u>	<u>86,416</u>	<u>87,240</u>	<u>92,041</u>	<u>96,811</u>
EXPENDITURES:					
Salaries and All Pays	50,868	51,273	50,187	50,445	51,252
Retirement	7,275	7,330	7,286	10,028	10,856
Health Benefits	6,300	6,519	7,055	7,701	8,086
All Other Benefits	<u>3,648</u>	<u>4,427</u>	<u>4,479</u>	<u>4,363</u>	<u>4,367</u>
Salaries and Benefits	68,091	69,549	69,007	72,537	74,561
Supplies and Services	13,155	11,933	12,226	12,910	13,414
Capital Outlay/ Equipment Replc.	1,504	2,213	2,253	2,282	2,315
Interfund Expenditures and Transfers	809	2,441	2,674	2,876	2,751
Debt Service	<u>1,020</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENDITURES	<u>84,579</u>	<u>86,136</u>	<u>86,160</u>	<u>90,605</u>	<u>93,041</u>
Transfer to GNOF	-0-	-0-	-0-	-0-	-0-
CalPERS Contrib.	-0-	-0-	-0-	-0-	-0-
OPEB Contrib.	-0-	-0-	-0-	-0-	-0-
Transfer to SPAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
OPERATING BALANCE ³	<u>\$ 3,384</u>	<u>\$ 280</u>	<u>\$ 1,080</u>	<u>\$ 1,436</u>	<u>\$ 3,770</u>

¹ Other Local Taxes consists of Transient Occupancy Tax, Business Licenses, and Utility Users Tax.

² Other Revenues consists of Licenses, Permits & Franchise Fees, Fines & Forfeitures, Intergovernmental, Charges for Services, Miscellaneous Revenues, and Interfund Revenues & Transfers.

³ Balance prior to changes in assets and liabilities, encumbrances, and rebudgets for grants and donations, net transferred to General Non-Operating Fund and General Fund Reserve.

GENERAL OPERATING FUND HISTORY
(dollars in thousands)

	<u>2013-14</u> <u>AUDITED</u>	<u>2014-15</u> <u>AUDITED</u>	<u>2015-16</u> <u>AUDITED</u>	<u>2016-17</u> <u>AUDITED</u>	<u>2017-18</u> <u>AUDITED</u>
REVENUES:					
Property Taxes	\$ 31,120	\$ 35,173	\$ 39,461	\$ 43,774	\$ 49,419
Sales Tax	16,936	19,773	21,401	21,828	20,713
Other Local Taxes ¹	13,089	14,805	15,137	15,866	15,444
Use of Money and Property	10,690	10,928	12,219	16,896	19,659
Other Revenues ²	28,316	26,261	27,693	28,325	31,142
Loan Repayments	<u>1,894</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL REVENUES	<u>102,045</u>	<u>106,940</u>	<u>115,911</u>	<u>126,689</u>	<u>136,377</u>
EXPENDITURES:					
Salaries and All Pays	52,379	52,231	54,024	55,262	59,483
Retirement	11,219	11,799	12,575	13,606	15,360
Health Benefits	8,215	7,886	8,102	8,320	8,527
All Other Benefits	<u>4,385</u>	<u>4,791</u>	<u>5,372</u>	<u>5,968</u>	<u>6,254</u>
Salaries and Benefits	76,198	76,707	80,073	83,156	89,624
Supplies and Services	13,608	14,386	13,969	14,926	16,089
Capital Outlay/ Equipment Replc.	2,562	2,582	2,696	2,950	3,184
Interfund Expenditures and Transfers	<u>2,565</u>	<u>3,002</u>	<u>2,852</u>	<u>3,404</u>	<u>4,785</u>
TOTAL EXPENDITURES	<u>94,933</u>	<u>96,677</u>	<u>99,590</u>	<u>104,436</u>	<u>113,682</u>
Transfer to GNOF	-0-	-0-	-0-	(500)	-0-
CalPERS Contrib.	-0-	-0-	(2,000)	(2,000)	(4,000)
OPEB Contrib.	-0-	(1,000)	(1,000)	(2,000)	(2,000)
Transfer to SPAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(2,000)</u>	<u>(2,000)</u>
OPERATING BALANCE ³	\$ <u>7,112</u>	\$ <u>9,263</u>	\$ <u>13,321</u>	\$ <u>15,753</u>	\$ <u>14,695</u>

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List of Attachments

1. Fiscal Year 2019-20 Recommended Fee Modifications
2. Fiscal Year 2019-20 Recommended Non-Discretionary Ongoing Changes
3. Fiscal Year 2019-20 Recommended Discretionary Ongoing Changes
4. Fiscal Year 2019-20 Recommended Limited-Period Expenditures
5. Fiscal Year 2019-20 Funding for Sustainability
6. Homeless Initiatives and Parking Enforcement Strategies
7. Fiscal Year 2019-20 Recommended Capital Outlay
8. Fiscal Year 2019-20 Recommended Equipment Replacement
9. Fiscal Year 2019-20 City-wide Memberships
10. Library Services Department Potential Fee Modification
11. Comparison of Current and Recommended Utility Rates

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CITY OF MOUNTAIN VIEW

MEMORANDUM

Finance and Administrative Services Department

DATE: April 25, 2019

TO: City Council

FROM: Helen Ansted, Principal Financial Analyst
Suzanne Niederhofer, Assistant Finance and Administrative
Services Director
Jesse Takahashi, Finance and Administrative Services Director

VIA: Daniel H. Rich, City Manager

SUBJECT: Fiscal Year 2019-20 Recommended Fee Modifications

INTRODUCTION

As part of the annual budget process, departments review their fees and prepare recommendations to modify current fees, add appropriate new fees, and eliminate any fees that are no longer necessary. If there are services provided that specifically benefit a particular individual/household or segment of the population versus more global services that generally benefit the entire community, a fee may be calculated and recommended to Council to recover all or a portion of the cost of providing the service. The Master Fee Schedule, the complete listing of all City fees, will be updated to reflect Council actions on June 18, 2019, pertaining to fees, and then published for Fiscal Year 2019-20.

BACKGROUND AND ANALYSIS

Each fee recommended to be modified, added, or eliminated is listed on the attached Exhibits A through I, which detail the fee amounts currently in effect for Fiscal Year 2018-19 and the Fiscal Year 2019-20 recommended fees, amounts, fee basis, and effective dates. The significant fee modifications are summarized below, and if the fee is not a General Operating Fund revenue source, the applicable fund is identified. The remaining fees on the attached exhibits are recommended with an adjustment by the appropriate factor (Consumer Price Index, Cost-of-Living Adjustment, or Engineering News Record Construction Cost Index (ENR-CCI)) or resulting from a new contract such as the Cuesta Court Lesson fees. Some fees are recommended with a multi-year

increase as the annual factor is not sufficient to round to the next highest dollar or staff recommended waiting some period of time to evaluate a fee.

The Fiscal Year 2018-19 Master Fee Schedule, a complete listing of all current City fees, can be found on the City website.

City Clerk's Office (Exhibit B)

In September 2014, the State of California passed Assembly Bill 1525, which gave City Clerks the authority to solemnize marriages. In Fiscal Year 2015-16, a marriage officiant fee was added to the fee schedule and the City Clerk began providing marriage officiant services. Mountain View is the only city in Santa Clara County that currently provides this service. In order to focus on the core duties and priorities of the City Clerk's Office, the City Clerk is recommending elimination of this service beginning in Fiscal Year 2019-20. This fee generated approximately \$1,200 in Fiscal Year 2017-18 and approximately \$1,650 to date in Fiscal Year 2018-19.

Community Services Department (Exhibit D)

General Operating Fund

Center for the Performing Arts:

All facility rental and most technical services fees are recommended with an approximate 5.0 percent increase. Most of the nonticketing-related fees last received increases in 2009, 2011, or 2014. For the upcoming fiscal year, it is recommended to increase these fees to an appropriate level without becoming too burdensome for clients and round the amount in order to make responding to telephone inquiries and cost estimating easier.

Recreation:

Aquatics classes and programs are recommended with increases resulting from the increase in minimum wage over the past three years. These fee adjustments will allow the Aquatics programs to move closer to the cost recovery goals set forth in the Recreation Cost Recovery Policy while remaining competitive with neighboring cities' programs.

Recreation Swim Season passes for adults and children are recommended to be eliminated as very few are sold each fiscal year. Staff believes there is greater benefit to

having only a family season pass and guiding potential recreation swim patrons to this option.

Red Cross Lifeguard training is recommended with a name change to American Red Cross Course and a basis change from a fixed fee for 36 hours to an hourly rate range plus certification fees. An hourly rate range will accommodate a variety of Red Cross training classes offered, such as lifeguard, lifeguard instructor, swim instructor, swim instructor trainer, babysitter, and CPR/first aid.

In addition, staff recommends amending Attachment A to the Master Fee Schedule to change Senior Center facility rental on Thursday evenings from a Peak rate to an Off-Peak rate as detailed below.

Existing Peak

Thursday, Friday, 5:00 p.m. to 12:00 midnight

Saturday, Sunday, Holidays, 8:00 a.m. to 12:00 midnight

Recommended Peak

Friday, 5:00 p.m. to 12:00 midnight

Saturday, Sunday, Holidays, 8:00 a.m. to 12:00 midnight

Existing Off-Peak

Monday through Wednesday, 8:30 a.m. to 12:00 midnight

Thursday, Friday, 8:30 a.m. to 5:00 p.m.

Recommended Off-Peak

Monday through Thursday, 8:30 a.m. to 12:00 midnight

Friday, 8:30 a.m. to 5:00 p.m.

Existing off-peak rates are utilized for rentals that occur during weekdays and when the Senior Center is either open or typically does not have private rentals. Existing peak rates are for rentals on the weekends, when the majority of private rentals occur, and from 5:00 p.m. to 12:00 midnight on Thursday and Friday.

While the Community Center was closed for renovation, the Senior Center's operating hours were temporarily expanded to stay open until 9:00 p.m. on Thursday nights with the option for a private rental to end at 12:00 midnight. This mirrors the Senior Center's schedule Monday through Wednesday. Staff recommends making this change to Thursday nights permanent. The additional operating hours on Thursday were well utilized by seniors. In addition, minimal private rentals were made in the previous years on Thursday evenings.

Shoreline Golf Links Fund

Frequent Player membership fees are recommended to increase approximately 3.0 percent and all Green Fees are recommended with a \$1.00 increase. The fee increases were reviewed and approved by the Advisory Greens Committee.

Finance and Administrative Services Department (Exhibit E)

A new fee for replacement of a Business License is recommended at \$10.00 for any business that has already received their annual business license and requests a replacement. Taxi Company and Taxi Vehicle permits have not been adjusted since 2014 and are recommended with a multi-year increase.

Police Department (Exhibit G)

The Booking Fee is recommended to be eliminated as the law changed and the City does not assess this fee. Parking Citations were last adjusted seven to nine years ago, depending on the citation, and are recommended with multi-year CPI increases. The Vehicle Repossession fee is recommended to be reduced to \$15.00 in accordance with Government Code Section 41612.

Public Works Department Utility Services (Exhibit I)

Water, Wastewater, and Solid Waste Management Funds

Utility rates are detailed in the attached Exhibit I and include the following recommended adjustments:

- Water – 1.0 percent for the average cost of water and meter rates and a 20.0 percent increase for recycled water (Year 2 of a 3-year phase-in).
- Wastewater – 3.0 percent overall increase.
- Solid Waste Management – 3.0 percent overall increase.

CONCLUSION

Departments reviewed their fees and recommended the new, modified, or eliminated fees discussed in this memorandum and detailed in Exhibits A through I. As part of the

budget noticing process, the City will comply with all noticing requirements which apply to fees.

HA-SN-JT/2/FIN

530-04-25-19M

- Exhibits:
- A. Fee Schedule – City Attorney’s Office
 - B. Fee Schedule – City Clerk’s Office
 - C. Fee Schedule – Community Development Department
 - D. Fee Schedule – Community Services Department
 - E. Fee Schedule – Finance and Administrative Services Department
 - F. Fee Schedule – Fire Department
 - G. Fee Schedule – Police Department
 - H. Fee Schedule – Public Works Department
 - I. Fee Schedule – Utility Services

FEE SCHEDULE – CITY ATTORNEY’S OFFICE

Exhibit A

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Code Compliance Inspection	\$105.00	\$113.00	Hour (4-hour min.)	7/1/18
		Development Agreement	\$195.00	\$205.00	Hour	7/1/18
		Document Review for CC&Rs, Easements, and Other Documents Related to Permits, Licenses, etc.:				
	36.54.30	Additional Review	\$170.00	\$179.00	Hour	7/1/18
	36.56.15					
	36.54.30	Mixed Product/Use	\$849.00	\$897.00	Initial 5	7/1/18
	36.56.15				Hours	
	36.54.30	Uniform Product/Use	\$425.00	\$448.00	Initial 2.5	7/1/18
	36.56.15				Hours	

FEE SCHEDULE – CITY CLERK’S OFFICE

Exhibit B

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
Family Code 400 <i>et seq.</i>		Marriage Officiant: On-Site Off-Site	\$66.00 \$199.00	Eliminate Eliminate		7/1/19 7/1/19

FEE SCHEDULE – COMMUNITY DEVELOPMENT DEPARTMENT

Exhibit C

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		<u>PARKING</u>				
	Reso 14763; 18082 Downtown Precise Plan Table II-2 19.92.1; Reso 17820	Parking In-Lieu:				
		New Construction ¹	\$51,707.00	\$52,140.00	Space	7/1/19
		Change of Use ¹	\$25,853.00	\$26,070.00	Space	7/1/19
		Parking Permits: ²				
		Downtown Parking Annual ³	\$346.00	\$362.00	Space	1/1/20
		Daily	\$115.00	\$120.00	25 Daily Permits	1/1/20
		Monthly ³	\$58.00	\$61.00	Space	1/1/20
		Quarterly ³	\$115.00	\$120.00	Space	1/1/20
		<u>PLANNING</u>				
		Housing:				
	36.40.55.b Reso 16666	Housing Impact ²				
		Commercial/Entertainment/ Hotel/Retail				
		First 25,000 square feet	\$1.46	\$1.52	Net New Square Foot	8/18/19
		25,000+ square feet	\$2.91	\$3.02	Net New Square Foot	8/18/19
	36.40.55.b Reso 16666, 17938	High-Tech/Industrial/ Office				
		First 10,000 square feet	\$13.60	\$14.13	Net Square Foot	8/18/19
		10,000+ square feet	\$27.19	\$28.25	Net Square Foot	8/18/19
	Reso 17748, 17937	Rental Housing Impact ²	\$18.49	\$19.21	Net New Habitable Square Foot	8/18/19

FEE SCHEDULE – COMMUNITY DEVELOPMENT DEPARTMENT

Exhibit C

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
GC 66000	Reso 18029	North Bayshore Development Impact: Hotel ⁴ Transportation	\$2,102.00	\$2,155.00	Per Guest Room	8/18/19
GC 66000	Reso 18029	Water	\$4,129.00	\$4,232.00	Per Guest Room	8/18/19
GC 66000	Reso 18029	Sewer	\$743.00	\$762.00	Per Guest Room	8/18/19
GC 66000	Reso 18029	Office/R&D ⁴ Transportation	\$23.61	\$24.20	Per Square Foot Net New Gross Floor Area	8/18/19
GC 66000	Reso 18029	Water	\$6.67	\$6.84	Per Square Foot Net New Gross Floor Area	8/18/19
GC 66000	Reso 18029	Sewer	\$1.24	\$1.27	Per Square Foot Net New Gross Floor Area	8/18/19
GC 66000	Reso 18029	Retail ⁴ Transportation	\$2.47	\$2.53	Per Square Foot Net New Gross Floor Area	8/18/19
GC 66000	Reso 18029	Sewer	\$0.83	\$0.85	Per Square Foot Net New Gross Floor Area	8/18/19

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1. Previously authorized by City Council to be modified annually by the December 31 Engineering New Record Construction Cost Index (ENR-CCI).
 2. Previously authorized by City Council to be modified annually by the prior year Consumer Price Increase as part of the annual budget process.
 3. For Fiscal Year 2019-20 permit cycles beginning on or after January 1, 2020 regardless of payment date.
 4. Previously authorized by City Council to be modified annually by the June 30 ENR-CCI as part of the annual budget process.

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
	38.101; CP H-5	<u>CENTER FOR THE PERFORMING ARTS</u>				
		<u>Home Company</u>				
		Café	\$45.00	Eliminate		7/1/19
		Dressing Rooms/Green Room	\$160.00	\$175.00	Day (includes overnight)	7/1/19
			\$1,130.00	\$1,175.00	Week (7 days)	7/1/19
		Lobby	\$60.00	\$75.00	Hour	7/1/19
		MainStage: Weekend				
		8 Hours/1 Ticketed Performance	\$925.00 or % of gross	\$975.00 or % of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$1,525.00 (inc \$600 FUF)	\$1,600.00 (inc \$600 FUF)	Event	7/1/19
		Event Additional Hours	\$75.00	\$80.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$75.00	\$80.00	Hour	7/1/19
		Weekday				
		8 Hours/1 Ticketed Performance	\$600.00 or % of gross	\$625.00 or % of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$1,200.00 (inc \$600 FUF)	\$1,250.00 (inc \$600 FUF)	Event	7/1/19
		Event Additional Hours	\$75.00	\$80.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$75.00	\$80.00	Hour	7/1/19
		ParkStage:				
		8 Hours/1 Ticketed Performance	\$185.00 or % of gross	\$200.00 or % of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$185.00	\$200.00	Event	7/1/19
		Event Additional Hours	\$19.00	\$20.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$19.00	\$20.00	Hour	7/1/19
		Scene Shop/Storage	\$45.00	\$50.00	Hour	7/1/19
			\$485.00	\$510.00	Day (includes overnight)	7/1/19
			\$3,400.00	\$3,575.00	Week (7 days)	7/1/19
		SecondStage:				
		8 Hours/1 Ticketed Performance	\$185.00 or % of gross	\$200.00 or % of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$335.00 (inc \$150 FUF)	\$350.00 (inc \$150 FUF)	Event	7/1/19
		Event Additional Hours	\$19.00	\$20.00	Hour	7/1/19

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Meeting (M-F 8 a.m.-5 p.m.; 1-hour increments, no min; no Tech or Front of House Services)	\$19.00	\$20.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal (weekend and weekday)	\$19.00	\$20.00	Hour	7/1/19
	38.101; CP H-5	<u>All Nonprofit (501(c)(3))</u>				
		Café	\$45.00	Eliminate		7/1/19
		Dressing Rooms/Green Room	\$160.00	\$175.00	Day (includes overnight)	7/1/19
			\$1,130.00	\$1,175.00	Week (7 days)	7/1/19
		Lobby	\$60.00	\$75.00	Hour	7/1/19
		MainStage: Weekend				
		8 Hours/1 Ticketed Performance	\$1,575.00 or 5%-20% of gross	\$1,650.00 or 5%-20% of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$2,175.00	\$2,275.00	Event	7/1/19
		Event Additional Hours	\$155.00	\$175.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$155.00	\$175.00	Hour	7/1/19
		Weekday				
		8 Hours/1 Ticketed Performance	\$1,275.00 or 5%-20% of gross	\$1,350.00 or 5%-20% of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$1,875.00	\$1,975.00	Event	7/1/19
		Event Additional Hours	\$125.00	\$130.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$125.00	\$130.00	Hour	7/1/19
		ParkStage:				
		8 Hours/1 Ticketed Performance	\$375.00 or 5%-20% of gross	\$400.00 or 5%-20% of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$375.00	\$400.00	Event	7/1/19
		Event Additional Hours	\$40.00	\$45.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$40.00	\$45.00	Hour	7/1/19
		Rehearsal Studio:				
		Meeting (M-F 8 a.m.-5 p.m.; 1-hour increments, no min; no Tech or Front of House Services)	\$25.00	\$30.00	Hour	7/1/19
		Standard Meeting	\$25.00	\$30.00	Hour	7/1/19

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Scene Shop/Storage	\$45.00 \$485.00 \$3,400.00	\$50.00 \$510.00 \$3,575.00	Hour Day (includes overnight) Week (7 days)	7/1/19 7/1/19 7/1/19
		SecondStage: 8 Hours/1 Ticketed Performance	\$375.00 or 5%-20% of gross	\$400.00 or 5%-20% of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$525.00 (inc \$150 FUF)	\$550.00 (inc \$150 FUF)	Event	7/1/19
		Event/ Additional Hours	\$40.00	\$45.00	Hour	7/1/19
		Meeting (M-F 8 a.m.-5 p.m.; 1-hour increments, no min; no Tech or Front of House Services)	\$40.00	\$45.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$40.00	\$45.00	Hour	7/1/19
	38.101; CP H-5	<u>All Commercial</u>				
		Café	\$80.00	Eliminate		7/1/19
		Dressing Rooms/Green Room	\$35.00 \$375.00 \$2,645.00	\$40.00 \$400.00 \$2,775.00	Hour Day (includes overnight) Week (7 days)	7/1/19 7/1/19 7/1/19
		Lobby	\$165.00	\$175.00	Hour	7/1/19
		Lobby (if Stage also rented)	\$125.00	\$130.00	Hour	7/1/19
		MainStage: 8 Hours/1 Ticketed Performance	\$1,825.00 + 15%-20% of gross	\$1,925.00 + 15%-20% of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$2,825.00 (inc \$1,000 FUF)	\$2,975.00 (inc \$1,000 FUF)	Event	7/1/19
		Event Additional Hours	\$180.00	\$200.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$180.00	\$200.00	Hour	7/1/19
		ParkStage: 8 Hours/1 Ticketed Performance	\$900.00 + 15%-50% of gross	\$950.00 + 15%-50% of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$900.00	\$950.00	Event	7/1/19
		Event Additional Hours	\$90.00	\$100.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$90.00	\$100.00	Hour	7/1/19

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Rehearsal Studio: Meeting (M-F 8 a.m.-5 p.m.; 1-hour increments, no min; no Tech or Front of House Services)	\$75.00	\$80.00	Hour	7/1/19
		Standard Meeting	\$75.00	\$85.00	Hour	7/1/19
		Scene Shop/Storage	\$80.00	\$85.00	Hour	7/1/19
			\$860.00	\$900.00	Day (includes overnight)	7/1/19
			\$6,045.00	\$6,350.00	Week (7 days)	7/1/19
		SecondStage: 8 Hours/1 Ticketed Performance	\$900.00 + 15%-50% of gross	\$950.00 + 15%-50% of gross	Event	7/1/19
		8 Hours/1 Nonticketed Performance	\$1,050.00 (inc \$150 FUF)	\$1,100.00 (inc \$150 FUF)	Event	7/1/19
		Event Additional Hours	\$90.00	\$100.00	Hour	7/1/19
		Meeting (M-F 8 a.m.-5 p.m.; 1-hour increments, no min; no Tech or Front of House Services)	\$90.00	\$100.00	Hour	7/1/19
		Nonevent/Technical/Rehearsal	\$90.00	\$100.00	Hour	7/1/19
		<u>Technical Services</u>				
	38.101; CP H-5	Dance Floor:				
		MainStage	\$80.00 (incl. tape)	\$85.00 (incl. tape)	Performance or Rehearsal	7/1/19
		SecondStage	\$40.00 (incl. tape)	\$45.00 (incl. tape)	Performance or Rehearsal	7/1/19
	38.101; CP H-5	Follow Spot	\$7.00	\$7.50	Follow Spot/Performance or Rehearsal	7/1/19
	38.100;	Plaza Audio System ¹	NA	\$1,000.00	Full System/Performance or Rehearsal	7/1/19
	38.100	Video Projector Rental:				
		MainStage	\$100.00	\$105.00	Per Use	7/1/19
		SecondStage	\$50.00	\$55.00	Per Use	7/1/19
	38.100	Wireless Headset	\$2.50	\$3.00	Headset/Performance or Rehearsal	7/1/19
	38.100	Wireless Microphone	\$8.50	\$9.00	Microphone/Performance or Rehearsal	7/1/19

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
	38.8	<u>RECREATION</u>				
		Aquatics: Aquatics classes (Aquacize, Aquatic Fitness, Deep Water Exercise)				
		Adults (R)	\$6.00	\$6.75	Class	7/1/19
		Adults (NR)	\$7.50	\$8.25	Class	7/1/19
		Seniors (R)	\$3.00	\$3.50	Class	7/1/19
		Seniors (NR)	\$4.00	\$4.50	Class	7/1/19
		Lap Swim Day Pass (R)	\$5.00	\$6.00	Day	7/1/19
		Lap Swim Day Pass (NR)	\$6.00	\$7.00	Day	7/1/19
		Lap Swim Pass (R) (25 swims)	\$90.00	\$99.00	Pass	7/1/19
		Lap Swim Pass (NR) (25 swims)	\$113.00	\$124.00	Pass	7/1/19
		Lap Swim Pass Sr (R) (25 swims)	\$31.00	\$34.00	Pass	7/1/19
		Lap Swim Pass Sr (NR) (25 swims)	\$39.00	\$43.00	Pass	7/1/19
		Lessons/Classes: Youth and Adults:				
		Group (R)	\$7.50	\$8.25	½ Hour	7/1/19
		Group (NR)	\$9.50	\$10.50	½ Hour	7/1/19
		Private (R)	\$26.00	\$29.00	½ Hour	7/1/19
		Private (NR)	\$33.00	\$36.00	½ Hour	7/1/19
		Pool Rental:				
		Pool (R)	\$129.00+	\$142.00+	Hour	7/1/19
			Lifeguards	Lifeguards		
		Pool (NR)	\$161.00+	\$177.00+	Hour	7/1/19
			Lifeguards	Lifeguards		
		Recreation Swim Day Pass:				
		Adults (R)	\$4.00	\$5.00	Day	7/1/19
		Adults (NR)	\$5.00	\$6.00	Day	7/1/19
		Child (R)	\$3.00	\$4.00	Day	7/1/19
		Child (NR)	\$4.00	\$5.00	Day	7/1/19
		Family (R)	\$10.00	\$11.00	Day	7/1/19
		Family (NR)	\$18.00	\$20.00	Day	7/1/19
		Group Rate				
		20-39 Participants	\$2.50	\$3.00	Participant/Day	7/1/19
		40+Participants	\$2.00	\$2.50	Participant/Day	7/1/19

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Recreation Swim Season Pass: Adult Child	\$91.00 \$68.00	Eliminate Eliminate		7/1/19 7/1/19
		American Red Cross Course Lifeguard Training (R)	\$236.00	\$7.00-\$14.00	Class (36 Hours) Hour + Certification	7/1/19
		American Red Cross Course Lifeguard Training (NR)	\$295.00	\$8.75-\$17.50	Class (36 Hours) Hour + Certification	7/1/19
	Agree- ment (reference to MFS)	Tennis: Cuesta Court Lessons:				
		Adult	\$15.75-\$31.00	\$15.75-\$34.00	Hour	7/1/19
		Junior	\$13.75-\$31.00	\$13.75-\$34.00	Hour	7/1/19
		Lights	\$4.00	\$5.00	Hour/Court	7/1/19
		Youth Camp	\$10.00-\$31.00	\$10.00-\$34.00	Hour	7/1/19
		Cuesta Court Reservation				
		Resident & MV Business	\$10.00	\$11.00	Hour/Court	7/1/19
		Nonresident & Non-MV Business	\$14.00	\$15.00	Hour/Court	7/1/19
		<u>SHORELINE GOLF LINKS</u>				
		Frequent Player:				
	38.8	Junior (≤17) (Annual)	\$400.00	\$410.00	Fixed	7/1/19
	38.8	Regular Play (Annual)	\$2,700.00	\$2,780.00	Fixed	7/1/19
	38.8	Regular Play (Annual Family)	\$4,000.00	\$4,120.00	Fixed	7/1/19
	38.8	Regular (M-Th/ Annual)	\$1,800.00	\$1,850.00	Fixed	7/1/19
	38.8	Regular (M-Th/ Annual Family)	\$2,350.00	\$2,420.00	Fixed	7/1/19
	38.8	Regular (M-Th)/Quarterly)	\$575.00	\$590.00	Fixed	7/1/19
	38.8	Senior (M-Th/ Annual)	\$1,375.00	\$1,420.00	Fixed	7/1/19
	38.8	Senior (M-Th/ Annual Family)	\$1,975.00	\$2,030.00	Fixed	7/1/19
	38.8	Senior (M-Th/Quarterly	\$420.00	\$430.00	Fixed	7/1/19
	38.8	Twilight (Annual)	\$1,075.00	\$1,110.00	Fixed	7/1/19
	38.8	Twilight (Annual Family)	\$1,775.00	\$1,830.00	Fixed	7/1/19
		Green Fees (18 holes):				

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
	38.11	Super Twilight				
	38.11	Regular	Up to \$21.00	Up to \$22.00	Fixed	7/1/19
	38.11	Resident	Up to \$14.00	Up to \$15.00	Fixed	7/1/19
	38.11	Weekday M-F: Afternoon (March-October, 2 hours prior to twilight)	Up to \$29.00	Up to \$30.00	Fixed	7/1/19
	38.11	Junior (≤17)	Up to \$18.00	Up to \$19.00	Fixed	7/1/19
	38.11	Regular	Up to \$42.00	Up to \$43.00	Fixed	7/1/19
	38.11	Resident	Up to \$35.00	Up to \$36.00	Fixed	7/1/19
	38.11	Senior (≥60)	Up to \$32.00	Up to \$33.00	Fixed	7/1/19
	38.11	Senior Resident (≥60)	Up to \$25.00	Up to \$26.00	Fixed	7/1/19
	38.11	Twilight Back 9 Regular	Up to \$29.00	Up to \$30.00	Fixed	7/1/19
	38.11	Twilight Back 9 Resident	Up to \$22.00	Up to \$23.00	Fixed	7/1/19
	38.11	All Others	Up to \$36.00	Up to \$37.00	Fixed	7/1/19
	38.11	Weekends/Holidays: Junior (≤17)	Up to \$18.00	Up to \$19.00	Fixed	7/1/19
	38.11	Regular	Up to \$58.00	Up to \$59.00	Fixed	7/1/19
	38.11	Resident	Up to \$51.00	Up to \$52.00	Fixed	7/1/19
	38.11	Twilight Back 9 Regular	Up to \$32.00	Up to \$33.00	Fixed	7/1/19
	38.11	Twilight Back 9 Resident	Up to \$25.00	Up to \$26.00	Fixed	7/1/19
		Loyalty Program: Annual Fee	\$35.00	\$36.00	Fixed	7/1/19
	38.8	Super Twilight				
	38.8	Regular	\$17.00	\$18.00	Fixed	7/1/19
	38.8	Resident	\$10.00	\$11.00	Fixed	7/1/19
	38.8	Weekday Green Fees				
	38.8	Regular	\$38.00	\$39.00	Fixed	7/1/19
	38.8	Resident ²	\$31.00	\$32.00	Fixed	7/1/19
	38.8	Senior (≥60)	\$28.00	\$29.00	Fixed	7/1/19
	38.8	Senior Resident (≥60)	\$21.00	\$22.00	Fixed	7/1/19
	38.8	Twilight Back 9 Regular	\$25.00	\$26.00	Fixed	7/1/19
	38.8	Twilight Back 9 Resident	\$18.00	\$19.00	Fixed	7/1/19
	38.8	Weekend Green Fees				
	38.8	Regular	\$54.00	\$55.00	Fixed	7/1/19
	38.8	Resident ²	\$47.00	\$48.00	Fixed	7/1/19
	38.8	Twilight Back 9 Regular	\$28.00	\$29.00	Fixed	7/1/19
	38.8	Twilight Back 9 Resident	\$21.00	\$22.00	Fixed	7/1/19
		Tournaments: All Day Course Closure (depending on time of year and staff approval)				

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Friday (per player min)	Up to \$51.00	Up to \$52.00	Fixed/Player Add'l	7/1/19
		Saturday (per player min)	Up to \$61.00	Up to \$62.00	Fixed/Player Add'l	7/1/19
		Shotgun Tournaments				
		Shotgun Tournament Premium (minimum 60 players)				
		Friday	Up to \$26.00	Up to \$27.00	Fixed/Player Additional	7/1/19
		Saturday	Up to \$44.00	Up to \$45.00	Fixed/Player Additional	7/1/19
		Other Tournament				
		Mon-Fri Regular	Up to \$41.00	Up to \$42.00	Fixed/Player	7/1/19
		Mon-Fri Senior	Up to \$31.00	Up to \$32.00	Fixed/Player	7/1/19
		Weekend/Holiday	Up to \$57.00	Up to \$58.00	Fixed/Player	7/1/19
		Tournament Player Fee	Up to \$8.00	Up to \$9.00	Player	7/1/19

1. Recommended new fee.

Note: Bold font indicates language recommended to be added and strikeout indicates language recommended to be deleted.

Recommended change to Senior Center operating hours on Thursday as detailed below and provided in Attachment A to the Master Fee Schedule.

Existing Peak

Thursday, Friday, 5:00 p.m. to 12:00 midnight
 Saturday, Sunday, Holidays, 8:00 a.m. to 12:00 midnight

Recommended Peak

Friday, 5:00 p.m. to 12:00 midnight
 Saturday, Sunday, Holidays, 8:00 a.m. to 12:00 midnight

Existing Off-Peak

Monday through Wednesday, 8:30 a.m. to 12:00 midnight
 Thursday, Friday, 8:30 a.m. to 5:00 p.m.

Recommended Off-Peak

Monday through Thursday, 8:30 a.m. to 12:00 midnight
 Friday, 8:30 a.m. to 5:00 p.m.

State Code § (if any)	MVCC§§ /CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
GC 6253.9 GC 6253.9	CP B-3	Business License Replacement ¹	N/A	\$10.00	Fixed	7/1/19
		Business License Report: Electronic	\$18.00	\$19.00	Fixed	7/1/19
		Hard Copy	\$18.00	\$19.00	Fixed	7/1/19
	30.2	Taxi Permits:				
	30.2	Taxi Company ²	\$1,440.00	\$1,790.00	Biennial (fixed 2-year cycle)	1/1/20
		Taxi Vehicle ²	\$205.00	\$245.00	Biennial (fixed 2-year cycle)	1/1/20
	15.31.b.4	Vendor Permits: Merchant Vendor ² (downtown)	\$790.00	\$826.00	Annual (rolling)	1/1/20
	15.17.b	Mobile Vendor ²	\$126.00	\$132.00	Annual (calendar)	1/1/20

1. New recommended fee.

2. For Fiscal Year 2019-20 permit cycles with an effective date beginning on or after January 1, 2020 regardless of the payment date.

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
IFC 105		<u>ENVIRONMENTAL SAFETY</u>				
	24	Electronic/Computer Entry of Hazardous Materials Management Plan Data	\$99.00	\$103.00	Hour (1-hour min.)	7/1/19
	24	Fire Safety Facility Inspection: 0-5,000	\$34.00	\$35.00	Square Foot	7/1/19
	24	5,001-25,000	\$201.00	\$209.00	Square Foot	7/1/19
	24	25,001-100,000	\$834.00	\$867.00	Square Foot	7/1/19
	24	100,001-250,000	\$2,335.00	\$2,426.00	Square Foot	7/1/19
	24	250,001-500,000	\$5,004.00	\$5,199.00	Square Foot	7/1/19
	24	500,001+	\$6,672.00	\$6,932.00	Square Foot	7/1/19
		Fire Safety Operational Permits:				
	14	Hazardous Materials Permitted Occupancy	\$216.00	\$224.00	Annual	7/1/19
	24	Hazardous Materials: Emergency Response (Hazardous Materials Specialist)	\$111.00 plus equip- ment costs	\$115.00 + equipment costs	Hour	7/1/19
	24	Hazardous Materials Facility Closure Review/Inspection	\$113.00	\$118.00	Hour (2-hour min.)	7/1/19
	24	Hazardous Materials Third and Subsequent Reinspection(s)	\$370.00	\$385.00	Hour	7/1/19
	24	Plan Check or Plan Review/Inspection	\$113.00	\$118.00	Hour (2-hour min.)	7/1/19
		Hazardous Materials Permit for the following hazard classes:				
		Miscellaneous Hazardous Materials – Liquids, Solids				
	24	QR1	\$137.00	\$142.00	Annual	7/1/19
	24	QR2	\$167.00	\$174.00	Annual	7/1/19
	24	QR3	\$204.00	\$212.00	Annual	7/1/19
	24	QR4	\$237.00	\$246.00	Annual	7/1/19
	24	QR5	\$271.00	\$282.00	Annual	7/1/19

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Combustible Liquids, Flammable (Liquids, Solids), and Nonflammable (Gas)				
	24	QR1	\$137.00	\$142.00	Annual	7/1/19
	24	QR2	\$204.00	\$212.00	Annual	7/1/19
	24	QR3	\$271.00	\$282.00	Annual	7/1/19
	24	QR4	\$341.00	\$354.00	Annual	7/1/19
	24	QR5	\$407.00	\$423.00	Annual	7/1/19
		Corrosive (Gas, Liquids, Solids), Cryogen, Flammable (Gas), Explosives, Infectious Substances, and Oxidizers (Gas, Liquids, Solids)				
	24	QR1	\$137.00	\$142.00	Annual	7/1/19
	24	QR2	\$271.00	\$282.00	Annual	7/1/19
	24	QR3	\$407.00	\$423.00	Annual	7/1/19
	24	QR4	\$475.00	\$494.00	Annual	7/1/19
	24	QR5	\$542.00	\$563.00	Annual	7/1/19
		Poisonous Materials (Gas, Liquids, Solids), Spontaneous Combustible Materials, Dangerous When Wet Materials (Liquids, Solids), and Organic Peroxides				
	24	QR1	\$137.00	\$142.00	Annual	7/1/19
	24	QR2	\$271.00	\$282.00	Annual	7/1/19
	24	QR3	\$407.00	\$423.00	Annual	7/1/19
	24	QR4	\$542.00	\$563.00	Annual	7/1/19
	24	QR5	\$679.00	\$705.00	Annual	7/1/19
	24	Radioactive QR1-QR5	\$168.00	\$175.00	Annual	7/1/19
	14.10.12	On-Demand Mobile Fueling: Operating Permit Demonstration and Equipment Inspection/ Documentation Review (Initial and/or Change in Conditions)	\$178.00	\$185.00	Hour (2-hour min.)	7/1/19

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
	14.10.12	Operator Permit	\$182.00	\$189.00	Annual Renewal	7/1/19
	14.10.12	Site Permit Plan Review and Site Inspection (Initial and/or Change in Conditions)	\$178.00	\$185.00	Hour (2-hour min.)	7/1/19
	14.10.12	Site Permit	\$182.00	\$189.00	Annual Renewal	7/1/19
		<u>Underground Storage Tank Closure/Demolition:</u>				
	24	<u>First Tank</u>	\$113.00	\$118.00	Hour (2 hour min)	7/1/19
	24	<u>Each Add'l Tank</u>	\$113.00	\$118.00	Hour (1 hour min)	7/1/19
		<u>ENVIRONMENTAL SAFETY/FIRE AND BUILDING SAFETY</u>				
IFC Chapter 9	14	Fire Protection/Public Safety System Maintenance: Required to be Tested on a Frequency of < 1 Year (waived if test completed within 30 days)	\$119.00	\$124.00	System	7/1/19
IFC Chapter 9	14	Required to be Tested on a Frequency of ≥ 1 Year and < 5 Years (waived if test completed within 30 days)	\$241.00	\$250.00	System	7/1/19
IFC Chapter 9	14	Required to be Tested on a Frequency of ≥ 5 Years (waived if test completed within 30 days)	\$361.00	\$375.00	System	7/1/19
IFC Chapter 9	14	Deficiencies Failed to be Corrected Within 30 Days	\$184.00	\$191.00	System	7/1/19
		<u>FIRE AND BUILDING SAFETY</u>				
	14	Alarm (Preventable False)	\$153.00	\$159.00	3rd and Subsequent Alarm/180 Days	7/1/19
	14	Extended Consultation/ Preconstruction Conference	\$170.00	\$177.00	Hour	7/1/19

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
IFC 105	14	Fire Inspections (Temporary Installation/Events):	\$178.00	\$185.00	Hour (2-hour min.)	7/1/19
		All Others				
		Carnivals				
		Christmas Tree Lot				
		Fairs				
		Fireworks Display				
	Reso 17968	Haunted Houses				
	Reso 17968	Live Audiences				
	Reso 17968	Production Facility				
	Reso 17968	Pumpkin Patch				
IFC 105		Pyrotechnical Special Effects				
		Special Inspection of Temporary Installation				
		Temporary Membrane Structures, Tents, Canopies				
	14	After Hours or Weekend Duty M-F 5:00 p.m.-6:59 a.m., Sat, Sun, Holidays	\$178.00	\$185.00	Hour (2-hour min.)	7/1/19
	14	Fire Safety Operational Permits:				
		Fire Prevention Bureau (Nonhazardous Materials Permitted Occupancy)	\$182.00	\$189.00	Annual	7/1/19
		Reinspections (third and subsequent)	\$180.00	\$187.00	Hour	7/1/19

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
	25.77	Multi-Housing Inspection: Hotels and Motels	\$85.00	\$88.00	Hour (2-hour min.)	7/1/19
	25.77	Nonserious Violations	\$5.00	\$6.00	Unit	7/1/19
	25.77	Serious Violations	\$19.00	\$20.00	Unit	7/1/19
	25.78	Reinspections: Hotels and Motels	\$108.00	\$112.00	Hour (2-hour min.)	7/1/19
	25.79	Multi-Housing	\$108.00	\$112.00	Hour (2-hour min.)	7/1/19
	25.81	Valid Service Request	\$107.00	\$111.00	Hour (2-hour min.)	7/1/19
	CP B-3	Reports: Fire Investigation Report Incident Report Request Patient Care Report	\$13.00 \$9.00 \$9.00	\$14.00 \$10.00 \$10.00	Fixed Fixed Fixed	7/1/19 7/1/19 7/1/19
		<u>SUPPRESSION</u>				
GC 53150, HSC 13009.6		Emergency Response Reimbursement: Battalion Chief	\$128.00	\$133.00	Hour (1/2 hour increments)	7/1/19
GC 53150, HSC 13009.6		Deputy Fire Marshal	\$158.00	\$164.00	Hour (1/2 hour increments)	7/1/19
GC 53150, HSC 13009.6		Engine/Truck	\$279.00	\$290.00	Hour (1/2 hour increments)	7/1/19
GC 53150, HSC 13009.6		Public Safety Social Media/ Community Coordinator	\$137.00	\$142.00	Hour (1/2 hour increments)	7/1/19
GC 53150, HSC 13009.6		Rescue Company	\$173.00	\$180.00	Hour (1/2 hour increments)	7/1/19

FEE SCHEDULE – POLICE DEPARTMENT

Exhibit G

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
§12053		Administrative Fee – Not Displaying Handicapped Placard	\$25.00	\$37.00	Fixed	7/1/19
	26.54	Adult Entertainment: Application	\$829.00	\$861.00	Initial	7/1/19
	26.54	Renewal	\$397.00	\$412.00	Annual	7/1/19
	29550-02	Booking Fee	\$154.00	Eliminate		7/1/19
	9.14	Card Rooms: Dealer Application	\$286.00	\$297.00	Biennial	7/1/19
	9.14	Dealer Renewal	\$142.00	\$148.00	Biennial	7/1/19
	9.4	Permit Application	\$1,148.00	\$1,193.00	Initial	7/1/19
		Citation Sign-Off: Nonresident	\$26.00	\$27.00	Fixed	7/1/19
		Clearance Letter	\$20.00	\$21.00	Fixed	7/1/19
		Concealed Weapon Permit: City of Mountain View	\$26.00	\$27.00	Fixed	7/1/19
	26.29	Dance Permit (public and private)	\$36.00	\$37.00	Fixed	7/1/19
	6.7	Going Out of Business: Permit	\$70.00	\$73.00	In Business < 2 years	7/1/19
	6.7	Permit	\$33.00	\$34.00	In Business > 2 years	7/1/19
	6.3	Permit Extension	\$33.00	\$34.00	30-Day Extension	7/1/19
	9.53	Hot Tub: Business Permit Application	\$1,593.00	\$1,655.00	Initial	7/1/19
	9.53	Business Renewal	\$797.00	\$828.00	Annual	7/1/19
	9.57	Manager	\$561.00	\$583.00	Initial	7/1/19
	26.29	Live Entertainment: Permit	\$413.00	\$429.00	Initial	7/1/19
	26.29	Renewal	\$136.00	\$141.00	Annual	7/1/19
	26.29	Permit (w/dance)	\$413.00	\$429.00	Initial	7/1/19
	26.29	Renewal (w/dance)	\$136.00	\$141.00	Annual	7/1/19

FEE SCHEDULE – POLICE DEPARTMENT

Exhibit G

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
BPC §4600 <i>et seq.</i> BPC §4600 <i>et seq.</i>	9.24	Massage Business: Massage Establishment Permit	\$169.00	\$176.00	Initial	7/1/19
	9.32	Massage Establishment Renewal	\$169.00	\$176.00	Annual	7/1/19
	22	Parade Permit	\$207.00	\$215.00	Parade	7/1/19
		Parking Citations:				
	38.9(f)	City Park-Operate any Vehicle (moving or parked)	\$36.00	\$46.00	Fixed	8/1/19
	38.9(g)	City Park-Park or Stop Other than Where Authorized	\$36.00	\$46.00	Fixed	8/1/19
	39.16(b)	City Park-Parked Abandoned/Wrecked Vehicle Over 72 Hours	\$36.00	\$44.00	Fixed	8/1/19
	38.159(c)	City Park-Vehicle Parked After Hours	\$110.00	\$135.00	Fixed	8/1/19
	19.96	1-Hour Parking Zones	\$38.00	\$48.00	Fixed	8/1/19
	19.95	2-Hour Parking Zones	\$38.00	\$48.00	Fixed	8/1/19
	19.94	3-Hour Parking Zones	\$38.00	\$48.00	Fixed	8/1/19
	19.95.2	2-Hour Parking Zones-24 Hours/Day	\$38.00	\$48.00	Fixed	8/1/19
	19.95.1a	3-Hour Parking Zones-3 Hour No Return	\$38.00	\$48.00	Fixed	8/1/19
	19.98	12-Minute Parking Zones	\$38.00	\$48.00	Fixed	8/1/19
	19.97	24-Minute Parking Zones	\$38.00	\$48.00	Fixed	8/1/19
	19.89	Blocking or Obstructing Alley	\$36.00	\$44.00	Fixed	8/1/19
	19.64	Double Parking Prohibited	\$33.00	\$42.00	Fixed	8/1/19
	21.39	Leave Key in Parked Vehicle	\$36.00	\$44.00	Fixed	8/1/19
	19.69	Limited Curb Parking Space: Right-of-Way	\$33.00	\$42.00	Fixed	8/1/19
	19.99.6	No Parking of Vehicle Over 6' in Height	\$38.00	\$48.00	Fixed	8/1/19
	19.99	No Parking Zones	\$38.00	\$48.00	Fixed	8/1/19
	19.99.2	No Parking Zones-2:00 a.m. to 7:00 p.m.	\$38.00	\$48.00	Fixed	8/1/19
	19.99.5	No Parking Zones-7:00 a.m. to 6:00 p.m.	\$38.00	\$48.00	Fixed	8/1/19
	19.99.3	No Parking Zones-Middlefield Rd-Crittenden School Athletic Park	\$38.00	\$48.00	Fixed	8/1/19
	19.99.4	No Parking Zone Near Schools	\$38.00	\$48.00	Fixed	8/1/19
	19.82	No Parking Zones to Prevent Flooding	\$32.00	\$42.00	Fixed	8/1/19
	19.99.1	No Stopping Zones	\$38.00	\$48.00	Fixed	8/1/19
	19.67	Obstruction of Street Sidewalk Parking Lot	\$33.00	\$42.00	Fixed	8/1/19

FEE SCHEDULE – POLICE DEPARTMENT

Exhibit G

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
	19.75	Park or Leave Vehicle for Washing Service	\$33.00	\$42.00	Fixed	8/1/19
	19.87	Park/Stand/Stop for Loading or Unloading Only	\$33.00	\$42.00	Fixed	8/1/19
	19.88	Park/Stand/Stop in Passenger Loading Zone	\$33.00	\$42.00	Fixed	8/1/19
	19.76	Parking Adjacent to Schools	\$33.00	\$42.00	Fixed	8/1/19
	19.79.1	Parking Commercial Vehicles Over 10,000 Pounds on Residential Streets	\$80.00	\$98.00	Fixed	8/1/19
	19.65	Parking Commercial Vehicles Restricted	\$75.00	\$95.00	Fixed	8/1/19
	19.68	Parking Improperly within Single Space	\$36.00	\$44.00	Fixed	8/1/19
	19.91	Parking in Bus Zone	\$36.00	\$44.00	Fixed	8/1/19
	19.72	Parking in Excess of 72 Hours	\$80.00	\$98.00	Fixed	8/1/19
	19.93	Parking in Excess of 5 Hours	\$36.00	\$44.00	Fixed	8/1/19
		Parking in Excess of Time (as est. by the City for each specific area)	\$36.00	\$44.00	Fixed	8/1/19
	19.95.1	Parking in Same Lot Excess Time	\$36.00	\$44.00	Fixed	8/1/19
	19.80	Parking in Violation of Curb Markings	\$36.00	\$44.00	Fixed	8/1/19
	19.71	Parking >1 Hour from 2 a.m. to 6 a.m.	\$36.00	\$44.00	Fixed	8/1/19
	19.79.2	Parking of Certain Commercial Vehicles on Certain Streets Prohibited	\$80.00	\$98.00	Fixed	8/1/19
	19.73	Parking on Hills	\$33.00	\$42.00	Fixed	8/1/19
	19.92.4	Parking Prohibited for Street Cleaning	\$80.00	\$98.00	Fixed	8/1/19
	19.81	Parking Prohibited on Narrow Streets	\$33.00	\$42.00	Fixed	8/1/19
	19.99.9	Parking Restricted	\$38.00	\$49.00	Fixed	8/1/19
	19.79	Parking Where Prohibited by Sign	\$36.00	\$44.00	Fixed	8/1/19
	19.92.2	Parking Without Permit	\$36.00	\$44.00	Fixed	8/1/19
	19.92.1	Permit Parking in Parking District No 2 Parking Lots	\$38.00	\$48.00	Fixed	8/1/19
	19.66	Proper Angle Parking	\$33.00	\$42.00	Fixed	8/1/19
	19.99.21	Residential Parking Permit Program Violation	\$38.00	\$41.00	Fixed	8/1/19
	19.74	Standing in Parkways Prohibited	\$33.00	\$42.00	Fixed	8/1/19
	19.63	Standing or Parking Close to the Curb	\$33.00	\$42.00	Fixed	8/1/19
	19.78	Standing or Parking on One-Way Roadway	\$33.00	\$42.00	Fixed	8/1/19
	19.90	Unlawful Parking in Taxi Stand	\$36.00	\$44.00	Fixed	8/1/19
	19.77	Violation of Temporary No Parking Sign	\$36.00	\$44.00	Fixed	8/1/19

FEE SCHEDULE – POLICE DEPARTMENT
Exhibit G

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
VEH 22850.5 GC 41612	19.62.3	Parking Citation Late Fee	\$33.00	\$40.00	Fixed	8/1/19
	26.12-.13	Pool/Billiard Room	\$140.00	\$145.00	Fixed	7/1/19
	Contract	Rotation Tow Service Contract Application	\$186.00	\$193.00	Fixed	7/1/19
		Taxi:				
	30.2	Driver Permit	\$191.00	\$198.00	Initial (Biennial-from approval date)	7/1/19
	30.2	Driver Renewal	\$135.00	\$140.00	Renewal (Biennial-from approval date)	7/1/19
		Vehicle Abatement (AVASA)	\$21.00	\$22.00	Fixed	7/1/19
		Vehicle Release: Impound/Storage	\$155.00	\$161.00	Fixed	7/1/19
		Vehicle Repossession	\$16.00	\$15.00	Fixed	7/1/19

FEE SCHEDULE – PUBLIC WORKS DEPARTMENT

Exhibit H

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
GC66000 <i>et seq.</i>	43.5	Citywide Transportation Impact: ¹				
		Single-Family, attached or detached	\$4,671.00	\$4,788.00	Net New Dwelling Unit	8/18/19
		Multi-Family	\$2,616.00	\$2,681.00	Net New Dwelling Unit	8/18/19
		Hotels and Motels	\$2,889.00	\$2,961.00	Net New Guest Room	8/18/19
		Service and Retail Commercial	\$4.99	\$5.11	Sq Ft, Net New Floor Area	8/18/19
		Office, R&D, Industrial	\$4.99	\$5.11	Sq Ft, Net New Floor Area	8/18/19
		Low Trip Generating Uses	\$2,700.00	\$2,767.00	AM + PM Peak Hour Trips	8/18/19
		Storm Drainage Connection ²				
	28.51(b)	First-Class Rate	\$0.305	\$0.308	Net Square Foot	8/18/19
	28.51(b)	Second-Class Rate	\$0.147	\$0.148	Gross Square Foot	8/18/19
	27.65(c)	Street Improvement Reimbursement: ²				
		Major Structural Street Section	\$11.61	\$11.71	Square Foot	8/18/19
		R1 and R2 Structural Street Section	\$9.31	\$9.39	Square Foot	8/18/19
		R3 Structural Street Section	\$10.58	\$10.67	Square Foot	8/18/19
		Standard and Ornamental Street Lighting	\$29.26	\$29.51	Linear Foot	8/18/19
		Standard PCC Curb and Gutter	\$34.06	\$34.35	Linear Foot	8/18/19
		Standard PCC Driveway Approach	\$11.61	\$11.71	Square Foot	8/18/19
		Standard PCC Sidewalk	\$10.58	\$10.67	Square Foot	8/18/19
		Street Trees (15-gallon)	\$13.02	\$13.13	Linear Foot	8/18/19

1. Modified annually by the June Engineering News Record Construction Cost Index (ENR-CCI).

2. Modified annually by the December Engineering News Record Construction Cost Index (ENR-CCI).

FEE SCHEDULE – UTILITY SERVICES

Exhibit I

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		<u>ENTERPRISE FUNDS</u>				
		Labor Rates:				
		Frontline				
		Regular	\$84.00	\$87.00	Hour	7/1/19
		Overtime	\$123.00	\$128.00	Hour	7/1/19
		Manager				
		Regular	\$128.00	\$133.00	Hour	7/1/19
		Supervisor				
		Regular	\$105.00	\$109.00	Hour	7/1/19
		Overtime	\$158.00	\$164.00	Hour	7/1/19
		Sewer Capacity Charges: ¹				
	35.41	Residential Class 1	\$3,160.00	\$3,239.00	Unit	7/1/19
	35.41	Residential Class 2	\$2,862.00	\$2,934.00	Unit	7/1/19
	35.41	Residential Class 3	\$2,226.00	\$2,282.00	Unit	7/1/19
	35.41	Commercial/Retail	\$1,548.00	\$1,587.00	1,000 Sq Ft	7/1/19
	35.41	Office/R&D	\$2,266.00	\$2,323.00	1,000 Sq Ft	7/1/19
	35.41	Restaurant	\$13,040.00	\$13,366.00	1,000 Sq Ft	7/1/19
	35.41	Hotels and Motels	\$1,431.00	\$1,467.00	charge/room/ dwelling unit	7/1/19
	35.41	Industrial/Other (charges based on estimated loadings)	\$14.221	\$14.578	flow/gpd	7/1/19
	35.41		\$1.381	\$1.416	BOD/lb/year	7/1/19
	35.41		\$1.381	\$1.416	SS/lb/year	7/1/19
		Water Capacity Charges: ¹				
	35.41	Residential Class 1	\$3,827.00	\$3,923.00	Unit	7/1/19
	35.41	Residential Class 2	\$3,252.00	\$3,333.00	Unit	7/1/19
	35.41	Residential Class 3	\$2,487.00	\$2,549.00	Unit	7/1/19
	35.41	3/4" meter	\$6,377.00	\$6,536.00	Meter	7/1/19
	35.41	1" meter	\$10,629.00	\$10,895.00	Meter	7/1/19
	35.41	1-1/2" meter	\$21,256.00	\$21,787.00	Meter	7/1/19
	35.41	2" meter	\$34,010.00	\$34,860.00	Meter	7/1/19
	35.41	3" meter	\$63,768.00	\$66,362.00	Meter	7/1/19
	35.41	Meters greater than 3"	\$17.005	\$17.430	Per gallons/ day estimated water demand	7/1/19
		<u>UTILITY SERVICES</u>				
		<u>Trash Disposal and Recycling Service:</u>				
	16	Bin For a Day	\$237.00	\$244.00	Fixed	7/1/19
		Bin Rental (Compost and Trash):				
	16	1 cubic yard	\$20.85	\$21.50	Container/Month	7/1/19
	16	2 cubic yards	\$31.25	\$32.20	Container/Month	7/1/19

FEE SCHEDULE – UTILITY SERVICES

Exhibit I

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
	16	3 cubic yards	\$41.60	\$42.85	Container/Month	7/1/19
	16	4 cubic yards	\$51.95	\$53.55	Container/Month	7/1/19
	16	6 cubic yards	\$62.40	\$64.30	Container/Month	7/1/19
		Bin Service (Compost):				
		One Cubic Yard				
	16	1 Time/Week	\$77.85	\$80.25	Container/Month	7/1/19
	16	2 Times/Week	\$171.30	\$176.50	Container/Month	7/1/19
	16	3 Times/Week	\$264.45	\$272.40	Container/Month	7/1/19
	16	4 Times/Week	\$357.75	\$368.50	Container/Month	7/1/19
	16	5 Times/Week	\$450.95	\$464.50	Container/Month	7/1/19
	16	6 Times/Week	\$544.15	\$560.50	Container/Month	7/1/19
		Two Cubic Yards				
	16	1 Time/Week	\$155.50	\$160.20	Container/Month	7/1/19
	16	2 Times/Week	\$326.80	\$336.60	Container/Month	7/1/19
	16	3 Times/Week	\$497.85	\$512.80	Container/Month	7/1/19
	16	4 Times/Week	\$668.75	\$688.80	Container/Month	7/1/19
	16	5 Times/Week	\$839.70	\$864.90	Container/Month	7/1/19
	16	6 Times/Week	\$1,010.75	\$1,041.10	Container/Month	7/1/19
		Three Cubic Yards				
	16	1 Time/Week	\$233.20	\$240.20	Container/Month	7/1/19
	16	2 Times/Week	\$482.15	\$496.65	Container/Month	7/1/19
	16	3 Times/Week	\$730.95	\$752.85	Container/Month	7/1/19
	16	4 Times/Week	\$979.80	\$1,009.20	Container/Month	7/1/19
	16	5 Times/Week	\$1,228.60	\$1,265.45	Container/Month	7/1/19
	16	6 Times/Week	\$1,477.35	\$1,521.70	Container/Month	7/1/19
		Four Cubic Yards				
	16	1 Time/Week	\$310.95	\$320.25	Container/Month	7/1/19
	16	2 Times/Week	\$637.80	\$656.95	Container/Month	7/1/19
	16	3 Times/Week	\$964.15	\$993.10	Container/Month	7/1/19
	16	4 Times/Week	\$1,290.75	\$1,329.45	Container/Month	7/1/19
	16	5 Times/Week	\$1,617.30	\$1,665.80	Container/Month	7/1/19
	16	6 Times/Week	\$1,943.70	\$2,002.05	Container/Month	7/1/19
		Extra Pickup				
	16	1 cubic yard	\$60.65	\$62.50	Pickup	7/1/19
	16	2 cubic yards	\$75.95	\$78.25	Pickup	7/1/19
	16	3 cubic yards	\$97.00	\$99.90	Pickup	7/1/19
	16	4 cubic yards	\$132.70	\$136.70	Pickup	7/1/19
		Bin Service (Trash):				
		One Cubic Yard				
	16	1 Time/Week	\$103.80	\$106.95	Container/Month	7/1/19
	16	2 Times/Week	\$228.40	\$235.30	Container/Month	7/1/19
	16	3 Times/Week	\$352.60	\$363.20	Container/Month	7/1/19
	16	4 Times/Week	\$476.95	\$491.30	Container/Month	7/1/19
	16	5 Times/Week	\$601.25	\$619.30	Container/Month	7/1/19
	16	6 Times/Week	\$725.50	\$747.30	Container/Month	7/1/19

FEE SCHEDULE – UTILITY SERVICES

Exhibit I

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Two Cubic Yards				
	16	1 Time/Week	\$207.30	\$213.55	Container/Month	7/1/19
	16	2 Times/Week	\$435.70	\$448.80	Container/Month	7/1/19
	16	3 Times/Week	\$663.75	\$683.70	Container/Month	7/1/19
	16	4 Times/Week	\$891.65	\$918.40	Container/Month	7/1/19
	16	5 Times/Week	\$1,119.60	\$1,153.20	Container/Month	7/1/19
	16	6 Times/Week	\$1,347.65	\$1,388.10	Container/Month	7/1/19
		Three Cubic Yards				
	16	1 Time/Week	\$310.90	\$320.25	Container/Month	7/1/19
	16	2 Times/Week	\$642.85	\$662.15	Container/Month	7/1/19
	16	3 Times/Week	\$974.55	\$1,003.80	Container/Month	7/1/19
	16	4 Times/Week	\$1,306.40	\$1,345.60	Container/Month	7/1/19
	16	5 Times/Week	\$1,638.10	\$1,687.25	Container/Month	7/1/19
	16	6 Times/Week	\$1,969.80	\$2,028.90	Container/Month	7/1/19
		Four Cubic Yards				
	16	1 Time/Week	\$414.55	\$427.00	Container/Month	7/1/19
	16	2 Times/Week	\$850.35	\$875.90	Container/Month	7/1/19
	16	3 Times/Week	\$1,285.50	\$1,324.10	Container/Month	7/1/19
	16	4 Times/Week	\$1,720.95	\$1,772.60	Container/Month	7/1/19
	16	5 Times/Week	\$2,156.35	\$2,221.05	Container/Month	7/1/19
	16	6 Times/Week	\$2,591.60	\$2,669.35	Container/Month	7/1/19
		Six Cubic Yards				
	16	1 Time/Week	\$621.75	\$640.45	Container/Month	7/1/19
	16	2 Times/Week	\$1,264.75	\$1,302.70	Container/Month	7/1/19
	16	3 Times/Week	\$1,907.80	\$1,965.05	Container/Month	7/1/19
	16	4 Times/Week	\$2,550.50	\$2,627.05	Container/Month	7/1/19
	16	5 Times/Week	\$3,193.05	\$3,288.85	Container/Month	7/1/19
	16	6 Times/Week	\$3,835.70	\$3,950.80	Container/Month	7/1/19
		Extra Pickup				
	16	1 cubic yard	\$80.85	\$83.30	Pickup	7/1/19
	16	2 cubic yards	\$101.25	\$104.30	Pickup	7/1/19
	16	3 cubic yards	\$129.30	\$133.20	Pickup	7/1/19
	16	4 cubic yards	\$176.90	\$182.25	Pickup	7/1/19
	16	6 cubic yards	\$270.40	\$278.55	Pickup	7/1/19
		Cart Service (Trash):				
	16	20-Gallon (residential)	\$23.25	\$23.95	Container/Month	7/1/19
	16	32-Gallon	\$33.90	\$34.95	Container/Month	7/1/19
	16	64-Gallon	\$67.80	\$69.90	Container/Month	7/1/19
	16	96-Gallon	\$101.70	\$104.85	Container/Month	7/1/19

FEE SCHEDULE – UTILITY SERVICES

Exhibit I

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Commercial Compost Service:				
		32-gallon ²				
	16	1 Time/Week	N/A	\$12.80	Container/Month	7/1/19
	16	2 Times/Week	N/A	\$28.10	Container/Month	7/1/19
	16	3 Times/Week	N/A	\$43.40	Container/Month	7/1/19
	16	4 Times/Week	N/A	\$58.70	Container/Month	7/1/19
	16	5 Times/Week	N/A	\$74.00	Container/Month	7/1/19
	16	6 Times/Week	N/A	\$89.25	Container/Month	7/1/19
	16	Extra Pickup	N/A	\$10.00	Pickup	7/1/19
		64-gallon				
	16	1 Time/Week	\$50.85	\$25.60	Container/Month	7/1/19
	16	2 Times/Week	\$111.45	\$56.20	Container/Month	7/1/19
	16	3 Times/Week	\$171.55	\$86.75	Container/Month	7/1/19
	16	4 Times/Week	\$232.75	\$117.35	Container/Month	7/1/19
	16	5 Times/Week	\$293.50	\$147.95	Container/Month	7/1/19
	16	6 Times/Week	\$355.15	\$178.50	Container/Month	7/1/19
	16	Extra Pickup	\$33.70	\$19.95	Pickup	7/1/19
		96-gallon				
	16	1 Time/Week	\$76.30	\$38.35	Container/Month	7/1/19
	16	2 Times/Week	\$167.15	\$84.30	Container/Month	7/1/19
	16	3 Times/Week	\$257.35	\$130.15	Container/Month	7/1/19
	16	4 Times/Week	\$349.20	\$176.00	Container/Month	7/1/19
	16	5 Times/Week	\$440.65	\$221.90	Container/Month	7/1/19
	16	6 Times/Week ²	\$533.15	\$267.75	Container/Month	7/1/19
	16	Extra Pickup	\$50.50	\$29.90	Pickup	7/1/19
		Compactor Service (Compost):				
	16	Per Compacted Yard	\$49.20	\$50.70	Pickup (on-call and regular service)	7/1/19
	16	10 cubic yards	\$491.65	\$506.65	Fixed	7/1/19
	16	20 cubic yards	\$983.25	\$1,013.25	Fixed	7/1/19
	16	25 cubic yards	\$1,229.10	\$1,266.60	Fixed	7/1/19
	16	30 cubic yards	\$1,474.90	\$1,519.90	Fixed	7/1/19
	16	35 cubic yards	\$1,720.70	\$1,773.20	Fixed	7/1/19
	16	40 cubic yards	\$1,966.50	\$2,026.50	Fixed	7/1/19
		Compactor Service (Recycling):				
	16	Per Compacted Yard	\$16.40	\$16.90	Pickup (on-call and regular service)	7/1/19
	16	10 cubic yards	\$163.90	\$168.90	Fixed	7/1/19
	16	20 cubic yards	\$327.75	\$337.75	Fixed	7/1/19
	16	25 cubic yards	\$409.70	\$422.20	Fixed	7/1/19
	16	30 cubic yards	\$491.65	\$506.65	Fixed	7/1/19
	16	35 cubic yards	\$573.60	\$591.10	Fixed	7/1/19
	16	40 cubic yards	\$655.50	\$675.50	Fixed	7/1/19

FEE SCHEDULE – UTILITY SERVICES

Exhibit I

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
		Compactor Service (Trash):				
	16	Per Compacted Yard	\$65.55	\$67.55	Pickup (on-call and regular service)	7/1/19
	16	10 cubic yards	\$655.50	\$675.50	Fixed	7/1/19
	16	20 cubic yards	\$1,311.00	\$1,351.00	Fixed	7/1/19
	16	25 cubic yards	\$1,638.75	\$1,688.75	Fixed	7/1/19
	16	30 cubic yards	\$1,966.50	\$2,026.50	Fixed	7/1/19
	16	35 cubic yards	\$2,294.25	\$2,364.25	Fixed	7/1/19
	16	40 cubic yards	\$2,622.00	\$2,702.00	Fixed	7/1/19
		Debris Box:				
		Rental:				
	16	Daily (after 7 days)	\$15.15	\$15.65	Daily	7/1/19
	16	Monthly	\$460.85	\$476.05	Month	7/1/19
		Service:				
		Cardboard				
	16	16 cubic yards	\$174.85	\$180.10	Pickup (on-call and regular service)	7/1/19
	16	20 cubic yards	\$202.20	\$208.25	Pickup (on-call and regular service)	7/1/19
	16	25 cubic yards	\$229.50	\$236.35	Pickup (on-call and regular service)	7/1/19
	16	30 cubic yards	\$259.45	\$267.25	Pickup (on-call and regular service)	7/1/19
	16	40 cubic yards	\$307.40	\$316.65	Pickup (on-call and regular service)	7/1/19
		Compost or Yard Trimmings				
	16	16 cubic yards	\$524.55	\$540.30	Pickup (on-call and regular service)	7/1/19
	16	20 cubic yards	\$606.50	\$624.75	Pickup (on-call and regular service)	7/1/19
	16	25 cubic yards	\$688.40	\$709.05	Pickup (on-call and regular service)	7/1/19
	16	30 cubic yards	\$778.35	\$801.75	Pickup (on-call and regular service)	7/1/19
	16	40 cubic yards	\$922.20	\$949.85	Pickup (on-call and regular service)	7/1/19

FEE SCHEDULE – UTILITY SERVICES

Exhibit I

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
	16	Trash: 8 cubic yards (rock box only)	\$666.20	\$686.20	Pickup (on-call and regular service)	7/1/19
	16	16 cubic yards	\$699.40	\$720.40	Pickup (on-call and regular service)	7/1/19
	16	20 cubic yards	\$808.65	\$832.95	Pickup (on-call and regular service)	7/1/19
	16	25 cubic yards	\$917.85	\$945.40	Pickup (on-call and regular service)	7/1/19
	16	30 cubic yards	\$1,037.80	\$1,068.95	Pickup (on-call and regular service)	7/1/19
	16	40 cubic yards	\$1,229.55	\$1,266.45	Pickup (on-call and regular service)	7/1/19
	16	Return Trip	\$18.00	\$19.00	Per trip	7/1/19
	35.35	<u>Wastewater Service:</u> Base Commercial	\$5.34/ unit (748 gallons) or fraction thereof of water consumed (\$37.38 min.)	\$5.51/ unit (748 gallons) or fraction thereof of water consumed (\$38.57 min.)	Quantity	7/1/19
	35.35	Commercial/Industrial, Chemical, Groundwater, Liquid Waste	\$9.08/ unit (1.7 x base) (748 gallons) or fraction thereof of water consumed (\$63.56 min.)	\$9.37/ unit (1.7 x base) (748 gallons) or fraction thereof of water consumed (\$65.59 min.)	Quantity	7/1/19
	35.35	Restaurant	\$10.42/ unit (1.95 x base) (748 gallons) or fraction thereof of water consumed (\$72.94 min.)	\$10.75/ unit (1.95 x base) (748 gallons) or fraction thereof of water consumed (\$75.25 min.)	Quantity	7/1/19
	35.35	Single-Family Residence, Duplex, Multiple Dwellings, Mobile Homes, and Trailer Courts	\$40.80	\$42.05	Dwelling Unit/Month	7/1/19
		<u>Water Service:</u> Backflow Prevention Devices (Commercial, Industrial)				
	35.27	5/8" to 1" meter	\$32.00	\$32.35	Monthly	7/1/19
	35.27	1.5" to 2" meter	\$48.80	\$49.30	Monthly	7/1/19
	35.27	3" meter	\$57.40	\$58.00	Monthly	7/1/19
	35.27	4" meter	\$67.80	\$68.50	Monthly	7/1/19
	35.27	6" meter	\$82.30	\$83.15	Monthly	7/1/19
	35.27	8" to 10" meter	\$101.25	\$102.30	Monthly	7/1/19

FEE SCHEDULE – UTILITY SERVICES

Exhibit I

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2018-19 Adopted	Fiscal Year 2019-20 Recommended	Fee Basis	Effective Date
	35.26(a)	Consumption Commercial/Nonresidential – Uniform	\$6.87	\$6.94	ccf/month	7/1/19
	35.26	Recycled Water	\$3.75	\$4.50	ccf/month	7/1/19
	35.26(a)	Residential – Multi-Family 0 to 2 ccf	\$5.15	\$5.21	ccf/month/ dwelling	7/1/19
	35.26(a)	>2 to 7 ccf	\$6.87	\$6.94	ccf/month/ dwelling	7/1/19
	35.26(a)	>7 ccf	\$10.99	\$11.10	ccf/month/ dwelling	7/1/19
	35.26(a)	Residential – Single-Family 0 to 3 ccf	\$5.15	\$5.21	ccf/month/ dwelling	7/1/19
	35.26(a)	>3 to 15 ccf	\$6.87	\$6.94	ccf/month/ dwelling	7/1/19
	35.26(a)	>15 ccf	\$10.99	\$11.10	ccf/month/ dwelling	7/1/19
	35.26(a)	Fire Service: Consumption – Uniform	\$6.87	\$6.94	ccf/month	7/1/19
	35.26(a)	Meter	\$12.84/inch diameter (\$51.36 min.)	\$12.97/inch diameter (\$51.88 min.)	Monthly	7/1/19
		Meter: Residential – Single-Family Residential – Multi-Family/ Commercial/ Recycled Water/ All Other:	\$15.15	\$15.35	Monthly	7/1/19
	35.26(a)	5/8" and 3/4" meters	\$15.15	\$15.35	Monthly	7/1/19
	35.26(a)	1" meter	\$30.30	\$30.70	Monthly	7/1/19
	35.26(a)	1.5" meter	\$60.60	\$61.40	Monthly	7/1/19
	35.26(a)	2" meter	\$97.00	\$98.25	Monthly	7/1/19
	35.26(a)	3" meter	\$181.80	\$184.20	Monthly	7/1/19
	35.26(a)	4" meter	\$303.00	\$307.00	Monthly	7/1/19
	35.26(a)	6" meter	\$606.00	\$614.00	Monthly	7/1/19
	35.26(a)	8" meter	\$969.60	\$982.40	Monthly	7/1/19
	35.26(a)	10" meter	\$1,454.40	\$1,473.60	Monthly	7/1/19
	35.28	Special Water Service: Hydrant Meter Construction	\$15.76	\$15.92	ccf/month	7/1/19

¹ In accordance with MVCC Section 35.41, the capacity-based charges shall be adjusted annually as part of the City's annual budget process by the percentage change in the Engineering News Record Construction Cost Index (ENR-CCI) for the previous year.

² New fee.

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FISCAL YEAR 2019-20

Recommended On-Going Changes
NON-DISCRETIONARYGeneral Operating Fund

CITYWIDE

City Utility Cost Increase (placeholder): \$ 100,000

Provides increased funding for City utility services used by City departments based on usage and utility rate adjustments.

Citywide Total **\$ 100,000**

INFORMATION TECHNOLOGY DEPARTMENT

Information Technology Licenses and Maintenance: \$ 146,200

Provides new and increased funding for the annual maintenance charges for the Library system, Microsoft Office, telephone system, the OneSolution Financial system, network firewall, and network storage.

Information Technology Department Total **\$ 146,200**

PUBLIC WORKS DEPARTMENT

Janitorial Cost Increases for City Facilities: \$ 91,900

Provides additional funding for contractual increases to janitorial services.

Congestion Management Agency Dues: \$ 29,700

Provides increased funding for the City's share of dues for the Congestion Management Agency.

Adaptive Signal Maintenance Agreement: \$ 22,100

Provides funding for monitoring and maintenance of the adaptive traffic signal systems on Grant Road and Shoreline Boulevard.

Rengstorff/Cristano Traffic Signal System and Streetlight: \$ 15,000

Provides funding for the shared maintenance, operation, repair, and utilities for the traffic signal system and streetlights at Rengstorff and Cristano. These costs are shared under an agreement with the County of Santa Clara

Public Works Department Total **\$ 158,700**

FISCAL YEAR 2019-20

Recommended On-Going Changes
NON-DISCRETIONARY**General Operating Fund**
(Continued)

COMMUNITY SERVICES DEPARTMENT

Aquatics Chemical Supplies: \$ 14,500

Provides increased funding for aquatic chemical supplies due to increased costs.

Per Ticket Fee: \$ 13,000 (offset by \$13,000 revenue)

Provides additional funding for increases related to the per ticket fee assessed on all ticket sales the vendor, ShoWare. The increase is fully cost recovered by fees charged to the performance.

Construction and Irrigation Supplies: \$ 12,000

Provides increased funding for materials and supplies for repairs and replacements at the City's parks and roadways due to increased costs.

Preview Magazine: \$ 9,000 (offset by \$9,000 revenue)

Provides additional funding for the increased cost to print and mail the Preview Magazine.

Parcel Landscape Contract: \$ 6,500

Provides increased funding for the increased cost of mowing and landscape services on undeveloped lots.

Audience Services Supplies: \$ 3,000

Provides increased funding for audience services materials and supplies at the Center for Performing Arts due to increased costs.

Community Services Department Total**\$ 58,000**

FIRE DEPARTMENT

iPad Data Plan: \$ 20,000

Provides additional funding to cover the cost of a monthly data service plan for 20 iPads used in place of mobile data computers (MDCs) on all fire apparatus that respond to emergencies.

Annual Firefighter Medical Exam: \$ 11,000

Provides additional funding for cost increases related to annual medical exams.

FISCAL YEAR 2019-20

Recommended On-Going Changes
NON-DISCRETIONARY**General Operating Fund**
(Continued)**Records Management System: \$ 8,500**

Provides additional funding for increased costs resulting from the migration to the Santa Clara County Image Trend records management system.

Annual iPad Replacement: \$ 6,600

Provides funding to for replacement of 7 iPads annually.

Fire Department Total**\$ 46,100**

POLICE DEPARTMENT

Shared Public Safety System Maintenance: \$ 155,000 (offset by \$155,000 revenue)

Provides additional funding to cover the full cost of the shared public safety system maintenance. The cities of Los Altos and Palo Alto reimburse the City for their share of the cost. Mountain View's share is in the base budget.

School Crossing Guard Services: \$ 65,300

Provides increased funding for school crossing guard services due to increased costs related to minimum wage.

False Alarm Outsourcing: \$ 38,500

Provides increased funding for false alarm billing and collection services due to increased costs.

County Criminal Justice System Services: \$ 13,200

Provides increased funding for the County's criminal justice system services due to increased costs.

Police Department Total**\$ 272,000****Total Non-Discretionary On-Going for General Fund****\$ 781,000**

FISCAL YEAR 2019-20

Recommended On-Going Changes
NON-DISCRETIONARYOther Funds

CITYWIDE

Shoreline Community**City Utility Cost Increase (placeholder):** \$ 125,000

Provides increased funding for City utility services used by City departments based on usage and utility rate adjustments.

Solid Waste Fund**City Utility Cost Increase (placeholder):** \$ 30,000

Provides increased funding for City utility services used by City departments based on usage and utility rate adjustments.

Citywide Total **\$ 155,000**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Liability Insurance Fund**Liability Insurances:** \$181,300

Provides increased funding for cost increases related to the City's liability insurances included self-insurance, excess property insurance, earthquake insurance, and flood insurance.

Finance and Administrative Services Department Total **\$ 181,300**

COMMUNITY DEVELOPMENT DEPARTMENT

Development Services Fund**Permitting System Maintenance:** \$ 25,000

Provides increased funding for maintenance of the City's permitting system.

Community Development Department Total **\$ 25,000**

PUBLIC WORKS DEPARTMENT

Solid Waste Fund**Commercial Composting Processing Fee:** \$ 10,000

Provides increased funding for the City's Commercial Composting Processing Program. Additional funds are needed to cover the increase in cost due to CPI.

FISCAL YEAR 2019-20

Recommended On-Going Changes
NON-DISCRETIONARY**Other Funds**
(Continued)Equipment Maintenance Fund**Permit Fees:** \$ 15,000

Provides funding for two annual permits fees, Bay Area Air Quality and California Air Resource Board.

Materials: \$ 4,400

Provides increased funding for materials due to cost increases.

Public Works Department Total**\$ 29,400**

COMMUNITY SERVICES DEPARTMENT

Shoreline Golf Links**Water Cost Increase:** \$ 28,600

Provides increased funding for water cost increases to maintain the golf course.

Net Operating Cost: \$ (82,000) (offset by \$74,800 reduced revenue)

Provides overall savings from estimated lower revenue. Estimated lower revenue is offset by reductions to personnel related costs (\$34,100), contracts (\$24,800), and other operating costs (\$23,100).

Shoreline Restaurant**Operating Costs:** \$ 1.8 million (offset by \$2.0 million revenue)

Provides funding for a full fiscal year's operating costs and revenue for Michael's Restaurant. The City entered into an operating agreement with Touchstone in January 2019.

Community Services Department Total**\$ 1,746,600****Total Non-Discretionary On-Going for Other Funds****\$ 2,137,300**

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FISCAL YEAR 2019-20

Recommended On-Going Changes
DISCRETIONARYGeneral Operating Fund

CITY ATTORNEY'S OFFICE

Senior Deputy City Attorney Position: \$ 240,700

Converts a limited-term Senior Deputy City Attorney position to ongoing to assist with the workload demands.

City Attorney's Office Total **\$ 240,700**

CITY MANAGER'S OFFICE

Senior Human Resources Analyst Position: \$ 200,500

Provides funding for a Senior Human Resources Analyst position to plan, implement, assess, and continually improve a more comprehensive Organizational Development program, freeing up resources of the Assistant City Manager, Human Resources Manager, and the other Senior Human Resources Analysts.

Analyst I/II-Environmental Sustainability Position: \$ 186,200

Converts a 0.50 limited-term Administrative Aide position to an ongoing Analyst I/II position. This position is needed to execute and coordinate significant and sustained residential and business outreach and engagement (See Attachment 5).

Office Assistant III Position: \$ 135,900

Provides funding for an Office Assistant III position. This position will provide support to the Environmental Sustainability Division (0.50) (See Attachment 5), City Manager's Office (0.25) and Human Resources Division (0.25).

Short-Term Rental Compliance Contract: \$ 80,000 (offset by \$80,000 revenue)

Provides funding to contract compliance services for the new Short-Term Rental Ordinance. Cost are fully offset by registration revenue.

Environmental Sustainability Training: \$ 4,000

Provides increased funding for training for Environmental Sustainability staff.

Environmental Sustainability Memberships: \$ 3,000

Provides increased funding for Environmental Sustainability memberships.

City Manager's Office Total **\$ 609,600**

FISCAL YEAR 2019-20

Recommended On-Going Changes
DISCRETIONARY**General Operating Fund**
(Continued)

INFORMATION TECHNOLOGY DEPARTMENT

Office Assistant III Position: \$ 135,900

Converts a 0.50 limited-term Secretary position to an ongoing Office Assistant III position to provide administrative support to the IT Department.

Information Technology Department Total **\$ 135,900**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

City-Wide Memberships: \$ 9,000

Provides increased funding for City-wide memberships such as the League of California Cities, Santa Clara County Cities Association, and ABAG due to cost increases.

Transportation Management Association: \$ 4,500

Provides increased funding for the City's membership to the Transportation Management Association. Funding is split with the Shoreline Community Fund, total additional funding requested is \$9,000.

Training, Conference and Travel: \$ 4,300

Provides increased funding for training, conference, and travel to allow staff to attend additional conferences, educational seminars, and training classes.

Finance and Administrative Services Department Total **\$ 17,800**

COMMUNITY DEVELOPMENT DEPARTMENT

Public Noticing: \$ 12,500

Provides increased funding for costs related to notice meetings. The noticing requirement has been increased to 750 feet which significantly increases the amount needed for postage and materials for public noticing requirements. An additional \$36,000 is recommended limited-period in the Development Services Fund.

Supplies: \$ 4,000

Provides increased funding for supplies, offset by a reduction for courier services.

FISCAL YEAR 2019-20

Recommended On-Going Changes
DISCRETIONARY**General Operating Fund**
(Continued)**Training, Conference, and Travel: \$ 1,500**

Provides increased funding for training, conference, and travel to allow the Planning Division staff to attend additional conferences, educational seminars, and training classes. There is an additional \$10,000 in the Development Services Fund.

Community Development Department Total **\$ 18,000**

PUBLIC WORKS DEPARTMENT

Associate Civil Engineer-Traffic Section Position (0.45): \$ 96,300

Converts a limited-term Associate Civil Engineer position to ongoing (the other 0.55 FTE is funded from the Development Services and Shoreline Community Funds) in the Traffic Section to assist with consistently heavy workload.

Associate Civil Engineer-Capital Projects Section Position: \$ 21,400 (\$214,000 offset by charges to CIPs)

Converts a limited-term Associate Civil Engineer position to ongoing. The position will support the heavy workload in the Capital Improvement Program. The increase in workload is related to new projects generated from high levels of development activity and the Council's focus on pedestrian and bicycle transportation.

Associate Civil Engineer-Capital Projects Section Position: \$ 21,400 (\$214,000 offset by charges to CIPs)

Provides funding for a new Associate Civil Engineer position. The position will support the heavy workload in the Capital Improvement Program and provides increased capacity. The increase in workload is related to new projects generated from high levels of development activity and the Council's focus on pedestrian and bicycle transportation.

Public Works Department Total **\$ 139,100**

COMMUNITY SERVICES DEPARTMENT

Parks and Open Space Worker I/II Position (0.35): No Net Cost (\$46,100 offset by a reduction in wages and contracts)

Provides funding for 0.35 FTE of a Parks and Open Space Worker I/II position. The other 0.65 FTE is in the Shoreline Community Fund. Converting contract services and hourly wages to a regular position will provide a stable, well trained workforce with dependable hours and avoid high turnover.

FISCAL YEAR 2019-20

Recommended On-Going Changes
DISCRETIONARY**General Operating Fund**
(Continued)**Building Attendant Wages for new Community Center: \$ 40,000**

Provides funding for increased Building Attendant hours to meet the staffing needs of the new Community Center in the evenings and on the weekends.

Tennis Nets and Windscreens: \$ 2,500

Provides funding to replace tennis nets and windscreens as needed annually for the City's 35 tennis courts.

Community Services Department Total**\$ 42,500**

LIBRARY SERVICES DEPARTMENT

Conversion of a 0.5 FTE Librarian I/II position to 1.0 Analyst I/II: \$ 102,200

Provides funding to increase a half-time Librarian I/II position to full-time Analyst I/II position. This position will provide analytical support to the management team and Librarians.

Convert 0.5 FTE Police Assistant Position to Hours: No Net Cost

Converts a 0.50 FTE Police Assistant position to hourly wages. This position provides a vital function in ensuring that the building is safe for everyone. It was converted from hours to a regular position for FY 2018-19. However, staff believes hourly staff will provide more flexibility of scheduling. Staff will also be exploring the use of a private security company to provide these services.

Books, eBooks, and Electronic Resources: \$ 51,800

Provides increased funding for Library materials, particularly eBooks.

Wayfinding Software Stackmap Subscription: \$ 3,700

Provides increased funding for the annual Stackmap subscription on the information kiosks.

Library Services Department Total**\$ 157,700**

FISCAL YEAR 2019-20

Recommended On-Going Changes
DISCRETIONARY**General Operating Fund**
(Continued)

FIRE DEPARTMENT

Special Operations Overtime for Training: \$ 51,000

Provides increased funding for overtime to allow the Tactical Rescue, Tactical Paramedics, and Type 2 Hazardous Materials Teams to attend Santa Clara County Quarterly Drills and Tactical Paramedics training.

Fire Department Total **\$ 51,000**

POLICE DEPARTMENT

Assistant Communications Operations Supervisor Position: \$ 227,200

Provides funding for an Assistant Communications Operations Supervisor position. This position will provide the Communications Operations Supervisor with administrative support for staff development, training program management, policy implementation, and supporting the frontline supervisors. The creation of this position requires an adjustment to the salary range of the Communications Operations Supervisor position, reflected in the cost of this position.

Background Investigations: \$ 20,000

Provides increased funding for background investigations of new hires due to the level of recruitment activity.

Livescan-Cannabis Applicants: \$ 5,000

Provides funding for fingerprinting services for employees of cannabis applicants, offset by application fees revenue already budgeted. Background screening fees are budgeted and cover the cost of fingerprinting.

Police Department Total **\$ 252,200**

Total Discretionary On-Going for General Fund **\$ 1,664,500**

FISCAL YEAR 2019-20

Recommended On-Going Changes
DISCRETIONARYOther Funds

NON-DEPARTMENT

Measure B Funds**Safe Routes to Schools (SRTS) Education Program:** \$ 184,900

Provides funding for the operations of a SRTS Education Program which promotes students walking/biking to school. This is fully funded via a grant using the 2016 Measure B funds. The City has previously provided matching funds for this program though federal grants awarded to the City. The Fiscal Year 2018-19 budget includes \$46,000 in limited-period funds to support the program while the court case for Measure B funds was being resolved.

Non-Department Total**\$ 184,900**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Shoreline Community**Transportation Management Association:** \$ 4,500

Provides increased funding for the City's membership to the Transportation Management Association. Funding is split with the General Operating Fund, total additional funding requested is \$9,000.

Finance and Administrative Services Department Total**\$ 4,500**

COMMUNITY DEVELOPMENT DEPARTMENT

Development Services Fund**Building Inspector I/II positions (2.0):** \$137,400 (\$387,400 offset by reduction in contracts)

Provides funding for two Building Inspector I/II positions to support the high level of development activity. Converting contract services to regular positions will address the high turnover of consultants and will be more cost efficient.

Training, Conference, and Travel: \$ 10,000

Provides increased funding for training, conference, and travel to allow the Planning Division staff to attend additional conferences, educational seminars, and training classes. There is an additional \$1,500 in the General Operating Fund.

Legal Retainer: \$ 5,000

Provides increased funding for legal consultation on land use law, California Environmental Quality Act (CEQA), and general legal issues related to both long-range and current planning projects.

FISCAL YEAR 2019-20

Recommended On-Going Changes
DISCRETIONARY**Other Funds**
(Continued)Below Market Rate (BMR) Housing Fund**Training, Conference, and Travel and Memberships:** \$ 5,000

Provides increased funding for training, conference, and travel to allow the Housing Division staff to attend additional conferences, educational seminars, and training classes, and for professional memberships.

Downtown Benefit Assessments Districts Fund**Biannual Collection of Parking Data:** \$ 12,000

Provides funding for outside professional contract services for collection of parking data.

Shoreline Community**Legal Retainer:** \$ 10,000

Provides increased funding for legal consultation on matters involving North Bayshore district planning. An additional \$10,000 is recommended as limited-period funding.

Community Development Department Total**\$ 179,400**

PUBLIC WORKS DEPARTMENT

Development Services Fund**Associate Civil Engineer-Traffic Section Position (0.30):** \$ 64,200

Converts a limited-term Associate Civil Engineer position to ongoing. This is funding for the allocation to the Development Services Fund for this position as mentioned in the GOF section above.

Shoreline Community**Associate Civil Engineer-Traffic Section Position (0.25):** \$ 53,500

Converts a limited-term Associate Civil Engineer position to ongoing. This is funding for the allocation to the Shoreline Community Fund for this position as mentioned in the GOF section above.

Wastewater Fund**Hourly Staff to Review Sewer Video:** \$ 50,000

Provides funding for hourly staff to support reviewing sewer video and report sewer issues for corrective action.

FISCAL YEAR 2019-20

Recommended On-Going Changes
DISCRETIONARY**Other Funds**
(Continued)Solid Waste Fund**Reclassification of an Environmental Compliance Specialist position to Associate Civil Engineer: \$ 38,200**

Provides funding to reclassify an Environmental Compliance Specialist position to Associate Civil Engineer based on an analysis showing a higher level of duties performed. This position will support reviewing, compiling and the ongoing management of the City's water/sewer/storm infrastructure-related technical documents, studies, and master plans, as well as supporting ongoing utility CIP and regulation compliance items.

Bike Lane Cleaning Services: \$ 18,000

Provides funding for weekly bike lane cleaning services. The City's protected bike lanes are too narrow to be cleaned by the City's street sweepers.

Equipment Maintenance Fund**Service Maintenance and Repair Contracts: \$ 107,000**

Provides increased funding for routine maintenance on all vehicles and equipment and unexpected repairs due to increased cost of services.

Training, Conference, and Travel: \$ 3,600

Provides increased funding for training, conference, and travel to allow staff to attend additional conferences, educational seminars, and training classes.

Public Works Department Total**\$ 289,500**

COMMUNITY SERVICES DEPARTMENT

Shoreline Community**Parks and Open Space Worker I/II Position (1.65 FTE): No Net Cost (\$217,300 offset by a reduction in wages and contracts)**

Provides funding for 1.65 FTE Parks and Open Space Worker I/II positions. The other 0.35 FTE is in the General Operating Fund. Converting contract services and hourly wages to a regular position will provide a stable, well trained workforce with dependable hours and avoid high turnover.

Community Services Department Total**\$ 0****Total Discretionary On-Going for Other Fund****\$ 658,300**

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Funded From Fiscal Year 2018-19 Carryover)

General Fund

CITY MANAGER'S OFFICE

Human Resources Analyst I/II Position: \$ 160,000

Provides continued funding for a Human Resources Analyst I/II position. This position will be fully dedicated to assist with the high volume of recruitments.

Management Fellow Position: \$ 145,000

Provides continued funding for a Management Fellow position. The objective of this position is to provide increased capacity and an increased level of analytical rigor for important department and citywide projects.

Citywide Succession Planning: \$ 125,000

Provides continued funding for Citywide Succession Planning efforts. The funds will be used to continue the City's Leadership Development Program and provide other resources to develop staff and prepare the organization for potential retirements.

Human Resources Analyst Wages: \$ 100,000

Provides continued funding for the Human Resources Analyst hourly wages. The funding will provide dedicated resources for the high volume of recruitments and support special projects.

Employee Relations/Labor Negotiations Attorney Services: \$ 95,000

Provides funding for Attorney Services to lead the negotiation process for the labor agreements expiring June 30, 2020. Also provides funding for legal advice on general employee relation matters.

Employee Wellness Program: \$ 53,000

Provides continued and increased funding for the purchase and delivery of healthy snacks to City offices to expand on the initiatives of the Wellness Committee.

Sustainability Outreach and Engagement Program: \$ 50,000

Provides funding to expand the City's outreach program in support of Environmental Sustainability Action Plan 4 (ESAP-4) (See Attachment 5).

Multi-Lingual Community Coordinator Position (0.25): \$ 35,800

Provides funding for 0.25 FTE Multi-Lingual Community Coordinator position to make three-quarter-time. This additional FTE will support the demand for translation services, the Leadership Academy, and Census 2020.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES
(Continued)

Communications Coordinator Position (0.10): \$ 21,100

Provides funding for 0.10 FTE Communications Coordinator position. Another 0.40 FTE is in the Community Services Department to support the Center for Performing Arts. The additional resources will provide improved public communication.

Commute Benefits: \$ 15,000

Provides funding for incentives and resources to support the City's participation in the Fair Value Commuting Pilot program.

2018 Community Greenhouse Gas (GHG) Inventory: \$ 10,000

Provides funding for consultant services to provide transportation data needed to conduct the 2018 community-wide GHG emissions inventory. The results will allow the City to evaluate the progress against its stated GHG emission reduction goals.

Multilingual Community Outreach Program (MCOP) Support: \$ 10,000

Provides continued funding for additional resources to the MCOP due to increased demand for translation, interpretation, outreach, and referral assistance. The funding will also be used for hourly staff time and supplies to continue the foreign language speakers Civic Leadership Academy, Spanish language CERT, and the PEP emergency preparedness program.

City Manager's Office Total**\$ 819,900**

INFORMATION TECHNOLOGY DEPARTMENT

Professional IT Services: \$ 225,000

Provides funding for consultant services to assist with the backlog of funded infrastructure and capital improvement projects that cannot be executed due to limited resources.

Smart City Innovation: \$ 150,000

Provides funding for consulting services to help implement new technology and innovations to increase staff's efficiency and/or provide new services to the community.

Public Records Act Management Software: \$ 40,000

Provides funding for software to provide more efficient management of public records requests.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

SharePoint Consultant: \$ 15,000

Provides funding for consulting services to integrate information from an obsolete Public Works software system into the SharePoint software system.

Envisio Software: \$ 15,000

Provides funding for a software system to better track City Council goals and other projects.

Open City Hall Subscription: \$ 12,000

Provides continued funding for the Open City Hall Subscription. This software allows the City to post questions and collect feedback from the community.

Information Technology Department Total**\$ 457,000**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Consultant Services: \$ 50,000

Provides placeholder funding for consulting services to support special projects.

Regional Airplane Noise Round Table: \$ 22,800

Provides continued funding provided for by a memorandum of understanding for the regional airplane noise round table.

Finance and Administrative Services Department Total**\$ 72,800**

COMMUNITY DEVELOPMENT DEPARTMENT

Soft-Story Building Study (rebudget): \$ 175,000

Rebudgets funding for a study on soft-story buildings in the City and propose potential programs and incentives that could be adopted to retrofit these structures. The total funding of \$268,000 is allocated between the General Non-Operating and Development Services Funds.

Visual Arts Committee: \$ 60,000

Provides continued funding for consultant services to develop a Public Arts Strategy and also to continue the Sidewalk Studios Pilot program.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Lot 12 Development: \$ 50,000

Provides continued funding to move forward with the development of Lot 12. Next steps include retaining Attorney services to prepare the legal documents and a parking consultant to review any parking proposals. Total funding of \$150,000 is allocated between the General Non-Operating and Below-Market-Rate Housing Funds.

El Camino Real Light Pole Banners (rebudget): \$ 40,000

Rebudgets funding to create and install new City banners on El Camino Real. The banners will create a consistent look that will identify the City's boundaries and promote the City.

Secretary – Economic Development Division Position (0.15): \$ 23,600

Provides continued funding for a 0.15 FTE of a Secretary position to support the Economic Development division (the other 0.35 FTE is funded from the Downtown Benefit Assessment District Fund and the Shoreline Community Fund).

Technology Showcase: \$ 20,000

Provides continued funding for consultant services and event operations for the fourth Technology Showcase. The Technology Showcase is becoming a premier Silicon Valley event for local technology products and service demonstrations drawing over 1,500 attendees.

Community Development Department Total**\$ 368,600**

PUBLIC WORKS DEPARTMENT

Program for Sidewalk Ramping, Grinding, and Inspecting: \$ 75,000

Provides continued funding to hire hourly seasonal workers to continue performing sidewalk ramping and grinding operations. Also provides increased funding for bimonthly sidewalk inspections to target areas needing repair.

Hourly Staff to Support the Traffic Section: \$ 60,000

Provides continued funding for hourly staff to support the Traffic Section. The increase in workload is mainly attributable to the high level of development activity.

Hourly Staff to Support the Capital Projects Section: \$ 60,000

Provides continued funding for hourly staff to support the Capital Projects Section. The increase in workload is mainly attributable to the large number of capital projects.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Peninsula Bikeway Phase II/Bike Racks: \$ 54,700

Provides funding to be received from the Valley Transportation Authority under a funding agreement to be used for the Peninsula Bikeway Study/Phase II (\$39,700) and to add bicycle parking racks at select locations throughout the City (\$15,000).

Hourly Staff to Support the Transportation Section: \$ 30,000

Provides funding for hourly staff to support the Transportation Section. The increase in workload is mainly attributable to the increased volume of transportation issues.

Window and Blind Cleaning: \$ 25,000

Provides funding for window and blind cleaning for a portion of City facilities. Funding for the remaining facilities will be requested for Fiscal Year 2020-21.

Transportation Management Association/Transportation Demand Management Initiatives: \$ 20,000

Provides funding for initiative to expand services beyond shuttles and beyond the current service areas.

Public Works Inspector I/II Overhire-Construction Section Position: \$ 19,400 (\$193,700 offset by charges to CIPs)

Provides continued funding for a Public Works Inspector I/II Overhire position. The position will support the high level of private development related construction activity in North Bayshore. This position is also being recommended to support succession planning.

Public Works Department Total**\$ 344,100**

COMMUNITY SERVICES DEPARTMENT

Communications Coordinator Position (0.40): \$ 84,300

Provides funding for 0.40 FTE Communications Coordinator position. Another 0.10 FTE is in the City Manager's Office. The additional resources will provide continued support for marketing and public relations.

New Community Center – Pilot Program for Day Porter Services: \$ 44,100

Provides continued funding for additional janitorial services, room setup/teardown, and support for special events at Recreation facilities. These resources will provide a day porter at the new Community Center.

CPA Lobby Furniture: \$ 33,500

Provides funding to replace furniture in the lobby of the Center for Performing Arts.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES
(Continued)

Thursday Night Live Special Events: \$ 16,200 (offset by \$10,000 in sponsorships)

Provides continued funding for two Thursday Nights Live special events for a total of six consecutive Thursday nights over the summer. The additional events will start in the Summer of 2020.

Senior Center Exercise Equipment: \$ 13,500

Provides funding to replace exercise equipment at the Senior Center.

Senior Center Blinds: \$ 9,900

Provides funding to replace the blinds at the Senior Center.

Aquatics Operations and Training Equipment: \$ 9,900

Provides funding to replace Aquatics operations and training equipment.

Community Services Department Total**\$ 211,400**

LIBRARY SERVICES DEPARTMENT

Folding Tables and Chairs: \$ 5,600

Provides funding for the purchase of additional folding tables and chairs.

Library Services Department Total**\$ 5,600**

FIRE DEPARTMENT

Firefighter Recruit Academy: \$ 497,000

Provides continued funding for Firefighter recruits to attend the Firefighter Academy for three months and for approximately one month transition-to-shift schedules. The level of recruitments will continue to be high due to the number of current and expected vacancies/retirements.

Special Operations Program (rebudget balance): \$ 156,700

Rebudgets the balance of funding for the formalization of a Special Operations Program. The funding provides training and equipment for Technical Rescue and Tactical Medic Programs over a three year period, and this is the third year.

HazMat Training: \$ 139,800

Provides funding for training new HazMat team members in anticipation of retirements.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Training and Education: \$ 90,000

Provides funding for training and education to meet the State and National Training Standards for Fire Captain, Fire Engineer and Firefighter/Paramedic.

Entry-Level Recruitment Program: \$ 30,000

Provides continued funding to for recruitment programs. The funding will cover the personnel cost of attending career day and recruitment fairs in an effort to attract diversity and market the MVFD to entry level candidates.

City's Antique Fire Apparatus: \$ 30,000

Provides continued funding to support the maintenance and restoration of the City's Antique Fire Apparatus and other historical Mountain View Fire Department memorabilia.

Community Risk Assessment: \$ 25,000

Provides funding for consultant services to conduct a Community Hazard and Risk Assessment of fire resources based on future growth in the City. Total funding of \$75,000 is allocated between the General Non-Operating and Shoreline Community Funds.

Consolidated Dispatch Consultant (rebudget): \$ 20,000

Rebudgets funding for a regional consolidation of dispatch services feasibility study or implementation actions. Several fire departments within Santa Clara County have identified regional fire dispatch as an area of opportunity for regional collaboration to increase efficiencies and lessen the strains on our Dispatch Center.

VHF Infrastructure Maintenance: \$ 15,000

Provides funding to maintain the conventional very high frequency (VHF) infrastructure and channels. All Santa Clara County fire agencies are in the process of migrating to the Silicon Valley Regional Communications System (SVRCS).

Fire Department Total**\$ 1,003,500**

POLICE DEPARTMENT

Police Officer Position-Community Outreach: \$ 264,000

Provides continued funding for a Police Officer position. This position focuses on improving the effectiveness of the Police Department's handling of community concerns and issues related to vulnerable populations, to include homeless and the mentally ill. In addition, the officer would coordinate and expand the Department's Crisis Intervention Training (CIT) efforts (See Attachment 6).

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Two Public Safety Dispatcher Overhire Positions: \$ 199,000

Provides continued funding for two Public Safety Dispatcher Overhire positions at 50 percent funding. These positions are requested due to anticipated vacancies and the lengthy selection and training process.

Two Police Officer Trainee Positions: \$ 91,000

Provides continued funding for two Police Officer Trainee positions at 25 percent funding. Police Officer Trainees provide flexibility for current and anticipated vacancies. There are multiple vacant Police Officer positions and additional vacancies anticipated in the next 12 months

Community Services Officer (CSO) Position (0.50): \$ 87,000

Provides continued funding for a half-time CSO position. The position will provide additional deployable hours to improve patrol team coverage due to a re-assignment of a CSO and will also support succession planning efforts.

State-Allocated Assembly Bill 109 (AB109) Funds (rebudget): \$ 75,500

Rebudgets funding received as part of the Public Safety Realignment Act. The department intends to use these funds for technology projects.

Senior System Specialist Overhire Position: \$ 57,000

Provides funding for a Senior System Specialist Overhire position for 3 months funding. This position is requested due to anticipated vacancies and the lengthy selection and training process.

Towing Fee Subsidy: \$ 40,000

Provides funding for an incentive to towing companies to tow older RV's which may be in poor condition and have biohazard and hazardous materials clean-up needs (see Attachment 6).

Parking Enforcement Hourly: \$ 40,000

Provides funding to expand parking enforcement resources as needed (see Attachment 6).

Background Investigations: \$ 22,000

Provides funding for background investigations of new hires due to the level of recruitment activity. An additional \$20,000 is recommended as ongoing funding.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Public Safety Network Design (rebudget balance): \$ 20,000*Rebudgets the balance of funding for third-party consulting and technical services related to public safety computer network design, implementation of all-IP 9-1-1 and radio networks, and industry expertise with respect to federal information security policies and standards compliance.***Police Department Total****\$ 895,500****Total General Fund Limited-Period Expenditures****\$ 4,163,400**

(New \$3,676,200; Rebudget \$487,200)

Rebudgets are italicized and are Fiscal Year 2018-19 non-operating appropriations that are unspent and recommended to be carried over to Fiscal Year 2019-20.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Other Funds

NON-DEPARTMENT

CASp and Training Fund**Certified Access Specialist (CASp) Training:** \$ 50,300 (\$33,800 rebudget)

Budgets new revenue received through December 31, 2018 and rebudgets the balance of funding previously received for CASp Training per Assembly Bill (AB) 1379. The City collects four dollars for every business license issued and retains 90 percent of the funds. The City is required to use the funds on CASp training and certification to facilitate compliance with construction-related accessibility requirements.

Non-Department Total**\$ 50,300**

INFORMATION TECHNOLOGY DEPARTMENT

Water Fund**GIS contract:** \$ 100,000

Provides placeholder funding for a contract to support the GIS system to enhance the timeliness of entering new data into the system.

Information Technology Department Total**\$ 100,000**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Retirees' Health Fund**Retirees' Health Actuarial Valuation:** \$ 30,000

Provides funding to update of the valuation of retirees' health (OPEB) which is required to be updated every two years.

Finance and Administrative Services Department Total**\$ 30,000**

COMMUNITY DEVELOPMENT DEPARTMENT

Development Services Fund**Associate Planner Position:** \$ 189,900

Provides continued funding for an Associate Planner position to support the continued high level of development activity and provide additional support at the Development Services Counter.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Transportation Demand Management Ordinance: \$ 100,000

Provides funding for the General Plan action item for a consultant to help prepare a Transportation Demand Management Ordinance.

Soft-Story Building Study (rebudget): \$ 93,000

Rebudgets funding for the allocation to the Development Services Fund as mentioned in the General Fund section above.

Community Benefit Financial Study for Gatekeeper Applications (rebudget): \$40,000

Rebudgets funding to be used to conduct a Community Benefit Financial Study for Gatekeeper Applications.

Precise Plan Noticings: \$ 36,000

Provides continued funding for noticing of planning projects. The notices are mailed to the Precise Plan areas to notify residents of Study Sessions, Public Hearings, and neighborhood meetings. An additional \$10,000 is recommended ongoing in the GOF.

New Building Code Materials: \$ 20,000

Provides funding to purchase new sets of code books (both hard copy and electronic) for staff and a set for the City Library. On a triannual basis, the State of California adopted a new series of codes that the Building Inspection Division is required to learn and apply during plan check and inspections.

Below Market Rate (BMR) Housing Fund**Lot 12 Development:** \$ 100,000

Provides continued funding to move forward with the development of Lot 12. Next steps include retaining Attorney services to prepare the legal documents and a parking consultant to review any parking proposals. Total funding of \$150,000 is allocated between the General Non-Operating and Below-Market-Rate Housing Funds.

Fair Housing Assessment: \$ 85,000 (\$60,000 rebudget)

Provides \$25,000 new funding and rebudgets \$60,000 for Fair Housing Assessment as required by HUD as a condition of CDBG and HOME funding.

BMR Affordable Housing Program (rebudget balance): \$ 50,000

Rebudgets funding for consultant services required as a component of the City Council requested Phase II assessment and possible modification of the program.

Housing Intern: \$ 22,000

Provides funding for a Housing Intern to assist with workload.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Downtown Benefit Assessments Districts Fund**Downtown Parking Consultant Services/Long-Term Solutions:** \$300,000

Provides continued and new funding to be used to develop shared parking solutions, for consultant services, and for a transportation demand pilot program.

Secretary – Economic Development Division Position (0.25): \$ 39,600

Provides continued funding for the allocation to the Downtown Benefit Assessment District Fund for the new half-time position as mentioned in the GOF section above.

Parking Lot Pressure Washing: \$20,000

Provides funding to pressure wash and deep clean the City's two parking garages.

Shoreline Community Fund**Secretary – Economic Development Division Position (0.10):** \$ 15,700

Provides continued funding for the allocation to the Shoreline Community Fund for the new half-time position as mentioned in the GOF section above.

Legal Retainer: \$ 10,000

Provides funding for legal consultation on matters involving North Bayshore district planning. An additional \$10,000 is recommended as ongoing funding.

Community Development Department Total**\$ 1,121,200**

PUBLIC WORKS DEPARTMENT

Development Services Fund**Consultants to Support Land Development Section:** \$ 450,000

Provides continued funding for consultants to support the Land Development Section. Additional resources are necessary to process the additional workload created by the high level of development activity.

Consultants to Support Construction Section: \$ 400,000

Provides continued funding for consultants to support the Construction Section. Additional resources are necessary to process the additional workload created by the high level of development activity.

Associate Civil Engineer-Construction Section Position: \$ 214,000

Provides continued funding for an Associate Civil Engineer position. This position will support the increased workload in the Construction Section due to the high level of private development and related excavation permits activity.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Associate Civil Engineer-Land Development Section Position: \$ 214,000

Provides continued funding for an Associate Civil Engineer position. This position will support the increased workload in the Land Development Section due to the high level of development activity and higher complexity of projects.

Consultants to Support Traffic Engineering Section: \$ 100,000

Provides continued funding for consultants to support the Traffic Engineering Section. The increase in activity is mainly attributable to the approval of the three Precise Plans. The total funding of \$150,000 is allocated between the Development Services Fund and the Shoreline Community Fund.

Hourly Staff to Support the Land Development Section: \$ 60,000

Provides continued funding for hourly staff to support the Land Development Section. The increase in workload is mainly attributable to the high level of development activity.

Hourly Staff to Support the Construction Section: \$ 60,000

Provides continued funding for hourly staff to support the Construction Section. The increase in workload is mainly attributable to the high level of development activity.

Associate Civil Engineer-Land Development Section Position (0.25): \$ 53,500

Provides continuation funding for 0.25 FTE of an Associate Civil Engineer position (the other 0.75 FTE is funded from the Shoreline Community, Water, and Wastewater Funds). This position will support the increased workload in the Land Development Section due to the high level of development activity and higher complexity of projects.

Shoreline Community Fund**Associate Civil Engineer-Land Development Section Position (0.25): \$ 53,500**

Provides continuation funding for the allocation to the Shoreline Community Fund for this position as mentioned in the Development Services Fund section above.

Consultants to Support Traffic Engineering Section: \$ 50,000

Provides continued funding for the allocation to the Shoreline Community Fund for consultants to support the Traffic Engineering Section as mentioned in the Development Services Fund section above.

Water Fund**Associate Civil Engineer-Engineering and Environmental Compliance Section Position: \$ 214,000**

Provides continued funding for an Associate Civil Engineer position. Additional staff resources are necessary to comply with recycled water regulations.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES
(Continued)

Hourly Utility Locating: \$ 66,000

Provides funding to hire hourly help to provide utilities locating services. Due to the significant number of planned commercial and residential projects throughout the City, staff will be unable to provide timely services with current staffing.

Associate Civil Engineer-Land Development Section Position (0.25): \$ 53,500

Provides funding for the allocation to the Water Fund for this position as mentioned in the Development Services Fund section above.

Wastewater Fund**Associate Civil Engineer-Land Development Section Position (0.25):** \$ 53,500

Provides funding for the allocation to the Wastewater Fund for this position as mentioned in the Development Services Fund section above.

Solid Waste Fund**Administrative Aide-Solid Waste Section Position:** \$ 159,800

Provides continued funding for an Administrative Aide position to assist with increasing responsibilities and workload due to new regulations and a commitment to zero waste. In addition, the next couple of years will be particularly challenging due to the upcoming simultaneous expiration of the hauling (Recology), processing (SMaRT Station) and landfill (Waste Management) agreements.

Equipment Maintenance and Replacement Fund**Hourly Staff to Support the Fleet Section:** \$ 25,000

Provides continued funding for hourly staff to continue supporting the Fleet Section. The additional resources will allow for an on-site fabricator and Police fleet liaison. The fabricator performs on-site metal work to create and repair vehicle and equipment components. The Police fleet liaison will assist with the specialized work involved in preparing specifications for and the upfitting of new police vehicles.

Public Works Department Total**\$ 2,226,800**

FIRE DEPARTMENT:

Development Services Fund**Strong Motion Instrumentation Program (SMIP) (rebudget balance):** \$ 33,000

Rebudgets the balance of funding available for SMIP funds to be used for a Community Emergency Response Team (CERT) grant program.

FISCAL YEAR 2019-20

Recommended
LIMITED-PERIOD EXPENDITURES

(Continued)

Shoreline Community Fund**Community Risk Assessment:** \$ 50,000

Provides funding for consultant services to conduct a Community Hazard and Risk Assessment of fire resources based on future growth in the City. Total funding of \$75,000 is allocated between the General Non-Operating and Shoreline Community Funds.

Wastewater Fund**Consultant Services for Web-Based Reporting (rebudget):** \$ 20,000

Rebudgets funding to create an electronic reporting system. The State requires all local government agencies to electronically report hazardous materials business plan, inspection, and enforcement information.

Fire Department Total**\$ 103,000****Total Other Funds Limited-Period Expenditures****\$ 3,631,300**

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CITY OF MOUNTAIN VIEW

MEMORANDUM

City Manager's Office

DATE: April 25, 2019

TO: City Council

FROM: Audrey Seymour Ramberg, Assistant City Manager/
Chief Operating Officer

VIA: Daniel H. Rich, City Manager

SUBJECT: Fiscal Year 2019-20 Funding for Sustainability

PURPOSE

The purpose of this memorandum is to communicate the approach and timing for allocating funds to support the City's Sustainability Program.

BACKGROUND

The City Council established the Environmental Sustainability Task Force 2 (ESTF-2) in 2017 in support of its 2017-19 Major Goal to promote sustainability. ESTF-2, which began meeting in September of that year, developed a report with 36 recommendations that it believes the City must undertake in order to achieve its greenhouse gas (GHG) reduction targets. The Task Force presented these recommendations to Council on June 26, 2018. Council acknowledged the importance of the ESTF-2's work and also the significant resources and operational and structural implications that would be associated with adopting all of the Task Force's recommendations. To determine the most effective path forward, Council directed staff to analyze the recommendations and approved funding for a consultant study, which commenced in October 2018, to assess the existing Sustainability Program and develop a strategic plan to provide options related to staffing levels and organizational structure for the City's sustainability efforts.

Staff returned to Council on December 4, 2018 with its analysis of the GHG reduction benefits and costs associated with the ESTF-2's 36 recommendations. In some instances, staff came to different conclusions about the feasibility, impact, and costs of the recommendations, but concurred with the majority of them. Staff also provided a preliminary estimate that the net cost to the City to implement all of the recommendations would be more than \$82 million through 2030 (compared to the \$62 million ESTF-2 estimate). In the December 4 report, staff stated that prioritization and

phased implementation are required in order to establish a feasible and fiscally sustainable work plan for accomplishing the City's sustainability goals along with other City priorities.

DISCUSSION

As mentioned above, the consultant study begun in the fall includes a strategic plan with options for how the City could move forward to achieve its sustainability goals. Staff will present these options to Council at a Study Session on April 30, 2019, with three possible levels of response. For each level of response, staff will describe the anticipated progress on sustainability goals, types of strategies, potential actions, resources needed, and an estimated placeholder budget. Staff will seek direction from Council on the options and include the associated placeholder budget in the Fiscal Year 2019-20 Proposed Budget document, which will come to Council on June 11, 2019. More detailed allocations within this placeholder will be determined through the planning and approval of the next Environmental Sustainability Action Plan (ESAP-4).

Since the sustainability Study Session on April 30 will occur after the Narrative Budget Study Session on April 25, the Fiscal Year 2019-20 Narrative Budget does not yet include the funding associated with any of the three options. However, there are some proposals related to the Sustainability Program that staff considers to be appropriate in any event, and these have been included in the Narrative Budget. These proposals are to establish sustainability as a division in the City Manager's Office with a core staffing level of 3.5 FTEs, which represents an additional, ongoing, full-time Analyst and an additional ongoing, half-time administrative staff member.

ASR/KB/3/MGR
602-04-25-19M



CITY OF MOUNTAIN VIEW

MEMORANDUM

City Manager's Office

DATE: April 25, 2019

TO: City Council

FROM: Kimberly S. Thomas, Assistant to the City Manager

VIA: Daniel H. Rich, City Manager

SUBJECT: Fiscal Year 2019-20 Budget for Homeless Initiatives and Parking Enforcement Strategies

PURPOSE

The purpose of this memorandum is to provide information regarding recent action and funding direction related to the City's homeless initiatives and parking enforcement strategies.

BACKGROUND

On March 19, 2019, the Council provided direction on a number of items to move forward and be included as part of the Fiscal Year 2019-20 budget. Some of the items presented at the March 19, 2019 City Council meeting have already been incorporated into the Narrative Budget as noted in the chart below; other items will be included with the Proposed Budget presented in June.

SUMMARY

The table on the next page is based on the one included in the March 19, 2019 Council report with updates to prospective costs and funding recommendations. The *initial funding* request was noted as approximately \$833,000 with a range up to approximately **\$900,000** with other needs associated with safe parking (e.g., adding approximately \$32,000 for the waste vouchers, and there is need for a contingency for the two new safe parking sites approved at Shoreline and a lot presently in negotiations.

There is also a *new* associated homeless service that was not part of the March 19, 2019 Council direction, but is recommended for the Community Services Department for

\$10,000 in limited-period funding to continue a contract with San Jose Conservation Corps for homeless encampment cleanups.

These combined requests total **\$914,000**.

Refined Recommendations from March 19, 2019 Council Direction		
Enforcement-Related (<i>Recommended Funding Source – General Non-Operating Fund</i>):	Links to Housing/PSH/Safe Parking (<i>Recommended Funding Source – Successor Housing Agency Fund</i> ***)	Waste Management (<i>Recommended Funding Source – General Housing (Boomerang) Fund</i> ****):
<ul style="list-style-type: none"> Continue Police Outreach Officer (~\$264,000) <i>*Limited-term position included in the Narrative Report</i> Continue Police extra hourly for enforcement(~\$40,000) <i>*Limited-period funds included in the Narrative Report</i> Continue Police Tow Enhancement (~\$40,000) <i>*Limited-period funds included in the Narrative Report</i> Enforcement initiatives that will require more resources (placeholder funding ~\$200,000) New Esri GIS Program data management system to achieve the next step of enforcement priorities (~\$11,000) ** <p>New Associated Recommendation:</p> <ul style="list-style-type: none"> CSD – Homeless Encampment Cleanups (\$10,000) ** 	<ul style="list-style-type: none"> Continue Outreach Worker with possible scope change depending on characteristics of new policy direction (County will match \$60,000) (~\$60,000) Continue Case Worker for Permanent Supportive Housing for chronically homeless (PSH) (~\$125,000) Safe parking continuation or expansion at the PAHC lot, City-acquired lot, or Shoreline, etc. (~\$65,000) 	<ul style="list-style-type: none"> Continue Biohazard Waste Cleanup (~\$20,000) Continue Porta-Potti at Rengstorff Park (~\$12,000) Optional for safe parking is the possible expansion of waste disposal voucher program (The total would depend on scale/\$25 per RV, per week) <ul style="list-style-type: none"> – Estimated for two sites next fiscal year with about 20 RVs each, one for about 22 weeks, and the other as much as 42+ weeks of the new fiscal year = additional: ~\$32,000 Safe parking contingency (~\$35,000)
TOTAL: ~\$565,000 (\$344,000 included in the Narrative Report) (** Can be funded by GNOF or General Housing-Boomerang Funds)	TOTAL: ~\$250,000 (***Up to \$250,000 annually can be spent on homelessness prevention and rapid housing services.)	TOTAL: ~\$99,000 (****Current estimated balance available of \$170,000 plus annual \$51,000 available in Fiscal Year 2019-20.)

FISCAL YEAR 2019-20

Recommended
CAPITAL OUTLAYGeneral Operating Fund

Public Works Department:	\$ <u>10,000</u>
Towable Attenuator (1/3 funding)	10,000
Community Service Department	<u>132,400</u>
Rotary Mower (McKelvey Park)	47,800
Hybrid SUV	35,000
MainStage Masking Drapery	15,000
Inflatable Movie Screen	11,800
Castro St. Lamppost Banners	11,700
MainStage Dance Floor	11,100
Fire Department:	<u>124,700</u>
Hydraulic Tools (2)	80,300
Highway Vehicle Stabilization Kit (2) & HydraFusion Struts (4)	44,400
Police Department:	<u>257,800</u>
Special Operations Detective Vehicles (2)	97,000
Ballistic Shields (22)	58,800
SWAT Ballistic Vests (12)	39,000
Crisis Negotiation Team Call Box	35,000
Unmanned Aircraft System (Drone) (2) (Pending)	28,000
General Operating Fund Total	\$ <u>524,900</u>

FISCAL YEAR 2019-20

Recommended
CAPITAL OUTLAY

(Continued)

Other Funds

Community Development Department:

<u>Development Services Fund:</u>		\$ 70,000
Hybrid SUV (2) (Tied to new Building Inspector Positions)	70,000	

Public Works Department:

<u>Shoreline Regional Park Community Fund:</u>		<u>21,500</u>
Toxic Vapor Analyzers (1 of 2)	16,000	
Fusion Welding Machine (1/2 funding)	5,500	

<u>Water Fund:</u>		55,000
Water Quality Monitoring Devices (2)	45,000	
Towable Attenuator (1/3 funding)	10,000	

<u>Wastewater Fund:</u>		<u>10,000</u>
Towable Attenuator (1/3 funding)	10,000	

<u>Solid Waste Landfill Fund:</u>		<u>21,500</u>
Toxic Vapor Analyzers (2 of 2)	16,000	
Fusion Welding Machine (1/2 funding)	5,500	

Community Services Department:

<u>Golf Course/Restaurant Fund:</u>		<u>21,000</u>
Beverage Cart	18,000	
Upgrade Trencher 4" Walk to 6"	3,000	

Total Other Funds		\$ <u>199,000</u>
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Total Capital Outlay		\$ <u>723,900</u>
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FISCAL YEAR 2019-20
Recommended
EQUIPMENT REPLACEMENT

COMPUTERS: \$ 1,024,100

188	Computer	229,500
34	Switches (21 Rebudget)	209,800
14	Server (10 Rebudget)	100,800
1	CH-PD Link Server (Rebudget)	100,000
5	UPSs for Cisco Switches (Rebudget)	75,000
23	Printer	50,500
4	Plotter (Rebudget)	47,000
23	UPSs for Network Closet	46,000
1	Council Chamber PCs, Monitors	40,000
1	UPS CH Server Room (Rebudget)	35,000
7	Domain Controller	28,000
1	Atrium Conference Room AV System (Rebudget)	25,000
9	Firewall	16,500
2	Senior Center VDI Hosts	10,000
4	Portable Projectors Overhead Display	6,000
1	Security Appliance (Rebudget)	5,000

COMPUTER AIDED DISPATCH/RECORDS MANAGEMENT SYSTEM: 70,000

10	Mobile Data Computers	70,000
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COMMUNICATIONS CENTER: 137,000

11	Base (Rebudget)	56,000
2	Voter/Comparator (Rebudget)	32,000
4	Voting Receiver (Rebudget)	24,000
1	Remote Voter Monitor	16,000
3	UPS Batteries	9,000

FISCAL YEAR 2019-20

Recommended
EQUIPMENT REPLACEMENT

(Continued)

FLEET: \$ 646,000

4	¾ Ton Truck	240,000
4	Patrol (Rebudget)	200,000
1	Sweeper (Medium) (Rebudget)	75,000
1	Van-SUV	35,000
1	Sedan/Wagon	39,000
6	Undesignated	25,000
1	Trailer (Heavy Duty) (Rebudget)	20,000
2	Trailer (Small)	12,000

GOLF EQUIPMENT: 440,500

76	Electric Golf Carts	389,500
3	Utility Vehicle- Light Duty	27,000
1	Utility Vehicle- Ball Picker (Small)	14,000
1	Trencher- 4" Walk	10,000

TOTAL EQUIPMENT REPLACEMENT \$ 2,317,600
(New \$1,365,100; Rebudget \$952,500)

FISCAL YEAR 2019-20

CITY-WIDE MEMBERSHIPS

<u>Membership</u>	<u>Budget Amount</u>	<u>Responsible Department</u>
Sister City Membership	\$ 480	City Clerk
Alliance for Innovation	5,400 ⁽¹⁾	CMO
Association of Bay Area Governments (ABAG)	18,000 ⁽¹⁾	CMO
LAFCO	14,000	CMO
LCC Peninsula Division	100	CMO
League of California Cities	23,000 ⁽¹⁾	CMO
Mayor's Innovation	2,000	CMO
Mountain View Chamber of Commerce	1,000	CMO
National Association to Insure a Sound Controlled Environment (N.O.I.S.E.)	1,600 ⁽²⁾	CMO
National League of Cities	6,500 ⁽¹⁾	CMO
Santa Clara County Cities Assoc.	11,000 ⁽¹⁾	CMO
Sustainable Silicon Valley	1,500	CMO
Joint Venture Silicon Valley	20,000 ⁽³⁾	CDD
Bay Area Water Supply & Conservation Agency (BAWSCA)	244,000 ⁽⁴⁾	PWD
Congestion Management Agency	155,000 ⁽¹⁾	PWD
Cal Urban Water Conservation Council	3,200 ⁽⁴⁾	PWD
Transportation Management Assoc.	29,000 ^{(1)/ (3)}	PWD
Silicon Valley Library System	8,950	Library
Pacific Library Partnership	11,011	Library

(1) Includes recommended funding increase.

(2) Limited-Period funding.

(3) \$5,000 for Joint Venture Silicon Valley and \$14,500 for Transportation Management Association funded from Shoreline Regional Park Community.

(4) Funded by Water fund.

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MEMORANDUM

Library Services Department

DATE: April 25, 2019

TO: City Council

FROM: Tracy Gray, Library Services Director

VIA: Daniel H. Rich, City Manager

SUBJECT: Library Services Department Potential Fee Modification

RECOMMENDATION

1. Eliminate lost or damaged Library materials \$10.00 replacement fee.
2. Eliminate overdue fines on Library materials.

BACKGROUND

The Library Services Department continually analyzes nationwide standards of Library practice and looks for ways to improve Library services to better serve our Library customers. Over the past year, the Library staff has been researching and analyzing Library fines and fees and presented the Library Board with data, statistics, and information. The Library Board discussed and analyzed Library fines and fees over the course of several meetings. Ultimately, staff recommended to the Library Board to eliminate the \$10.00 lost or damaged Library materials replacement fee and to eliminate overdue fines on Library materials. The Library Board concurred.

ANALYSIS PROCESS

- Library staff presented the Library Board with fine and fee information of neighboring cities.
- Library staff presented the Library Board with fine and fee information and statistics related to the policies of the Mountain View Public Library.
- Library staff presented the Library Board with information about nationwide and Statewide libraries who have gone fine-free and what the impact has been.

- Library staff presented the Library Board with case studies and elements in favor of eliminating overdue fines.
- One of the Library Board members attended the California Library Association in November 2018 and attended specific programs related to Library fines and fees.
- Library Board members analyzed the various choices such as:
 - Fine forgiveness programs.
 - Eliminating overdue fines on Youth items.
 - Eliminating overdue fines on all items.
 - Continuing with the current fine structure.
- Library staff presented the Library Board with the staff recommendation:
 - Eliminate \$10.00 processing fee charge for lost and damaged items. Most processing occurs with the vendor, making it a superfluous charge on top of the cost of replacement of an item.
 - Eliminate overdue fines on Library materials, recommending treating all items the same rather than having different fine structures between youth and adult items to avoid bias.
- The Library Board presented their recommendation at their December 2018 meeting.

SUMMARY OF FINE ASSESSMENT AT NEARBY LIBRARIES

Most nearby libraries do not charge fines on Youth materials, and several are considering eliminating all fines.

The following Northern California libraries are currently fine-free:

- San Mateo County Library
- Contra Costa County Library
- Berkeley Public Library
- San Francisco Public Library: The commission voted to go fine-free. The San Francisco Board of Supervisors needs to vote on the Library's recommendations, but Mayor London Breed has already voiced her support.

FINES OF NEIGHBORING LIBRARIES

Library System:	MTN. VIEW	LOS GATOS	PALO ALTO	SAN JOSE	SANTA CLARA CITY	SANTA CLARA COUNTY	SUNNY-VALE
Standard Fine:	\$0.25/day, \$10.00 max	\$0.30/day, \$10.00 max	\$0.30/day, \$9.00 max	\$0.25/day, \$5.00 max	\$0.25/day, \$8.00 max	\$0.25/day, \$10.00 max	\$0.30/day, \$10.00 max
Standard Fine on Youth Items:	Standard Fine	No Fine unless not returned after 6 wks, then \$5.00 per item	No Fine	1-year pilot No Fine beginning July 2018	No Fine	No Fine	Standard Fine

Overdue Fines Collected
Peninsula Library System FY 2012-13 to FY2016-17



Peninsula Library System Member Libraries: Burlingame Public Library, San Mateo Community College Libraries, Daly City, Menlo Park, Redwood City, San Bruno, San Mateo City, San Mateo County, South San Francisco. Children and teen library cardholders do not accrue fines at any of these libraries. San Mateo County Library does not charge fines at all.

SNAPSHOT OF MOUNTAIN VIEW LIBRARY FINE STATISTICS, OCTOBER 2018

Number of Library customers with blocked accounts (owe \$25.00 or more) – cards are not expired:

- Adult: 889
- Teen: 35
- Juvenile: 151
- Patrons who owe over \$100.00: 153

The Mountain View Public Library annually removes Library accounts which have not been active in three (3) years. This is a standard practice to keep the database accurate, especially with vendors who charge for services by total number of Library cardholders. On average, there are typically 600 Library customers with blocked accounts because of Library fines and/or lost materials.

DISCUSSION ELEMENTS IN FAVOR OF ELIMINATING FINES

- Two fundamental Laws of Library Science: Books are for use. Every book its reader. If patrons have blocked accounts because of overdue fines, they do not have access to materials.
- Most libraries that have gone fine-free are seeing results in increased visits and circulation.
- Since Library customers in California can choose which library to use, fines may cause people to look elsewhere for their Library services, especially since other nearby cities are geographically close.
- Library fines are not meant to be a revenue generator. They were originally created because of scarcity of Library materials; however, with the age of the Internet and more access to materials, Library fines are becoming a barrier to access.
- Remove barriers and make accessing the Library easy, equitable, and enjoyable for everyone.
- It is quite possible that patrons do not return to the Library because they have blocked accounts. We want to allow all people afforded free and convenient access to Library resources.
- Electronic/downloadable materials do not have overdue fines; make all materials equitable.

CASE STUDIES AND RESEARCH

From: "Long Overdue: Eliminating Fines on Overdue Materials to Improve Access to San Francisco Public Library," January 2019.

<https://sfpl.org/uploads/files/pdfs/commission/Fine-Free-Report011719.pdf>

The study states, "It's not the unpleasantness of prodding late returners to pay up that's spurring California libraries to ditch overdue fines. Libraries are taking a hard look at overdue fines and concluding that they do more harm than good. Overdue fines accumulate and block access for low-income residents, the people who need libraries the most. And fines don't work that well to prod people to return books. Better ways exist that don't block access for people who need it. We found that approximately 5 percent of all library cardholders have their cards blocked because of overdue fines. Library borrowers regardless of income miss return deadlines at similar rates. About one-third of borrowers owe overdue fines or fees at any time. However, lower-income people have a harder time paying fines for overdue items. In the Bayview branch, which serves a lower-income area, 11 percent of people have their cards blocked. That's three times as high as at branches in many high-income areas. Numerous examples have shown that, even without overdue fines, libraries continue to experience timely returns and preserve the integrity of their collections. Several librarians said that the very existence of fines discourages people from using libraries. Patrons refuse to check out books for fear of fines. Most librarians in cities that went fine-free said their circulation increased after fines were eliminated. No library that eliminated overdue fines has experienced increases in late returns, longer hold times, or gaps in collections, according to our interviews with librarians across the country. In fact, some libraries saw their late-return rates drop following fine elimination. The Library Board also recommended going fine free."

From: "Free Your Fines and the Rest Will Follow" presentation, California Library Association, November 2018

<https://vimeopro.com/vcubeinc/cla2017>

"San Diego Public Library looked at effectiveness of fines and determined it was not a deterrent, people still accrued fines, and it is actually a barrier. The ultimate goal is to give people access to using the library. Creating a barrier is not serving patrons. San Diego Public Library also determined that there was a socioeconomic impact. The lowest geographical area had highest fines.

They wanted to have goodwill, trust, accountability, as well as more participation in library programs and services.”

From: <http://spellproject.weebly.com/uploads/1/5/3/3/15331602/spellwhitepaperfinal.pdf>

“The Colorado State Library recommends public library administrators and governing bodies eliminate library fines, and reconsider fees for lost or damaged items, on children's materials, and other items as deemed appropriate for local service. Fines are punitive, not educational incentives. The profession has little empirical evidence that charging fines results in greater circulation of library materials, or indeed the return of items in a timely manner. The administrative costs, including equipment rental, collection contracts, and staff time associated with collecting funds from patrons, often equals or exceeds the revenue earned from library fines and fees. At a time when libraries struggle to remain relevant and increase library use, it may be counterproductive to enforce policies that are punitive in nature and further the stereotype of libraries as authoritarian institutions to be feared. Librarians have an opportunity to play a meaningful role in the lives of children and families in their communities. Children's librarians are thrilled when they see families checking out a stack of picture books, and families should be encouraged to do so, rather than be fearful of the late fines and book damage fees that might accrue. Based on the research, user-friendly policies will bring more community members into the library, especially the low-income populations who need libraries the most.”

POSITIVE OUTCOME FOR ELIMINATING OVERDUE FINES

- Redirect approximately 1 to 2 hours per day of staff time to other duties: get books on shelves faster, help patrons with finding materials, answer other questions, and promote library resources and services to customers.
- Eliminating overdue fines will result in more positive customer interactions – no disagreements or arguments of items being returned on time.
- The City of Mountain View would be the leader in the South Bay for eliminating overdue fines on all materials and could be a large marketing campaign and great exposure for our Library and City and possibly bring in new users and old users who have avoided the Library because of blocked accounts.

POLICY THAT WOULD REMAIN UNCHANGED

- Lost or damaged item charges: Library patrons would still be billed for lost or damaged items. Billed notices of overdue materials will still be sent out when materials are two weeks overdue.
- Holds charge of \$1.00: Library patrons would still be charged \$1.00 if they place a hold on an item but do not pick it up within seven days.
- Link+ items late fee of \$1.00 per day: These items are items checked out from other libraries.

FISCAL IMPACT

Revenue from lost or damaged Library materials \$10.00 replacement fee:

Fiscal Year	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19 July-March
Approximate total replacement fee:	\$4,000	\$4,000	\$3,000

Revenue from Library overdue fines of Youth and Adult items:

Fiscal Year:	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19 July-March
Approximate overdue fines:	Total: \$68,000 Youth: \$36,000 Adult: \$32,000	Total: \$56,000 Youth: \$29,000 Adult: \$27,000	Total: \$43,000 Youth: \$24,000 Adult: \$19,000

RECOMMENDATION OF THE LIBRARY BOARD

1. Fee modification: Eliminate lost or damaged Library materials \$10.00 replacement fee.

The Library Board voted 5-0 to recommend the elimination of this \$10.00 processing fee charge at their meeting on December 17, 2018.

2. Eliminate overdue fines on Library materials.

The Library Board voted 4-1 to recommend the elimination of overdue fines on Library materials at their meeting on December 17, 2018.

ALTERNATIVES

1. Update of Integrated Library System to allow for automatic renewals. Libraries that have changed to automatic renewals have found that fine revenue has decreased significantly.
2. Eliminate only Youth overdue fines.
3. Continue with the fee and fine structure as is.
4. Provide other direction to staff.

TG/LK/6/FIN

572-03-18-19M

Comparison of Current and Recommended Utility Rates

Single Family		FY18-19	FY19-20	Difference	% Change *
Water	(10 units)	\$ 78.69	79.56	0.87	1.1%
Sewer		40.80	42.05	1.25	3.1%
Trash	(1 32-gal cart)	<u>33.90</u>	<u>34.95</u>	<u>1.05</u>	3.1%
Total monthly bill:		\$ 153.39	156.56	3.17	2.1%

Multi-Family (4-plex)		FY18-19	FY19-20	Difference	% Change *
Water	(30 units)	\$ 215.73	218.03	2.30	1.1%
Sewer		163.20	168.20	5.00	3.1%
Trash	(4 32-gal carts)	<u>135.60</u>	<u>139.80</u>	<u>4.20</u>	3.1%
Total monthly bill:		\$ 514.53	526.03	11.50	2.2%

Apartment Complex (120 units)		FY18-19	FY19-20	Difference	% Change *
Water	(830 units)	\$ 5,660.10	5,720.50	60.40	1.1%
Sewer		4,896.00	5,046.00	150.00	3.1%
Trash	(ten 3 Yd Bins)	<u>3,856.95</u>	<u>3,972.90</u>	<u>115.95</u>	3.0%
Total monthly bill:		\$ 14,413.05	14,739.40	326.35	2.3%

Commercial		FY18-19	FY19-20	Difference	% Change *
Water	(60 units)	\$ 509.20	514.65	5.45	1.1%
Sewer		320.40	330.60	10.20	3.2%
Trash	(one 3 Yd Bin)	<u>352.50</u>	<u>363.10</u>	<u>10.60</u>	3.0%
Total monthly bill:		\$ 1,182.10	1,208.35	26.25	2.2%

*Note: Due to rounding to the next penny or nickle, actual increase may be slightly higher.
These are samples, actual effect is dependant on customer's service level.

		Residential Services - Single Family			Sample Monthly Bill
		Water (1)	Sewer	Trash (2)	
Mountain View					
FY 2018-19	\$	78.69	40.80	33.90	153.39
FY 2019-20	\$	79.56	42.05	34.95	156.56
% Increase		1.1%	3.1%	3.1%	
Palo Alto					
FY 2018-19	\$	96.03	38.66	50.07	184.76
FY 2019-20	\$	100.49	41.37	50.07	191.93
% Increase		4.6%	7.0%	0.0%	
Sunnyvale					
FY 2018-19	\$	62.80	49.36	41.65	153.81
FY 2019-20	\$	62.80	52.82	42.07	157.68
% Increase		0.0%	7.0%	1.0%	
Cal Water Rate					
FY 2018-19	\$	70.40	(3)		
FY 2019-20	\$	71.02	(4)		
% Increase		0.9%			

(1) Based on 10 units of water plus meter charge. Mountain View's meter charge for single family is for both 5/8 and 3/4 inch meter sizes. Sunnyvale, Palo Alto and Cal Water have separate rates. This comparison uses the lower 5/8 inch meter rate.

(2) Mountain View and Palo Alto based on 32-gallon, Sunnyvale based on 27-gallon. Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.

(3) Rate in effect as of 7/1/18.

(4) Rate in effect as of 1/1/19.

Residential Services - Multi-Family (4-plex)					Sample Monthly Bill
	Water (1)	Sewer	Trash (2)		
Mountain View					
FY 2018-19	\$ 215.73	163.20	135.60	514.53	
FY 2019-20	\$ 218.03	168.20	139.80	526.03	
% Increase	1.1%	3.1%	3.1%		
Palo Alto					
FY 2018-19	\$ 289.72	154.64	200.28	644.64	
FY 2019-20	\$ 301.26	165.46	200.28	667.00	
% Increase	4.0%	7.0%	0.0%		
Sunnyvale					
FY 2018-19	\$ 239.70	136.68	186.24	562.62	
FY 2019-20	\$ 239.70	146.25	188.10	574.05	
% Increase	0.0%	7.0%	1.0%		

(1) Based on 30 units of water plus meter charge.

(2) Mountain View and Palo Alto based on 32-gallon, Sunnyvale based on a 65-gallon minimum charge. Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.

Residential Services - Apartment Complex (120 units)					Sample Monthly Bill
		Water (1)	Sewer	Trash (2)	
Mountain View					
FY 2018-19	\$	5,660.10	4,896.00	3,856.95	14,413.05
FY 2019-20	\$	5,720.50	5,046.00	3,972.90	14,739.40
% Increase		1.1%	3.1%	3.0%	
Palo Alto					
FY 2018-19	\$	6,858.15	4,639.20	5,520.11	17,017.46
FY 2019-20	\$	6,780.67	4,963.94	5,520.11	17,264.72
% Increase		-1.1%	7.0%	0.0%	
Sunnyvale					
FY 2018-19	\$	4,552.67	4,100.40	4,649.81	13,302.88
FY 2019-20	\$	4,552.67	4,387.43	4,696.31	13,636.41
% Increase		0.0%	7.0%	1.0%	

(1) Based on 830 units of water plus 4" meter charge.

(2) Based on nine 3-yard 1x/week and one 3-yard 2x/week. Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.

Commercial Services					
		Water (1)	Sewer	Trash (2)	Sample Monthly Bill
Mountain View					
FY 2018-19	\$	509.20	320.40	352.50	1,182.10
FY 2019-20	\$	514.65	330.60	363.10	1,208.35
% Increase		1.1%	3.2%	3.0%	
Palo Alto					
FY 2018-19	\$	574.28	447.00	504.40	1,525.68
FY 2019-20	\$	563.77	478.29	504.40	1,546.46
% Increase		-1.8%	7.0%	0.0%	
Sunnyvale					
FY 2018-19	\$	461.44	314.40	424.53	1,200.37
FY 2019-20	\$	461.44	336.41	428.78	1,226.62
% Increase		0.0%	7.0%	1.0%	

(1) Based on 60 units of water plus 2" meter charge.

(2) Based on one 3-yard 1x/week. Mountain View has biweekly recycling pick-up;
Palo Alto and Sunnyvale have weekly recycling pick-up.

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