

**CITY OF
MOUNTAIN VIEW,
CALIFORNIA**

**FISCAL YEAR 2017-18
NARRATIVE BUDGET REPORT
AND
FISCAL YEARS 2018-2022
FINANCIAL FORECAST**



Mission Statement:

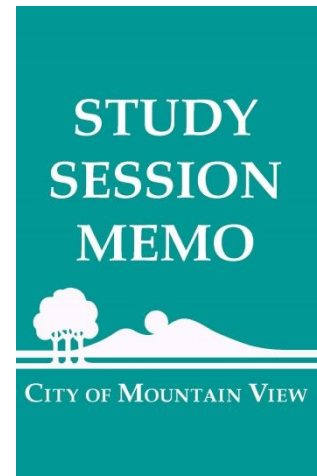
The City of Mountain View provides quality services and facilities that meet the needs of a caring and diverse community in a financially responsible manner.

DATE: April 27, 2017

TO: Honorable Mayor and City Council

FROM: Patty J. Kong, Finance and Administrative
Services Director
Daniel H. Rich, City Manager

TITLE: **Fiscal Year 2017-18 Narrative Budget Report**



PURPOSE

This Study Session provides the City Council an opportunity to review and discuss the Fiscal Year 2017-18 Narrative Budget Report, which includes the City Manager's recommendations and is the foundation for the Proposed Budget. The Proposed Budget will be discussed by the City Council at public hearings on June 13 and June 20 and is scheduled for adoption after the public hearing on June 20, 2017.

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 2017-18. To provide some context and assist with decisions that have longer-term implications, a Five-Year Financial Forecast (Forecast) for the GOF has been prepared and is included in this document.

BACKGROUND

The City is benefiting from the continued strong economy and high demand for development, resulting in significant property tax growth. The Assessed Value (AV) growth for the City is 12.0 percent year over year. This includes growth in property taxes resulting from new development being added to the tax role, as well as increases in AV from changes in ownership. Property Tax revenues for the City's General Operating Fund (GOF) are currently estimated to be 9.6 percent higher than the Fiscal Year 2016-17 adopted. Other revenue sources are also being fueled by the growing economy, unemployment continues to be very low, comparable to prior to the recession and lows for the past 50 years. Interest rates have remained at historical lows, with the Federal Reserve only taking recent actions to raise rates.

With that being said, the City's revenues are cyclical, and reflect the boom and bust of economic cycles. During the last recession, balancing the GOF was accomplished 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 recession. Over the periods of retrenchment since Fiscal Year 2001-02, the City reduced approximately 70.0 positions or over 14.0 percent of its workforce in the GOF.

The City organization has found methods to improve efficiencies, to do more with less staff, but this has continued to place pressure on the organization. Therefore, to address some of the staffing needs within the City, there were a total of 22.5 positions, including limited-period positions, for all funds included in the Fiscal Year 2016-17 Adopted Budget; 4.0 of these are ongoing positions in the GOF.

Continuing to focus on adding resources where needed and to the extent the budget will allow, additional positions are recommended for Fiscal Year 2017-18. Several of the positions are currently limited-period positions that are being recommended to be ongoing. In some cases it has been difficult to recruit for limited-period positions, or limited-period employees leave the City for regular ongoing positions at other agencies. A Total of 10.75 net positions are recommended as ongoing positions and there are a net of 9.75 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	3.50	1.25	4.75
Limited-Period to Regular	1.00	5.00	6.00
Continuing Limited-Period	4.95	3.05	8.00 ⁽¹⁾
New Limited-Period	<u>2.00</u>	<u>3.00</u>	<u>5.00</u>
Total	<u>11.45</u>	<u>12.30</u>	<u>23.75⁽¹⁾</u>

⁽¹⁾ Does not include 2.0 FTE limited-period positions reimbursed by Google per the agreement that expires June 30, 2017.

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.

The City is fortunate to be experiencing strong revenue growth; how long this will continue is unknown. Currently, local economists are not forecasting a downturn over

the next 12 months, with certain caveats. However, recessions have generally occurred between 4 and 9 years in the past 5 decades, with the longest period of expansion lasting 11 years, from 1990 to 2001. It has been approximately 9.5 years since the beginning of the last recession and will be 11 years if the slowdown occurs in Fiscal Year 2018-19, when it is currently assumed in the City's Forecast.

The economic recovery is very extensive in the Bay Area, but the recovery is not prevalent everywhere in California or the rest of the country. Some would say the recovery has been very long and slow and, therefore, the next downturn could occur later. Although it is uncertain when the next economic slowdown will occur, based on history, it is certain there will be another recession sooner or later; therefore, it is assumed there will be a recession during the Forecast period.

EXECUTIVE SUMMARY

General Operating Fund

Fiscal Year 2016-17 revenues are estimated to exceed budget and expenditures are estimated below budget. This results in an estimated \$18.9 million operating balance, prior to the contributions of \$2.0 million each to the California Public Employees' Retirement System (CalPERS) and Retirees' Health Other Post-Employment Benefits (OPEB) to increase the funding status of these liabilities and transfers of \$500,000 to the General Non-Operating Fund (GNOF) and \$2.0 million to the Strategic Property Acquisition Reserve (SPAR). It is recommended the \$12.4 million balance be used to fund limited-period expenditures, supplement reserves, and make additional contributions towards the City's unfunded liabilities.

It is fortunate the City is once again in a desirable position to be generating significant operating balances. It provides the opportunity to address some infrastructure needs and unfunded liabilities related to employee benefits, 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, etc., and CalPERS continues to work towards raising the funding level of pension benefits. However, this generally translates into higher rates for agencies. In light of the latest CalPERS reduction in the discount rate used for pension obligations, which will severely increase the City's contributions, staff is recommending a strategy to reduce the City's unfunded pension liability (see Attachment 1).

Fiscal Year 2017-18 revenues are projected to continue to rise to \$128.0 million and expenditures are projected at \$117.6 million (including recommendations). Revenues are at a level sufficient to fund expenditures and additional funding of \$2.0 million each

toward the OPEB liability and transfer to SPAR, with an additional \$4.0 million contribution to CalPERS (for a total of \$10.0 million, including the additional \$6.0 million discussed in Attachment 1). There is a projected balance of \$2.4 million. Recommendations include non-discretionary increases, as well as discretionary increases in high-priority areas. As in the past, \$1.8 million of budget savings is built into the budget.

In the Forecast, revenues are projected to continue growing; however, the Forecast assumes a recession will occur during the five-year period. It is unknown exactly when a recession will occur, but staff has incorporated the impact of a recession beginning in Fiscal Year 2018-19 as that would match the longest economic expansion in decades. At that point, the projected operating balance declines and modest deficits are projected in Fiscal Years 2020-21 and 2021-22.

Items for City Council Discussion and Direction

In addition to the direction on the recommendations in this report, there are a few specific items staff would like direction on regarding whether these are items that should be included in the Fiscal Year 2017-18 Proposed Budget. This section can be found at the end of the General Operating Fund. Staff would also like direction from Council on the options related to additional funding towards the City's unfunded pension obligation, potential capital projects funding, and credit card processing fees (see Attachments 1 and 9).

Other Major Funds

- **Development Services**: Development activity for Fiscal Year 2016-17 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; 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 (SGL)**: Course conditions continue to improve and both revenues and expenditures are below budget for Fiscal Year 2016-17. For Fiscal Year 2017-18, revenues are projected to be higher than the current fiscal year estimated and the surplus balance is projected at \$125,000, \$25,000 less than the current fiscal year.
- **Shoreline Regional Park Community (Shoreline Community)**: Fiscal Year 2016-17 revenues are estimated to be \$4.1 million higher than the Adopted Budget, primarily related to changes in ownership and new development added to the tax

role. Fiscal Year 2016-17 estimated expenditures are essentially on target with budget. Fiscal Year 2017-18 operating revenues are projected with an increase over the current fiscal year adopted, but less than estimated as unsecured values and supplemental taxes are projected to decline. Fiscal Year 2017-18 operating expenditures are higher than the Fiscal Year 2016-17 adopted due to increases in operating expenses and projected intergovernmental payments, partially offset by lower debt payments. Future major capital projects related to transportation are proposed to be funded through the new development impact fee adopted by Council in February 2016 and the potential issuance of debt.

Utility Funds

- Water Fund: The financial position of this fund has been severely impacted by reduced water sales from conservation efforts due to the drought. However, for the current fiscal year, water usage is trending 7.0 percent higher. This is having a positive impact, but not enough to overcome the 30.0 percent reduction in usage in the prior two fiscal years. 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 9.0 percent and 9.9 percent increases for treated water and well water, respectively. **A 7.0 percent rate increase is recommended**, 1.0 percent to fund the increased cost of water and operating expenditures, and 6.0 percent because of the low water usage. The additional 6.0 percent was noticed and approved at the rate hearing on June 21, 2016.
- Wastewater Fund: The financial position of this fund has been severely impacted by unforeseen Palo Alto Regional Water Quality Control Plant (Treatment Plant) costs of \$1.3 million in Fiscal Year 2015-16. This in addition to a 25.9 percent increase in Treatment Plant costs for Fiscal Year 2016-17 would have required a rate increase of 26.0 percent in order to bring revenues and expenditures into balance. Instead, staff recommended a 19.0 percent increase for Fiscal Year 2016-17, spreading the remaining increase needed over the following two fiscal years, 6.0 percent in each fiscal year, and using half of the rate stabilization reserve. For Fiscal Year 2016-17, revenues and expenditures are trending lower than budgeted, and the financial position has improved slightly.

For Fiscal Year 2017-18, the Treatment Plant is currently proposing a 1.9 percent increase in treatment costs, which along with operating cost increases result in a 2.0 percent rate increase. This combined with the additional 6.0 percent and the additional 2.0 percent rate increase (the fourth year of 10 years) recommended to gradually increase rates to pay for major capital improvements at the Treatment Plant, both noticed and approved at the rate hearing on June 21, 2016, result in a

total rate increase recommended for Fiscal Year 2017-18 of 10.0 percent. Staff is also reviewing the major City infrastructure projects that are needed and the possible necessity of issuing debt.

- Solid Waste Management Fund: For Fiscal Year 2016-17, revenues are trending higher than budgeted and expenditures are trending less than the Adopted Budget. For Fiscal Year 2017-18, a 4.95 percent increase for Recology, no increase for the SMaRT® Station, as well as City operating cost increases and annual maintenance projects result in an overall 2.0 percent recommended increase to rates. In addition, the third and final year phase-in of cart rates resulting from the Cost of Service Study is recommended to be reduced to 8.0 percent, resulting in a **total recommended cart rate increase of 10.0 percent.** The residential food scraps program has been approved to be implemented in July 2017; however, the associated cart rate increase is recommended to be deferred until Fiscal Year 2018-19 in order to keep the cart rate as low as possible.

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

Most reserves are at their target or policy balance. Staff is recommending some reserve funds be considered towards addressing the City's pension obligation (see Attachment 1). It is recommended that \$6.0 million from the Fiscal Year 2016-17 carryover and \$4.0 million from the Fiscal Year 2017-18 GOF along with the proportionate share of Other Funds be contributed for a total of \$12.3 million. Depending on which CalPERS funding option the Council directs, any remaining GOF carryover balance is recommended to be transferred to either the Capital Improvement Reserve or towards OPEB funding. Should the balance exceed the amount recommended, staff will return to Council 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 City Council at a public hearing on June 13, 2017. The Proposed Budget is scheduled for adoption after the public hearing on June 20, 2017.

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 large part by economic forces beyond our control. Revenues fluctuate with the economic climate of the Bay Area. During the dot-com boom, City revenues, especially Sales Tax revenue, increased significantly and 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 structural deficits on an ongoing basis, the City was able to position itself for revenue growth with 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 few other California cities can claim.

Building on this strong financial foundation and with the continuation of revenue growth, this report provides the recommendations for the General Operating Fund budget for Fiscal Year 2017-18. The updated projections indicate continued strength in the economic environment throughout the Forecast. There is often a lag time from the time a development is completed, the property is placed onto the tax roll, and the City receives the associated property taxes.

Updated General Operating Fund Status for Fiscal Year 2016-17

Staff has continued to monitor General Operating Fund revenues and expenditures for the current fiscal year. As we progress through the fiscal year, estimates are refined and have a greater level of confidence, but the final numbers will not be available until after the close of the fiscal year. A comparison of estimated amounts to budget for the GOF follows (dollars in thousands):

	2016-17 Adopted <u>Budget</u>	2016-17 Adjusted <u>Budget⁽¹⁾</u>	2016-17 <u>Estimated</u>	Variance of Estimated to Adopted <u>Budget</u>
Revenues	\$118,718	119,262	125,018	6,300
Expenditures	<u>(108,433)</u>	<u>(110,571)</u>	<u>(106,108)</u>	<u>2,325</u>
Operating Balance	10,285	8,691	18,910	8,625
Transfer to GNOF	(500)	(500)	(500)	-0-
CalPERS Contribution	(2,000)	(2,000)	(2,000)	-0-
OPEB Contribution	(2,000)	(2,000)	(2,000)	-0-
Transfer to SPAR	(2,000)	(2,000)	(2,000)	-0-
Rebudgets	<u>-0-</u>	<u>1,937</u>	<u>-0-</u>	<u>-0-</u>
Ending Balance	\$ <u>3,785</u>	<u>4,128</u>	<u>12,410</u>	<u>8,625</u>

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

Overall, total revenues for Fiscal Year 2016-17 are currently estimated to be \$6.3 million, or 5.3 percent higher than adopted revenues. Of the GOF major revenue sources, only Other Local Taxes and Licenses, Permits and Franchise Fees/Fines and Forfeitures are estimated below budget while all other revenue categories are estimated to be performing better than expected this fiscal year.

On the expenditure side, total operating expenditures for Fiscal Year 2016-17 are estimated to be \$4.5 million, or 4.0 percent, lower than the Adjusted Budget and \$2.3 million lower than the Adopted Budget. After accounting for higher revenues, the operating balance is estimated to be \$12.4 million this fiscal year compared to the \$3.8 million budgeted. This is a slight improvement in revenues from the estimates provided in the Midyear Report, where the operating balance was estimated at \$12.1 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 when available contributions towards unfunded liabilities.

After the \$2.0 million contribution each to CalPERS, OPEB, and SPAR included in the Fiscal Year 2016-17 Adopted Budget, the estimated Fiscal Year 2016-17 carryover balance of \$12.4 million (subject to changes in assets and liabilities and grants/donations carryovers) is available to fund a net \$2.7 million of limited-period, \$351,500 of capital outlay expenditures, and other recommendations.

It is recommended the City contribute an additional \$6.0 million to CalPERS from the carryover and possibly other reserves, depending on Council direction, for a lump sum payment to CalPERS to pay down the City's unfunded pension liability (see Attachment 1). Any remaining carryover available, depending on the option chosen by Council, is recommended to supplement the Capital Improvement Reserve or as a contribution to the City's OPEB obligation. 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 2017-18

In presenting the Preliminary GOF revenues and expenditures in the Midyear Budget Status Report on February 14, 2017, staff projected a \$3.8 million surplus for Fiscal Year 2017-18. 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 a surplus of \$2.4 million or 1.9 percent of projected revenues. This surplus is after recommendations for expenditure increases, includes \$1.8 million of budget savings, as well as additional contributions to CalPERS, OPEB, and SPAR. A brief discussion of revenues and expenditures for Fiscal Year 2017-18 follows.

Compared to the current Adopted Budget and including recommendations, total revenues are anticipated to grow by \$9.3 million, or 7.8 percent, next fiscal year, and total expenditures are projected to increase \$9.2 million or 8.5 percent.

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

	2015-16 <u>Audited</u>	2016-17 Adopted <u>Budget</u>	2016-17 <u>Estimated</u>	2017-18 <u>Recommended</u>	Variance of 2017-18 Recom- mended to 2016-17 <u>Adopted</u>
Revenues	\$115,911	118,718	125,018	128,022	9,304
Expenditures	(99,590)	(108,433)	(106,108)	(117,626)	(9,193)
Rebudgets ⁽¹⁾	<u>(4,078)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Operating Balance	12,243	10,285	18,910	10,396	111
Transfer to GNOF	(6,995)	(500)	(500)	-0-	500
Transfer to General Fund Reserve	(2,248)	-0-	-0-	-0-	-0-
CalPERS Contribution	(2,000)	(2,000)	(2,000)	(4,000)	(2,000)
OPEB Contribution	(1,000)	(2,000)	(2,000)	(2,000)	-0-
Transfer to SPAR	<u>-0-</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-0-</u>
Ending Balance	\$ <u>-0-</u>	<u>3,785</u>	<u>12,410</u>	<u>2,396</u>	<u>(1,389)</u>

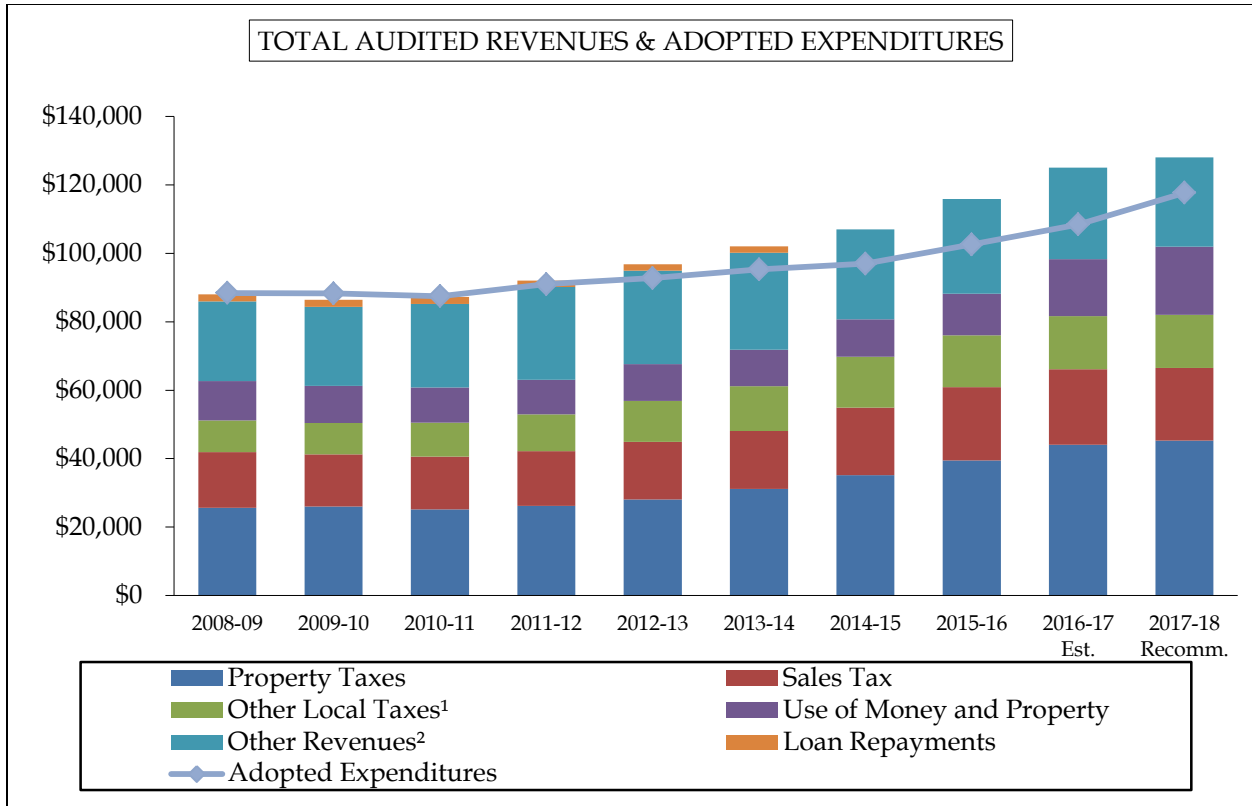
A summary of the Fiscal Year 2017-18 budget is as follows (dollars in thousands):

Total Revenues	\$128,058
Total Net Expenditures	(115,362)
Recommendations:	
Non-Discretionary	(1,034)
Discretionary Increases	(1,230)
Revenue Changes	<u>(36)</u>
Operating Balance	<u>10,396</u>
CalPERS Funding	(4,000)
OPEB Funding	(2,000)
SPAR Funding	<u>(2,000)</u>
Net Balance	\$ <u>2,396</u>

Revenue Projections for Fiscal Year 2017-18

For Fiscal Year 2017-18, GOF revenues are projected to grow by 7.8 percent compared to the current fiscal year adopted, to \$128.0 million, including recommendations. Most major categories of revenues (e.g., Property Tax, Sales Tax, etc.), are projected with increases. A few major revenue categories (Other Local Taxes and Miscellaneous Revenues), are projected comparable to, or slightly less than, the current fiscal year adopted revenues. 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, (TOT), Utility Users Tax (UUT), and Business Licenses.

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

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 the budget savings adopted; 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 have been greater than adopted.

Recommendations regarding new fees and increases to current fees are included with this report (see Attachment 2).

Expenditure Projections for Fiscal Year 2017-18

The recommended expenditures for Fiscal Year 2017-18 include the addition of \$1.0 million of non-discretionary increases, which preserves current service levels, and \$1.2 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 and would ease more of the stress on staff. However, as can be seen in the Forecast and summarized below, although more expenditures could be afforded in the Fiscal Year 2017-18 Budget, it is recommended to only add expenditures that are generally sustainable through the next economic recession, 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, 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 \$5.2 million. Although there were structural changes adopted Statewide with pension reform in 2012, retirement costs are still projected to increase by \$1.6 million for Fiscal Year 2017-18 over the current fiscal year Adopted Budget. The changes resulting from pension reform will likely not be realized for 10 years or more, until there are a majority of employees under the new formula.

The categories of changes in costs from the Fiscal Year 2016-17 Adopted Budget to the Fiscal Year 2017-18 recommended budget are as follows (dollars in thousands):

Expenditure Changes:

Compensation Changes	\$1,481
Retirement (CalPERS)	1,590
Health and Other Benefits	820
New Personnel Recommendations	<u>1,274</u>
Total Changes Personnel Costs	5,165
Nonpersonnel Recommendations	990
Other Recommendations	<u>3,038</u>
Total Expenditure Increase	<u>\$9,193</u>

All labor contracts and resolutions expire June 30, 2017, so precise personnel expenditures are not known at this time. As the City transitioned open enrollment for health care to a calendar year, new premiums are effective each January 1. The premiums budgeted for Fiscal Year 2017-18 are actual rates through December 2017 and assume an increase of 6.0 to 10.0 percent, depending on the plan for medical, and 2.0 percent for dental beginning January 2018. CalPERS rates are budgeted based on the actuarial rates provided by CalPERS.

Other recommendations of \$3.0 million include increases to Capital Outlay, Equipment Replacement, Self-Insurance, Transfers, and Fleet. Most of this increase, \$2.7 million, is for recommended transfers for additional funding to the Budget Contingency and Capital Improvement Reserves (See Reserves Section).

California Public Employees Retirement System (CalPERS) Rates

There has been attention focused on public-sector retirement costs in recent years; therefore, it is worth noting a few key points about Mountain View's approach to providing employee pension benefits. While in many cities the employer pays some or all of the employee contribution, Mountain View employees not only pay the employee contribution, but they also pay a portion of the employer contribution. For example, the amount paid by Safety employees ranges between 13.6 percent and 17.4 percent and for Miscellaneous employees ranges between 10.5 percent and 11.7 percent. This was an unusual and progressive arrangement when instituted in Mountain View and reflects the collaborative approach our employees have taken toward fiscal sustainability.

As a result of the significant financial losses to CalPERS during the 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, including the reduction in the discount rate from 7.75 percent to 7.50 percent and now to 7.0 percent, changes to the methodology for the amortization and smoothing of rates, and the changes in demographic assumptions, primarily related to life expectancy. All of these have an impact on the City's employer rates and there are increases projected in CalPERS rates throughout the Forecast period as discussed in more detail in the Forecast (see also Attachment 1).

Fiscal Year 2017-18 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. Goals could be changing based on Council direction. The Citywide non-discretionary increase is primarily related to the City's minimum wage, information technology,

contractual services, and 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 2017-18 numbers presented.

Non-Discretionary Increases

Non-discretionary increases totaling \$1.0 million are recommended to fund existing and new required operational costs such as increases in the City's minimum wage, information technology costs, utility costs, PG&E, and contract services. Items recommended in the base budget, \$25,000 and over, are as follows (see Attachment 3 for a complete listing, with descriptions, of non-discretionary items):

- **Microsoft Office/Email Licensing:** \$220,000
- **City Utility Costs:** \$200,000
- **Minimum Wage Impact 1/2-Year (Community Services):** \$170,000
- **Janitorial Cost Increases for City Facilities:** \$91,200
- **Microsoft Windows/SQL Server Licensing:** \$80,000
- **PG&E Cost Increase:** \$66,200
- **Information Technology Licenses and Maintenance:** \$42,600
- **Annual Medical Surveillance Exams:** \$36,000
- **Minimum Wage Impact 1/2-Year (Library Services):** \$30,000
- **KMVT Contract:** \$25,000

Discretionary Recommendations

New expenditures totaling \$1.2 million are recommended for high-priority ongoing programs; \$1.1 million is related to positions. A listing of recommended items, \$25,000 and over, are as follows (see Attachment 4 for a complete listing, with descriptions, of discretionary items):

- **Information Technology Analyst I/II Position:** \$169,000
- **Transportation Manager Position (0.75):** \$149,600 (the salary for this position is subject to review)
- **Fire Overtime – Hiring Retention and Training:** \$140,000
- **Tree Trimmer III Position:** \$139,800
- **Reclassification of Six Firefighter Positions to Paramedic Level, Changing the Authorized Level of Paramedics from 21 to 27:** \$116,100
- **Lead Public Safety Dispatcher Position (0.50):** \$98,900
- **Silicon Valley Clean Energy (SVCE) 100 Percent Renewable Energy:** \$80,000
- **Human Resources Technician Position (0.50):** \$59,000
- **FASD Customer Service Representative Position (0.50):** \$57,600
- **Geographic Information System (GIS) Data Conversion Services:** \$(50,000) (offset by reduction in revenue of \$50,000)
- **Library Materials:** \$40,000
- **CMO Office Assistant Wages:** \$36,800
- **Lease of Officer-Worn Cameras (44):** \$35,000

Limited-Period Recommendations

Limited-period funding totaling \$2.7 million (\$2.8 million offset by \$116,400 in revenue) is recommended; \$1.9 million is related to positions, much of which is a continuation of current staffing. A listing of items recommended as limited-period expenditures

\$25,000 and over are as follows (see Attachment 5 for a complete listing, with descriptions, of limited-period items):

- **Fire Special Operations Program:** \$500,000 (see Attachment 6)
- **Police Officer Position (two year) – Community Outreach:** \$221,300 (offset by \$116,400 State grant)
- **Associate Civil Engineer – Capital Projects Section Position*:** \$183,700
- **Human Resources Analyst I/II Position*:** \$156,800
- **Firefighter Recruit Academy:** \$150,000
- **Transfer to the Community Stabilization Fair Rent Act (CSFRA) Fund:** \$150,000
- **ICMA Fellow Position*:** \$134,600
- **Senior Deputy City Attorney Position (0.50):** \$101,600
- **Associate Civil Engineer – Traffic Section Position (0.45)*:** \$82,700
- **Employee Transportation Program:** \$80,000
- **Human Resources Analyst Wages:** \$80,000
- **Administrative Analyst I/II Position – Environmental Sustainability (0.50):** \$76,600
- **Employee Engagement and Appreciation Program:** \$75,000
- **Performing Arts Supervisor Position (0.50)*:** \$69,500
- **IT Secretary Position (0.50)*:** \$67,900
- **PW Program Assistant – Engineering Division Position (0.50)*:** \$64,900
- **PW Hourly Staff to Support the Traffic Section:** \$60,000
- **Pilot Program for Sidewalk Ramping and Grinding:** \$46,000
- **Workplace Investigations:** \$45,000

- **Hourly Staff to Support the Capital Projects Section:** \$40,000
- **Labor Negotiations:** \$35,000
- **Wellness Program:** \$35,000
- **Sustainability Outreach and Engagement Program:** \$30,000
- **Automatic Locks and Installation for Park Restrooms:** \$28,000
- **Placeholder for New City Council Goal Related to Vulnerable Populations:** \$25,000

*represents a continuing limited-period position

Listings of Fiscal Year 2017-18 Recommended Capital Outlay and Equipment Replacement are included as Attachments 7 and 8, respectively.

Items for City Council Discussion and Direction

As discussed in this report, there are a few items staff is requesting Council direction on as follows:

- **CalPERS Discount Rate Change Funding Strategy**

CalPERS has adopted a reduction in the discount rate used for the calculation of the City's pension obligation. This will result in projected increases being phased in the City's annual pension expense beginning in Fiscal Year 2018-19 of approximately \$684,000 and projected to rise to \$8.6 million annually after full implementation. Staff is recommending two strategies of payments to pay down this unfunded liability. The first strategy is a one-time payment of \$10.0 million from the General Fund in Fiscal Year 2017-18 (see Attachment 1).

- **Google Amphitheatre Parking Revenue**

Currently, Google subleases Parking Lots C and D from SFX (Live Nation) and this agreement ends mid-December 2017. In March 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. The \$600,000 is recommended to be transferred to the Capital Improvement

Reserve. It is anticipated the Certificate of Occupancy for the Charleston East development will be issued before the end of the three-year period and commencing no later than January 1, 2021, Google will begin a five-year lease of the parking lots starting at approximately \$2.3 million annually (with 4.0 percent annual increases).

As this is limited period revenue, another recommended strategy to pay down the City's unfunded pension liability is to use \$2.0 million annually of this revenue received from Google over the five years of the lease for an additional \$10.0 million contribution to CalPERS (see Attachment 1).

- Credit Card Processing Fees

At the February 14, 2017 Mid-Year Budget meeting, Council requested staff to review options for the costs associated with processing fees on credit card transactions. Staff has reviewed and evaluated options (see Attachment 9).

- Community Health Awareness Council (CHAC) Request:

Staff has included a 3.0 percent increase for CHAC. CHAC has submitted a request for a 10.0 percent increase (see Attachment 10). The current funding of CHAC is \$94,800.

- Council's Budget:

The Council Procedures Committee (CPC) met on April 4, 2017 to discuss the Council's Budget in accordance with the revised Council Policy A-2. The CPC recommended the following:

- An allowance of \$70 per month for cell phone and data plans to be paid to Councilmembers on a semiannual basis. This would come from each Councilmember's existing communications budget.
- Replacement of the table and chairs in the Committee Room. The table does not accommodate the full Council to sit at one time. Staff is estimating up to \$3,000 for a new table and chairs.

SUMMARY

With the strong economic growth, combined with fiscally responsible actions taken in prior fiscal years, the City is poised to invest funds in needed areas such as additional staff, capital projects, CalPERS, and Retirees' Health. The growing economy has

resulted in overall revenues projected to increase 7.8 percent over the Fiscal Year 2016-17 Adopted Budget. This results in the ability to include non-discretionary expenditure increases of \$1.0 million and discretionary increases of \$1.2 million of ongoing expenditures in the most needed areas, as well as a net \$2.7 million in limited-period expenditures. The recommendations include 23.75 positions, and a net of 9.75 new staff.

The net result of the recommendations is a projected GOF surplus for Fiscal Year 2017-18 of \$2.4 million after recommended contributions of \$4.0 million to CalPERS, and \$2.0 million each to OPEB and SPAR. Further ongoing expenditure increases are not recommended at this time, based on the assumption of a slowdown in the economy in later years, leading to modest deficit balances in the outer years.

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, for Fiscal Year 2014-15 this definition was expanded to more fully encompass all development activity.

For the current fiscal year, development activity continues to remain strong. The revenue estimate for Fiscal Year 2016-17 is \$15.3 million, \$3.5 million higher than adopted and \$1.1 million higher 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 \$13.5 million, \$1.1 million (9.0 percent) higher than the Adopted Budget, primarily as a result of encumbrances carried over from the prior fiscal year. Included in operating expenditures is \$1.6 million to reimburse the cost of administrative support by the GOF. In addition, Development Services contributed \$754,000 for its share of the Retirees' Health unfunded actuarial accrued liability (UAAL), \$239,000 to CalPERS, proportionate to the General Fund contributions, \$66,000 to the Compensated Absences Fund, and funded capital projects of \$552,000. The contribution to the Retirees' Health UAAL is less than budgeted due to the reevaluation of the contribution based on employees in the defined benefit versus the defined contribution plan. The fund is estimated to end the current fiscal year with a balance of \$10.5 million and a Reserve for Land Use Documents of \$4.5 million. The Land Use Document Fee was approved with the Fiscal Year 2015-16 Adopted Budget to establish this reserve for the purpose of accumulating costs associated with the update of Land Use Documents (e.g., General Plan, Precise Plans, Zoning Ordinance, etc.).

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>2015-16</u> <u>Audited</u>	<u>2016-17</u> <u>Adopted</u>	<u>2016-17</u> <u>Estimated</u>	<u>2017-18</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 178	201	190	206
Permits	6,410	6,100	6,428	5,621
Charges for Services	7,551	5,424	8,663	6,353
Other	<u>46</u>	<u>50</u>	<u>27</u>	<u>20</u>
Total Revenues	14,185	11,775	15,308	12,200
 Operating Expenditures	 <u>10,528</u>	 <u>12,389</u>	 <u>13,504</u>	 <u>13,586</u>
Operating Balance (Deficit)	3,657	(614)	1,804	(1,386)
Land Use Documents	523	840	818	800
CalPERS Contribution	(177)	(239)	(239)	(689)
Transfer to Workers' Comp	(15)	-0-	-0-	-0-
Transfer to Comp Absences	(12)	(66)	(66)	(22)
Retirees' Health UAAL	(2,748)	(1,754)	(754)	-0-
Capital Projects	<u>(1,870)</u>	<u>(552)</u>	<u>(552)</u>	<u>(40)</u>
 Excess (Deficiency) of Revenues	 (642)	 (2,385)	 1,011	 (1,337)
Beginning Balance	14,588	13,946	13,946	14,957
Land Use Doc Reserve	<u>(3,679)</u>	<u>(4,519)</u>	<u>(4,497)</u>	<u>(5,297)</u>
 Ending Balance	 <u>\$10,267</u>	 <u>7,042</u>	 <u>10,460</u>	 <u>8,323</u>

The Fiscal Year 2017-18 recommendations total \$2.3 million. There are no non-discretionary increases.

Discretionary Recommendations

New expenditures totaling \$1.0 million are recommended for high-priority ongoing programs; \$1.0 million is related to positions. A listing of recommended items, \$25,000 and over, are as follows (see Attachment 4 for a complete listing, with descriptions, of discretionary items):

- **Senior Civil Engineer – Land Development Position*:** \$199,400
- **Associate Civil Engineer – Construction Position*:** \$183,700
- **Senior Planner Position*:** \$176,500
- **Associate Planner Position*:** \$163,000
- **Associate Planner Position:** \$163,000
- **Associate Civil Engineer – Land Development Position (0.50)*:** \$91,900
- **Digital Imaging of Building and Fire Permits:** \$50,000 (offset by \$50,000 in fees)

*represents a position going from limited-period to ongoing

Limited-Period Recommendations

Limited-period funding totaling \$1.3 million is recommended; \$620,000 is related to positions; most is a continuation of current staffing. A listing of items recommended as limited-period expenditures \$25,000 and over are as follows (see Attachment 5 for a complete listing, with descriptions, of limited-period items):

- **Consultants to Support Land Development Section:** \$300,000
- **Consultants to Support Construction Section:** \$200,000
- **Associate Civil Engineer – Construction Position*:** \$183,700
- **Associate Planner Position:** \$163,000

- **Consultants to Support Traffic Engineering Section:** \$100,000
- **Two Associate Civil Engineer – Land Development Positions (0.40):** \$73,500
- **Program Assistant – Engineering Division Position (0.50)*:** \$64,900
- **Digital Imaging of Building Permits:** \$60,000
- **Associate Civil Engineer – Traffic Section Position (0.30)*:** \$55,100
- **Hourly Staff to Support the Land Development Section*:** \$40,000
- **Hourly Staff to Support the Construction Section*:** \$40,000
- **Cost of Service Study:** \$40,000

*represents a continuing limited-period position or hourly staff

Fiscal Year 2017-18 revenues are projected at \$12.2 million, \$425,000 higher than the current fiscal year Adopted Budget, and \$3.1 million lower than the current fiscal year estimate. Development is projected to remain strong through Fiscal Year 2017-18, but the timing of project approvals and payment of fees is difficult to project. Fiscal Year 2017-18 operating expenditures are recommended at \$13.6 million, \$1.2 million more than the current fiscal year Adopted Budget. There are limited-period recommendations of \$1.3 million and ongoing recommendations of \$1.0 million (all primarily targeted to address workload during this high period of development activity) included for Fiscal Year 2017-18. In addition, there is a \$689,000 contribution to the CalPERS liability proportionate to the General Fund contributions, \$22,000 to the Compensated Absences Reserve, and \$40,000 for capital projects.

The fund is projected to end the 2017-18 fiscal year, including recommendations of \$2.3 million, with operating expenditures exceeding revenues by \$1.4 million. After funding the additional CalPERS contribution, Compensated Absences, and capital projects, there is a projected ending balance of \$8.3 million and a Reserve for Land Use Documents of \$5.3 million. A balance in this fund is necessary to fund the expenditures that are incurred subsequent to payment of the associated fees.

General Fund: Shoreline Golf Links 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. After operating at a deficit for several years, Touchstone Golf, LLC (Touchstone), assumed management and operations of SGL (Pro Shop and maintenance) in January 2012. Although SGL is a General Fund program, it is tracked and reported separately for management information purposes and to provide a more comprehensive overview of its operations.

The Fiscal Year 2016-17 budget was adopted with a \$150,000 net surplus which is budgeted as a revenue transfer to the GOF. For Fiscal Year 2016-17, total revenues are estimated at \$2.4 million, \$272,000 (10.2 percent) lower than the Adopted Budget, but \$46,000 more than the prior fiscal year audited. After a record July 2016, the greens at the golf course caught a disease in August and September, which reduced their consistency and affected the number of rounds played. The issue was resolved in late September. Furthermore, the majority of the rain in October and November fell on weekends, which affects revenues at the golf course more than weekday rain. Due to the diseased greens, rainy weekends, and the impact of a rainy January, revenues for Shoreline Golf Links are not estimated to achieve the adopted revenues.

The Fiscal Year 2016-17 operating expenditures are estimated at \$2.2 million, \$295,000 (11.8 percent) less than the Adopted Budget of \$2.5 million. Included in operating expenditures is the management fee of \$102,000 to Touchstone, \$76,000 to reimburse the cost of administrative support provided by the GOF, and annual funding of liability insurance and equipment replacement. The fund is estimated to end the current fiscal year with a sufficient operating balance to fund a transfer of \$150,000 to the GOF.

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>2015-16</u> <u>Audited</u>	<u>2016-17</u> <u>Adopted</u>	<u>2016-17</u> <u>Estimated</u>	<u>2017-18</u> <u>Recommended</u>
Revenues:				
Green Fees	\$1,534	1,758	1,555	1,665
Golf Cart/Other Rentals	354	377	360	395
Range Revenue	236	277	250	249
Retail Sales	167	200	185	181
Other	<u>51</u>	<u>48</u>	<u>38</u>	<u>48</u>
Total Revenues	2,342	2,660	2,388	2,538
Operating Expenditures	<u>2,230</u>	<u>2,504</u>	<u>2,209</u>	<u>2,413</u>
Operating Balance	112	156	179	125
CalPERS Contribution	(3)	(3)	(3)	-0-
Transfer to GOF	<u>(109)</u>	<u>(150)</u>	<u>(150)</u>	<u>(125)</u>
Excess (Deficiency) of Revenues	0	3	26	-0-
Beginning Balance	<u>7</u>	<u>7</u>	<u>7</u>	<u>33</u>
Ending Balance	\$ <u>7</u>	<u>10</u>	<u>33</u>	<u>33</u>

The Fiscal Year 2017-18 recommendations total a net reduction of \$120,700. Those \$25,000 and over are as follows (see Attachments 3 and 4 for complete listings with descriptions):

- **Minimum Wage Impact 1/2-Year (Shoreline Golf Links):** \$64,900 (ongoing)
- **Net Miscellaneous:** \$(185,600) (ongoing)

Projected revenue for Fiscal Year 2017-18 is \$2.5 million, \$150,000 higher than the current fiscal year estimate and \$196,000 higher than Fiscal Year 2015-16 Audited. Touchstone continues to monitor the membership programs and incorporates adjustments as appropriate. A 3.0 percent increase is recommended to frequent player fees and a \$1.00 per player increase to green fees and golf car rentals are also recommended. Tournament fees were not increased in previous fiscal years with other green fees, therefore a \$1.00 to \$3.00 increase to Tournament fees are recommended to bring them in line with the other green fees.

Projected expenditures by Touchstone and the City of \$2.4 million are approximately \$91,000 lower than the current fiscal year adopted. The operating costs reflect recommended decreases in funding for supplies and utilities offsetting minimum wage and other compensation increases. Included in the Fiscal Year 2017-18 recommended operating expenditures are contributions of \$215,400 for annual equipment replacement and \$76,800 for reimbursement of administrative support provided by the GOF. Fiscal Year 2017-18 is projected with an operating balance of \$125,000 to be transferred to the General Operating Fund.

The course condition continues to improve. Revenues are projected with a net decrease compared to the Fiscal Year 2016-17 adopted, but a net increase compared to Fiscal Year 2016-17 estimated. Based on projected revenues and expenditures, management of the course by Touchstone will allow for a transfer of \$125,000 net surplus to the City's GOF. If the City experiences another "wet" year that adversely impacts revenues at the golf course, Touchstone will save on personnel and water costs in order to achieve the \$125,000 net allocation goal. Staff continues to work with Touchstone and meets quarterly to review the operations and financial status of the golf course. 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 in 1969 by 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. 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 component unit of the City.

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 reported annually to the County by the owning business.

Property Taxes are estimated higher than budget, and investment earnings are estimated lower than budget resulting in total estimated revenues for the current fiscal year of \$42.1 million, \$4.1 million (10.8 percent) higher than budget. The property tax projection for Fiscal Year 2016-17 anticipated a net increase compared to the July 1, 2015 tax roll resulting from changes in ownership, the 1.525 percent annual CCPI, and resolution of appeals. The Fiscal Year 2016-17 estimated property tax exceeds budget as a result of increased AV from construction in progress inspections (on new development) and more changes in ownership.

Total expenditures for the current fiscal year are estimated at \$27.5 million, \$403,000 below the Fiscal Year 2016-17 Adopted Budget of \$27.9 million primarily due to savings in salary and benefits, and supplies and services. This estimate includes the operations of the Shoreline Regional Park, landfill, and street maintenance, as well as the area's share of costs for services such as Police and Fire protection, planning, and general administration.

The intergovernmental payments to the County, in accordance with the agreement authorized in December 2004, is estimated to be on target with budget, and 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 Agreement (JPA) approved in June 2013.

A \$5.1 million North Bayshore Development Impact Fee was received for the development at 1625 Plymouth Street and will be held in the Development Impact Fees Reserve until a transportation project identified in the North Bayshore Development Impact Fee Nexus study is adopted.

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>2015-16</u> <u>Audited</u>	<u>2016-17</u> <u>Adopted</u>	<u>2016-17</u> <u>Estimated</u>	<u>2017-18</u> <u>Recommended</u>
Revenues:				
Property Taxes	\$31,305	36,886	40,762	39,306
Investment Earnings	690	706	680	859
Other	<u>471</u>	<u>360</u>	<u>625</u>	<u>359</u>
Total Revenues	<u>32,466</u>	<u>37,952</u>	<u>42,067</u>	<u>40,524</u>
Expenditures:				
Operating	11,815	12,879	12,407	13,184
Intergovernmental Payments	7,659	8,493	8,563	9,994
Debt Service	6,406	6,514	6,513	4,980
Loan Payment	<u>1,472</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>27,352</u>	<u>27,886</u>	<u>27,483</u>	<u>28,158</u>
Operating Balance	5,114	10,066	14,584	12,366
CIP Refunds	51	-0-	-0-	-0-
Development Impact Fees	578	-0-	5,052	-0-
CalPERS Contribution	(87)	(112)	(112)	(302)
Transfer to Workers' Comp	(7)	-0-	-0-	-0-
Transfer to Comp Absences	(26)	(52)	(52)	(20)
Retirees' Health UAAL	(17)	(924)	(924)	(995)
Capital Projects	<u>(9,139)</u>	<u>(2,762)</u>	<u>(5,062)</u>	<u>(28,422)</u>
Excess (Deficiency)				
of Revenues	(3,533)	6,216	13,486	(17,373)
Beginning Balance	50,234	46,701	46,701	60,187
Reserve	(5,200)	(4,900)	(4,900)	(4,600)
Reserve for Landfill	(4,000)	(5,000)	(5,000)	(6,000)
Reserve for Dev Impact Fees	<u>(1,472)</u>	<u>(1,472)</u>	<u>(6,441)</u>	<u>(6,536)</u>
Ending Balance	<u>\$36,029</u>	<u>41,545</u>	<u>43,846</u>	<u>25,678</u>

The Fiscal Year 2017-18 recommendations total \$304,000. Those \$25,000 and over are as follows (see Attachments 3, 4, and 5 for complete listings with descriptions):

- **Ranger Service Contract:** \$82,000 (ongoing)
- **Two Associate Civil Engineer—Land Development Positions (0.40):** \$73,500 (limited-period)
- **Transportation Planner (0.25):** \$49,900 (ongoing)
- **Associate Civil Engineer—Traffic Section Position (0.25)*:** \$45,900 (limited-period)
- **Associate Civil Engineer—Land Development Position (0.20)**:** \$36,700 (ongoing)

*represents a continuing limited-period position

**represents a position going from limited-period to ongoing

- **Major Capital Projects:**
 - Shoreline Boulevard Interim Bus Lane and Utility Improvements, Phase I Construction: \$10,037,000
 - South Bay Salt Pond Restoration Project—Mountain View Ponds Components: \$4,975,000
 - Shoreline Bus Lane Property Acquisition: \$4,260,000
 - Lower Stevens Creek Trail Levee Improvements: \$2,940,000
 - Shoreline Boulevard at Highway 101 Bicycle/Pedestrian Bridge, Preliminary Design (project amendment): \$1,467,000
 - San Antonio and Bayshore Traffic Signal and Geometric Modifications: \$805,000
 - Colony Connection to Permanente Creek Trail: \$775,000
 - Police/Fire Training and Classroom Facility at Fire Station 5, Design: \$644,000

- Rengstorff Avenue and Leghorn Street Traffic Signal and Geometric Modifications: \$565,000

Projected revenues for Fiscal Year 2017-18 are \$40.5 million, \$2.6 million higher than the current fiscal year adopted and \$8.1 million higher than Fiscal Year 2015-16 Audited. However, the 2.0 percent CCPI, changes in ownership, and reductions from resolved appeals result in a net decrease in property tax compared to Fiscal Year 2016-17 estimated property taxes. As of January 2017, the County has approximately 5,500 active appeals for properties throughout the County, including properties located in the Shoreline Community. The County has provided some information about pending appeals specific to each local agency, and the Fiscal Year 2017-18 revenue includes a projected tax loss based on historical resolution of resolved secured appeals. Unsecured AV is reported by the business owner and historically the change in unsecured AV does not track with the change in secured AV. Unsecured AV is projected with a decline as historically, fiscal years with a significant increase, such as the current fiscal year, are followed by fiscal years of significant decline. The anticipated decrease in Fiscal Year 2017-18 AV discussed above will result in a decrease in the intergovernmental payments to the County. However, the intergovernmental payment to the school districts is projected to increase as this calculation is based on a different methodology than the County and utilizes the percent change in total property tax received between the two prior fiscal years.

Fiscal Year 2017-18 expenditures are recommended at \$28.2 million, \$272,000 higher than the current fiscal year Adopted Budget which includes ongoing recommendations of \$184,600 and limited-period recommendations of \$119,400. In addition, there is a \$1.0 million contribution to the Retirees' Health UAAL; \$302,000 contribution to the CalPERS liability, proportionate to the General Fund contributions; \$20,000 to the Compensated Absences Fund; and \$28.4 million in capital projects. The capital projects total includes \$15.8 million for transportation related projects.

The fund is projected to end the 2017-18 fiscal year, including recommendations, with an ending balance of \$25.7 million and \$17.1 million in Reserves. As previously discussed with City Council, there are significant capital projects anticipated in future years related to transportation, landfill, and sea level rise. The Council adopted the North Bayshore Development Impact Fee in February 2016 to assist with funding improvements detailed in the North Bayshore Development Impact Fee Nexus Study. The recently approved Charleston East project will be assessed this fee. It is anticipated debt will be issued in the near future to complement the fees to fund the transportation projects related to the North Bayshore Precise Plan.

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 water, wastewater, and solid waste rate increases as all recommended increases for Fiscal Year 2017-18 are within the prescribed limits as noticed May 6, 2016 and approved at the June 21, 2016 public hearing (see more detail in each section below). Staff will be mailing a notification of the proposed 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 (85.0 percent). Water is also purchased from the Santa Clara Valley Water District (SCVWD) (11.0 percent) and City well production (4.0 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 10.0 percent increase for the average cost of water and meter rates, and a 3.0 percent increase for recycled water rates were adopted for Fiscal Year 2016-17. Operating revenues for Fiscal Year 2016-17 are estimated at \$30.8 million, approximately \$2.6 million (9.4 percent) higher than budget. This fund has been significantly impacted by previous water conservation efforts due to the drought, an approximate 30.0 percent

reduction in usage from the 2013 base year for measuring conservation through Fiscal Year 2015-16. Although the reduced water usage is positive from a conservation perspective, revenues were not being generated as budgeted and were insufficient to support required fixed costs. This resulted in higher rates required to generate sufficient revenues from lower units of water sales. Last fiscal year it was estimated an additional 9.0 percent rate increase would be needed due to the 30.0 percent reduction in water usage. It was recommended and approved for this increase to be divided over two fiscal years with 3.0 percent in Fiscal Year 2016-17 (included in the 10.0 percent rate increase) and 6.0 percent to be included in the Fiscal Year 2017-18 rate increase (as included in the Prop 218 notice). For Fiscal Year 2016-17, water usage through February is trending approximately 7.0 higher. This increase has a positive financial impact on the Water Fund; however, not enough to change the additional 6.0 percent increase previously recommended for Fiscal Year 2017-18.

Operating expenditures for Fiscal Year 2016-17 are estimated at \$27.4 million, \$2.0 million (6.8 percent) lower than the budget of \$29.4 million. This is primarily the result of retail water costs lower than budgeted and savings in operations. The budget was based on 90.0 percent of the City's required minimum water purchase; however, the SFPUC notified the City in June the minimum purchase requirement would be waived for Fiscal Year 2016-17 due to their continued call for voluntary 10.0 percent conservation. With the increased rainfall, it is anticipated the SFPUC will no longer be waiving the City's minimum water purchase past the current fiscal year, and staff estimates water costs for Fiscal Year 2017-18 will increase over 20.0 percent as a result of the minimum purchase requirement. The final decision to waive the requirement will be based on the SFPUC's analysis of their water supply for the coming fiscal year and any State mandates for continued water conservation measures. Staff does not anticipate water usage to return to predrought conditions due to the ongoing impact of conservation programs and the gradually increasing use of recycled water. Staff is evaluating options to minimize or eliminate minimum purchase penalties and will provide updates to the Council as alternatives are further developed.

The estimated operating balance for Fiscal Year 2016-17 is \$3.3 million, which is sufficient to fund the CalPERS contribution of \$217,000, Retirees' Health UAAL of \$635,000, and the current fiscal year's \$2.1 million for capital projects.

Capacity fees were adopted by Council effective July 1, 2015. The Fiscal Year 2016-17 Adopted Budget includes fees of \$2.4 million based on building permits projected to be issued during the fiscal year. The capacity fees are currently estimated at \$1.5 million, sufficient to fund the \$1.1 million in additional capital projects. Various Development Impact Fees have been adopted by Council, and for Fiscal Year 2016-17, \$1.4 million has been received. These fees are designated for specific projects which will be identified in the Five-Year Capital Improvement Program (CIP). The Water Fund is estimated with a \$7.3 million ending balance and \$11.8 million in 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>2015-16</u> <u>Audited</u>	<u>2016-17</u> <u>Adopted</u>	<u>2016-17</u> <u>Estimated</u>	<u>2017-18</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 337	246	316	397
Water Sales	24,018	26,106	28,462	30,454 ⁽¹⁾
Recycled Water Sales	526	600	465	600
Other	<u>1,676</u>	<u>1,189</u>	<u>1,537</u>	<u>1,196</u>
Total Revenues	<u>26,557</u>	<u>28,141</u>	<u>30,780</u>	<u>32,647</u>
Expenditures:				
Operating	9,480	10,106	9,538	10,393
Water Purchases	14,862	18,411	16,977	20,768 ⁽²⁾
Loan Repayment – Recycled Water	300	300	300	300
Debt Service	<u>629</u>	<u>634</u>	<u>634</u>	<u>634</u>
Total Expenditures	<u>25,271</u>	<u>29,451</u>	<u>27,449</u>	<u>32,095</u>
Operating Balance (Deficit)	1,286	(1,310)	<u>3,331</u>	552
Capacity/Development				
Impact Fees	1,900	2,369	2,866	2,303
CalPERS Contribution	(177)	(217)	(217)	(590)
Transfer to Workers' Comp	(16)	-0-	-0-	-0-
Retirees' Health UAAL	-0-	(635)	(635)	(294)
Capital Projects from Fees	(1,848)	(1,079)	(1,079)	(2,287)
Capital Projects	<u>(3,180)</u>	<u>(2,079)</u>	<u>(2,079)</u>	<u>(2,942)</u>
Excess (Deficiency) of Revenues	(2,035)	(2,951)	2,187	(3,258)
Beginning Balance	18,931	16,896	16,896	19,083
Capacity/Dev Impact Fees Reserves	(45)	(1,335)	(1,832)	(1,848)
Reserves	<u>(9,706)</u>	<u>(9,946)</u>	<u>(9,946)</u>	<u>(10,807)</u>
Ending Balance	<u>\$ 7,145</u>	<u>2,664</u>	<u>7,305</u>	<u>3,170</u>

⁽¹⁾ Based on the recommended 7.0 percent rate adjustment.

⁽²⁾ Based on no increase in wholesale water costs proposed by the SFPUC at the minimum purchase requirement, and proposed 9.0 percent and 9.9 percent increases for treated water and groundwater (well production), respectively, by the SCVWD.

The Fiscal Year 2017-18 recommendations total \$361,600. Those \$25,000 and over are as follows (see Attachments 3, 4, and 5 for complete listings with descriptions):

- **Associate Civil Engineer – Engineering and Environmental Compliance Section Position*:** \$169,600 (limited-period)
- **Two Associate Civil Engineer – Land Development Positions (0.40):** \$73,500 (limited-period)
- **Utility Online Payment Processing:** \$50,000 (ongoing) (see Attachment 9)

*represents a continuing limited-period position

- Major Capital Projects:
 - Miscellaneous Water Main/Service Line Replacement: \$2,533,000
 - Shoreline Boulevard Interim Bus Land and Utility Improvements, Phase I Construction: \$1,500,000
 - Water System Improvements and Recycled Water System Improvements: \$846,000

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. The SFPUC has proposed a zero rate increase effective July 1, 2017, and SCVWD is proposing 9.0 percent and 9.9 percent rate increases for treated water and well water, respectively, for Fiscal Year 2017-18. Final rates will not be approved by the SFPUC until May 9, 2017 and by SCVWD on April 25, 2017. Annual capital project funding of \$2.9 million is included in the rate calculation as the three-year rolling average of annual projects.

The recycled water rate is set to recover the cost of the program which includes the loan repayment (\$300,000) and recycled water program operating costs (\$300,000). Staff will continue to convert customers from potable water to recycled water when possible.

For Fiscal Year 2017-18, a 7.0 percent rate increase is recommended for the average cost of water and meter rates and a 3.0 percent increase is recommended for the recycled 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 7.0 percent stated. This 7.0 percent rate increase includes the additional 6.0 percent noticed and approved for Fiscal Year 2017-18 at the rate hearing on June 21, 2016. An additional 1.0 percent is for rate increases from providers and CPI as allowed and noticed at the same rate hearing.

Fiscal Year 2017-18 projected revenues, with the recommended rate adjustments and water consumption based on the current fiscal year trend, are \$32.6 million and recommended expenditures are \$32.1 million (after eliminating the budget effect of depreciation expense). Included in expenditures are the proposed rate adjustments to wholesale water costs. It is anticipated the SFPUC rate will be adopted at its meeting on May 9, 2017. Staff will provide an update to Council if there are any changes to the proposed rate increase with the Proposed Budget on June 13, 2017. Recommended fee modifications are included in Attachment 2, and a comparison of the current rates and the recommended rates are included in Attachment 11.

The recommendation results in an operating balance of \$552,000. There are also capital projects of \$2.9 million, contribution to CalPERS of \$590,000, proportionate to the General Fund contributions, and funding for Retirees' Health UAAL of \$294,000. This results in projected Fiscal Year 2017-18 reserves balance of \$12.7 million and projected ending balance of \$3.2 million.

Capacity fees are projected at \$2.3 million for Fiscal Year 2017-18, funding \$873,000 in additional capital projects. As noted above, these fees provide funding for additional capital projects and mitigate the need to fund these projects with rate increases. The balance available of Development Impact Fees of \$1.4 million will partially fund a designated project identified in the Five-Year CIP for Fiscal Year 2017-18.

Future fiscal year rates are anticipated to be impacted by the continued projected rate increases for implementation of the SFPUC capital improvements to the Hetch Hetchy system. The SFPUC has provided estimated future water rate increases of 0.0 percent, 3.0 percent, 13.3 percent, and 10.8 percent for Fiscal Years 2018-19 to 2021-22, respectively.

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.

An overall 19.0 percent rate increase was adopted for Fiscal Year 2016-17. This includes a 17.0 percent rate increase for operations and a 2.0 percent rate increase for future Treatment Plant capital costs. As previously outlined, there are future capital expenditures 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 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 2016-17 is the third year.

Unforeseen Treatment Plant costs identified by Palo Alto 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. Council approved staff's recommendation to spread the increase needed to stabilize the financial position of this fund over three fiscal years and utilize half of the rate stabilization reserve for Fiscal Years 2016-17 and 2017-18 to balance the fund. To compensate for the increased costs, additional 6.0 percent rate increases were projected for Fiscal Years 2017-18 and 2018-19 to phase-in the rate increase needed. These rate increases were noticed and approved at the rate hearing on June 21, 2016.

Staff has also previously indicated there are major City sewer main replacement projects necessary, approximately \$29.8 million is identified in the Proposed Five-Year CIP, approximately \$5.8 million on the unscheduled CIP list, and possibly more identified in the update of the Sewer Master Plan in Fiscal Year 2019-20. The majority of the trunk main infrastructure was installed in the 1950s and 1960s. The possibility of issuing debt for these projects, with a corresponding recommendation to phase-in rate increases to fund the debt, was identified as an option. However, capacity fees were adopted by Council, and as funds are collected, these capacity fees are providing a

source of funding and could reduce future rate increases or any debt required for these additional capital projects. Staff projected capacity fees based on projected building permits to be issued and development in the pipeline, but due to building permits not being deemed complete and issued for construction as quickly as anticipated, actual and estimated capacity fees for the current fiscal year are lower than originally projected.

Staff is reviewing the current major sewer capacity upgrades needed due to General Plan Update, Precise Plan adoptions, and Gatekeeper approvals. Staff is also reviewing the condition of existing sewer mains to plan ongoing replacements and will be presenting these to the City Council as part of the Five-Year CIP discussion (Fiscal Years 2017-18 through 2021-22). Staff will continue to monitor the amount of the fees collected and review if there will be a need to issue debt, and any potential associated rate increase necessary, for these additional capital projects.

Operating revenues for Fiscal Year 2016-17 are estimated at \$19.3 million, \$473,000 (2.4 percent) lower than the budget of \$19.8 million, as wastewater service charges are trending lower than budget. Operating expenditures are estimated at \$16.7 million, \$1.0 million (5.7 percent) lower than the budget of \$17.7 million. This is primarily due to Treatment Plant expenditures estimated approximately \$560,000 lower than proposed, in addition to a \$91,000 credit for prior year 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 staff, 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 \$91,000 lower than budgeted, resulting in a credit that is applied towards the current fiscal year's treatment costs. The estimated operating balance of \$2.6 million will fund the CalPERS contribution of \$128,000, Retirees' Health UAAL of \$387,000, and \$1.8 million for capital projects.

The fund is estimated with a \$2.8 million ending balance and \$5.6 million in reserves, which includes the accumulation of the rate increases needed for future Treatment Plant capital expenditures, the borrowing of funds for the additional City capital projects until sufficient capacity fee revenues are received, and using half of the rate stabilization reserve.

Various Development Impact Fees have been adopted by Council and for Fiscal Year 2016-17, \$328,000 has been received. These fees are designated for specific projects which will be identified in the Five-Year CIP.

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>2015-16</u> <u>Audited</u>	<u>2016-17</u> <u>Adopted</u>	<u>2016-17</u> <u>Estimated</u>	<u>2017-18</u> <u>Recommended</u>
Revenues:				
Hazardous Materials/ Fire Safety Permits	\$ 496	425	446	425
Investment Earnings	188	151	177	290
Wastewater Service	16,388	19,172	18,653	20,519 ⁽¹⁾
Other	<u>268</u>	<u>34</u>	<u>33</u>	<u>34</u>
Total Revenues	<u>17,340</u>	<u>19,782</u>	<u>19,309</u>	<u>21,268</u>
Expenditures:				
Operating	5,835	6,723	6,356	7,106
Wastewater Treatment	<u>10,100</u>	<u>11,036</u>	<u>10,385⁽²⁾</u>	<u>10,668</u>
Total Expenditures	<u>15,935</u>	<u>17,759</u>	<u>16,741</u>	<u>17,774</u>
Operating Balance	1,405	2,023	2,568	3,494
Capacity/Development				
Impact Fees	2,797	2,054	2,063	4,050
CalPERS Contribution	(111)	(128)	(128)	(349)
Transfer to Workers' Comp	(37)	-0-	-0-	-0-
Retirees' Health UAAL	-0-	(387)	(387)	(246)
Capital Projects from Fees	(4,271)	(1,520)	(1,520)	(627)
Capital Projects	<u>(4,342)</u>	<u>(1,759)</u>	<u>(1,759)</u>	<u>(2,103)</u>
Excess (Deficiency)				
of Revenues	(4,559)	283	837	4,219
Beginning Balance	12,070	7,511	7,511	8,348
Capacity/Dev Impact Fees				
Reserves	1,451	917	908	(2,515)
Treatment Plant Reserve	(891)	(891)	(891)	(2,077)
Reserves	<u>(5,984)</u>	<u>(5,597)⁽³⁾</u>	<u>(5,597)⁽³⁾</u>	<u>(5,620)⁽³⁾</u>
Ending Balance	<u>\$ 2,087</u>	<u>2,223</u>	<u>2,768</u>	<u>2,355</u>

⁽¹⁾ Based on a recommended 10.0 percent rate increase.

⁽²⁾ Includes \$91,000 credit for the prior fiscal year.

⁽³⁾ Includes borrowing 5.0 percent of the 10.0 rate stabilization reserve.

The Fiscal Year 2017-18 recommendations total \$92,900. Those \$25,000 and over are as follows (see Attachments 3, 4, and 5 for complete listings with descriptions):

- **Two Associate Civil Engineer—Land Development Positions (0.40):** \$73,500 (limited-period)
- Major Capital Projects:
 - Miscellaneous Storm/Sanitary Sewer Main Replacement: \$1,585,000
 - Shoreline Boulevard Interim Bus Land and Utility Improvements, Phase I Construction: \$627,000

Costs for the Treatment Plant are proposed to increase 1.9 percent for Fiscal Year 2017-18, resulting in the cost of wastewater treatment to be approximately 60.0 percent of the total recommended operating expenditures. **A 10.0 percent overall rate increase is recommended for Fiscal Year 2017-18:** 2.0 percent is due to the increase from the Treatment Plant for Fiscal Year 2017-18 and operating cost increases up to the CPI, 2.0 percent is the fourth year of the phase-in of planned Treatment Plant capital costs, and 6.0 percent as noticed and approved for Fiscal Year 2017-18 at the rate hearing on June 21, 2016 for unanticipated Treatment Plant costs in Fiscal Year 2015-16. For rate-setting purposes, a \$2.1 million base level of annual maintenance capital projects is assumed for Fiscal Year 2017-18. An additional 6.0 percent rate increase needed for Fiscal Year 2018-19 was also noticed and approved at the rate hearing on June 21, 2016.

Based on the recommended overall 10.0 percent rate increase, operating revenues for Fiscal Year 2017-18 are projected at \$21.3 million and recommended operating expenditures are \$17.8 million (after eliminating the budget effect of depreciation expense). The operating balance of \$3.5 million will fund the contribution to CalPERS of \$349,000, proportionate with the General Fund contributions, funding for Retirees' Health UAAL of \$246,000, and \$2.1 million for capital projects. This results in a reserve balance of \$5.6 million, using half of the rate stabilization reserve, in addition to the Capacity/ Development Impact Fee and Treatment Plant reserves of \$4.6 million. The projected ending balance for Fiscal Year 2017-18 is of \$2.4 million.

Capacity fees are estimated at \$4.1 million for Fiscal Year 2017-18, funding \$358,000 in additional capital projects. As noted above, capacity fees are not being collected as quickly as originally projected; therefore, staff has deferred some projects until sufficient capacity fees can be collected. With the large number of projects in the 5-year CIP and capacity fees not being generated as quickly as previously estimated, staff is evaluating the need of issuing debt for the City's additional capital projects. If it is

necessary to issue debt to fund the necessary City capital projects, staff will return to Council for approval and the estimated associated rate increase.

Development Impact Fees of \$269,000, received in Fiscal Year 2016-17, will partially fund a designated project identified in the Five-Year CIP for Fiscal Year 2017-18.

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 (in which 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.

A Cost of Service (COS) Study to review the rate structure to realign rates to reflect the true cost of collection and disposal was completed and the results were incorporated for Fiscal Year 2015-16, with the exception of the cart rate adjustment which was approved to be phased in over three years. For Fiscal Year 2016-17, a 10.0 percent rate increase was adopted for carts, incorporating the second year of the COS Study for phase-in of cart rates, but no increase for any other trash and recycling rates was adopted.

The City's Solid Waste Fund operating revenues for Fiscal Year 2016-17 are estimated at \$13.9 million compared to the budget of \$13.0 million. Trash and recycling service charges are trending \$890,000 (7.0 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 \$12.0 million, \$696,000 (5.5 percent) lower than the Adopted Budget of \$12.7 million, as a result of savings in operations and lower 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 2015-16, the City received a credit of \$323,000, which has been applied against payments in the current fiscal year. 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 \$1.9 million. After funding the additional CalPERS contribution of \$91,000 and the current fiscal year's \$279,000 for capital projects, there is an estimated ending balance of \$5.6 million and reserves of \$3.2 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>2015-16</u> <u>Audited</u>	<u>2016-17</u> <u>Adopted</u>	<u>2016-17</u> <u>Estimated</u>	<u>2017-18</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 61	62	84	102
Trash and Recycling Service Charges	12,841	12,742	13,632	13,874 ⁽¹⁾
Other	<u>283</u>	<u>195</u>	<u>224</u>	<u>195</u>
City Revenues	13,185	12,999	13,940	14,171
Recology Revenues ⁽²⁾	<u>14,152</u>	<u>14,683</u>	<u>14,342</u>	<u>15,052</u>
Total Revenues	<u>27,337</u>	<u>27,682</u>	<u>28,282</u>	<u>29,223</u>
Expenditures:				
Operating Disposal and SMaRT Station Charges	4,119	5,087	4,800	5,265
	<u>7,777</u>	<u>7,656</u>	<u>7,247⁽³⁾</u>	<u>7,245</u>
City Expenditures	11,896	12,743	12,047	12,510
Recology Payments	<u>14,152</u>	<u>14,683</u>	<u>14,342</u>	<u>15,052</u>
Total Expenditures	<u>26,048</u>	<u>27,426</u>	<u>26,389</u>	<u>27,562</u>
Operating Balance	1,289	256	1,893	1,661
CalPERS Contribution	(75)	(91)	(91)	(241)
Transfer to Workers' Comp	(8)	-0-	-0-	-0-
Retirees' Health UAAL	-0-	-0-	-0-	(876)
Capital Projects	<u>(323)</u>	<u>(279)</u>	<u>(279)</u>	<u>(338)</u>
Excess (Deficiency) of Revenues	883	(114)	1,523	206
Beginning Balance	6,418	7,301	7,301	8,824
Reserves	<u>(3,162)</u>	<u>(3,186)</u>	<u>(3,186)</u>	<u>(3,186)</u>
Ending Balance	<u>\$ 4,139</u>	<u>4,001</u>	<u>5,638</u>	<u>5,844</u>

⁽¹⁾ Based on a 2.0 percent rate adjustment recommended and the third (and final) year 8.0 percent phase-in for carts.

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

⁽³⁾ Includes \$323,000 credit from SMaRT Station reconciliation for the prior fiscal year.

The Fiscal Year 2017-18 recommendations total \$130,200. Those \$25,000 and over are as follows (see Attachments 3, 4, and 5 for complete listings with descriptions):

- **Two Associate Civil Engineer—Land Development Positions (0.40):** \$73,500 (limited-period)
- **Commercial Composting Processing Fee:** \$35,000 (ongoing)
- Major Capital Improvements:
 - Shoreline Landfill Cap Maintenance and Repairs: \$134,000
 - Landfill Gas/Leachate System Repairs and Improvements: \$134,000

The agreement with Recology provides for an increase based on CPI. In addition, Council approved a residential food scraps collection program in December 2016 for which increased costs to Recology result in a 2.48 percent. The total increase to Recology for Fiscal Year 2017-18 is 4.95 percent. There is no increase in the City's share of SMaRT Station costs currently proposed. The Recology increase, as well as increases in the cost of City programs up to the CPI and the annual maintenance projects, requires an overall average 2.0 percent rate increase.

In addition, the cart rate increase includes the third-year phase-in of cart rate increases resulting from the COS Study. Results of the COS Study were implemented in Fiscal Year 2015-16 with a phase-in of the cart rate increase over three years; the final increase of 10.0 percent in Fiscal Year 2017-18 was noticed in last year's Proposition 218 letter and approved at the June 21, 2016 rate hearing. Staff is recommending this be reduced to 8.0 percent for a total cart rate increase of 10.0 percent.

For the new residential foods scraps program, the cost of the program Council approved was estimated to have a cart rate impact of 6.0 percent. Staff has refined the cart rate increase and 5.0 percent is determined to be sufficient. *However, staff is recommending deferring this increase to Fiscal Year 2018-19.*

Incorporating the final year COS Study phase-in for cart rates, for Fiscal Year 2017-18, **a 10.0 percent rate increase is recommended for carts, and a 2.0 percent rate increase for all other services is recommended.** With a 10.0 percent rate increase for carts, the rate for a 32-gallon cart will increase by \$2.95 a month to \$32.25 per month, which is still lower than our neighboring cities' rates. Attachment 2 includes recommended fee modifications and Attachment 11 includes a comparison of the current rates and the recommended rates. Revenues for Fiscal Year 2017-18, including the rate adjustments

recommended, are projected to total \$29.2 million (City revenues of \$14.2 million) with total expenditures of \$27.6 million (City expenditures of \$12.5 million). There is also funding of \$338,000 for capital projects and \$876,000 for Retirees' Health UAAL. In addition, staff is recommending additional contributions to CalPERS of \$241,000, proportionate with the General Fund contributions. The fund is projected to end the 2017-18 fiscal year with a reserve at the policy level of \$3.2 million and a \$5.8 million ending balance.

Non-Major Funds

The Fiscal Year 2017-18 recommendations (\$25,000 and over) for nonmajor funds are as follows (see Attachments 3, 4, and 5 for complete listings with descriptions):

Child-Care Commitment Reserve

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

Public Benefit Fund

- **Homeless Initiatives: \$477,000 (limited-period)**

Below-Market-Rate (BMR) Housing Fund

- **Contract Services: \$30,000 (ongoing)**
- **Fair Housing Assessment: \$30,000 (limited-period)**
- **Consultant Services: \$30,000 (limited-Period)**

Housing Impact Fund

- **Notice of Funding Availability (NOFA) Administration: \$25,000 (ongoing)**

Community Stabilization and Fair Rent Act (CSFRA) Fund

- **Computer Equipment and Software: \$50,000 (limited-period)**
- **General Office and Noticings: \$40,000 (limited-period)**
- **Hearing Officer: \$30,000 (limited-period)**

Successor Agency Fund

- **Housing and Services for Low-Income Residents:** \$250,000 (limited-period)

Downtown Benefit Assessments Districts Fund

- **Redirect Third Parking Feasibility Study to Paid Parking Program:** \$75,000 (limited-period)
- **Consultant Services:** \$45,000 (limited-period)
- **Parking Structure – Interior Signage Improvements:** \$25,000 (limited-period)

Tree Mitigation Fund

- **Street Trees and Arbor Days:** \$50,000 (offset with \$50,000 in revenue) (ongoing)

Workers' Compensation Fund

- **Workers' Compensation Excess Insurance:** \$54,000 (ongoing)

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
 - Open Space Acquisition
 - Strategic Property Acquisition
 - Child-Care Center

- 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. 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.

For the Retirees’ Health Program, the City continues to accumulate funds toward this liability which is required to be recalculated every two years and will be updated during the next fiscal year, as of July 1, 2017. All funds, except the General Operating Fund, have contributed their full share of the liability. Fiscal Year 2016-17 includes funding from other funds to maintain full funding and an additional \$2.0 million contribution from the General Operating Fund. The liability was last recalculated as of July 1, 2015 and the Fiscal Year 2017-18 budget includes recommended funding from other funds to maintain full funding of their share of the liability, an additional \$2.0 million from the General Operating Fund, and additional funding from the estimated Fiscal Year 2016-17 carryover, depending on Council direction.

Background and Analysis

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

	6/30/17 Estimated Balance	Amount Recommended for Allocation	Other Funds	7/1/17 Recommended Balance	Policy/ Target Balance
Uncommitted but Designated for Specific Purpose:					
GF Reserve	\$ 26,696	(3,171) ⁽¹⁾	-0-	23,525	23,525 ⁽¹⁾
GF Budget Contingency	5,209	-0-	-0-	5,209	5,209
GF Earned Lease Revenue	3,591	-0-	-0-	3,591	3,500
GF Capital Improvements	14,818	3,970 ⁽²⁾	-0-	18,788 ⁽³⁾	8,217 ⁽³⁾
GF Open Space Acquisition	576	-0-	-0-	576	576
GF Strategic Property Acquisition	9,486	-0-	-0-	9,486	9,486
GF Child-Care Commitment	<u>407</u>	<u>-0-</u>	<u>-0-</u>	<u>407</u>	<u>-0-</u>
Subtotal	<u>60,783</u>	<u>799</u>	<u>-0-</u>	<u>61,582</u>	<u>50,513</u>
To Fund Liabilities:					
GF Property Management	1,560	-0-	-0-	1,560	1,560
Graham Site Maintenance	805	-0-	-0-	805	805
Compensated Absences ⁽⁵⁾	6,900	550	42	7,492	7,450 ⁽⁴⁾
Equipment Replacement ⁽⁵⁾	24,900	-0-	-0-	24,900	24,900
Workers' Compensation ⁽⁵⁾	11,000	-0-	-0-	11,000	9,146 ⁽⁷⁾
Unemployment ⁽⁶⁾	500	-0-	-0-	500	500
Liability Self-Insurance ⁽⁵⁾	<u>4,842</u>	<u>-0-</u>	<u>-0-</u>	<u>4,842</u>	<u>4,462⁽⁶⁾</u>
Subtotal	<u>50,507</u>	<u>550</u>	<u>42</u>	<u>51,099</u>	<u>48,823</u>
Total	<u>\$111,290</u>	<u>1,349</u>	<u>42</u>	<u>112,681</u>	<u>99,336</u>
Retirees' Health ⁽⁷⁾	<u>\$107,900</u>	<u>2,000</u>	<u>-0-</u>	<u>109,900</u>	<u>137,405⁽⁸⁾</u>

(1) Policy balance is recommended to be calculated as 20.0 percent of the General Operating Fund budget. This is subject to Council direction regarding a CalPERS funding strategy.

(2) Recommended up to \$4.0 million, to be determined based on actual results for Fiscal Year 2016-17.

(3) Includes \$3.2 million balance for prepaid lease from Downtown Family Housing Project.

(4) Based on the liability established as of June 30, 2016.

(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) Actuarial liability, in addition to reserve for catastrophic claims per policy, as applicable.

(7) Funds accumulated in the California Employers' Retiree Benefit Trust (CERBT).

(8) Based on the actuarial valuation as of July 1, 2015 for Fiscal Year 2017-18.

General Fund Reserve

Per Policy A-11, the General Fund Reserve has a policy balance of 25.0 percent of the GOF adopted 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 25.0 percent policy balance. No loans have been issued to date.

For Fiscal Year 2017-18, staff is recommending to revise the policy balance to allow a range of between 20.0 to 25.0 percent of the GOF adopted expenditures, net of budget savings, as part of the CalPERS funding strategy to reduce the City's unfunded pension obligation. If this reserve were reduced to 20.0 percent, this would provide approximately \$6.3 million that can be allocated to a one-time prepayment of \$10.0 million to CalPERS (see Attachment 1). The final amount necessary 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. In Fiscal Year 2008-09, the economy plunged into the deepest recession since the Great Depression and this reserve was reestablished.

During this past recession, this reserve has been 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 \$5.2 million, as of June 30, 2017, before recommendations, and will be available for similar purposes during the next economic downturn.

Revenue from the Ameswell (Moffett Gateway) property is projected to begin in Fiscal Year 2017-18 and the full projected annual revenue after a few years of operations is estimated at over \$4.0 million. The majority of this revenue is recommended to be earmarked for debt service related to the Police/Fire Administration Building Remodel

and Expansion. Staff proposes the revenue received in the fiscal years prior to the beginning of debt service be used for a limited-period need. Fiscal Years 2017-18 and 2018-19 include transfers in the amount of \$755,400 and \$1.3 million, respectively 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 53-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 53-year lease term. Based on an average 3.5 percent interest rate over the 53-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 this fiscal year will be \$3.6 million, slightly higher than the target balance of \$3.5 million. Staff will reevaluate projected interest earnings, but at this point it is recommended that no transfers be made until interest rates rise more.

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 noted earlier, Google subleases Parking Lots C and D from SFX (LiveNation) and this agreement ends mid-December 2017. In March 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. The \$600,000 is recommended to be transferred to the Capital Improvement Reserve.

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. By the end of Fiscal Year 2017-18, the decennial revaluation process will have been completed for the three City-owned land leases between the City

and Google. Based on the actual revaluation of two sites and an estimated revaluation of the third site, annualized rent payments are estimated to increase approximately \$7.7 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. 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 in Fiscal Year 2017-18, the potential decline in revenues, calculated at \$1.9 million, is recommended to be transferred to the Capital Improvement Reserve to fund projects in Fiscal Year 2018-19 or later.

This reserve generally receives an allocation from the General Fund carryover balance. The contribution from the Fiscal Year 2016-17 General Fund carryover depends on the direction received by Council on the CalPERS funding strategy.

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 \$3.2 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. There is a balance of \$576,000 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.

During the current fiscal year, \$3.0 million has been transferred to this fund (\$2.0 million as part of the GOF and \$1.0 million from the Fiscal Year 2015-16 carryover). This reserve has funded \$5.0 million towards the capital improvements for the

Community Center. 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 \$9.5 million; however, a portion of this is an alternative source for the CalPERS funding strategy (see Attachment 1).

The City has had 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. In order to provide resources for future properties that could be leased for future ongoing revenues, staff is recommending \$2.0 million be transferred from the GOF to this reserve in Fiscal Year 2017-18.

General Fund Child-Care Commitment 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 is no longer needed for repayment of the loan, staff reviewed alternatives with Council at the April 19, 2016 Council meeting. Subsequently, staff returned to Council on December 6, 2016 with recommendations and Council approved using up to \$100,000 per fiscal year for low-income subsidies through the initial term of the Operator Agreement with Community Gatepath. The Fiscal Year 2017-18 recommended budget includes \$100,000 for the purpose approved by Council.

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. These obligations could include environmental testing, certain responsibilities identified in land leases, or other costs normally incurred by a lessor. There is a 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 reserve has an estimated balance of \$805,000 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, \$1.4 million has been paid out and an additional estimated \$200,000 will be utilized by the end of the fiscal year. The calculated liability for this reserve has increased \$624,000 from the prior fiscal year. The current estimated reserve balance of \$6.9 million is below the calculated liability of \$9.3 million as of June 30, 2016. Although it has been a long-standing policy to fund 100 percent of the liability in this reserve, 100 percent funding is unlikely to ever be required at any particular time. To bring the funding level to the current policy level of full funding would require \$2.4 million of additional funding. The liability will be recalculated at the close of the current fiscal year.

As part of the CalPERS strategy to increase the funding of the City's pension obligation, staff is recommending to decrease the funding level to 80 percent for Compensated Absences. If this option is chosen by Council, this would require additional funding of \$592,000 – \$550,000 from the General Fund carryover and \$42,000 from other funds for their proportionate share – to bring the balance to 80.0 percent of the policy level. If this change is approved, staff would return with amendments to Council Policy A-11.

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 \$3.8 million and the current estimated balance of \$24.9 million is on target with the policy balance; however, the target balance is under review. Equipment replacements scheduled for Fiscal Year 2017-18 total \$4.0 million, plus there is \$703,000 recommended to be rebudgeted (from the \$5.0 million budgeted in the current fiscal year) for a total of \$4.7 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 \$11.0 million, which is higher than the \$9.1 million policy level as of June 30, 2016. 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 \$500,000.

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, 2016, indicates a liability of \$2.5 million, resulting in the policy level for this reserve at \$4.5 million. The current estimated balance of \$4.8 million is slightly 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* (Statement No. 45), 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. It was last updated as of July 1, 2015, and will be updated this next fiscal year as of July 1, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, will be 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) about our OPEB liability.

Major changes occurring with the latest 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. Other factors increasing this liability are the projected excise tax for high-cost plans under the Affordable Care Act, revised demographic assumptions, and the reduced discount rate from 7.00 percent to 6.73 percent. The City participates in the California Employers' Retiree Benefit Trust (CERBT or Trust) managed by CalPERS, which reduced the discount rate for all of its plans.

The City has made great strides toward funding the AAL of \$137.4 million (projected for Fiscal Year 2017-18 as of July 1, 2015), with assets set aside of \$107.9 million, or 78.5 percent funded (estimate as of June 30, 2017). All funds other than the GOF have fully funded their share of the unfunded AAL (UAAL). To reduce the GOF share of its UAAL, a total of \$6.5 million additional funds have been budgeted and transferred to the CERBT since Fiscal Year 2014-15. An additional \$2.0 million is recommended to be transferred from the current fiscal year carryover and staff is also recommending an additional \$2.0 million in the Fiscal Year 2017-18 budget as well as \$2.0 million for Fiscal Year 2018-19.

Reserve Recommendations

Staff has performed a preliminary review of reserve levels and included funding recommendations for specific reserve requirements. Alternatives to provide significant funds to contribute to CalPERS and reduce the City's unfunded pension obligation are being recommended. One option would modify the reserve levels for the General Fund Reserve from 25.0 percent to a range between 20.0 and 25.0 percent of GOF adopted expenditures, net of budget savings, and for the Compensated Absences Reserve from 100.0 percent funding to 80.0 percent. Other options include funding from SPAR or Capital Improvement Reserve. The reduction in the funding levels of reserves will contribute to the \$10.0 million strategy to reduce the City's unfunded CalPERS pension liability. The remaining balance allocation is dependent upon Council direction provided on the CalPERS funding strategy. These recommendations will allow most reserves to meet policy levels.

CONCLUSION

Strong revenue growth has continued and the GOF is in a good financial position. For Fiscal Year 2017-18, the economy is anticipated to remain strong in most major categories (e.g., Property Tax, Sales Tax, Use of Money and Property, Charges for Services, etc.) and GOF revenues are projected to increase to \$128.0 million, or 7.8 percent, compared to the current fiscal year adopted revenues. Including consideration of the budget recommendations, totaling \$1.0 million in non-discretionary, \$1.2 million in discretionary spending, which contributes to a 8.5 percentage total expenditure increase, the GOF is projected to have an operating balance of \$2.4 million at the end of Fiscal Year 2017-18, 1.9 percent of projected revenues. Although there are other areas where additional resources could be added, more are not recommended at this time as the anticipated operating balance is relatively small and projections indicate it will decrease in the future. Additional net limited-period expenditures of \$2.7 million are recommended to address additional staff resources.

The Development Services Fund revenues for the current fiscal year are estimated higher than budgeted as development activity remains strong. The Fund is estimated to end Fiscal Year 2016-17 with an available balance of \$10.5 million and a reserve of \$4.5 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 continue at a high level for Fiscal Year 2017-18.

The condition of the Shoreline Golf Links continues to improve under the management of Touchstone. Fiscal Year 2016-17 revenues and expenditures are estimated less than budget, but still allowing for the full transfer to the GOF of \$150,000. Continued improvement is projected for Fiscal Year 2017-18 with modest fee increases recommended.

The Shoreline Community's total Fiscal Year 2016-17 property taxes are estimated \$3.9 million higher than budget due to new development and increases related to changes in ownership. Fiscal Year 2017-18 revenues are projected with an increase over the current fiscal year adopted but lower than estimated. Expenditures are higher due to operating increases and estimated interagency payments offset slightly by lower debt service payments.

The financial position of the Water Fund was severely impacted by reduced water sales from conservation efforts during the drought, resulting in approximately 30.0 percent less water usage. During the current fiscal year, water usage increased 7.0 percent over the prior fiscal year, which has resulted in an improved financial condition of the Water

Fund. For Fiscal Year 2017-18, the SFPUC is proposing no rate increase in wholesale water costs and SCVWD is currently proposing a 9.0 percent and 9.9 percent rate increase for treated water and well water, respectively. With the increased rainfall, it is anticipated the SFPUC will no longer be waiving the City's minimum water purchase past the current fiscal year. A 7.0 percent rate increase in the average cost of water and meter rates and a 3.0 percent increase in recycled water are recommended for Fiscal Year 2017-18 to fund the increased cost of water, City operational costs, and the impact of previous reduced water sales.

Wastewater Fund revenues 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. A 10.0 percent rate increase is recommended for Fiscal Year 2017-18, 8.0 percent due to increases in Treatment Plant costs in the prior fiscal year being phased in over two years, as well as City operating costs and the additional 2.0 percent for the incremental phasing in of funding for capital replacements at the Treatment Plant (the fourth year of 10). The additional rate increase is needed to align operating revenues with expenditures, recommended to be phased in over Fiscal Years 2017-18 and 2018-19. Staff is also reviewing needed City capital infrastructure improvements as to whether debt will be required to fund those capital improvements.

Solid Waste Management Fund revenues are higher than budget and expenditures are less than budget. The Recology contract provides for a CPI 2.47 percent increase and with the implementation of the food scrap program, a total 4.95 percent increase is due to Recology. A 2.0 percent general rate increase is recommended and an additional 8.0 percent rate increase for carts, the third and final year from the Cost of Service Study. The food scraps program will be implemented in July 2017, but the 5.0 percent rate impact can be deferred until July 2018.

As all recommended rate increases are within those provided, noticed, and approved under Proposition 218 last fiscal year, no Proposition 218 hearing is required this fiscal year. The total average increase for a single-family residential customer as recommended for all three utilities is 8.5 percent, resulting in an estimated increase of \$11.57 monthly. Rates will generally still be comparable, or lower, than our neighboring cities. A comparison of the current and the recommended rates is included in Attachment 11.

Most reserves are at or exceed their target or policy balance. Alternatives to provide funds for the CalPERS Funding Strategy are recommended to come from reserves. The funding from reserves will assist in the strategy to increase the funding level of the City's pension obligation. It is recommended \$6.0 million from the estimated Fiscal Year 2016-17 and reserves be allocated to CalPERS and, depending on the strategy

option selected, additional funding would be transferred from SPAR or the Capital Improvement Reserve, with any remaining carryover to be allocated to either OPEB or the Capital Improvements Reserve (see Attachment 1).

NEXT STEPS

Council input and direction are sought on the material in this report at the April 27, 2017 Study Session. Based on feedback from the City Council, the Fiscal Year 2017-18 Proposed Budget will be prepared for distribution to the City Council prior to budget hearings. The evening of June 13 is scheduled for the first public hearing and a second public hearing and final adoption is scheduled for the City Council Special Meeting of June 20, 2017.

PUBLIC NOTICING

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

PJK-DHR/SN/7/CM
546-04-27-17SS-E

- Attachments:
1. CalPERS Discount Rate Change Funding Strategy
 2. Fiscal Year 2017-18 Recommended Fee Modifications
 3. Fiscal Year 2017-18 Recommended Non-Discretionary Ongoing Changes
 4. Fiscal Year 2017-18 Recommended Discretionary Ongoing Changes
 5. Fiscal Year 2017-18 Recommended Limited-Period Expenditures
 6. Special Operations Program
 7. Fiscal Year 2017-18 Recommended Capital Outlay
 8. Fiscal Year 2017-18 Recommended Equipment Replacement
 9. Credit Card Processing Fees-Update
 10. CHAC Requested Increase
 11. Comparison of Current and Recommended Utility Rates



MEMORANDUM

Finance and Administrative Services Department

DATE: April 27, 2017

TO: City Council

FROM: Helen Ansted, Principal Financial Analyst
Suzanne Niederhofer, Assistant Finance and
Administrative Services Director
Patty J. Kong, Finance and Administrative Services Director

VIA: Daniel H. Rich, City Manager

SUBJECT: **General Operating Fund 5-Year Financial Forecast**

INTRODUCTION

Forecasting is an important part of a city's financial planning process. While it is challenging to accurately 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.

Annually, a forecast is prepared and presented to the City Council during the budget process. Beginning with the Fiscal Year 2008-09 budget process, the City Council set as a high-priority goal the development of a 10-year forecast. A 5-Year Financial Forecast is prepared annually and a 10-year Long-Range Financial Forecast is prepared periodically and initially discussed with the City Council during the Narrative Budget Study Session. This report is a 5-Year Forecast (Forecast) for the time period of Fiscal Years 2017-18 through 2021-22. The most recent 10-year Long-Range Financial Forecast was completed for Fiscal Years 2015-2024.

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

provides a foundation for the City Council's decision making for Fiscal Year 2017-18 budget deliberations. The Forecast is focused on the General Operating Fund (GOF), which provides financing 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 AND ANALYSIS

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 2017-18 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.

Although it is uncertain as to when it will actually occur, it is prudent to include a downturn in the economy in the Forecast based on economic cycles. Historically, slowdowns in the economy have occurred approximately between 4 and 9 years in the past five decades, with the longest period of expansion lasting 11 years, from 1990 to 2001. It has been approximately 9.5 years since the beginning of the last recession and will be 11 years if the slowdown occurs in Fiscal Year 2018-19, which is assumed in the Forecast. As a result, a general slowdown in economic activity is projected to begin in Fiscal Year 2018-19 and continue into Fiscal Year 2019-20. In the past several years, some economists have said the current recovery has been very long and slow; therefore, the next downturn could occur after a longer than usual recovery period. However, more recently, the ability to accurately forecast the economies of the State and nation is hampered by the uncertainties surrounding the policies of the current administration.

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 could look like when it occurs. The next slowdown could occur sooner or later than projected, but it is anticipated another downturn *will* occur at some point during the Forecast period. The trend, based on the assumptions utilized, and assuming \$1.8 million annual budget savings, indicates revenues in Fiscal Year 2017-18 through Fiscal Year 2019-20 will exceed expenditures even with the onset of a recession, but as a result of an anticipated

economic downturn, revenues may not be sufficient to fund all expenditures in Fiscal Years 2020-21 and 2021-22.

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 major impact of the downturn, it is important to note the five-year period includes revenues from projected development. If development is hampered and does not occur, annual negative operating balances would be greater and could occur earlier.

Impacting Factors

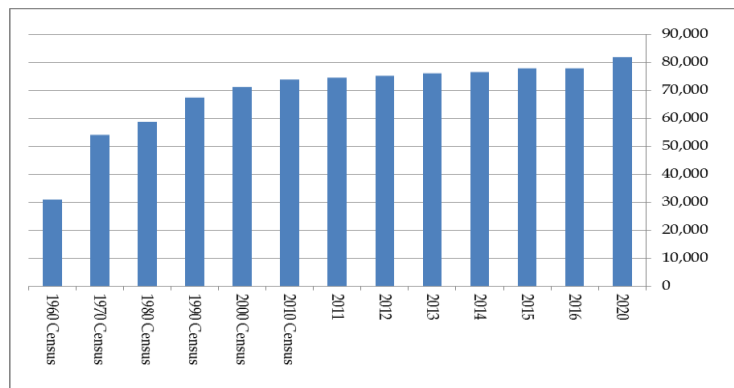
There are factors which impact each individual revenue source, some of which have broad ranges affecting multiple revenues and some are specific to an individual revenue source. The Forecast includes a discussion of these factors below.

Population

The following chart shows historical population annually for the past five years, each U.S. Census year back to 1960, and projects population growth to 2020. 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 is 77,925 in 2016, a 5.2 percent growth since the census. With the current pace of housing development, and potential for housing in the North Bayshore Area, the population could exceed the Association of Bay Area Governments’ (ABAG) projections of 81,992 for 2020.

Population

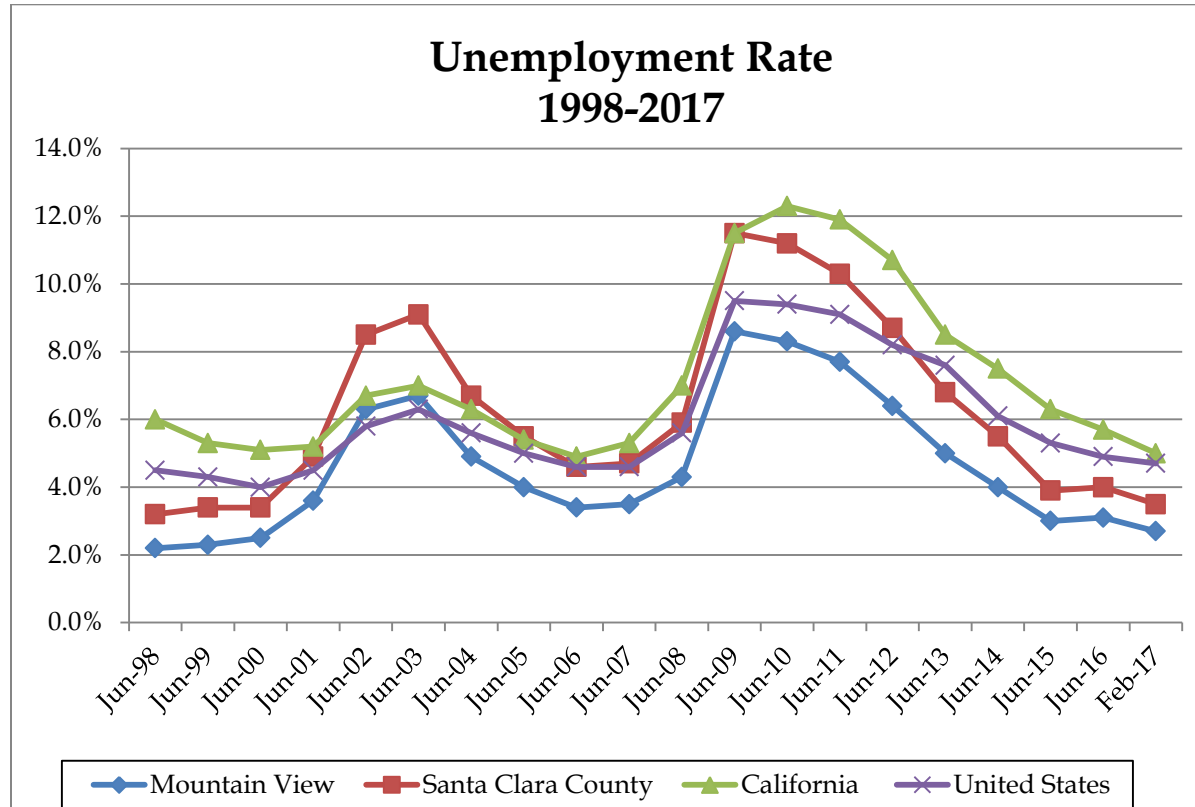
1960 Census	30,889
1970 Census	54,132
1980 Census	58,722
1990 Census	67,460
2000 Census	71,369
2010 Census	74,066
2011	74,723
2012	75,275
2013	76,260
2014	76,781
2015	77,914
2016	77,925
2020 Forecast	81,992



Sources: U.S. Census Bureau (1960-2010)
 Association of Bay Area Governments (2020)
 California State Department of Finance (all other years)

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 February 2017, the preliminary unemployment rate in the City is at 2.7 percent, lower than the prerecession rate and well below the County (3.5 percent), the State (5.0 percent), and the nation (4.7 percent).



State of California

Six years ago, the unemployment rate exceeded 12.0 percent and the State faced a significant budget gap. At that time, the budget was balanced with permanent spending cuts and temporary taxes from Proposition 30. The Governor’s Fiscal Year 2017-18 Budget Summary reflects a decline in revenue resulting in a deficit and the Governor continues to stress the importance of fiscal restraint and reserves.

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 2017-18 revenues are projected to increase \$9.3 million (7.8 percent) compared to Fiscal Year 2016-17 adopted revenues and \$3.0 million (2.4 percent) compared to the Fiscal Year 2016-17 estimated revenues.

The City is in a stronger financial position with an annual surplus projected for the next couple of fiscal years, the result of increased revenue generated by continued economic recovery, continued fiscal restraint, and improved efficiencies such as position and staff support consolidations and implementation of additional energy and utility conservation efforts. The continued economic growth is apparent locally and in some other areas of the State and nation. Locally, this includes major new private and public developments, such as The Village at San Antonio Center Phase II, Ameswell (Moffett Gateway) 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 generating additional ongoing revenues for the City, some as early as Fiscal Year 2017-18. The revaluation of the long-term ground lease for the Charleston East site will also contribute increased revenue beginning February 2018.

Fiscal Year 2017-18 recommended expenditures are \$9.2 million (8.5 percent) higher compared to the Fiscal Year 2016-17 adopted expenditures. The increases in expenditures are primarily related to personnel costs, as 80.0 percent of the budget is for employee services. New ongoing expenditures of \$2.2 million are included to address some of the strains on staff resources. After allowing for a \$4.0 million contribution to the unfunded California Public Employees' Retirement System (CalPERS) liability, \$2.0 million to the unfunded Retirees' Health Other Post-Employment Benefits (OPEB) liability, a \$2.0 million transfer to the Strategic Property Acquisition Reserve (SPAR), and anticipated budget savings of \$1.8 million, the operating balance is projected to be \$2.4 million for Fiscal Year 2017-18, which represents 1.9 percent of GOF projected revenues.

Staff and Council recognized the opportunity to take advantage of the City's improved financial position to reduce unfunded liabilities for CalPERS and OPEB. The past and recommended future contributions are as follows (dollars in millions):

	Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Total	
	PERS	OPEB	PERS	OPEB	PERS	OPEB	PERS	OPEB	PERS	OPEB	PERS	OPEB
GOF	–	\$1.0 M	\$2.0 M	\$1.0 M	\$2.0 M	\$2.0 M	\$4.0 M	\$2.0 M	\$2.0 M	–	\$10.0 M	\$6.0 M
GNOF	\$1.0 M	\$1.0 M	\$1.5 M	\$0.5 M	\$1.0 M	\$1.0 M	\$6.0 M	\$2.0 M			\$9.5 M	\$4.5 M
Other Funds	–	–	\$687 K	–	\$854 K	–	\$2.35 M	–	\$469 K	–	\$4.36 M	–

For Fiscal Years 2014-15 through 2016-17 Council approved allocations of \$9.0 million toward the CalPERS liability and \$6.5 million toward the OPEB liability. For CalPERS, the City's funded status as of June 30, 2015, the date of the most recent valuation, is 71.7 percent combined for both safety and miscellaneous. This compares to the 74.3 percent funded status as of June 30, 2014. The unfunded liability is estimated to be \$191.4 million as of June 30, 2016 and increase to \$194.0 million by June 30, 2017. For Retirees' Health, the City has made great strides in funding this obligation. The actuarial accrued liability is \$137.4 million and is 78.5 percent funded.

Over the past couple of years, the percentage of funding has been similar for both unfunded liabilities, however, the liability and the unfunded liability for CalPERS is significantly greater. In addition, CalPERS announced the discount rate used for actuarial calculations will be reduced from 7.5 percent to 7.0 percent, being phased in over three years, commencing in Fiscal Year 2018-19. This change to the discount rate will have a significant impact to the City's future annual pension expense. Therefore, staff is recommending a strategy to make a significant lump sum contribution of \$10.0 million (General Fund), from a combination of available resources. Staff recommends a \$6.0 contribution to CalPERS based on the options recommended and \$4.0 million contribution for Fiscal Year 2017-18 for the \$10.0 million lump sum payment. In addition, a \$2.0 million contribution is recommended for Fiscal Year 2018-19 and an additional \$10.0 million General Fund payment is recommended from the future Google Parking Lease revenues (see Attachment 1).

For the OPEB liability, the contribution from the Fiscal Year 2016-17 carryover depends on the CalPERS funding strategy option Council prefers. However, a \$2.0 million contribution for Fiscal Year 2017-18 is recommended. Other funds continuously fully fund their share of the OPEB liability; only the GOF is not fully funded.

Fiscal Years 2017-18 and 2018-19 include sustainable COLAs as placeholders in anticipation of labor negotiations currently in process with the MVFF, POA, EAGLES, and SEIU represented labor groups and for all other groups. There are no COLAs for the remaining Forecast years, as the numbers in the Forecast cannot support additional COLAs at this time. All Forecast years include step and merit increases.

The following table includes the adopted revenues and expenditures by category for Fiscal Year 2017-18 and projections for the subsequent Forecast years.

General Operating Fund 5-Year Financial Forecast

April 27, 2017

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GENERAL OPERATING FUND FORECAST
(dollars in thousands)

	2016-17 <u>ADOPTED</u>	2016-17 <u>ESTIMATED</u>	2017-18 <u>FORECAST</u>	2018-19 <u>FORECAST</u>	2019-20 <u>FORECAST</u>	2020-21 <u>FORECAST</u>	2021-22 <u>FORECAST</u>
REVENUES:							
Property Taxes	\$ 40,208	44,080	45,285	46,652	48,038	49,784	52,185
Sales Tax	20,091	22,051	21,194	20,330	19,075	19,272	19,625
Other Local Taxes ¹	16,082	15,550	15,589	15,608	16,663	17,657	18,514
Use of Money and Property	16,403	16,607	19,833	21,972	22,816	23,684	24,537
Other Revenues ²	<u>25,934</u>	<u>26,730</u>	<u>26,121</u>	<u>25,888</u>	<u>25,697</u>	<u>26,046</u>	<u>26,392</u>
TOTAL REVENUES	<u>118,718</u>	<u>125,018</u>	<u>128,022</u>	<u>130,450</u>	<u>132,289</u>	<u>136,443</u>	<u>141,253</u>
EXPENDITURES:							
Salaries and All Pays	56,850	54,502	59,605	62,725	63,188	63,523	63,724
Retirement	14,721	14,720	16,311	18,831	20,848	23,714	26,121
Health Benefits	9,780	8,300	10,219	11,039	11,873	12,775	13,753
All Other Benefits	<u>6,279</u>	<u>5,975</u>	<u>6,660</u>	<u>6,887</u>	<u>7,009</u>	<u>7,123</u>	<u>7,233</u>
Salaries and Benefits	87,630	83,497	92,795	99,482	102,918	107,135	110,831
Supplies and Services	16,175	16,032	17,218	17,641	18,076	18,547	19,032
Capital Outlay/ Equipment Replacement	3,024	3,175	3,228	3,310	3,394	3,481	3,570
Interfund Expenditures and Transfers	3,404	3,404	6,185	7,319	6,272	6,665	6,942
Debt Service	-0-	-0-	-0-	-0-	3,000	3,000	3,000
Budget Savings	<u>(1,800)</u>	<u>Included</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>
NET EXPENDITURES	<u>108,433</u>	<u>106,108</u>	<u>117,626</u>	<u>125,952</u>	<u>131,860</u>	<u>137,028</u>	<u>141,575</u>
Transfer to GNOF	(500)	(500)	-0-	-0-	-0-	-0-	-0-
CalPERS Contribution	(2,000)	(2,000)	(4,000)	(2,000)	-0-	-0-	-0-
OPEB Contribution	(2,000)	(2,000)	(2,000)	-0-	-0-	-0-	-0-
Transfer to SPAR	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
OPERATING BALANCE/(DEFICIT)	\$ <u>3,785</u>	<u>12,410</u> ³	<u>2,396</u>	<u>2,498</u>	<u>429</u>	<u>(585)</u>	<u>(322)</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 Revenue; and Interfund Revenues and Transfers.

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

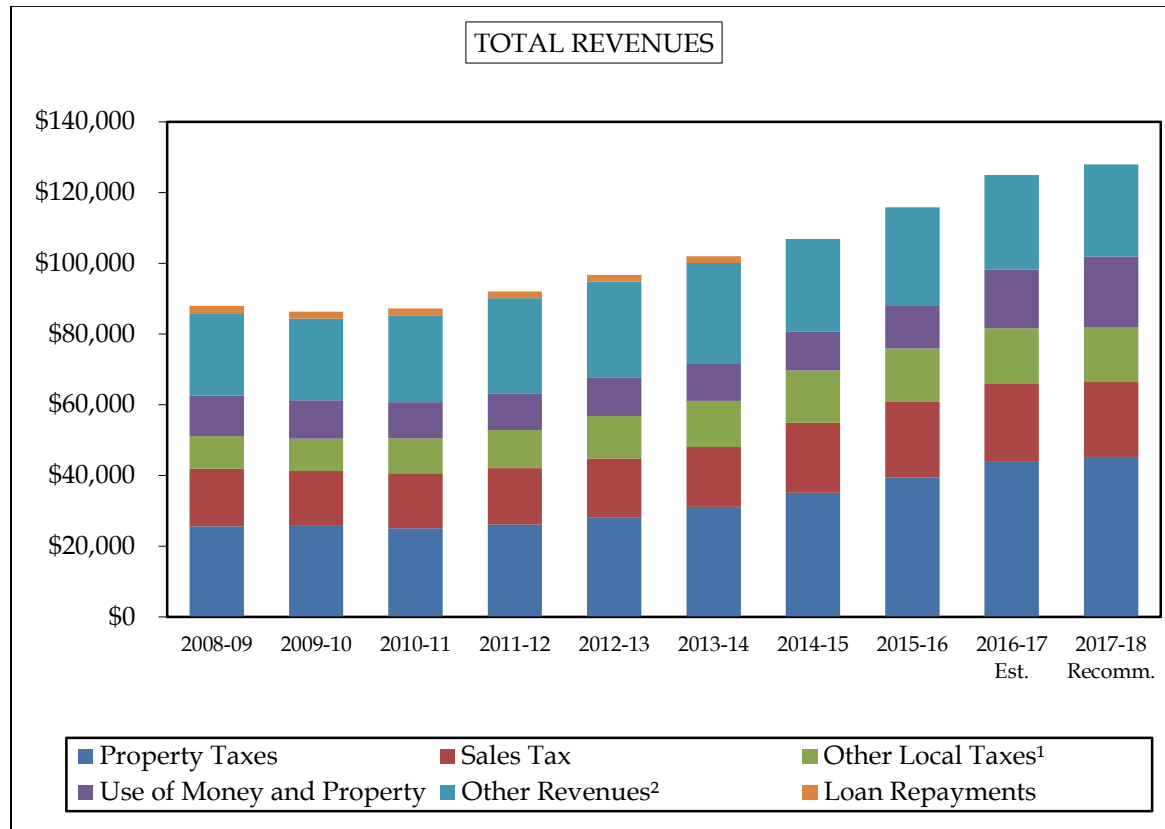
Revenue and Expenditure Background

Revenues

Historical experience demonstrates Mountain View has a relatively volatile revenue base, primarily related to sales tax, with substantial variation in the amount of revenues collected over time (see Exhibit 1 for revenue and expenditure history). In addition to the overarching factors described in the Impacting Factors Section, the City’s revenue volatility is continually impacted by local factors.

For Fiscal Year 2017-18, all the main categories of GOF Revenues listed in the previous table, except Other Local Taxes, are projected to meet or exceed the Fiscal Year 2016-17 Adopted Budget. Significant factors, such as increasing property and lease values, sales tax, and improved interest yields, are contributing to an improved financial condition and an overall indication the City is in a strong revenue growth period. The Other Local Taxes category is lower due to slower growth than anticipated in the current fiscal year and net no growth trended for Fiscal Year 2017-18.

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



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

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

Total Fiscal Year 2017-18 revenues are projected to increase \$9.3 million (7.8 percent) compared to the Fiscal Year 2016-17 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 and, through a combination of operating efficiencies and expenditure reductions (totaling \$7.4 million), 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. 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 2017-18 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 until the last few fiscal years.

From the peak in Fiscal Year 2001-02 through Fiscal Year 2012-13, the GOF employee count was reduced by over 70.0 positions (over 14.0 percent). Although there have been positions added in recent years, overall, the City continues to operate at level less than pre-recessionary staffing level. This is further exacerbated by the high level of development activity and corresponding demand of services, which involves many City departments. The Fiscal Year 2017-18 recommendations include additional regular and limited-period positions to address the 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 2017-18 and Fiscal Year 2018-19, sustainable COLAs have been included pending negotiations currently in process. 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 projected CalPERS rates for Fiscal Years 2017-18 through 2021-22 were provided by CalPERS and adjusted for the change in discount rate.

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.).

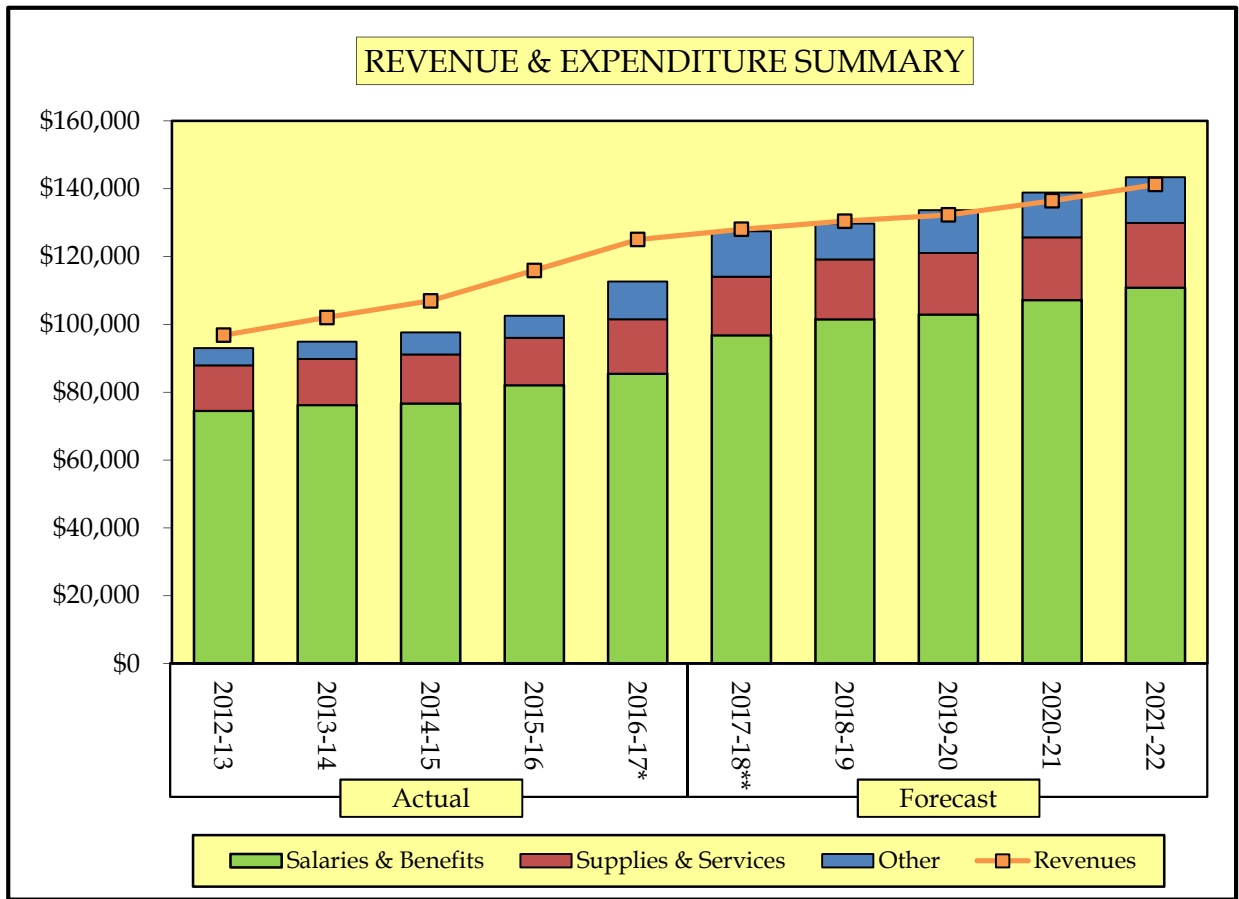
Based on past experience, it is typical to underspend the budget due to vacant positions and cost containment in Supplies and Services accounts. Beginning in Fiscal Year 2009-10, a budget savings amount was assumed. It has been as high as \$2.8 million, reduced to \$2.0 million in Fiscal Year 2014-15 and to \$1.8 million in Fiscal Year 2015-16. It remains at \$1.8 million annually throughout the Forecast period.

SUMMARY

Silicon Valley continues to be a leader in the local and national economic recovery – job creation, vacant space utilization, development of both residential and commercial projects, and the recovery of property values are contributing to the 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 CalPERS and OPEB) through Fiscal Year 2019-20. The final two years of the Forecast project small negative balances below \$1.0 million each before any corrective actions. Future financial stability will be dependent upon the strength of the economy, the timing of the next recession, and continued fiscal restraint.

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

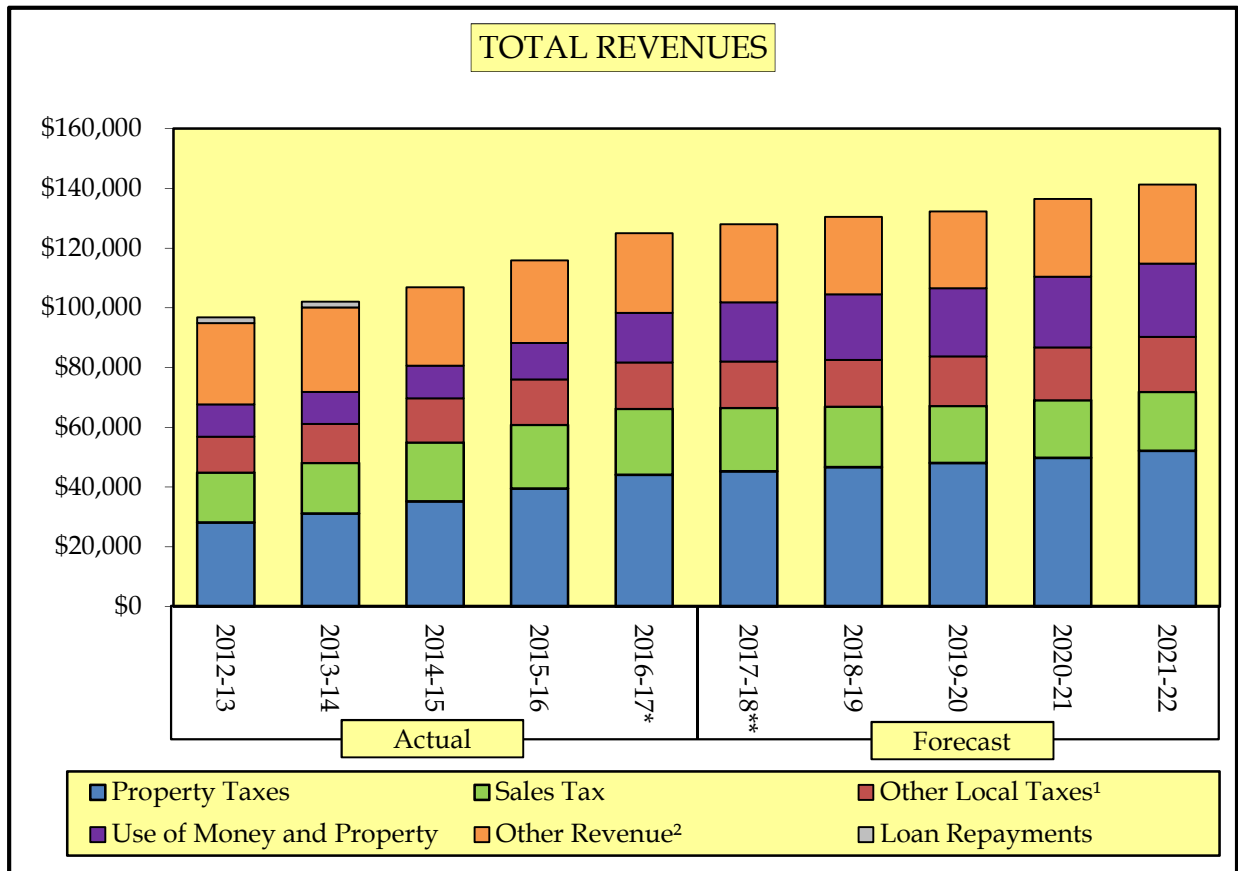
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<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>
2012-13	96,811	93,041
2013-14	102,045	94,933
2014-15	106,940	97,677
2015-16	115,911	102,590
2016-17 *	125,018	112,608
2017-18 **	128,022	127,426
2018-19	130,450	129,752
2019-20	132,289	133,660
2020-21	136,443	138,828
2021-22	141,253	143,375

* Estimated
 ** Recommended
 (dollars in thousands)

The Fiscal Year 2017-18 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>
2012-13	96,811	5.2%
2013-14	102,045	5.4%
2014-15	106,940	4.8%
2015-16	115,911	8.4%
2016-17 *	125,018	7.9%
2017-18 **	128,022	2.4%
2018-19	130,450	1.9%
2019-20	132,289	1.4%
2020-21	136,443	3.1%
2021-22	141,253	3.5%

* Estimated
 ** Recommended
 (dollars in thousands)

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

² Includes Licenses, Permits & Franchise Fees/Fines & Forfeitures; Intergovernmental; Charges for Services; Miscellaneous Revenue; and Interfund Revenues & Transfers.

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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 can 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 reported annually to the County by the owner.

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 2015-16 exceeds \$90.0 million (almost \$94.0 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 valuation 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. The number of foreclosures in the nation and California has declined significantly, now at the lowest level since 2006. For calendar 2016, the most recent information available, there were a total of 219 foreclosures in the County. Mountain View was one of three cities in the County with no foreclosures.

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 was recaptured by Fiscal Year 2015-16.

In the time period since the beginning of the recession, commercial property owners have also submitted applications for value reductions. The number of appeals submitted Countywide as of February 2017 is slightly higher than the same time frame in 2016 but still low compared to the level of activity during and after the recession. Because of the variable nature of commercial properties, the process of reviewing and valuing them is more complicated and lengthy. The County processes Countywide AV roll reductions (primarily the result of resolved appeals) and corrections throughout the year and estimates a net \$1.0 billion reduction through June 30, 2017. The General Fund's share of this property tax revenue loss for Fiscal Year 2016-17 is approximately \$96,000. As of January 2017, the County has approximately 5,500 active appeals and the

Forecast includes some loss in property tax revenue as a result of the resolution of these appeals.

Tracking of sales activity was initiated in 2007. The highest number of sales transactions occurred in 2012, but the largest increase in AV resulting from changes in ownership (CIO) occurred in 2015. As detailed in the table below, there has been growth in the median price of single-family homes (SFH) with a CIO every year since 2010, with more significant increases in the SFH median price for sales since 2011.

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>
2007	\$955,000	218	\$575,000	255
2008	\$963,250	200	\$590,000	184
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

Also impacting the growth in Property Taxes is the CCPI. Over the past ten fiscal years (2007-08 to 2016-17), 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 2016-17 estimated Property Tax revenues of \$44.1 million exceeds both the Fiscal Year 2016-17 Adopted Budget of \$40.2 million and the Fiscal Year 2015-16 audited of \$39.5 million.

FORECAST

The Fiscal Year 2017-18 projected secured property tax revenues is based on the July 1, 2016 tax roll adjusted for the following:

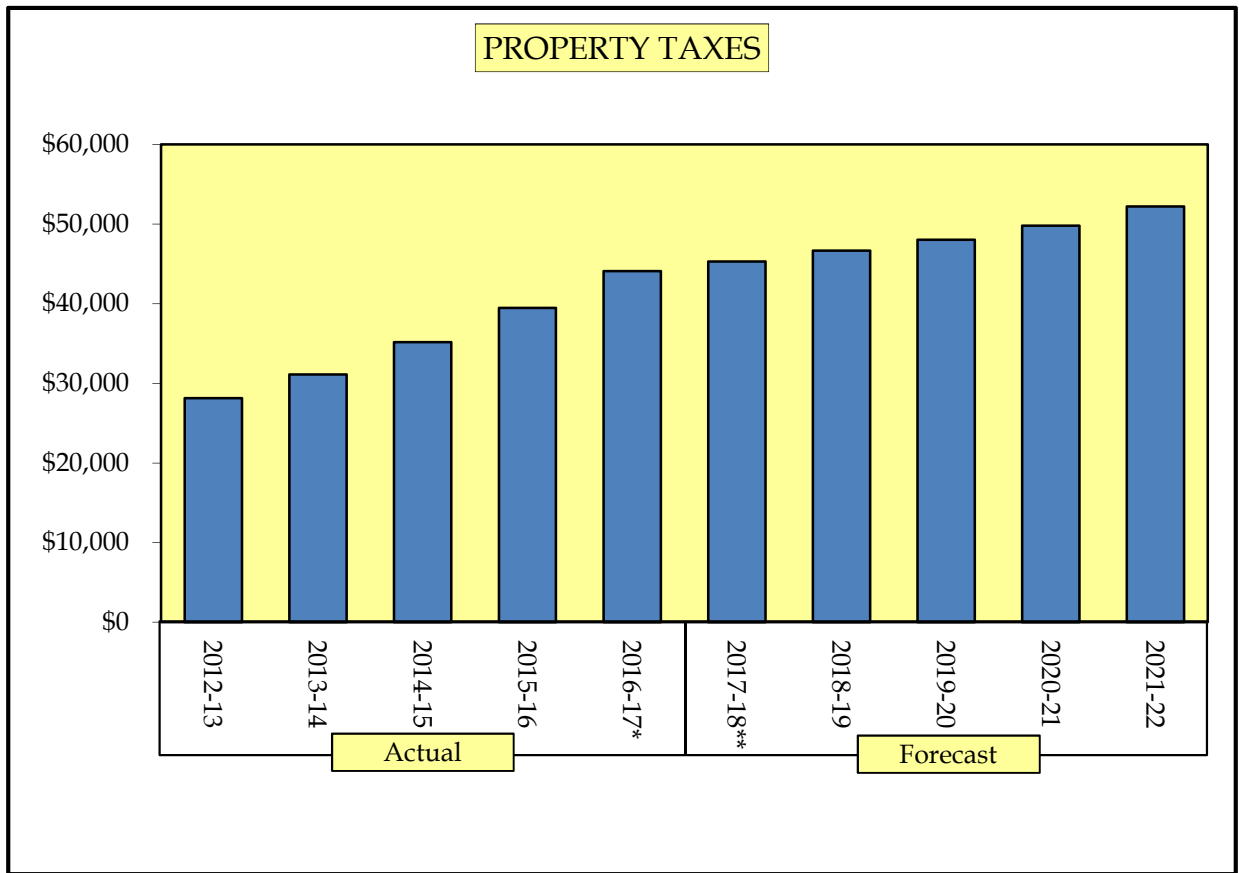
- A 2.0 percent CCPI increase to the AV of all eligible residential and commercial property;

- Projected AV loss from resolution of pending appeals;
- AV changes related to property transfers and sales prior to the lien date; and
- Projected AV increase related to new development and remodels.

As mentioned earlier, the County has approximately 5,500 active appeals. The County has provided some information about pending appeals specific to each local agency, and the Fiscal Year 2017-18 revenue includes a projected tax loss based on the historical resolution of resolved appeals.

For the remaining Forecast years, total secured property tax is projected with net growth ranging from 3.7 percent to 4.5 percent annually. These average annual increases include an annual change in AV based on a 2.0 percent CCPI for Fiscal Years 2018-19 and 2021-22. The anticipated economic downturn is projected to impact the intervening two fiscal years resulting in CCPI increases of 1.5% and 1.75%. In addition, increased AV is projected as a result of new development projects under construction and in the pipeline (including The Village at San Antonio Phase II, Ameswell, and various housing, hotel, and office developments), and anticipated growth from CIO and remodeling. The increased revenue from Ameswell has been identified as a potential revenue source for the Police/Fire Administration Building capital improvement project (CIP).

Unsecured property tax revenue is projected to increase slightly for Fiscal Year 2017-18, remain the same for Fiscal Year 2018-19, decline for two fiscal years as a result of the economic downturn, and significantly recover in the final Forecast year.



<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>% Change</u>
2012-13	28,122	7.3%
2013-14	31,120	10.7%
2014-15	35,173	13.0%
2015-16	39,461	12.2%
2016-17 *	44,080	11.7%
2017-18 **	45,285	2.7%
2018-19	46,652	3.0%
2019-20	48,038	3.0%
2020-21	49,784	3.6%
2021-22	52,185	4.8%

* 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 Board of Equalization (BOE) reporting changes, retail contributes a greater share and the ratio for the most recent completed fiscal year is 1.0:4.8.

SOURCES

- Retail sales of tangible personal property to individuals and other businesses.
- Use and excise taxes on business consumption of personal property.
- State and County pooled sales tax allocated by population.

ECONOMIC FACTORS

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

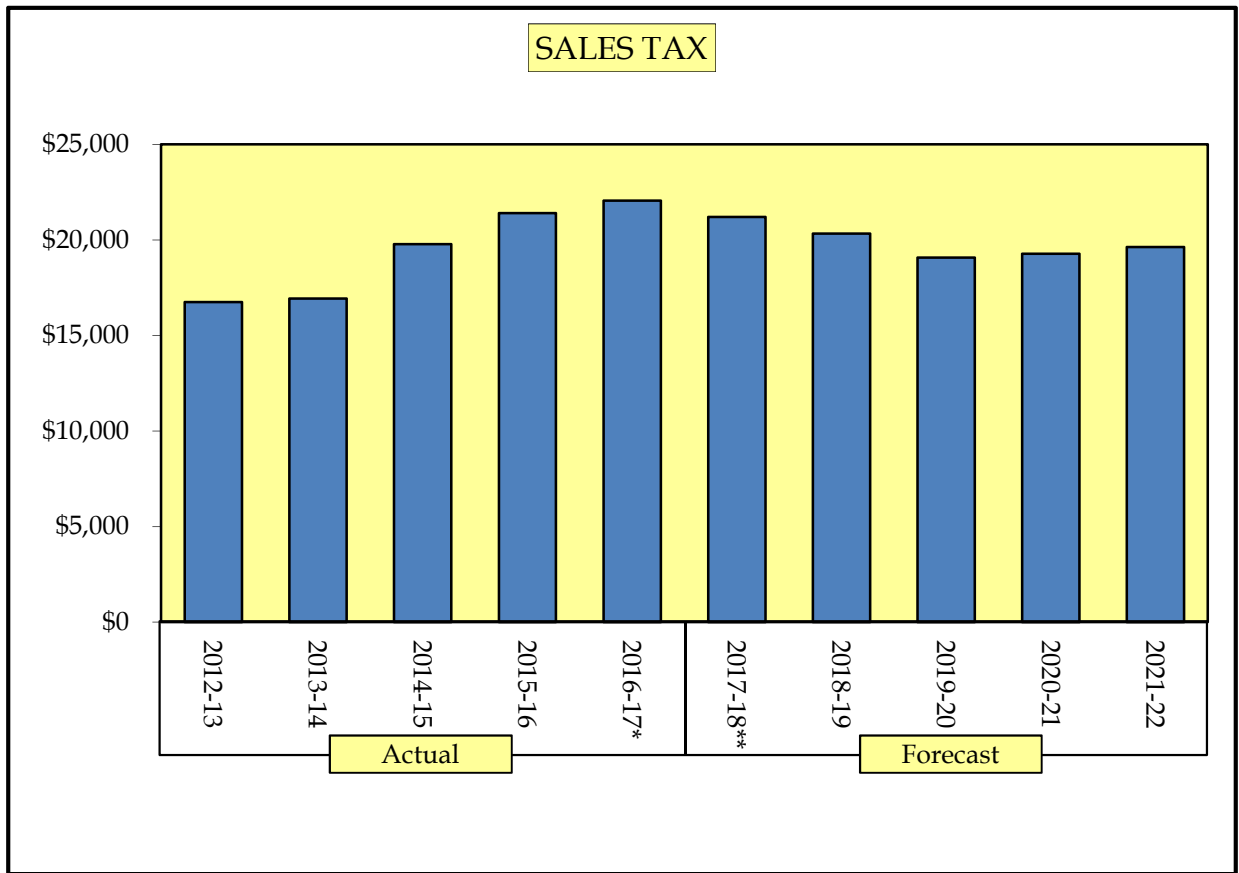
HISTORY

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, so there is a smaller commercial tax base because 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. Since then, sales tax revenue has again grown steadily, and is estimated at \$22.1 million in Fiscal Year 2016-17, exceeding both the Fiscal Year 2016-17 Adopted Budget and Fiscal Year 2015-16 audited, but still lower than the peak of \$24.1 million in Fiscal Year 2000-01.

FORECAST

Fiscal Year 2017-18 sales tax revenue is projected at \$21.2 million, \$857,000 less than the Fiscal Year 2016-17 estimated, primarily due to known changes in businesses and adjustments for one-time payments received in Fiscal Year 2016-17. Fiscal Year 2017-18 includes 2.0 percent projected growth, the two subsequent Forecast years reflect 4.0 and 6.0 percent declines related to an anticipated downturn in the economy, and a recovery begins in Fiscal Year 2020-21. The Village at San Antonio Center Phase II is projected to be completed in Fiscal Year 2017-18 with retail tenants in place beginning to generate sales tax.



<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>% Change</u>
2012-13	16,744	5.0%
2013-14	16,936	1.1%
2014-15	19,773	16.8%
2015-16	21,401	8.2%
2016-17 *	22,051	3.0%
2017-18 **	21,194	(3.9%)
2018-19	20,330	(4.1%)
2019-20	19,075	(6.2%)
2020-21	19,272	1.0%
2021-22	19,625	1.8%

* Estimated
 ** Recommended
 (dollars in thousands)

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.
- Business License Tax is assessed on all businesses known to be operating in Mountain View and billed annually. Currently, there are approximately 6,300 businesses with licenses. The tax rate varies by type of business, generally \$30 per year for most (73.0 percent), but can exceed \$1,000 for certain types of businesses.
- UUT is a 3.0 percent tax assessed on the consumption of all telecommunication, 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, room rate, occupancy rate, and number of exemptions.
- Business License Tax: Number and types of businesses licensed by the City 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 non-recessionary times. The impacts of economic downturns or disruptions are immediately felt 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 has continued into Fiscal Year 2016-17, although at a slower rate. The estimate for Fiscal Year 2016-17 reflects the

completion of the Hampton Inn and Residence Inn remodel/room addition projects and increased revenue for a portion of the fiscal year.

Business License Tax: This revenue does 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). Fluctuation in the number of businesses does not significantly change annual revenue because of the low annual tax rate. Fiscal Year 2016-17 is estimated at 6.9 percent below budget. At the time the current fiscal year budget was prepared the Fiscal Year 2015-16 year to date activity indicated a higher trend of revenue by fiscal year end. A business license compliance audit commenced during Fiscal Year 2015-16 and continues, but, again due to the low tax rate, the increase in revenue is minimal. The primary objective of the audit is for businesses to be in compliance.

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 many residential 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 payments. 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 BOE 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. Overall, Fiscal Year 2016-17 estimated revenue is essentially on target with both the Fiscal Year 2016-17 Adopted Budget and the Fiscal Year 2015-16 audited.

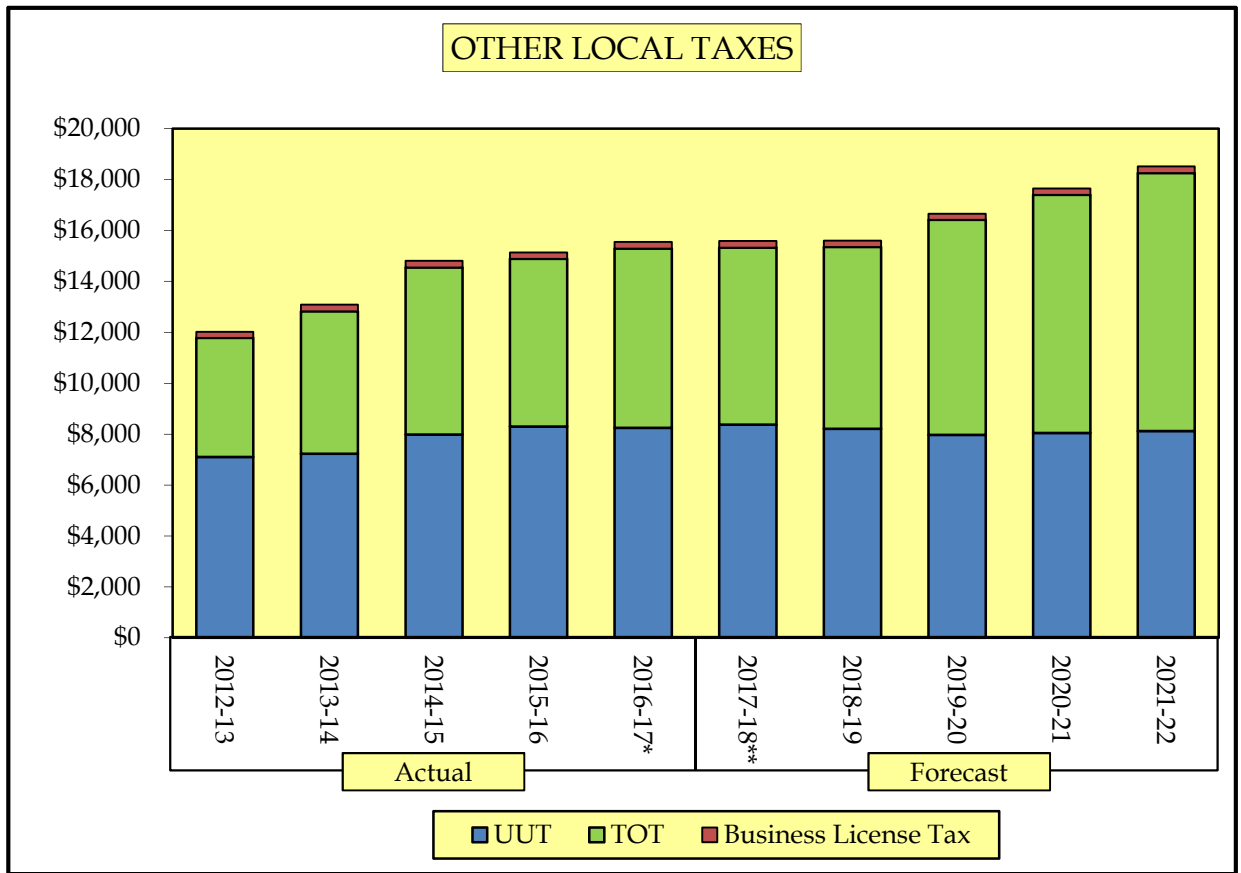
FORECAST

TOT: Fiscal Year 2017-18 revenue is essentially the same as the current fiscal year estimate. The following two Forecast years include a reduction in revenue resulting from the anticipated economic downturn offset by the opening of the Shashi hotel and

the hotel planned as part of the San Antonio Phase II project in Fiscal Year 2018-19 and the opening of Holiday In Express and the hotel planned as part of the Ameswell (Moffett Gateway) project in Fiscal Year 2019-20.

Business License Tax: Business license revenue is forecast with a 2.0 percent annual growth for Fiscal Year 2017-18 and the anticipated two-year downturn includes 3.0 percent average annual declines followed by recovery in the final two Forecast years. The business license compliance audit is continuing.

UUT: Total projected UUT revenue for Fiscal Year 2017-18 is slightly higher than the Fiscal Year 2016-17 estimated. The tax resulting from telecommunications and other energy services are level with the current fiscal year and tax related to PG&E services is projected with a 3.0 percent increase. The UUT revenues for the following two Forecast years decline as a result of the anticipated economic downturn and then begin to slowly increase in the final two Forecast years.



<u>Fiscal Year</u>	<u>Utility Users Tax</u>	<u>Transient Occupancy Tax</u>	<u>Business License Tax</u>	<u>Total Other Local Taxes</u>	<u>% Change</u>
2012-13	7,108	4,668	239	12,015	11.5%
2013-14	7,226	5,595	268	13,089	8.9%
2014-15	7,988	6,559	258	14,805	13.1%
2015-16	8,301	6,591	245	15,137	2.2%
2016-17 *	8,246	7,044	260	15,550	2.7%
2017-18 **	8,370	6,954	265	15,589	0.3%
2018-19	8,214	7,137	257	15,608	0.1%
2019-20	7,966	8,448	249	16,663	6.8%
2020-21	8,046	9,359	252	17,657	6.0%
2021-22	8,126	10,133	255	18,514	4.9%

* Estimated
 ** Recommended
 (dollars in thousands)

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 (Moffett Gateway)
 - Recology
 - Center for the Performing Arts
 - Michaels at Shoreline
 - 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)
 - Wireless Telecommunication Providers (GTE Mobilnet, Metro PCS, Sprint)

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 has aggressively managed short-term interest rates since 2006 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 has significantly impacted the City's interest earnings. For Fiscal Year 2016-17 Adopted Budget the portfolio was anticipated to earn an average return of 1.26 percent, up from the low of the average 1.14 percent earned in Fiscal Year 2014-15, but lower than the high average 5.7 percent earned in Fiscal Year 2000-01. Fiscal Year 2016-17 investment earnings is anticipated to exceed both the current fiscal year budget and the prior fiscal year audited by \$164,000 and \$211,000, respectively. The Federal Open Market Committee (FOMC) has increased the benchmark interest rate 75 basis points since December 2015. It is anticipated the FOMC will continue to implement small incremental increases in the upcoming years if the economy continues to improve.

Rents and Leases: Over time, the City has strategically developed City-owned properties and negotiated lease agreements which 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 completed in February 2016, resulting in a 141.0 percent rent increase (\$3.3 million for a full year). The new rent amount was effective April 1, 2016 and will continue to escalate 4.0 percent annually. The decennial revaluation of the Crittenden lease was completed in December 2016, resulting in a 104.8 percent rent increase (\$3.1 million for a full year). The new rent amount was effective January 1, 2017 and will continue to escalate 4.0 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.

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 portion of the Authority's contribution to the structures. The Compensation Agreement is effective July 1, 2014, resulting in annual lease revenue of \$165,000 to the GOF, a loss of \$78,000 annually.

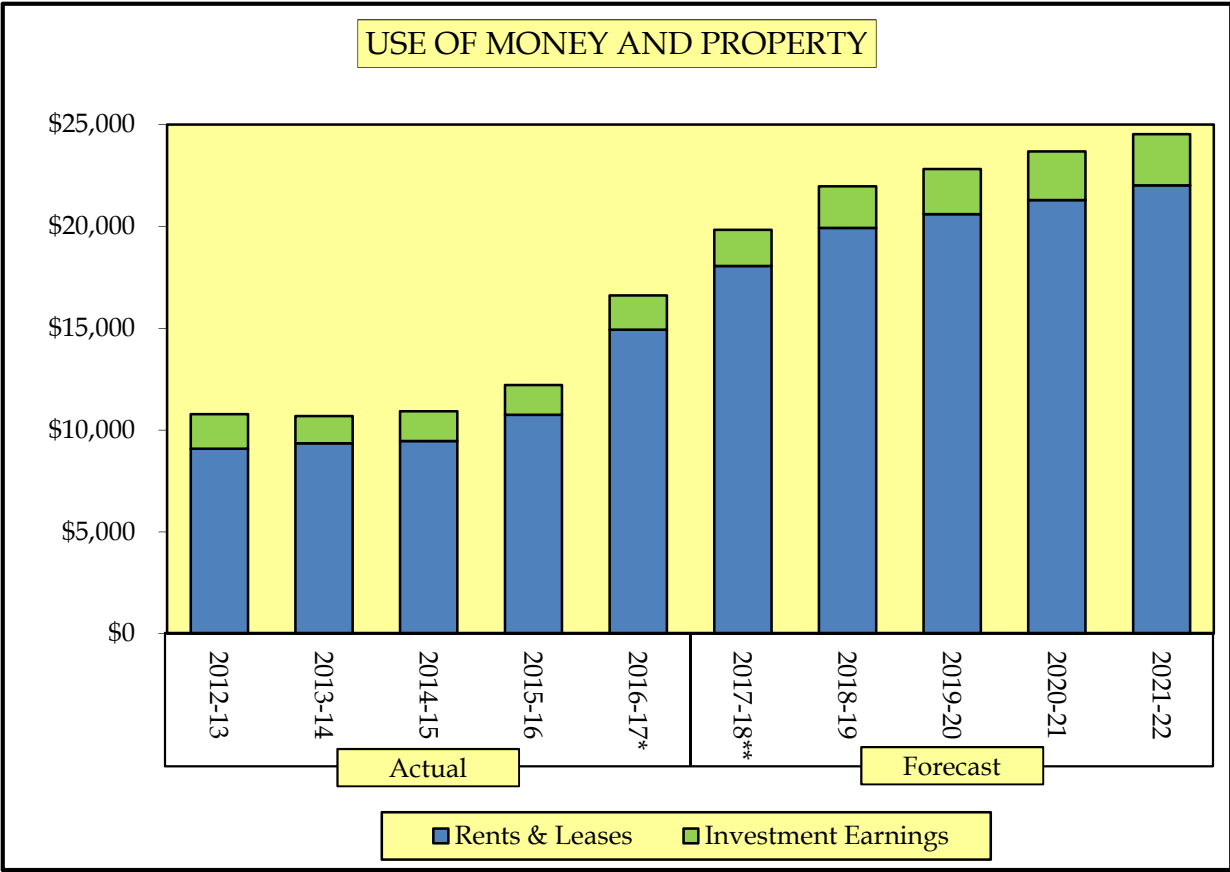
In May 2010, Savvy Cellars opened to the public at the Centennial Plaza Train Depot and, in accordance with the lease, the annual revenue to the City for the first five years was \$29,700. The first annual increase was effective December 2014 and there have been annual increases effective each subsequent December. Effective with the Fiscal Year 2015-16 Adopted Budget, rental income from the Adobe Building, Community Center, and Senior Center was permanently moved from Recreation Service Charge revenue to Rents and Leases.

FORECAST

Investment Earnings: The Fiscal Year 2017-18 projection is based on the assumption that as security instruments mature, the funds will be reinvested at rates slightly higher than those available in Fiscal Year 2016-17, resulting in an average portfolio yield of 1.48 percent for Fiscal Year 2017-18. This assumes the Local Agency Investment Fund (LAIF) pooled rate averages 1.0 percent. The City's average portfolio yield is anticipated to continue rising through Fiscal Year 2021-22. During the projected economic downturn, reinvestment rates are expected to be higher than the rates on the instruments maturing.

Rents and Leases: The Charleston East ground lease includes a revaluation effective February 2018 and an estimate for that is included in the forecast. The City leases the land underneath the Shoreline Amphitheatre to SFX, and 2.0 percent annual contractual increase will begin in Fiscal Year 2017-18. The lease agreement with CSMA includes an increase effective Fiscal Year 2018-19. The Savvy Cellars lease provides for annual increases through the Forecast period, which have been projected at 3.0 percent annually. In Fiscal Year 2017-18, the CVS lease agreement provides for an 11.9 percent increase. The remaining lease agreements will remain essentially level. All other rental fees remain level in the first two forecast years, and increase between 1.0 and 3.0 percent in the last three forecast years.

As discussed earlier in the Narrative Budget Report, Google has paid the City \$600,000 for extending the sublease of Parking Lots C and D from SFX through 2020. In addition, Google will be leasing the parking lots from the City for an additional five years (January 2021 to December 2025) and paying over \$2.0 million annually. As these payments are limited period in nature they will not flow through the GOF. The recommendation in the Narrative Budget Report is for \$2.0 million to be recorded as one-time GF revenues and then remitted to CalPERS towards the City's unfunded pension liability and the amount over \$2.0 million be transferred to the CIP or other reserve.



<u>Fiscal Year</u>	<u>Rents & Leases</u>	<u>Investment Earnings</u>	<u>Total Use of Money and Property</u>	<u>% Change</u>
2012-13	9,083	1,700	10,783	6.4%
2013-14	9,345	1,345	10,690	(0.9%)
2014-15	9,463	1,465	10,928	2.2%
2015-16	10,751	1,468	12,219	11.8%
2016-17 *	14,927	1,680	16,607	35.9%
2017-18 **	18,053	1,780	19,833	19.4%
2018-19	19,934	2,038	21,972	10.8%
2019-20	20,600	2,216	22,816	3.8%
2020-21	21,299	2,385	23,684	3.8%
2021-22	22,024	2,513	24,537	3.6%

* 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 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. This revenue category has grown with the development activity of the past several years. 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 2016-17 estimated Licenses and Permits revenue is 3.0 percent higher than Fiscal Year 2016-17 Adopted and 4.6 percent below Fiscal Year 2015-16 Audited.

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, reduced construction debris discarded, and conservation by residential 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 larger-size containers, 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. In total, Franchise Fee revenue has been growing since Fiscal Year 2009-10.

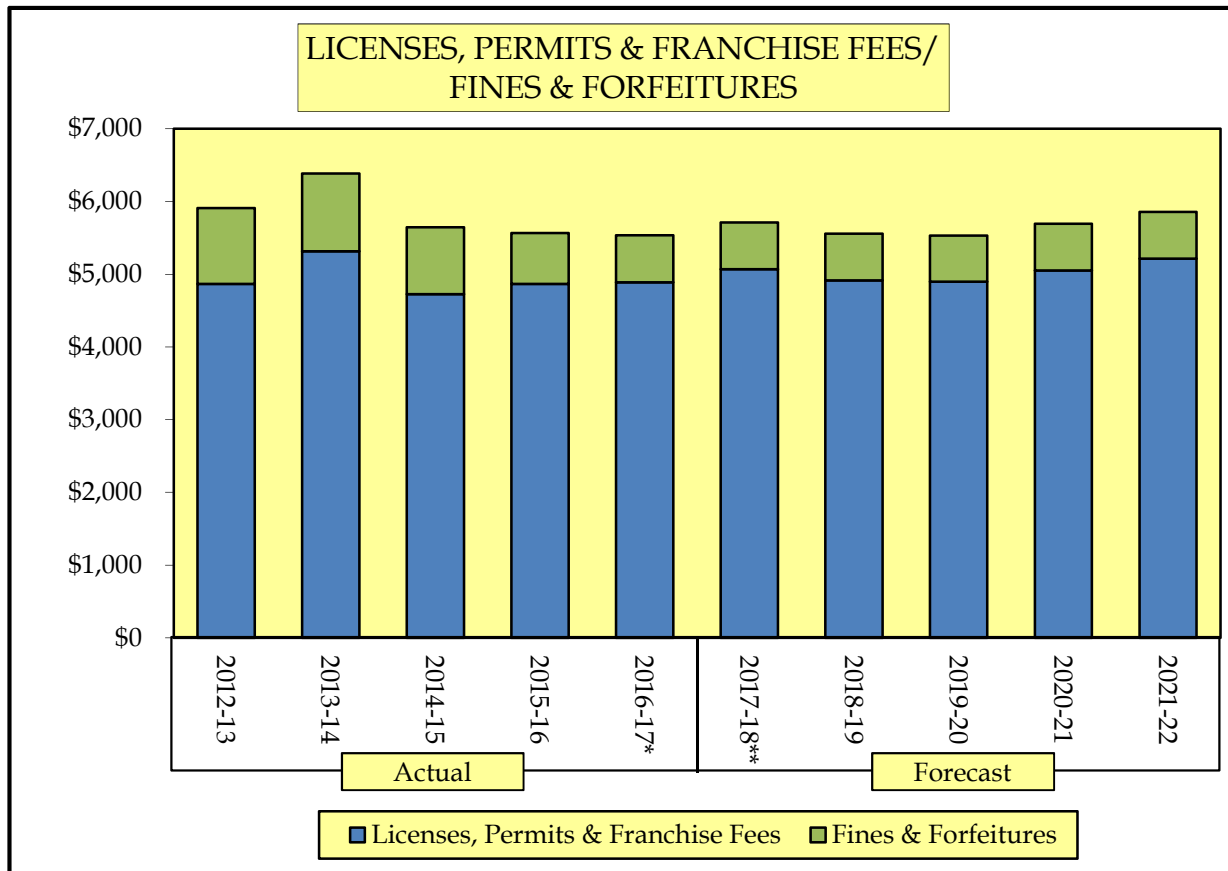
Fiscal Year 2016-17 estimated Franchise Fee revenues are 1.6 percent below the Fiscal Year 2016-17 Adopted and essentially the same as the Fiscal Year 2015-16 audited.

Fines and Forfeitures: This revenue source includes false alarm response fees, bail/fine payments from the County, and parking violation payments. The Fiscal Year 2016-17 estimated Fines and Forfeitures revenue sources are below or at budget and all are below the Fiscal Year 2015-16 Audited. Depending on the specific revenue, the decline is related to either position vacancies, a focus on higher priorities, or recent legislation.

FORECAST

Licenses, Permits, and Franchise Fees: Fiscal Year 2017-18 Licenses and Permits revenue reflects a 2.6 percent decrease from the current fiscal year estimated. The next two Forecast years reflect the economic downturn and there is a recovery in the last two Forecast years. Fiscal Year 2017-18 Franchise Fees revenue reflects a 4.9 percent increase over the current fiscal year estimated, the next two Forecast years decline as a result of the economic downturn, and the last two Forecast years reflect 3.0 percent increases.

Fines and Forfeitures: Fiscal Year 2017-18 and the last two fiscal years of the Forecast include increases ranging from less than 1.0 percent to 3.0 percent. The two intervening Forecast years reflect a decline due to the economic downturn.



<u>Fiscal Year</u>	<u>Licenses, Permits & Franchise Fees</u>	<u>Fines & Forfeitures</u>	<u>Total Licenses, Permits & Franchise Fees/ Fines & Forf</u>	<u>% Change</u>
2012-13	4,867	1,043	5,910	4.3%
2013-14	5,315	1,068	6,383	8.0%
2014-15	4,725	920	5,645	(11.6%)
2015-16	4,869	697	5,566	(1.4%)
2016-17 *	4,891	647	5,538	(0.5%)
2017-18 **	5,068	646	5,714	3.2%
2018-19	4,915	642	5,557	(2.7%)
2019-20	4,896	637	5,533	(0.4%)
2020-21	5,053	640	5,693	2.9%
2021-22	5,215	642	5,857	2.9%

* 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, and U.S. government.

ECONOMIC FACTORS

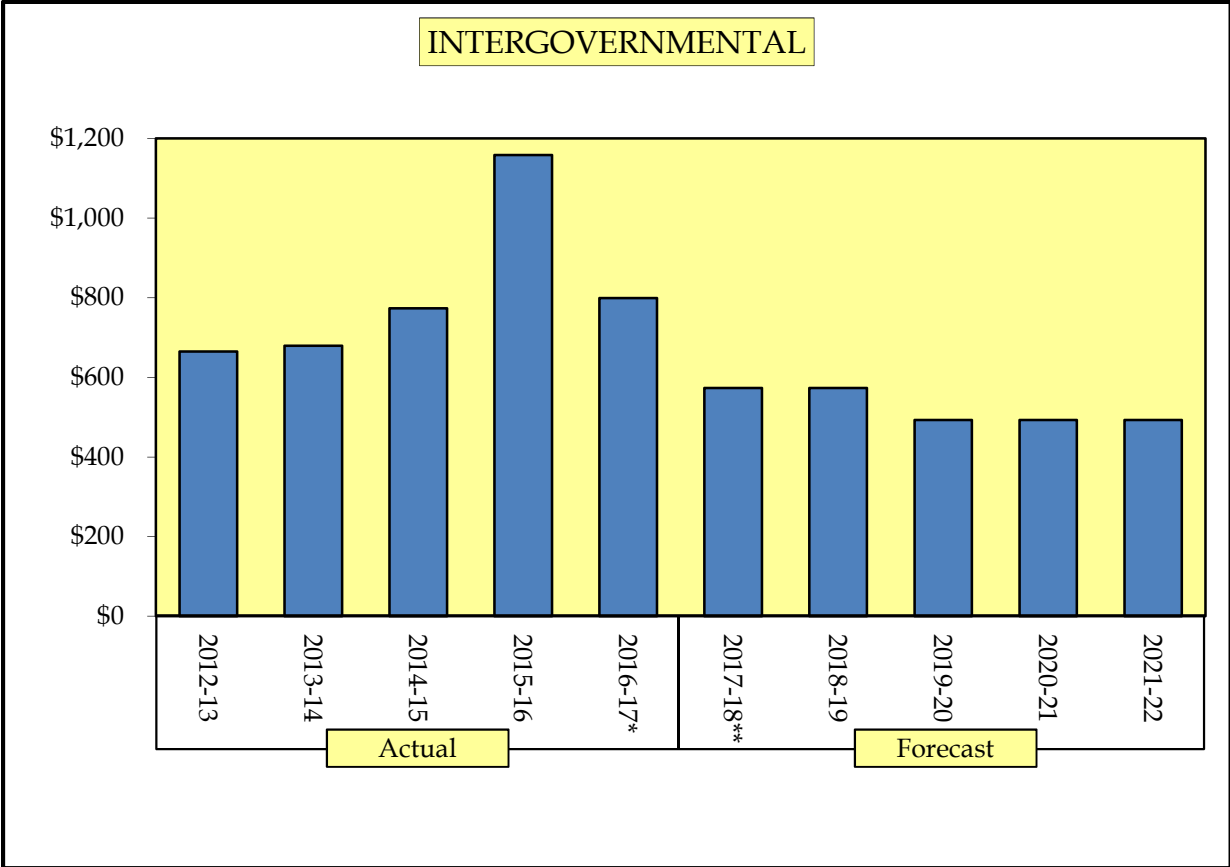
- Actions by the State Legislature.
- State and Federal regulations, legislation, and funded programs.

HISTORY

During the past 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. The Fiscal Year 2016-17 estimated revenue exceeds the Fiscal Year 2016-17 Adopted Budget due to grants and Public Safety Realignment (AB109) funding received that were not budgeted, and is 31 percent lower than the Fiscal Year 2015-16 audited, which was unusually high as a result of payment for deferred SB 90 claims.

FORECAST

Fiscal Years 2017-18 and 2018-19 are 3.8 percent lower than Fiscal Year 2016-17 Adopted as they include a lower projection for Regional Auto Theft Task Force (RATTF) reimbursement which is more in-line with actual payments received for the past couple of fiscal years. The remaining Forecast years reflect the end of RATTF funding beginning in Fiscal Year 2019-20.



<u>Fiscal Year</u>	<u>Intergovernmental</u>	<u>% Change</u>
2012-13	665	(41.9%)
2013-14	679	2.1%
2014-15	773	13.8%
2015-16	1,158	49.8%
2016-17 *	799	(31.0%)
2017-18 **	573	(28.3%)
2018-19	573	0.0%
2019-20	493	(14.0%)
2020-21	493	0.0%
2021-22	493	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.
- Performing Arts Center Facility Use and Ticket Service Charge.
- Library fines, lost books and interlibrary loans.
- 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 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 Council approved a Recreation Cost Recovery Policy (Policy). As a result of these, 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 a result of minimum attendance requirements authorized in the Policy and new revenue sources, such as sponsorships, were approved.

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.

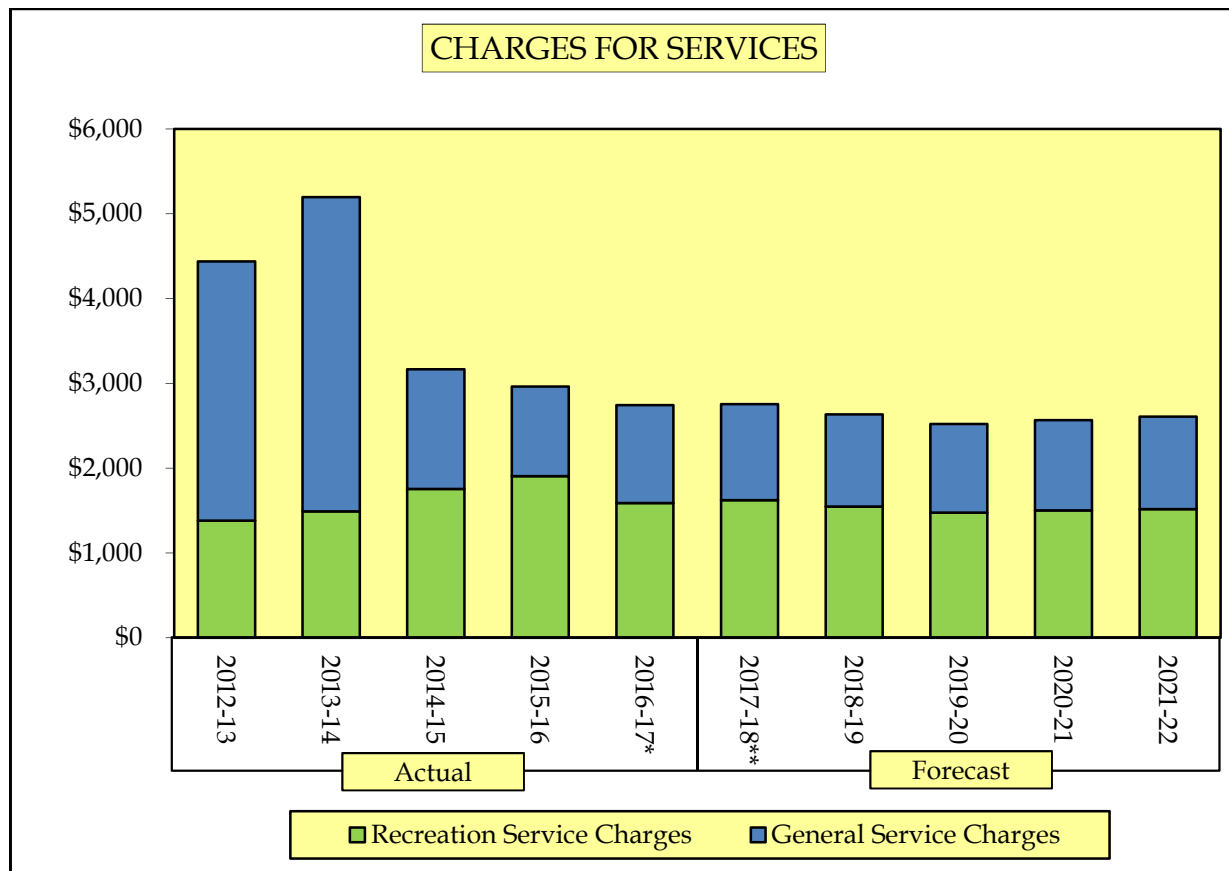
As noted earlier, effective with the Fiscal Year 2014-15 Adopted Budget, Development Services was separated from the GOF in order to facilitate better tracking and accounting and allow for an effective way to match revenues and expenditures. The separation caused the significant decline in actual revenue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

Total Service Charge revenue for Fiscal Year 2016-17 is estimated to exceed the adopted budget, primarily resulting from additional classes taught by contract instructors, sports facility reservations, and reimbursement of administrative support for development.

FORECAST

As the majority of Recreation enrollment payments are received late in the fiscal year, revenue for Fiscal Year 2017-18 is projected at approximately 2.0 to 3.0 percent higher than the Fiscal Year 2016-17 Adopted Budget and Estimated. Other Charges for Services revenues are also projected higher than both the Fiscal Year 2016-17 Adopted and Estimated. The remainder of the Forecast period includes a reduction during the economic downturn and slight increases for the last two Forecast years. The remainder of the Forecast period includes average annual increases of less than 2.0 percent.

On December 13, 2016, Council approved revision of the Recreation Financial Assistance Program (FAP), to a two-tier system consisting of one tier at a 90 percent subsidy up to \$500 per child if their family's household income is "extremely low" or "very low" under HUD guidelines. The second tier is a 75 percent subsidy up to \$400 per child if their family's household income level is "low" under HUD guidelines. In addition, City Council authorized staff to make future amendments to the FAP through amending the Master Fee Schedule as part of the City's annual budget process. This change will be implemented in September 2017, which works best with the Community Service Agency schedule of programs.



<u>Fiscal Year</u>	<u>Recreation Service Charges</u>	<u>General Service Charges</u>	<u>Total Charges for Services</u>	<u>% Change</u>
2012-13	1,383	3,055	4,438	11.7%
2013-14	1,491	3,705	5,196	17.1%
2014-15	1,756	1,410	3,166	(39.1%)
2015-16	1,906	1,056	2,962	(6.4%)
2016-17 *	1,590	1,153	2,743	(7.4%)
2017-18 **	1,623	1,134	2,757	0.5%
2018-19	1,549	1,084	2,633	(4.5%)
2019-20	1,477	1,043	2,520	(4.3%)
2020-21	1,504	1,064	2,568	1.9%
2021-22	1,518	1,089	2,607	1.5%

* 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 2016-17 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:

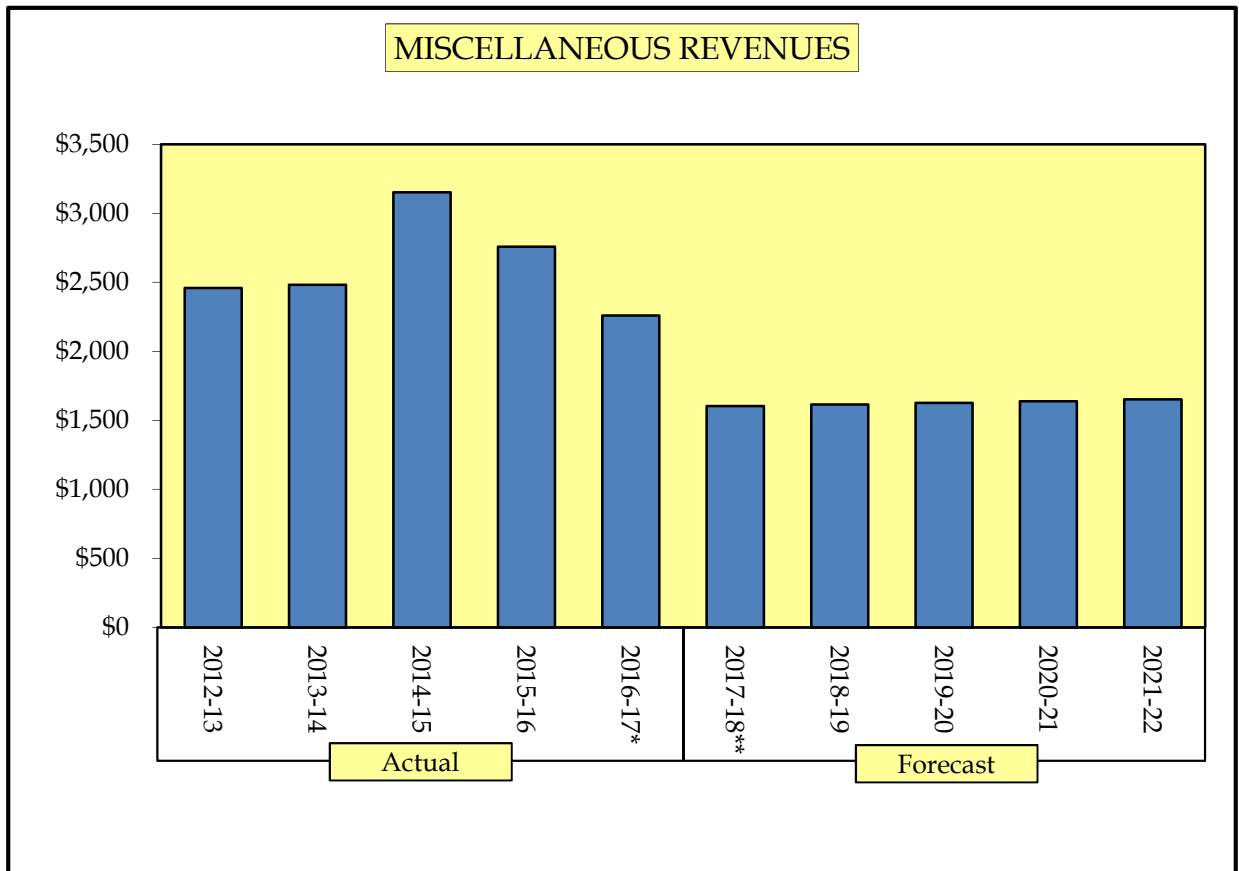
- Maintenance services to the school districts for Graham Athletic Field, Whisman Sports Complex, and Mountain View Sports Pavilion.
- Mutual-aid fire support to other cities and the State of California which are later reimbursed by the State and Federal government.
- Public safety dispatch to the Midpeninsula 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 \$2.0 million annually.

FORECAST

Fiscal Year 2017-18 Miscellaneous Revenues is projected to be 1.7 percent below the Fiscal Year 2016-17 Adopted Budget and, as discussed earlier, lower than the Fiscal Year 2016-17 Estimated as a result of grants, donations, and reimbursements not budgeted. The remaining Forecast years increase less than 1.0 percent annually.



<u>Fiscal Year</u>	<u>Miscellaneous Revenues</u>	<u>% Change</u>
2012-13	2,459	13.9%
2013-14	2,483	1.0%
2014-15	3,152	26.9%
2015-16	2,757	(12.5%)
2016-17 *	2,259	(18.1%)
2017-18 **	1,603	(29.0%)
2018-19	1,614	0.7%
2019-20	1,626	0.7%
2020-21	1,639	0.8%
2021-22	1,651	0.7%

* 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 between the GOF and 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 three years, and this revenue source accounts for approximately 12.0 percent of total GOF revenues. The most recent update of the Plan was completed and the results incorporated for Fiscal Year 2015-16.

Interfund Transfers: These vary from year to year and are both ongoing and one-time/limited-period in nature. The Fiscal Year 2016-17 estimated includes the annual transfers from the Gas Tax and Parking District funds, and \$150,000 of net operating income from Shoreline Golf Links.

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, staff recommended that no funds be transferred Fiscal Years 2014-15 through 2016-17.

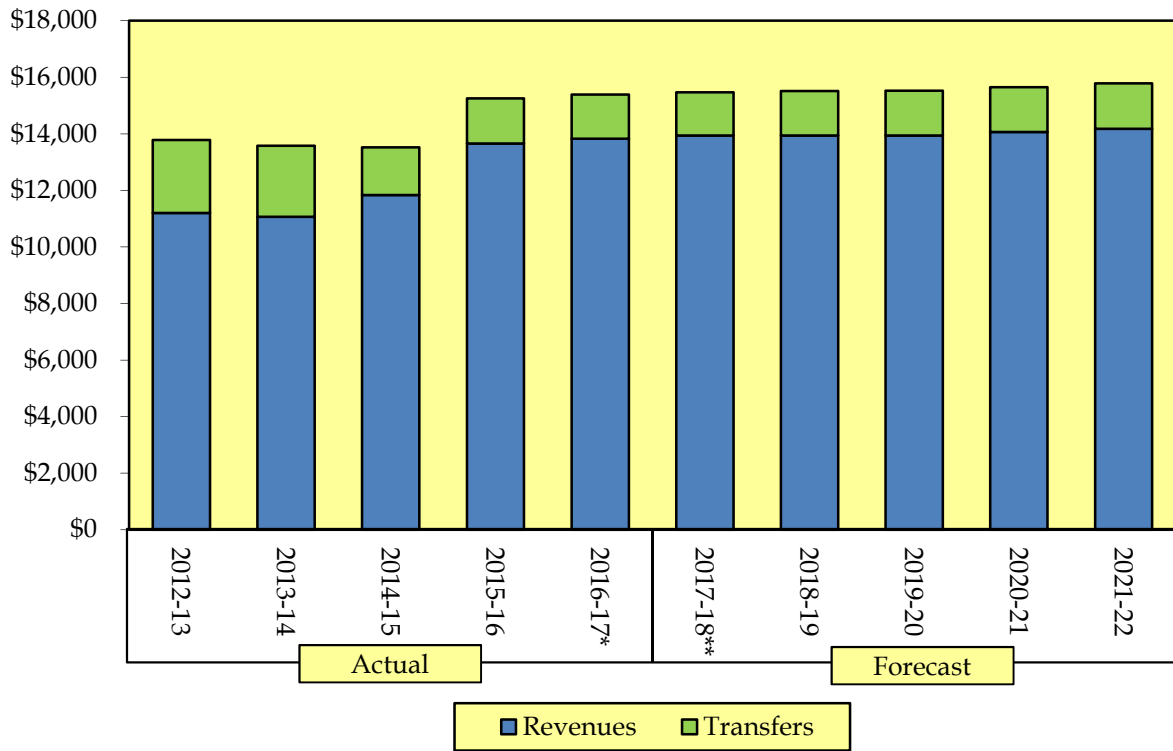
FORECAST

Interfund Revenues: For Fiscal Year 2017-18, Interfund Revenues include reimbursement from various funds which receive support from the GOF. The remaining Forecast period includes annual increases of less than 1.0 percent and is held level during the anticipated economic decline.

Interfund Transfers: For Fiscal Year 2017-18, Interfund Transfers include \$1.3 million of reimbursement from the Gas Tax Fund, \$125,000 of operating income from Shoreline Golf Links, and \$108,000 of reimbursement from the Parking District. The transfer from the Lease Reserve is recommended to continue to be deferred for the remainder of the Forecast period until interest rates regain prior levels and revenues can be reevaluated.

The Forecast period includes level or slightly increasing transfers from the same funds.

INTERFUND REVENUES AND TRANSFERS



<u>Fiscal Year</u>	<u>Interfund Revenues</u>	<u>Interfund Transfers</u>	<u>Total Interfund Rev & Trans</u>	<u>% Change</u>
2012-13	11,204	2,577	13,781	(2.5%)
2013-14	11,065	2,510	13,575	(1.5%)
2014-15	11,836	1,689	13,525	(0.4%)
2015-16	13,654	1,596	15,250	12.8%
2016-17 *	13,831	1,560	15,391	0.9%
2017-18 **	13,946	1,528	15,474	0.5%
2018-19	13,946	1,565	15,511	0.2%
2019-20	13,946	1,579	15,525	0.1%
2020-21	14,061	1,592	15,653	0.8%
2021-22	14,179	1,605	15,784	0.8%

* Estimated

** Recommended

(dollars in thousands)

LOAN REPAYMENTS

This revenue source reflects the annual repayment of loan obligations from other funds.

SOURCES

- Shoreline Regional Park Community.

ECONOMIC FACTORS

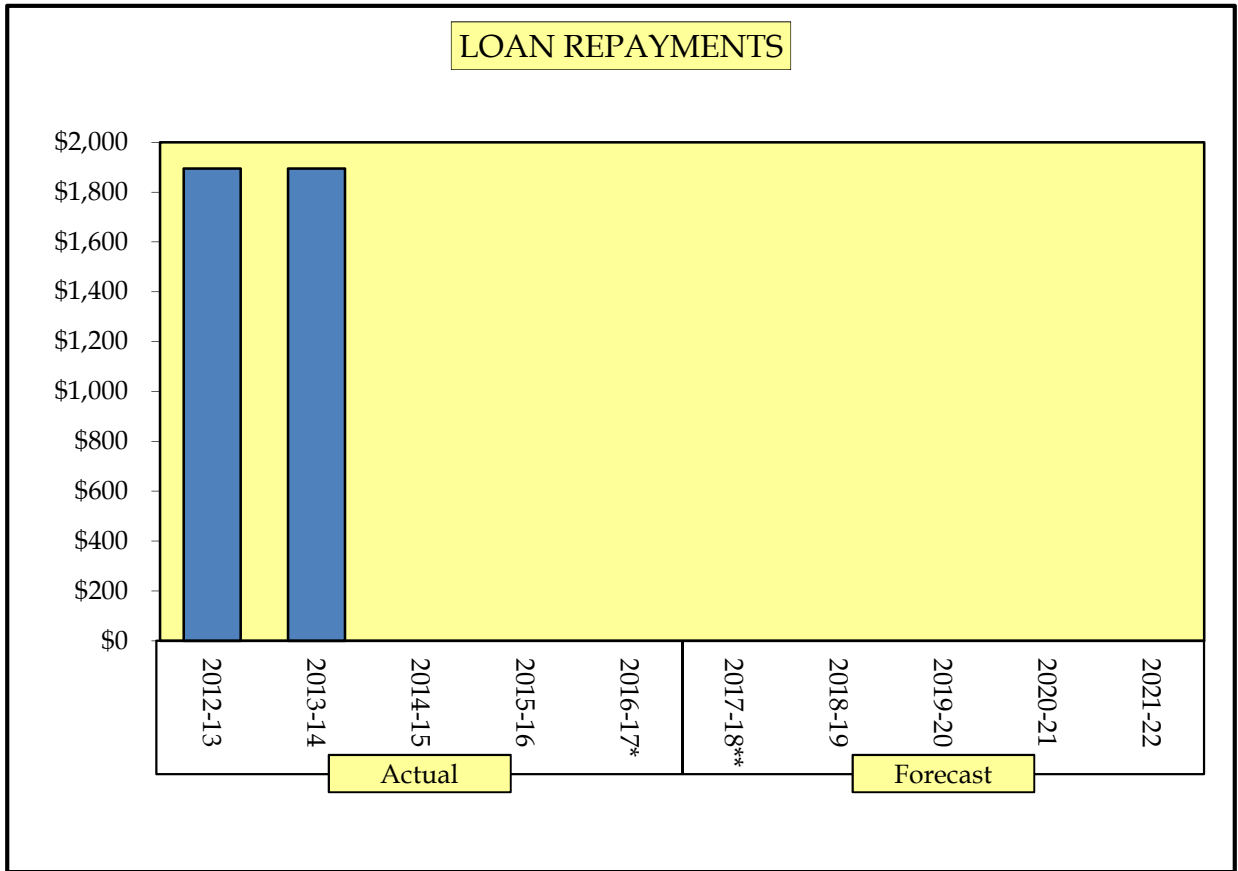
- Financial condition of the paying funds.

HISTORY

The General Fund made a series of loans to the Shoreline Regional Park Community (Shoreline Community) beginning in Fiscal Year 1985-86, which eventually totaled \$17.8 million. The loans were consolidated during Fiscal Year 1988-89. Because this revenue stream was long-term in nature, it had been included as operating revenues. However, with the Fiscal Year 2014-15 Adopted Budget, as there were only two years of payments remaining, Council adopted staff's proposal to account for the final two payments in the General Non-Operating Fund. The final loan repayment was made in Fiscal Year 2015-16.

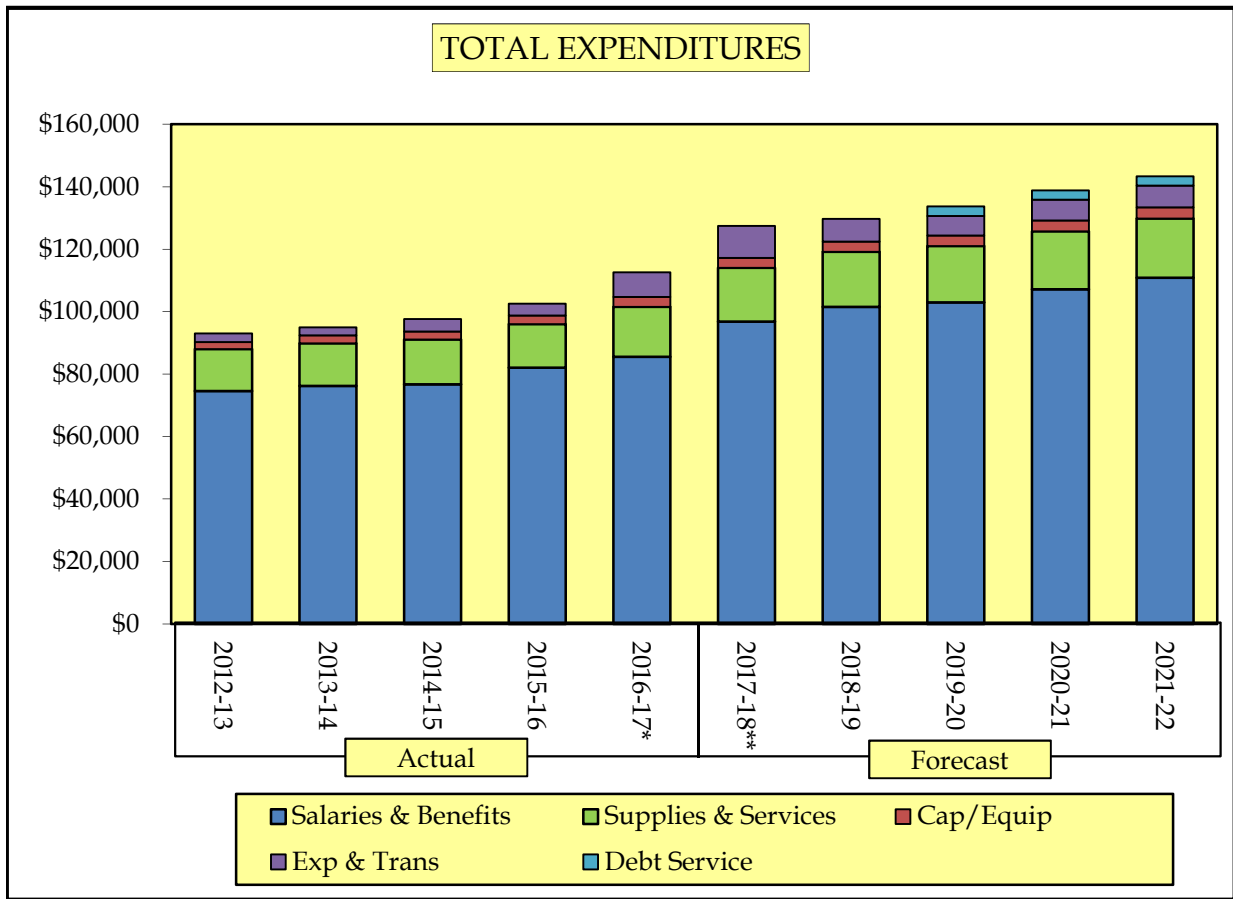
FORECAST

There are no longer any loan repayments included in the GOF.



<u>Fiscal Year</u>	<u>Loan Repayments</u>	<u>% Change</u>
2012-13	1,894	0.0%
2013-14	1,894	0.0%
2014-15	0	(100.0%)
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	0	0.0%
2021-22	0	0.0%

* Estimated
 ** Recommended
 (dollars in thousands)



<u>Fiscal Year</u>	<u>Total Expenditures</u>	<u>% Change</u>
2012-13	93,041	2.7%
2013-14	94,933	2.0%
2014-15	97,677	2.9%
2015-16	102,590	5.0%
2016-17 *	112,608	9.8%
2017-18 **	127,426	13.2%
2018-19	129,752	1.8%
2019-20	133,660	3.0%
2020-21	138,828	3.9%
2021-22	143,375	3.3%

* Estimated
 ** Recommended
 (dollars in thousands)

The Fiscal Year 2017-18 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. During Fiscal Year 2011-12, the City negotiated three-year contracts with

all employee groups that expired June 30, 2015. 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. 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 they were \$2.9 million (4.7 percent of GOF expenditures), compared to \$14.7 million (13.3 percent of GOF expenditures) adopted for Fiscal Year 2016-17. 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 2016-17, 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 10 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 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 the lowering of 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 has indicated the reduction will 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 is estimating an increase of 30.0 percent to 40.0 percent in unfunded accrued liability (UAL) annual payments.

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 from the General Fund totaling \$7.5 million from a combination of carryover funds and budgets since Fiscal Year 2014-15 through Fiscal Year 2016-17. 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 the Fiscal Years 2015-16 and 2016-17 Adopted Budgets.

FORECAST

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

Fiscal Years 2017-18 and 2018-19 include sustainable COLAs as placeholders in anticipation of labor negotiations currently in progress with the MVFF, POA, EAGLES, and SEIU represented labor groups and for all other groups. There are no COLAs for the remaining Forecast years as additional COLAs are not sustainable based on current projections. All Forecast years include step and merit increases.

Fiscal Year 2017-18 medical insurance rates are projected to increase 6.0 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 6.0 percent to 10.0 percent annually (depending on the health plan) and dental rates will continue to increase by 2.0 percent annually.

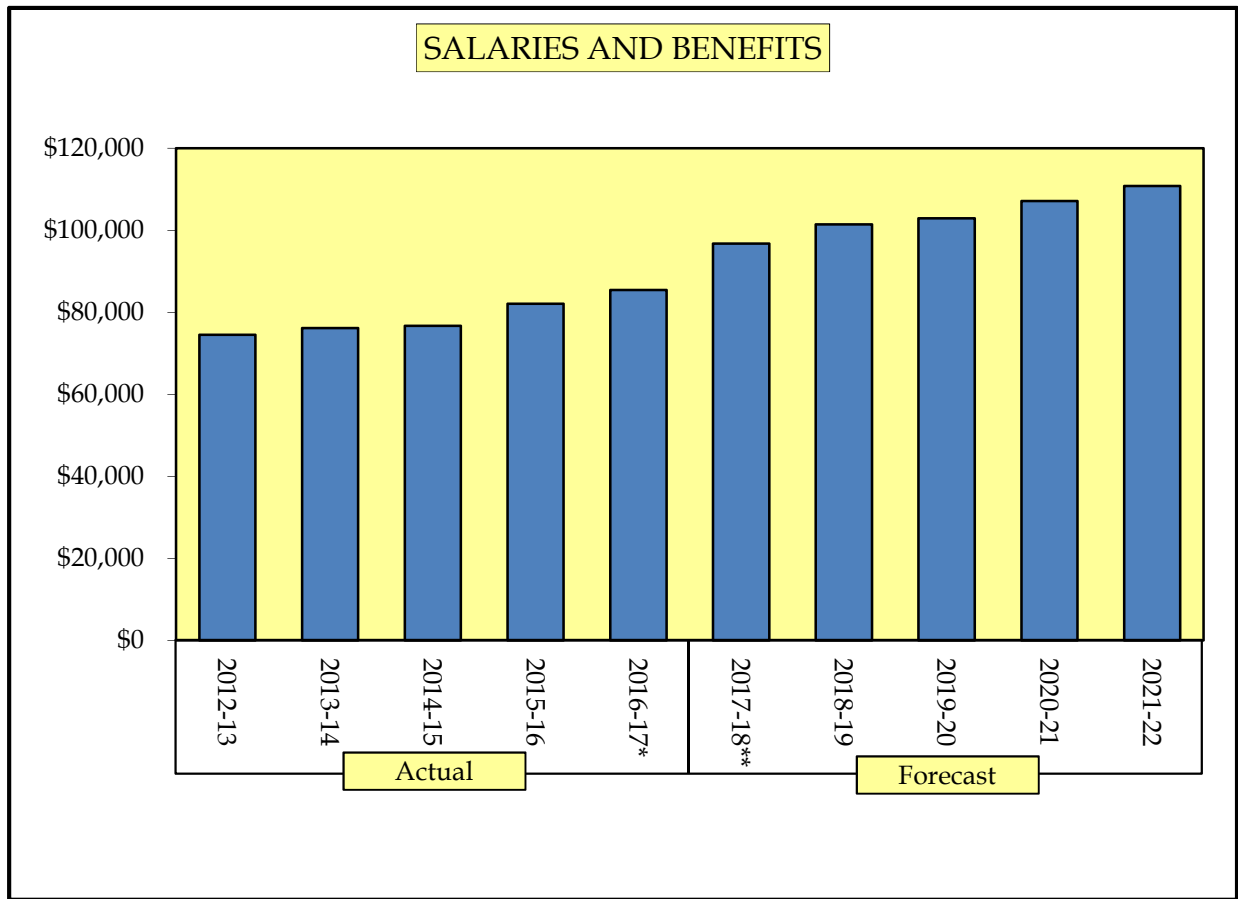
For Fiscal Year 2017-18, retirement benefit costs, overall, are projected to increase 10.8 percent compared to the Fiscal Year 2016-17 Adopted Budget. In Fiscal Years 2018-19 through 2021-22, the annual increases are projected at 15.4, 10.7, 13.7, and 10.1 percent, respectively, which includes an estimated increase for the change in discount rate by CalPERS. The impact of the discount rate change is reflected in the table of projected employer rates below.

As a result of the discount rate change, pension costs are projected to increase in Fiscal Year 2018-19 by \$684,000 and to an annual increase of \$4.6 million by the end of the Forecast period. The projected increase continues to rise until Fiscal Year 2024-25, after full implementation the annual increase is projected to be \$8.6 million. Staff is recommending a strategy to pay down the unfunded CalPERS pension obligation. Staff is currently recommending additional contributions of \$6.0 million from reserves and the Fiscal Year 2016-17 carryover, \$4.0 million in Fiscal Year 2017-18, and \$2.0 million in Fiscal Years 2018-19 to reduce this unfunded liability (see Attachment 1). Contributions from other funds for their share of this liability are also included. The chart in the Revenue and Expenditure Overview Section of the Forecast provides detailed amounts for each fiscal year.

Below are the projected employer rates provided in the June 30, 2015 CalPERS actuarial valuations (most recent valuation available), adjusted for the estimated impact due to the change in discount rate.

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Miscellaneous	26.77	27.737	30.712	33.668	37.085	38.793
Safety ¹	38.643	41.107	45.382	49.623	54.695	57.016

¹ The CalPERS Safety rate is a blended rate that reflects the impact of the Fire cost share contributed as member contributions.



<u>Fiscal Year</u>	<u>Salaries and Benefits</u>	<u>% Change</u>
2012-13	74,561	2.8%
2013-14	76,198	2.2%
2014-15	76,707	0.7%
2015-16	82,073	7.0%
2016-17 *	85,497	4.2%
2017-18 **	96,795	13.2%
2018-19	101,482	4.8%
2019-20	102,918	1.4%
2020-21	107,135	4.1%
2021-22	110,831	3.4%

* Estimated
 ** Recommended
 (dollars in thousands)

Fiscal Years 2015-16, 2016-17, and 2018-19 include an additional \$2.0M CalPERS contribution and Fiscal Year 2017-18 includes an additional \$4.0M 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

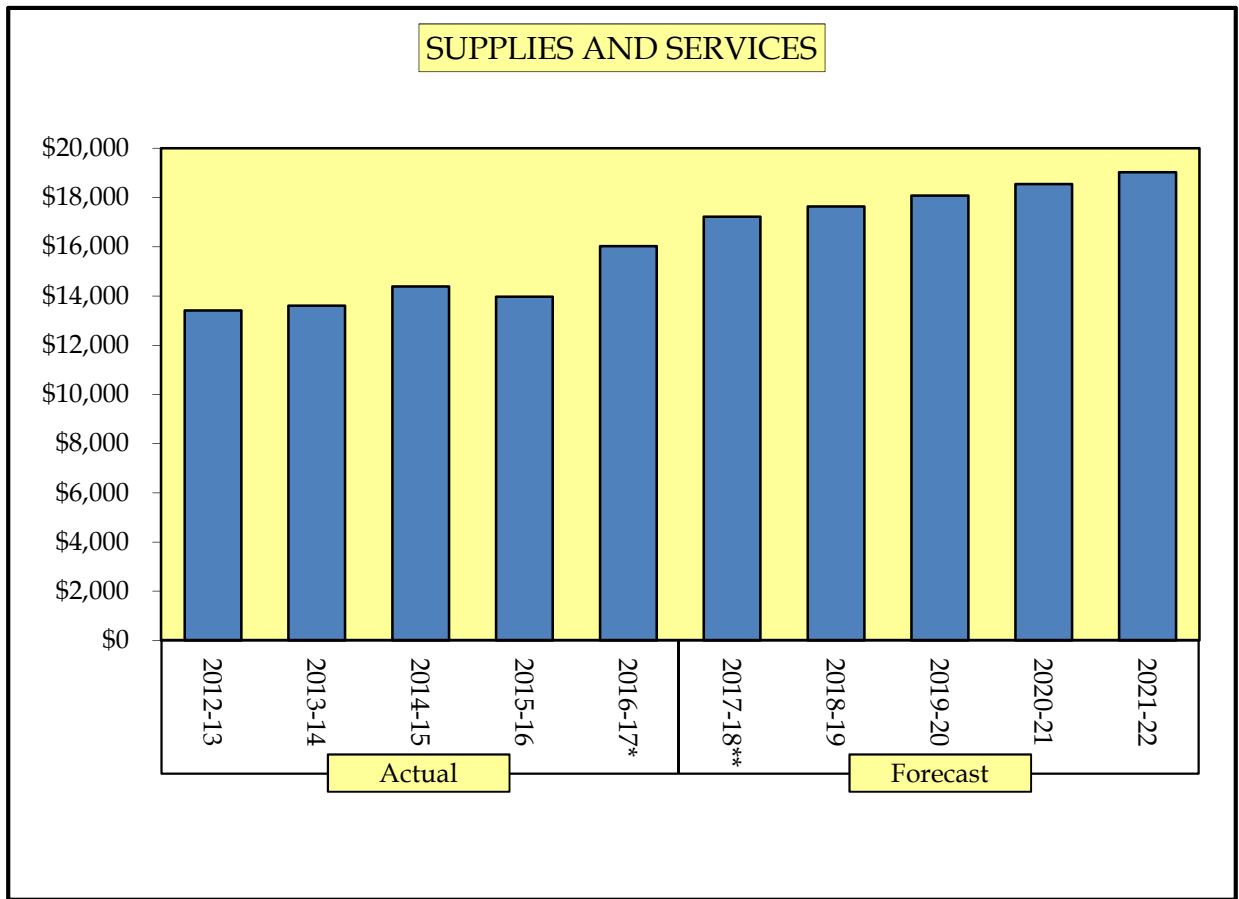
- Materials and Supplies.
- Maintenance and Operations.
- Utilities.
- Professional/Technical Services.
- Training, Conference, and Travel.
- Miscellaneous Expenditures.

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 2017-18 (including recommended discretionary and nondiscretionary increases) is increasing \$1.0 million (6.4 percent) compared to the Fiscal Year 2016-17 Adopted. Over half of the increase is related to City utilities (including PG&E and clean energy), and Microsoft licensing. The remainder of the Forecast period includes average annual increases of 2.5 percent to 3.8 percent.



<u>Fiscal Year</u>	<u>Supplies and Services</u>	<u>% Change</u>
2012-13	13,414	3.9%
2013-14	13,608	1.4%
2014-15	14,386	5.7%
2015-16	13,969	(2.9%)
2016-17 *	16,032	14.8%
2017-18 **	17,218	7.4%
2018-19	17,641	2.5%
2019-20	18,076	2.5%
2020-21	18,547	2.6%
2021-22	19,032	2.6%

* 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 the GOF, Development Services, Shoreline Golf Links, Parking District, Shoreline Regional Park Community, Water, Wastewater, Solid Waste Management, and Fleet Maintenance Funds 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

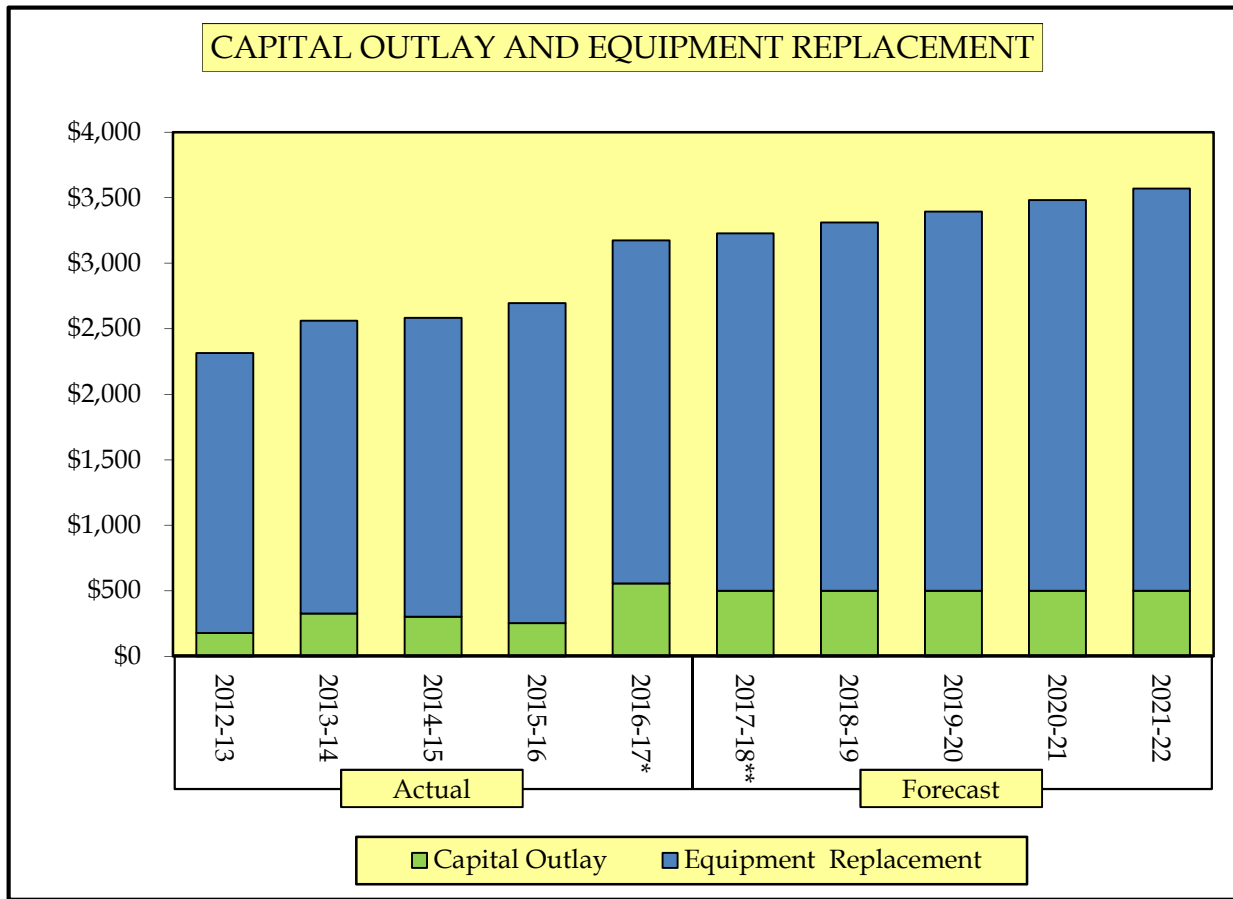
Capital Outlay: Since Fiscal Year 1993-94, annual expenditures have grown as a result of an increased level of technology and related equipment, an increase in the number and quality of safety vehicles, and the addition of hybrid vehicles to the fleet. This category is also influenced by the economic 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 \$400,000. For Fiscal Year 2016-17, capital outlay was funded at \$405,000.

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 2016-17 contribution to Equipment Replacement was adopted at \$2.6 million.

FORECAST

Capital Outlay: For Fiscal Year 2017-18, recommended capital outlay items total \$493,900, and annual funding of \$500,000 is included as the base level of funding for the Forecast period.

Equipment Replacement: The GOF contribution for Fiscal Year 2017-18 is increasing 4.2 percent to \$2.7 million and the remainder of the Forecast period includes annual increases of 3.0 percent, continuing full funding of the GOF's share of equipment replacement.



<u>Fiscal Year</u>	<u>Capital Outlay</u>	<u>Equipment Replacement</u>	<u>Total Capital Outlay & Equip. Replcmnt.</u>	<u>% Change</u>
2012-13	178	2,137	2,315	1.4%
2013-14	327	2,235	2,562	10.7%
2014-15	303	2,279	2,582	0.8%
2015-16	254	2,442	2,696	4.4%
2016-17 *	557	2,618	3,175	17.8%
2017-18 **	500	2,728	3,228	1.7%
2018-19	500	2,810	3,310	2.5%
2019-20	500	2,894	3,394	2.5%
2020-21	500	2,981	3,481	2.6%
2021-22	500	3,070	3,570	2.6%

* Estimated

** Recommended

(dollars in thousands)

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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.
- Strategic Property Acquisition.
- Housing.

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 Health Net medical coverage 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 all operating funds.

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

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, 2015.

In February 2008, Council approved an agreement authorizing the City's participation in the CalPERS-administered California Employers' Retiree Benefit Trust (CERBT) Fund, and in February 2009, the City began depositing funds into the CERBT. The balance in the CERBT as of June 30, 2017 is estimated to be \$107.9 million. All funds except the GOF have contributed their full share of the actuarial accrued liability, and continue to fund their full share as valuations are updated. The City Council has approved additional General Fund contributions totaling \$6.5 million from the Fiscal Years 2014-15 through 2016-17. 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.

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 the past two fiscal years, 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 at the Fiscal Year 2016-17 Narrative Budget Study Session, the Adopted Budget includes an annual transfer of these property taxes, in the amount of \$51,000, to the Housing Fund. In addition, the balance of prior fiscal year funds is transferred from General Non-Operating Fund to the Housing Fund in the Fiscal Year 2016-17 Adopted Budget.

General Non-Operating Fund (GNOF): As directed by the City Council at the Fiscal Year 2016-17 budget public hearing, the Adopted Budget includes 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.

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 Year 2016-17 Adopted Budget 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 2017-18 through 2021-22 projections are based on maintaining the minimum policy level for reserve balances. The City currently has a \$1.0 million SIR, but this could be increased to \$2.0 million in the near future. For Fiscal Year 2017-18, the GOF is contributing \$1.1 million for the cost of claims and administering the program, a 10.0 percent increase over Fiscal Year 2016-17 Adopted. The remainder of the Forecast period includes 3.0 percent annual increases.

Vision Care: The GOF's contribution is to fund vision coverage for employees and retirees with Health Net coverage and safety glasses for employees and is the same level as Fiscal Year 2016-17 Adopted.

Retirees' Health Insurance Program: Fiscal Year 2017-18 includes \$2.3 million for the UAAL amortization. The remaining Forecast years use projections based on information provided for in the July 1, 2015 valuation for the UAAL amortization. Included in Fiscal Year 2017-18 is an additional \$2.0 million to be transferred from the GOF to raise the funding status of this liability. The chart in the Revenue and Expenditure Overview Section of this Forecast provides detailed amounts for each fiscal year.

As stated previously, between July 1, 2013 and July 1, 2015, the Actuarial Accrued Liability (AAL) increased from \$101.9 million to \$123.8 million. The actuarial as of July 1, 2015 provides a forecasted AAL of \$137.4 million for Fiscal Year 2017-18. The valuation will be updated as of July 1, 2017, past updates have increased the AAL as assumptions are reconciled with actual experience. GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* will be effective with the fiscal year ending June 30, 2018. The difference between the pay-as-you-go premiums and the ARC will be deposited into the CERBT on an annual basis.

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 duration of the Forecast period.

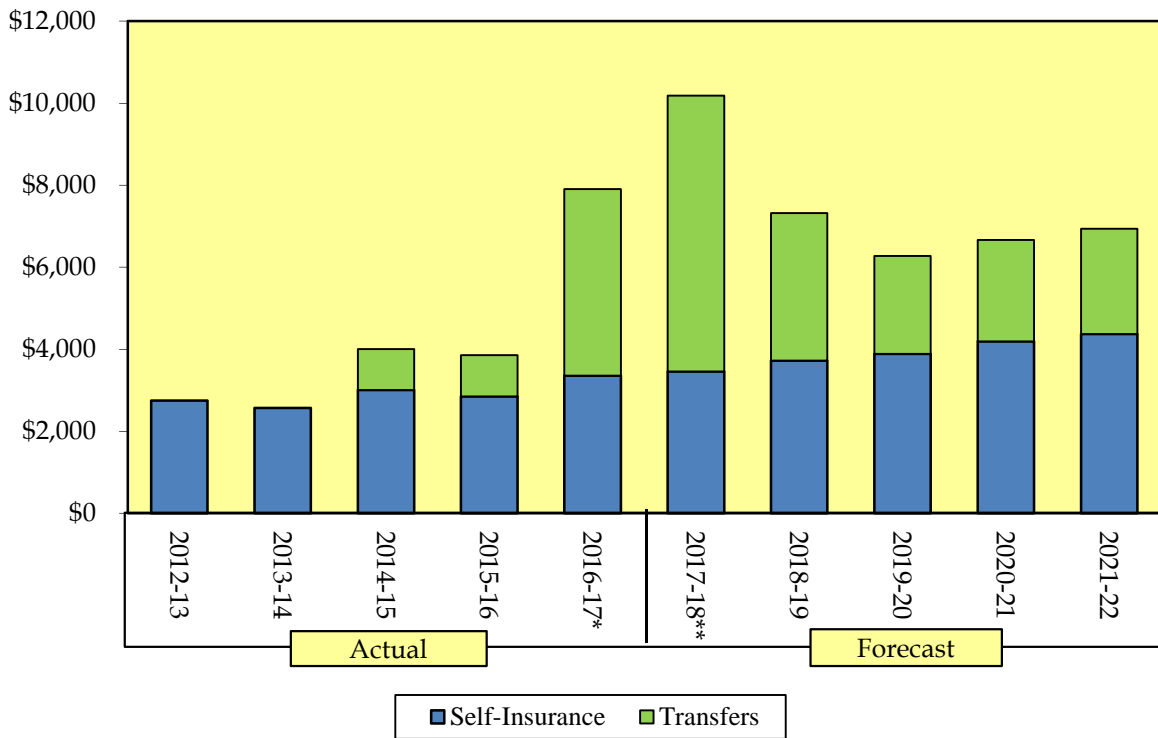
Strategic Property Acquisition Reserve (SPAR): The City has successfully leveraged City-owned property for ongoing revenues, and setting aside available resources in the

SPAR could assist in obtaining future strategic properties. A transfer of \$2.0 million to the SPAR is included for Fiscal Year 2017-18 in order to increase the available funding for future property investment.

Budget Contingency: Revenue from the Ameswell (Moffett Gateway) property is projected to begin in Fiscal Year 2017-18 and the full projected annual revenue, after a few years of operations, is estimated at over \$4.0 million. This revenue is recommended to be earmarked for debt service related to the Police/Fire Administration Building Remodel and Expansion (see next Debt Service section). Staff proposes the revenue received in the fiscal years prior to the beginning of debt service be used for a limited-period need. Fiscal Years 2017-18 and 2018-19 include transfers in the amount of \$755,400 and \$1.3 million, respectively, to the Budget Contingency Reserve.

Capital Improvement Reserve: By the end of Fiscal Year 2017-18, the decennial revaluation process will have been completed for the three City-owned land leases between the City and Google. Based on the actual revaluation of two sites and an estimated revaluation of the third site, annualized rent payments are estimated to increase approximately \$7.7 million. It is probable that during the timespan before the next decennial adjustment in April 2026, there will be at least one economic downturn. 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, in Fiscal Year 2017-18, the potential decline in revenues, calculated at \$1.9 million, is recommended to not be dedicated to ongoing operations and instead transferred to the Capital Improvement Reserve to fund projects in Fiscal Year 2018-19 or later.

INTERFUND EXPENDITURES AND TRANSFERS



Fiscal Year	Self Insurance	Transfers	Total SI & Transfers	% Change
2012-13	2,751	0	2,751	(4.3%)
2013-14	2,565	0	2,565	(6.8%)
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	6,728	10,185	28.9%
2018-19	3,723	3,596	7,319	(28.1%)
2019-20	3,885	2,387	6,272	(14.3%)
2020-21	4,189	2,476	6,665	6.3%
2021-22	4,374	2,568	6,942	4.2%

* Estimated

** Recommended

(dollars in thousands)

Fiscal Years 2014-15 and 2015-16 include an additional \$1.0M and Fiscal Years 2016-17 and 2017-18 include an additional \$2.0M OPEB contribution above the full funding of the amortization of the UAAL. Fiscal Years 2016-17 and 2017-18 include a \$2.0M transfer to the Strategic Property Acquisition Reserve. Fiscal Years 2017-18 and 2018-19 include transfers of Ameswell development revenue, \$755,400 and \$1.3 million respectively, to the Budget Contingency Reserve.

DEBT SERVICE

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

CATEGORIES

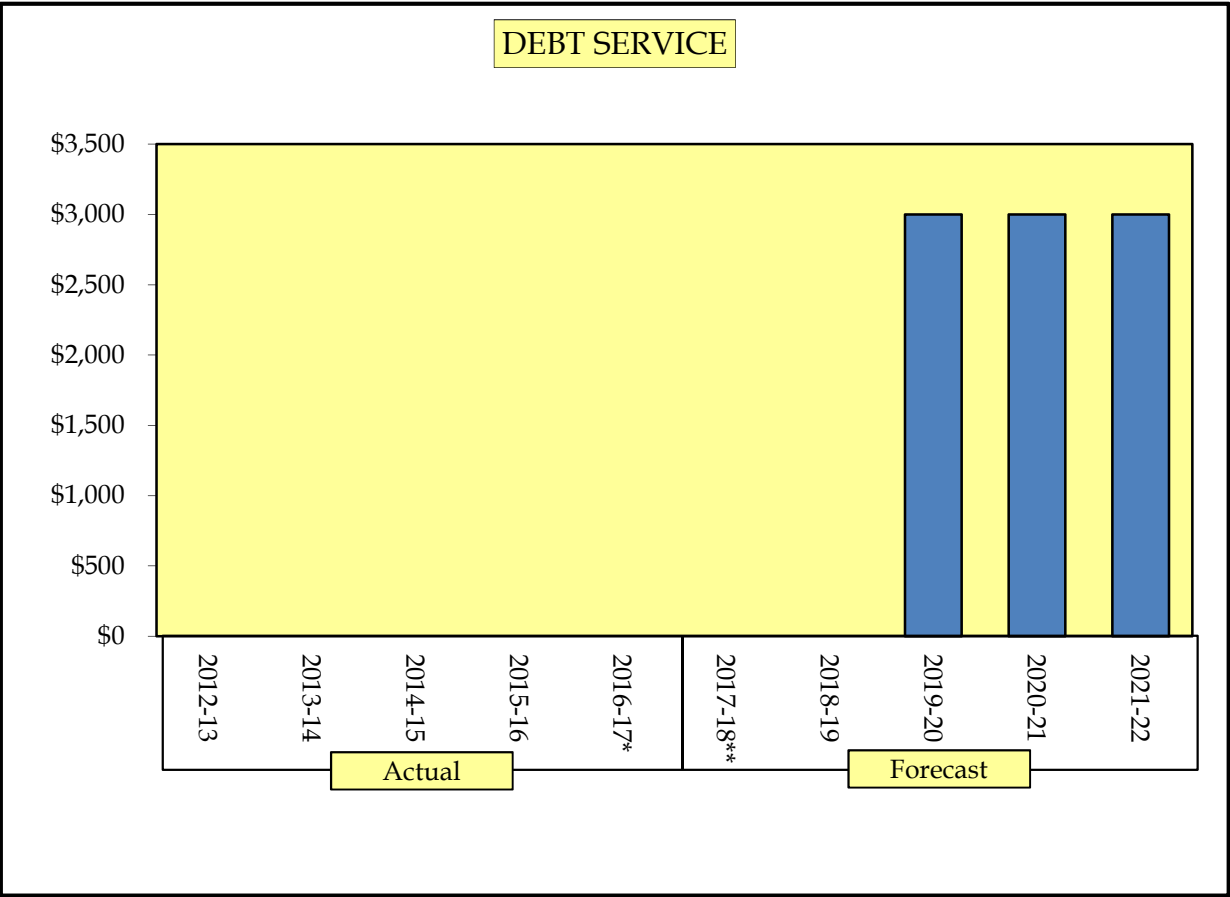
- Police/Fire Building.

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 and Conveyance Tax funding. This debt was fully retired in Fiscal Year 2015-16.

FORECAST

The Forecast assumes revenue generated from the Ameswell (Moffett Gateway) 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 \$3.0 million have been included as a placeholder beginning in Fiscal Year 2019-20.



<u>Fiscal Year</u>	<u>Debt Service</u>	<u>% Change</u>
2012-13	0	0.0%
2013-14	0	0.0%
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	3,000	100.0%
2020-21	3,000	0.0%
2021-22	3,000	0.0%

* Estimated
 ** Recommended
 (dollars in thousands)

GENERAL OPERATING FUND HISTORY
(dollars in thousands)

	<u>2007-08</u> <u>AUDITED</u>	<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>	<u>2013-14</u> <u>AUDITED</u>	<u>2014-15</u> <u>AUDITED</u>	<u>2015-16</u> <u>AUDITED</u>
REVENUES:									
Property Taxes	23,681	25,647	26,017	25,142	26,216	28,122	31,120	35,173	39,461
Sales Tax	17,273	16,264	15,242	15,502	15,940	16,744	16,936	19,773	21,401
Other Local Taxes ¹	10,338	9,242	9,144	9,870	10,774	12,015	13,089	14,805	15,137
Use of Money and Property	11,165	11,480	10,881	10,290	10,138	10,783	10,690	10,928	12,219
Other Revenues ²	23,623	23,270	23,072	24,361	27,079	27,253	28,316	26,261	27,693
Loan Repayments	<u>2,060</u>	<u>2,060</u>	<u>2,060</u>	<u>2,075</u>	<u>1,894</u>	<u>1,894</u>	<u>1,894</u>	<u>-0-</u>	<u>-0-</u>
TOTAL REVENUES	<u>88,140</u>	<u>87,963</u>	<u>86,416</u>	<u>87,240</u>	<u>92,041</u>	<u>96,811</u>	<u>102,045</u>	<u>106,940</u>	<u>115,911</u>
EXPENDITURES:									
Salaries and Benefits	63,374	68,091	69,549	69,007	72,537	74,561	76,198	76,707	80,073
Supplies and Services	13,567	13,155	11,933	12,226	12,910	13,414	13,608	14,386	13,969
Capital Outlay/ Equipment Replacement	1,777	1,504	2,213	2,253	2,282	2,315	2,562	2,582	2,696
Interfund Expenditures and Transfers	2,082	809	2,441	2,674	2,876	2,751	2,565	3,002	2,852
Debt Service	<u>1,016</u>	<u>1,020</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENDITURES	<u>81,816</u>	<u>84,579</u>	<u>86,136</u>	<u>86,160</u>	<u>90,605</u>	<u>93,041</u>	<u>94,933</u>	<u>96,677</u>	<u>99,590</u>
CalPERS Contribution	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(2,000)
OPEB Contribution	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,000)</u>	<u>(1,000)</u>
OPERATING BALANCE³	<u>6,324</u>	<u>3,384</u>	<u>280</u>	<u>1,080</u>	<u>1,436</u>	<u>3,770</u>	<u>7,112</u>	<u>9,263</u>	<u>13,321</u>

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

² Other Revenues consists of Licenses, Permits and Fees; Fines and Forfeitures; Intergovernmental; Charges for Services; Miscellaneous Revenue; and Interfund Revenues and 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.

List of Attachments

1. CalPERS Discount Rate Change Funding Strategy
2. Fiscal Year 2017-18 Recommended Fee Modifications
3. Fiscal Year 2017-18 Recommended Non-Discretionary On-going Changes
4. Fiscal Year 2017-18 Recommended Discretionary On-going Changes
5. Fiscal Year 2017-18 Recommended Limited-Period Expenditures
6. Special Operations Program
7. Fiscal Year 2017-18 Recommended Capital Outlay
8. Fiscal Year 2017-18 Recommended Equipment Replacement
9. Credit Card Processing Fees-Update
10. CHAC Requested Increase
11. Comparison of Current and Recommended Utility Rates



CITY OF MOUNTAIN VIEW

MEMORANDUM

Finance and Administrative Services Department

DATE: April 27, 2017

TO: City Council

FROM: Patty J. Kong, Finance and Administrative Services Director

VIA: Daniel H. Rich, City Manager

SUBJECT: CalPERS Discount Rate Change Funding Strategy

BACKGROUND

As discussed in the Midyear Budget Status Report, on December 21, 2016, the CalPERS Board approved the lowering of 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. The reduction will be phased in as follows:

Fiscal Year 2018-19:	7.375 percent
Fiscal Year 2019-20:	7.25 percent
Fiscal Year 2020-21:	7.0 percent

The lowering of the discount rate will result in higher actuarial liabilities, which means the City, as well as other CalPERS agencies, will see significant increases in our normal costs and unfunded actuarial liabilities (UAL) annual payments. CalPERS has indicated the reduction will ultimately 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 is estimating an increase of 30.0 percent to 40.0 percent in UAL annual payments by Fiscal Year 2024-25.

ANALYSIS

Staff has updated and revised the preliminary estimate based on CalPERS guidelines and an estimating model created by California Society of Municipal Finance Officers (CSMFO). The increase for the General Operating Fund is projected as follows (dollars in thousands):

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Estimate							
Safety Total Increase	\$407	880	2,063	2,624	3,224	3,858	4,806
Misc. Total Increase	277	608	1,463	1,931	2,429	2,960	3,759
Total GOF Increase	\$684	1,488	3,526	4,555	5,653	6,818	8,565

NOTE: Years 1 through 5 are based on information provided by CalPERS. Years 6 and 7 are based on staff estimates as CalPERS data is not yet available.

As shown above, the annual pension cost is estimated to increase \$684,000 in Fiscal Year 2018-19 and rise to a projected increase of \$5.7 million in Fiscal Year 2022-23. These estimates have been included in the Five-Year Financial Forecast. The costs will continue to rise for an additional two years with the ramp-up implementation to an ultimate *annual ongoing* increase projected at \$8.6 million.

There are a variety of ways to plan for the impending rise in the City’s CalPERS costs, some of which are as follows:

- Set aside funds now in a reserve fund for the expected cost increases to help soften the cost increases in future years.
- Place funds in a pension trust (e.g., PARS), again then using the funds to phase in cost increases.
- Pay down a sizable portion of the unfunded liability immediately to reduce the eventual cost increase for the amortization of the unfunded liability.

Setting aside funds now for the expected cost increase to phase in the costs allows the City to gradually build up to the ultimate cost increase, but does not address the unfunded liability. The City has made additional payments to CalPERS toward the unfunded liability over three fiscal years of \$9.0 million (\$7.5 million GOF and \$1.5 million Other Funds). The unfunded liability has continued to grow due to changes in the discount rate, actuarial assumptions and methodology, and actual results not meeting assumptions.

The City's funded status as of June 30, 2015, the date of the most recent valuation, is 71.7 percent combined for both safety and miscellaneous. This compares to the funded status as of June 30, 2014 of 74.3 percent. The unfunded liability is estimated to be \$191.4 million as of June 30, 2016 and increase to \$194.0 million by June 30, 2017. The CalPERS valuations are two years behind so that rates can be provided to agencies well in advance for budgeting purposes. This also means that the contributions that were made in Fiscal Years 2015-16 and 2016-17 have not yet been reflected in the City's actuarial valuations. CalPERS will be providing the City's actuarial valuations for Fiscal Year 2018-19 this summer, which will include the implementation of the discount rate change for Fiscal Year 2018-19 and a forecast of rates for the following five years.

Staff recommends a strategy of continuing to make lump-sum payments toward the City's unfunded pension liability. Funds placed with CalPERS earn an assumed rate of 7.0 percent (currently 7.5 percent). If the unfunded liability can be reduced, this should also reduce the annual unfunded actuarial liability payment. The goal would be to reach at least an 80.0 percent funded status level. The City's General Fund represents approximately 81.0 percent of the CalPERS unfunded liability. Therefore, it is also recommended the Other Funds contribute their proportionate share toward this liability.

There are two strategies recommended to reach the funded status target of 80.0 percent. The first is to make a significant contribution, from a combination of available resources. These would be one-time available funds in order to make a one-time lump-sum pay down of the unfunded pension liability. For the current and next fiscal years, there are an excess of revenues over expenditures in the General Operating Fund. These are considered one-time as the surplus is not projected to continue for the duration of the Five-Year Financial Forecast. Staff recommends the following sources of funding:

• GOF for Fiscal Year 2017-18	\$4.0 million
• GF Reserve	6.3 million
• Compensated Absences Reserve	1.9 million
• Capital Improvement Reserve	(2.2 million)
• Other Funds	<u>2.3 million</u>
 TOTAL	 <u>\$12.3 million</u>

Currently, City policy is that the GF Reserve is 25.0 percent of GOF expenditures. Therefore, the balance grows each year as the budget grows. Over the last five years, the GF Reserve has increased from \$23.9 million to \$27.7 million. Changing the GF Reserve policy from a hard 25.0 percent to a range of 20.0 percent to 25.0 percent, with

20.0 percent being the minimum, could free up \$6.3 million that would otherwise be needed to refill this reserve to the policy level of 25.0 percent. While it is prudent to maintain a healthy reserve, the GF Reserve has not been utilized extensively over the past 25 years and staff is comfortable with a 20.0 percent level.

A survey of cities indicates reserve levels ranging from 5.0 percent to 50.0 percent. One component of the ratings by Standard and Poor’s (S&P) for the City is the level of City reserves. It is unknown if a policy change would impact the City’s rating; however, there are several other AAA-rated cities (including Campbell, Milpitas, Palo Alto, and Sunnyvale) with a GF reserve level of 20.0 percent or less. Another factor S&P takes into consideration is the City addressing its unfunded obligations (e.g., pension, retirees’ health, etc.).

On April 4, 2017, staff presented to the Council Finance Committee (CFC) the CalPERS unfunded liability strategy and the recommendation to reduce the GF Reserve and Compensated Absences levels. The CFC unanimously supported the concept of reducing the unfunded pension liability, but requested alternatives to the changes to the GF Reserve and Compensated Absences Reserve policies. Alternatives proposed to achieve the same total contribution to CalPERS are as follows (dollars in thousands):

	Status Quo	Recommended	Option 1	Option 2
GOF Balance Estimated	\$18,410	18,410	18,410	18,410
PERS/OPEB/SPAR	(6,000)	(6,000)	(6,000)	(6,000)
Estimated Available Balance for FY 2017-18	12,410	12,410	12,410	12,410
Recommended Allocations				
Limited Period Exp. – New	2,709	2,709	2,709	2,709
Capital Outlay – New	352	352	352	352
General Fund Reserve	3,160	(3,171)	3,160	3,160
Compensated Absences Reserve	2,412	550	2,412	2,412
CIP Reserve	1,777 ⁽¹⁾	3,970 ⁽¹⁾	-0-	(3,000)
CalPERS	2,000	6,000	6,000	6,000
Retirees’ Health (OPEB)	-0-	2,000	777 ⁽²⁾	777 ⁽²⁾
SPAR	-0-	-0-	(3,000)	-0-
Total Uses	\$12,410	12,410	12,410	12,410

(1) Recommend any balance remaining be allocated to the Capital Improvement Reserve up to \$4.0 million based on the actual balance available after the fiscal year-end close.

(2) Recommend any balance remaining be allocated to Retirees’ Health up to \$2.0 million based on the actual balance available after the fiscal year-end close.

Recommendation—Reduce the funding level of the GF Reserve from 25.0 percent to a range of 20.0 percent to 25.0 percent of net (net of budget savings) adopted expenditures and Compensated Absences Reserve from fully funded to a minimum of 80.0 percent funded.

Option 1—In lieu of using the GF and Compensated Absences Reserves, this strategy fully funds those reserves and instead utilizes \$4.0 million that would be available for capital projects, transfers \$3.0 million from the Strategic Property Acquisition Reserve (SPAR), and reduces the contribution to Retirees Health to the balance available up to \$2.0 million, currently estimated at \$777,000. There is an additional \$2.0 million each recommended to the Retirees' Health and SPAR in the GOF Fiscal Year 2017-18 budget.

Option 2—Same as Option 1, but transfer \$3.0 million from the CIP Reserve instead of funding the additional \$3.0 million from the SPAR.

A combination of the options could also be selected to achieve the goal of \$10.0 million from the General Fund. If the Council chooses to use the GF Reserve or the Compensated Absences Reserves, then staff would return with modifications to Council Policy A-11, Financial and Budgetary Policy.

Google Amphitheatre Lease Parking Revenues

Currently, Google subleases Parking Lots C and D from SFX (Live Nation) and this agreement ends mid-December 2017. In March 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. The \$600,000 is recommended to be transferred to the CIP Reserve. It is anticipated the Certificate of Occupancy for the Charleston East development will be issued before the end of the three-year period and commencing no later than January 1, 2021, Google will begin a five-year lease of the parking lots at that time starting at approximately \$2.3 million annually (with 4.0 percent annual increases).

As this is limited-period revenue, another recommended strategy to pay down the City's unfunded pension liability is to use \$2.0 million annually of this revenue received from Google over the five years of the lease for an additional \$10.0 million contribution to CalPERS. The \$10.0 million could be borrowed from another reserve(s) to make a lump-sum payment, or the contributions could be made annually from 2021 to 2025 as the revenue is received, or they could be placed in a reserve for this purpose and used after 2025 when the total funds are accumulated. Staff will return prior to the commencement of the five-year lease with a recommendation for the funds.

With the recommended contributions, the City would be effectively contributing over 10.0 percent of the unfunded liability with the goal of raising the funded status level to over 80.0 percent, which was the funding status prior to this last recession when the pension fund sustained substantial losses. By making significant payments earlier than required, and reducing the unfunded liability, the City will receive a better rate of return than if it were to keep the funds in our reserves and will save on long-term obligations.

Beginning in Fiscal Year 2021-22, the balance of the annual lease payment can be transferred to the CIP, another reserve, or other limited-period uses. Over the five-year period, the funds not recommended for CalPERS, is anticipated to total \$2.2 million.

SUMMARY

The City continues to face challenges in its pension obligation as CalPERS sustained substantial investment losses during the Great Recession, makes changes in actuarial methods and demographic changes, and reductions in the discount rate. These factors have all contributed to the continued rise in the City's pension obligation, not only in its unfunded liability, but also in its annual pension expense. It is possible CalPERS will continue to make policy changes that will negatively impact City costs. Staff is recommending a strategy to achieve a funding level of approximately 80.0 percent. To achieve this funding level there are a variety of sources, one-time or limited-period available funds, recommended to contribute significant lump-sum payments toward this unfunded liability.

Staff is requesting direction from Council for the following:

1. Approve staff's recommendation to make significant lump-sum contributions toward a goal to achieve a funding level of approximately 80.0 percent.
2. Of the sources of reserve funds available provide direction:
 - a. Recommended—Reducing the policy level of the GF Reserve from 25.0 percent to a range of 20.0 percent to 25.0 percent and reducing the policy level of the Compensated Absences Reserve from being fully funded to a minimum level of 80.0 percent funded.
 - b. Option 1—Fully fund the GF Reserve and Compensated Absences Reserve and reduce funding of the Capital Improvements Reserve and Retirees' Health Reserve from the available balance, and transfer \$3.0 million from the Strategic Property Acquisition Reserve; current balance is \$9.5 million.

- c. Option 2—Same as Option 1, but transfer \$3.0 million from the Capital Improvement Reserve; estimated balance is \$14.8 million.
3. The future Google parking lease revenues are recommended for an additional \$10.0 million in payments to CalPERS toward the City's pension obligation. The balance above the \$10.0 million, anticipated to be \$2.2 million after five years, is recommended to be transferred to the CIP.

If the City can contribute the funds as recommended in this memo, this is estimated to raise the funding level up to over 80.0 percent initially and reduce the unfunded liability by over 10.0 percent. It is estimated this would reduce the annual amortization of the UAL payment by approximately \$2.6 million by time of the full implementation in Year 7.

PJK/2/FIN
546-04-27-17M-E



CITY OF MOUNTAIN VIEW

MEMORANDUMFinance and Administrative
Services Department

DATE: April 27, 2017

TO: City Council

FROM: Helen Ansted, Principal Financial Analyst
Patty J. Kong, Finance and Administrative Services Director

SUBJECT: **Fiscal Year 2017-18 Recommended Fee Modifications**

INTRODUCTION

As part of the annual budget process, departments review their fees and prepare recommendations to modify current fees, add required 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 20, 2017, pertaining to fees, and then published for Fiscal Year 2017-18.

BACKGROUND AND ANALYSIS

Each fee being modified, added, or eliminated is listed on the attached Exhibits A through J detailing Fiscal Year 2017-18 recommended fees, amounts, fee basis, and effective date and the fee amounts currently in effect for Fiscal Year 2016-17. 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 to be adjusted by the appropriate factor (Consumer Price Index, Cost of Living Adjustment, or Engineering News Record (ENR) Construction Index).

A complete listing of all current City fees can be found in the Fiscal Year 2016-17 Master Fee Schedule located at:

<http://www.mountainview.gov/civicax/filebank/blobdload.aspx?BlobID=20527>.

City Clerk's Office (Exhibit B)

General Operating Fund

Staff recommends a name change only for the existing fee, Marriage Officiant, to Marriage Officiant On-Site. A separate Off-Site Fee in the amount of \$192 for 1.5 hours is recommended for Marriage Officiant services provided by the City Clerk off-site.

Community Services Department (Exhibit D)

General Operating Fund

Center for the Performing Arts (CPA):

Since the TheatreWorks (TW) ticketing system was implemented, the City's ticketing service and box office revenue has experienced a decline as TW drives patrons to their call centers and website. TW agreed the City would not experience a revenue loss from the use of the new ticketing system. The proposed increase from \$0.50 to \$1.50 per ticket addresses this lost revenue.

Recreation:

To better reflect Council Policy H-7, Athletic Field Use Policy, staff recommends changing Youth Sports Organization (YSO) to Council-Recognized Youth Sports Organization (CRYSO) under Field Rentals as there are both City Council recognized and unrecognized YSOs. The purpose of this change is to distinguish a difference in fees between CRYSOs, other Mountain View YSOs, and non-Mountain View YSOs. To become a CRYSO, a Mountain View youth nonprofit organization must apply for designation through the City Council under Policy H-7. Other Mountain View YSOs, Youth Nonprofits (YNPs), and Schools will pay the youth resident fee and non-Mountain View YSOs, YNPs, and Schools will pay the nonresident fee. With the name change, CRYSOs will continue to be exempt from the Field Rental Application Fee; however, other YSOs will no longer be exempt. The Community Services Department will continue to maintain a list of the CRYSOs which are given priority over other groups.

Graham Field Security Deposit is recommended with a name change to Synthetic Field Security Deposit to be utilized for all rentals of existing and future synthetic fields. Staff is recommending new grass and synthetic rental fees for various types of renters and elimination of the existing fees.

The Gym Cancellation Fee is recommended to be changed from one flat fee of \$50 to \$50 if cancelled more than 10 business days prior to the first reservation date or 50.0 percent of the rental fee if cancelled within 10 business days of the first reservation date.

The tennis lesson, court reservation, and youth camp fees are recommended with a \$0.50 to \$1.00 per hour increase to fund the impact of the City's Minimum Wage Ordinance. This does not require a revision in the Cuesta Tennis Agreement; however, the Agreement requires any fee increases be adopted by City Council.

Tree Mitigation Fund

Parks:

The City's Heritage Tree policy requires developers plant two Heritage trees for every approved Heritage tree they remove during construction. Currently, there is no fee if a developer is unable to plant the required trees. Staff is recommending a new Tree Replacement Fee in the amount of \$750 per tree to fund the \$250 average cost of a 24" box tree plus \$500 for transportation and labor. This fee is projected to generate \$50,000 in revenue which will be deposited to the Tree Mitigation Fund toward the goals that the Council set forth in the Community Tree Master Plan.

Shoreline Golf Links Fund

As a result of the impact of the City's Minimum Wage Ordinance, staff is recommending a 3.0 percent increase to quarterly and annual Frequent Player fees, rounded to the nearest \$5 as previously approved by City Council. In addition, a \$1 per player increase to Green fees and Golf Car rentals are recommended. Tournament fees were not increased in previous fiscal years with other Green fees, therefore, a \$1 to \$3 increase to Tournament fees are recommended to bring them in line with other Green fees.

Fire Department (Exhibit F)

Environmental Safety:

Wastewater Fund

Staff recommends consolidating the four Underground Storage Tank Closure/Demolition fees (First Tank 2-hour max., First Tank Add'l Hours>2 Hours, Each Add'l Tank 1-hour each max., and Each Add'l Tank>2 Hours) to two fees, First Tank and Each

Additional Tank. Currently, the fees are repetitive since they all have the same hourly rate. Instead of each fee offering a separate fixed and hourly rate, staff recommends adding a two-hour minimum for the First Tank Fee and a one-hour minimum for the Each Additional Tank Fee as part of the hourly fee basis and eliminating the fixed-rate fees.

Library Services Department (Exhibit G)

General Operating Fund

Staff recommends eliminating the Monarch Room Facility Rental fees. Charging for this conference room was adopted about eight years ago as a way to raise revenue for the City during the last economic downturn. However, last year, this only generated about \$1,300 in revenue and required significant staff time to monitor. Also, now that staff is keeping the double doors to the administration area closed for safety reasons, it is not conducive to have a public meeting room in this space. Staff will refer customers to the study rooms on the second floor. Also, there is a slight expansion to the Customer Service area being planned and this space is needed for staff to support the Link+ service.

Police Department (Exhibit H)

Staff recommends a new Residential Parking Permit Program Violation Fee of \$38, similar to existing parking citation fees.

The penalties related to Vehicle Release have never been utilized and are recommended to be eliminated as the City Attorney's Office has determined the City does not have the authority to assess.

Public Works Department (Exhibits I and J)

General Operating Fund

The Residential Parking Permit Program (RPP Program) was enacted by the City Council in October 2016 to restore and enhance the quality of life in residential neighborhoods by reducing the impact of long-term parking of vehicles on certain residential streets by nonresidents who are not visiting or conducting business with residents. The intent of the RPP Program is to provide reasonable, available, and convenient parking for residents on impacted streets and/or neighborhoods. Three fees for residential and guest permits were adopted by the City Council on October 4, 2016.

Ten (10) additional fees related to this program are recommended and can be found in Exhibit I.

Utility Services (Exhibit J):

Water, Wastewater, and Solid Waste Management Funds

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

Water—7.0 percent for the average cost of water and meter rates, 3.0 percent for Recycled Water.

Wastewater—10.0 percent.

Solid Waste Management—10.0 percent for carts only; 2.0 percent for all other trash and recycling services.

The fee for Mattress Drop-Off at MVRC is recommended to be eliminated as SB 254 was signed by Governor Brown in 2013 and requires mattress manufacturers and retailers to develop a mattress recycling program to increase the recovery and recycling of used mattresses and reduce illegal dumping.

CONCLUSION

Departments reviewed their fees and recommended the new, modified, or eliminated fees discussed in this memo and detailed in Exhibits A through J. As part of the budget noticing process, the City will comply with all noticing requirements which apply to fees.

HA-PJK/AT/7/FIN

530-04-01-17M-E

- 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 – Library Services Department
 - H. Fee Schedule – Police Department
 - I. Fee Schedule – Public Works Department
 - J. Fee Schedule – Utility Services

FEE SCHEDULE – CITY ATTORNEY’S OFFICE

Exhibit A

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
	N/A	Code Compliance Inspection	\$96.00	\$101.00	Hour (4-Hour Min)	7/1/17
	N/A	Development Agreement	\$174.00	\$181.00	Hour	7/1/17
		Document Review for CC&Rs, Easements, and Other Documents Related to Permits, Licenses, etc.:				
	36.54.30	Additional Review	\$140.00	\$154.00	Hour	8/20/17
	36.56.15					
	36.54.30	Mixed Product/Use	\$700.00	\$768.00	Initial 5	8/20/17
	36.56.15				Hours	
	36.54.30	Uniform Product/Use	\$350.00	\$384.00	Initial 2.5	8/20/17
	36.56.15				Hours	

FEE SCHEDULE – CITY CLERK’S OFFICE

Exhibit B

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
Family Code 400 <i>et seq.</i>		Marriage Officiant: Off-Site ¹ On-Site²	NA \$50.00	\$192.00 \$50.00	1.5 Hours Fixed	7/1/17 7/1/17

¹ New fee.

² Name change.

FEE SCHEDULE – COMMUNITY DEVELOPMENT DEPARTMENT

Exhibit C

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		<u>PARKING</u>				
	Downtown Precise Plan Downtown Precise Plan Table II-2	Parking In-Lieu New Construction ¹	\$48,000.00	\$49,963.00	Space	8/20/17
	19.92.1; Reso 17820	Change of Use ¹ Parking Permits: ²	\$24,000.00	\$24,981.00	Space	8/20/17
		Annual ³	\$326.00	\$336.00	Space	1/1/18
		Daily ³	\$109.00	\$112.00	25 Daily Permits	1/1/18
		Monthly ³	\$54.00	\$56.00	Space	1/1/18
		Quarterly ³	\$109.00	\$112.00	Space	1/1/18
		<u>PLANNING</u>				
	36.91.b.2 Reso 16666	Housing Fees: Housing Impact ² Commercial/Entertainment /Hotel/Retail				
		First 25,000 square feet	\$1.37	\$1.41	Square Foot	8/20/17
		25,000+ square feet	\$2.74	\$2.81	Square Foot	8/20/17
	36.40.55.b Reso 16666, 17938	High-Tech/Industrial/ Office				
		First 10,000 square feet	\$12.79	\$13.14	Net Square Foot	8/20/17
		10,000+ square feet	\$25.58	\$26.27	Net Square Foot	8/20/17
	Reso 17748, 17937	Rental Housing Impact ²	\$17.39	\$17.86	Net New Habitable Square Foot	8/20/17
GC 66000	Reso 18029	North Bayshore Development Impact: Office/R&D ⁴ Transportation	\$22.47	\$23.26	Per Square Foot Net New Gross Floor Area	8/20/17

FEE SCHEDULE – COMMUNITY DEVELOPMENT DEPARTMENT

Exhibit C

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
GC 66000	Reso 18029	Water	\$6.35	\$6.57	Per Square Foot Net New Gross Floor Area	8/20/17
GC 66000	Reso 18029	Sewer	\$1.18	\$1.22	Per Square Foot Net New Gross Floor Area	8/20/17
GC 66000	Reso 18029	Retail ⁴ Transportation	\$2.35	\$2.43	Per Square Foot Net New Gross Floor Area	8/20/17
GC 66000	Reso 18029	Sewer	\$0.79	\$0.82	Per Square Foot Net New Gross Floor Area	8/20/17
GC 66000	Reso 18029	Hotel ⁴ Transportation	\$2,000.00	\$2,071.00	Per Guest Room	8/20/17
GC 66000	Reso 18029	Water	\$3,929.00	\$4,068.00	Per Guest Room	8/20/17
GC 66000	Reso 18029	Sewer	\$707.00	\$732.00	Per Guest Room	8/20/17

¹ Modified annually by the December 31 Engineering News Record Construction Cost Index (ENR-CCI).

² Previously authorized by Council to be increased by the prior year CPI as part of the annual budget process.

³ Recommended for Fiscal Year 2017-18 for permit cycles beginning on or after January 1, 2018 regardless of payment date.

⁴ Previously authorized by City Council to be modified annually by the June 30 Engineering News Record Construction Cost Index (ENR-CCI).

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		<u>CENTER FOR THE PERFORMING ARTS</u>				
	38.100	Ticket Services: Sales > 50% Capacity	\$0.50	\$1.50	Ticket	7/1/17
		<u>PARKS</u>				
	Heritage Tree Policy	Tree Replacement ^{1,2}	NA	\$750.00	Tree	7/1/17
		<u>RECREATION</u> ³				
		Facility and Field Reservation/Rental:				
	38.3g	Field Rentals Application (R) (does not apply to Council-Recognized Youth Sports Organization (CRYSO) YSO/YNP/school rental) ⁴	\$26.00	\$26.00	Fixed	7/1/17
	38.3g/ CP H-7	CRYSO Youth Sports Organizations/Youth Nonprofit/Schools ⁴	\$2.00	\$2.00	Hour	7/1/17
	38.3g	Grass (R Youth) ²	NA	\$8.00	Hour	7/1/17
	38.3g	Grass (R Adult) ²	NA	\$36.00	Hour	7/1/17
	38.3g	Grass (NR) ²	NA	\$45.00	Hour	7/1/17
	38.3g	Grass Lighted (R Youth) ²	NA	\$10.00	Hour	7/1/17
	38.3g	Grass Lighted (R Adult) ²	NA	\$61.00	Hour	7/1/17
	38.3g	Grass Lighted (NR) ²	NA	\$76.00	Hour	7/1/17
	38.3g	Synthetic (R Youth) ²	NA	\$15.00	Hour	7/1/17
	38.3g	Synthetic (R Adult) ²	NA	\$72.00	Hour	7/1/17
	38.3g	Synthetic (NR) ²	NA	\$90.00	Hour	7/1/17
	38.3g	Synthetic Lighted (R Youth) ²	NA	\$18.00	Hour	7/1/17
	38.3g	Synthetic Lighted (R Adult) ²	NA	\$97.00	Hour	7/1/17
	38.3g	Synthetic Lighted (NR) ²	NA	\$121.00	Hour	7/1/17
	38.3g	Graham Synthetic Field Security Deposit ⁴	\$560.00	\$560.00	Fixed	7/1/17
	38.3g	Lighted (R)	\$72.00	Eliminate		7/1/17
	38.3g	Lighted (NR)	\$90.00	Eliminate		7/1/17
	38.3g	Not Lighted (R)	\$36.00	Eliminate		7/1/17
	38.3g	Not Lighted (NR)	\$45.00	Eliminate		7/1/17
	38.3g	Other (R)	\$26.00	Eliminate		7/1/17
	38.3g	Other (NR)	\$33.00	Eliminate		7/1/17
	38.3g	Synthetic (R)	\$72.00	Eliminate		7/1/17
	38.3g	Synthetic (NR)	\$90.00	Eliminate		7/1/17

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
	38.3g	Gym Rental-(MV Sports Pavilion and Whisman Sports Center) Cancellation >10 Business Days Prior to First Reservation Date ⁴	\$50.00	\$50.00	Fixed	7/1/17
	38.3g	Cancellation ≤ 10 Business Days Prior to First Reservation Date ²	NA	50%	of Rental Fee	7/1/17
		Tennis:				
		Cuesta Court Lessons				
Agreement		Adult	\$15.25-\$30.00	\$15.75-\$31.00	Hour	7/1/17
Agreement		Junior	\$13.75-\$30.00	\$13.75-\$31.00	Hour	7/1/17
Agreement		Lights	\$3.50	\$4.00	Hour/Court	7/1/17
Agreement		Cuesta Court Reservations				
Agreement		Resident and MV Business	\$9.00	\$10.00	Hour/Court	7/1/17
Agreement		Nonresident and Non-MV Business	\$13.00	\$14.00	Hour/Court	7/1/17
Agreement		Nonresident Playing with Resident on Walk-On Court	\$4.00	\$5.00	Hour/Court	7/1/17
		Rengstorff Courts				
	38.8/ Agreement	Youth Camp	\$10.00-\$30.00	\$10.00-\$31.00	Hour	7/1/17
		<u>SHORELINE GOLF LINKS</u>				
		Frequent Player:				
	38.8	Junior (≤17) (Annual)	\$380.00	\$390.00	Fixed	7/1/17
	38.8	Regular Play (Annual)	\$2,560.00	\$2,635.00	Fixed	7/1/17
	38.8	Regular Play (Annual Family)	\$3,845.00	\$3,960.00	Fixed	7/1/17
	38.8	Regular (M-Th/ Annual)	\$1,675.00	\$1,725.00	Fixed	7/1/17
	38.8	Regular (M-Th/ Annual Family)	\$2,190.00	\$2,255.00	Fixed	7/1/17
	38.8	Regular (M-Th/ Quarterly)	\$560.00	\$575.00	Fixed	7/1/17
	38.8	Senior (M-Th/ Annual)	\$1,285.00	\$1,325.00	Fixed	7/1/17
	38.8	Senior (M-Th/ Annual Family)	\$1,860.00	\$1,915.00	Fixed	7/1/17
	38.8	Senior (M-Th/ Quarterly)	\$410.00	\$420.00	Fixed	7/1/17
	38.8	Twilight (Annual)	\$1,015.00	\$1,045.00	Fixed	7/1/17
	38.8	Twilight (Annual Family)	\$1,675.00	\$1,725.00	Fixed	7/1/17

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		Green Fees (18 holes):				
		Weekday M-F:				
	38.11	Afternoon (March-October, 2 hours prior to twilight)	Up to \$27.00	Up to \$28.00	Fixed	7/1/17
	38.11	Junior (≤ 17)	Up to \$16.00	Up to \$17.00	Fixed	7/1/17
	38.11	Regular	Up to \$40.00	Up to \$41.00	Fixed	7/1/17
	38.11	Resident	Up to \$33.00	Up to \$34.00	Fixed	7/1/17
	38.11	Senior (60 and over)	Up to \$30.00	Up to \$31.00	Fixed	7/1/17
	38.11	Senior Resident (60 and over)	Up to \$23.00	Up to \$24.00	Fixed	7/1/17
	38.11	Twilight/Back 9 Regular	Up to \$27.00	Up to \$28.00	Fixed	7/1/17
	38.11	Twilight/Back 9 Resident	Up to \$20.00	Up to \$21.00	Fixed	7/1/17
	38.11	All Others	Up to \$34.00	Up to \$35.00	Fixed	7/1/17
		Super Twilight:				
	38.11	Regular	Up to \$19.00	Up to \$20.00	Fixed	7/1/17
	38.11	Resident	Up to \$12.00	Up to \$13.00	Fixed	7/1/17
		Weekends/Holidays:				
	38.11	Junior (≤17)	Up to \$16.00	Up to \$17.00	Fixed	7/1/17
	38.11	Regular	Up to \$56.00	Up to \$57.00	Fixed	7/1/17
	38.11	Resident	Up to \$49.00	Up to \$50.00	Fixed	7/1/17
	38.11	Twilight/Back 9 Regular	Up to \$30.00	Up to \$31.00	Fixed	7/1/17
	38.11	Twilight/Back 9 Resident	Up to \$23.00	Up to \$24.00	Fixed	7/1/17
		Powered Golf Car: ⁴				
	38.8	18 holes	\$28.00	\$30.00	Day	7/1/17
	38.8	Back Nine	\$20.00	\$22.00	Day	7/1/17
	38.8	Member Clubs	\$14.00	\$15.00	Day	7/1/17
	38.8	Push/Pull Cart	\$8.00	\$9.00	Day	7/1/17
	38.8	Single Rider	\$15.00	\$16.00	Day	7/1/17
		Tournaments:				
		All Day Course Closure (depending on time of year and staff approval)				
	38.8	Friday (per-player minimum)	Up to \$50.00	Up to \$51.00	Fixed/Player Additional	7/1/17
	38.8	Saturday (per-player premium)	Up to \$60.00	Up to \$61.00	Fixed/Player Additional	7/1/17

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		Shotgun Tournaments Nonprofit Organizations Benefitting Local Public School Districts Shotgun Tournament Premium (minimum 60 players)				
	38.8	Friday	Up to \$25.00	Up to \$26.00	Fixed/Player Additional	7/1/17
	38.8	Saturday	Up to \$43.00	Up to \$44.00	Fixed/Player Additional	7/1/17
		Other Tournament				
	38.8	(M-F) Regular	Up to \$38.00	Up to \$41.00	Fixed/Player	7/1/17
	38.8	(M-F) Senior	Up to \$28.00	Up to \$31.00	Fixed/Player	7/1/17
	38.8	Weekend/Holiday	Up to \$54.00	Up to \$57.00	Fixed/Player	7/1/17
	38.8	Golf Car Rental (mandatory)	\$12.00	\$15.00	Fixed/Player	7/1/17
	38.8	Tournament Player Fee	Up to \$7.00	Up to \$8.00	Player	7/1/17

¹ \$750 per tree to offset the costs of purchasing and installing a 24" landscape tree at wholesale value. The average cost of a 24" box tree is \$250 with transportation and labor for planting estimated at \$500.

² New fee.

³ Amend current footnote pertaining to Financial Assistance Program (FAP) as follows:
The City provides financial assistance to eligible low-income residents registering for youth recreation programs (i.e., classes, camps, Deer Hollow Farm). **On December 13, 2016, the City Council revised the FAP to a two-tier system where one tier is a 90 percent subsidy up to \$500 per child if their family's household income is "extremely low" or "very low" under HUD guidelines. The second tier is a 75 percent subsidy up to \$400 per child if their family's household income level is "low" under HUD guidelines. On December 13, 2016, City Council gave approval for staff to make future amendments to the FAP through amending the Master Fee Schedule as part of the City's annual budget process.**

⁴ Name change.

FEE SCHEDULE – FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Exhibit E

State Code § (if any)	MVCC§§ /CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
GC 6253.9(b)	CP B-3	Business License Report:				
GC 6253.9(b)		Electronic	\$16.50	\$17.00	Fixed	7/1/17
		Hard Copy	\$16.50	\$17.00	Fixed	7/1/17
NA	15.31.b.4	Vendor Permits:				
		Merchant Vendor (downtown)	\$747.00	\$767.00	Annual (rolling)	1/1/18
NA	15.17.b	Mobile Vendor ¹	\$119.00	\$122.00	Annual (calendar)	1/1/18

¹ Recommended for Fiscal Year 2017-18 for permit cycles with an effective date beginning on or after January 1, 2018.

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		<u>ENVIRONMENTAL SAFETY</u>				
	24	Electronic/Computer Entry of Hazardous Materials Management Plan Data	\$93.00	\$95.00 (1-Hour Minimum)	Hour (1-Hour Minimum)	7/1/17
	24	Fire Safety Facility Inspection: 0-5,000	\$32.00	\$33.00	Square Foot	7/1/17
	24	5,001-25,000	\$189.00	\$194.00	Square Foot	7/1/17
	24	25,001-100,000	\$785.00	\$806.00	Square Foot	7/1/17
	24	100,001-250,000	\$2,197.00	\$2,256.00	Square Foot	7/1/17
	24	250,001-500,000	\$4,708.00	\$4,835.00	Square Foot	7/1/17
	24	500,001+	\$6,276.00	\$6,446.00	Square Foot	7/1/17
CFC 105	14	Fire Safety Operational Permits: Hazardous Materials Permitted Occupancy	\$203.00	\$209.00	Annual	7/1/17
	24	Hazardous Materials: Emergency Response (Hazardous Materials Specialist)	\$105.00 Plus equip- ment costs	\$107.00 Plus equip- ment costs	Hour	7/1/17
	24	Hazardous Materials Facility Closure Review/Inspection: >1 Hour	\$103.00	\$105.00	Hour	7/1/17
	24	Hazardous Materials Third and Subsequent Reinspection(s)	\$349.00	\$356.00	Hour	7/1/17
	24	Plan Check or Plan Review/Inspection	\$107.00	\$109.00	Hour (2-Hour Minimum)	7/1/17
		Hazardous Materials Permit for the following hazard classes: Miscellaneous Hazardous Materials – Liquids, Solids				
	24	QR1	\$128.00	\$132.00	Annual	7/1/17
	24	QR2	\$157.00	\$161.00	Annual	7/1/17
	24	QR3	\$192.00	\$197.00	Annual	7/1/17
	24	QR4	\$223.00	\$229.00	Annual	7/1/17
	24	QR5	\$255.00	\$262.00	Annual	7/1/17

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		Combustible Liquids, Flammable (Liquids, Solids), and Nonflammable (Gas)				
24		QR1	\$128.00	\$132.00	Annual	7/1/17
24		QR2	\$192.00	\$197.00	Annual	7/1/17
24		QR3	\$255.00	\$262.00	Annual	7/1/17
24		QR4	\$320.00	\$329.00	Annual	7/1/17
24		QR5	\$383.00	\$393.00	Annual	7/1/17
		Corrosive (Gas, Liquids, Solids), Cryogen, Flammable (Gas), Explosives, Infectious Substances, and Oxidizers (Gas, Liquids, Solids)				
24		QR1	\$128.00	\$132.00	Annual	7/1/17
24		QR2	\$255.00	\$262.00	Annual	7/1/17
24		QR3	\$383.00	\$393.00	Annual	7/1/17
24		QR4	\$447.00	\$459.00	Annual	7/1/17
24		QR5	\$510.00	\$524.00	Annual	7/1/17
		Poisonous Materials (Gas, Liquids, Solids), Spontaneous Combustible Materials, Dangerous When Wet Materials (Liquids, Solids), and Organic Peroxides				
24		QR1	\$128.00	\$132.00	Annual	7/1/17
24		QR2	\$255.00	\$262.00	Annual	7/1/17
24		QR3	\$383.00	\$393.00	Annual	7/1/17
24		QR4	\$510.00	\$524.00	Annual	7/1/17
24		QR5	\$639.00	\$656.00	Annual	7/1/17
		Radioactive				
24		QR1-QR5	\$158.00	\$162.00	Annual	7/1/17
		Underground Storage Tank Closure/Demolition:				
24		First Tank (2-Hour max)	\$223.00	Eliminate		7/1/17
24		First Tank Add'l Hours >2 Hours ¹	\$111.00	\$113.00	Hour (2-hour min)	7/1/17
24		Each Add'l Tank (1-Hour each max)	\$111.00	Eliminate		7/1/17
24		Each Add'l Tank >2 Hours ¹	\$111.00	\$113.00	Hour (1-hour min)	7/1/17

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		<u>ENVIRONMENTAL SAFETY/FIRE AND BUILDING SAFETY</u>				
CFC 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)	\$112.00	\$115.00	System	7/1/17
CFC Chapter 9	14	Fire Protection/Public Safety System maintenance Required to be Tested on a Frequency of ≥ 1 Year and < 5 Years (waived if test completed within 30 days)	\$227.00	\$233.00	System	7/1/17
CFC Chapter 9	14	Fire Protection/Public Safety System maintenance Required to be Tested on a Frequency of ≥ 5 Years (waived if test completed within 30 days)	\$340.00	\$349.00	System	7/1/17
CFC Chapter 9	14	Deficiencies Failed to be Corrected Within 30 Days	\$173.00	\$178.00	System	7/1/17
		<u>FIRE AND BUILDING SAFETY</u>				
	14	Alarm (Preventable False)	\$144.00	\$148.00	3rd and Subsequent Alarm/180 Days	7/1/17
	14	Extended Consultation/ Preconstruction Conference	\$160.00	\$163.00	Hour	7/1/17
CFC 105	14	Fire Inspections (Temporary Installation/Events):				
		Carnivals	\$168.00	\$171.00	Hour	7/1/17
		Christmas Tree Lot	\$168.00	\$171.00	Hour	7/1/17
		Fairs	\$168.00	\$171.00	Hour	7/1/17
		Fireworks Display	\$168.00	\$171.00	Hour	7/1/17
		Haunted Houses	\$168.00	\$171.00	Hour	7/1/17
		Live Audiences	\$168.00	\$171.00	Hour	7/1/17
		Production Facility	\$168.00	\$171.00	Hour	7/1/17
		Pumpkin Patch	\$168.00	\$171.00	Hour	7/1/17
		Pyrotechnical Special Effects	\$168.00	\$171.00	Hour	7/1/17
		Special Inspection of Temporary Installation	\$168.00	\$171.00	Hour	7/1/17
		Temporary Membrane Structures, Tents, Canopies	\$168.00	\$171.00	Hour	7/1/17
		All Others	\$168.00	\$171.00	Hour	7/1/17

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
CFC 105	14	After Hours or Weekend Duty (only DFM) M-F 5:00 p.m.-6:59 a.m., Sat, Sun, Holidays	\$168.00	\$171.00	Hour (2-Hour Minimum)	7/1/17
	14	Fire Safety Operational Permits: Fire Prevention Bureau (Nonhazardous Materials Permitted Occupancy)	\$170.00	\$175.00	Annual	7/1/17
	14	Reinspections (third and subsequent)	\$170.00	\$173.00	Hour	7/1/17
	25.77	Multi-Housing: Multi-Housing Inspection Fee Serious Violations	\$17.00	\$18.00	Unit	7/1/17
	25.77	Hotels and Motels	\$80.00	\$82.00	Hour (2-Hour Minimum)	7/1/17
	25.79	Reinspections: Multi-Housing	\$101.00	\$104.00	Hour (2-Hour Minimum)	7/1/17
	25.78	Hotels and Motels	\$101.00	\$104.00	Hour (2-Hour Minimum)	7/1/17
	25.81	Valid Service Request	\$101.00	\$103.00	Hour (2-Hour Minimum)	7/1/17
		Reports: Fire Investigation Report Request	\$11.00	\$13.00	Fixed	7/1/17
		Incident Report Request	\$8.00	\$9.00	Fixed	7/1/17
		Patient Care Report	\$8.00	\$9.00	Fixed	7/1/17
		<u>SUPPRESSION</u>				
	53150, 13009.6		Emergency Response Reimbursement: Deputy Fire Marshall	\$149.00	\$152.00	Hour (1/2 Increments)
53150, 13009.6		Public Safety Social Media/Community Coordinator	\$129.00	\$132.00	Hour (1/2 Increments)	7/1/17

¹ Name change.

FEE SCHEDULE – LIBRARY SERVICES DEPARTMENT

Exhibit G

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
	CP H-5	Facility Rental: Monarch Room				
		<4 Hours	\$20.00	Eliminate		7/1/17
	CP H-5	≥4 Hours	\$30.00	Eliminate		7/1/17

FEE SCHEDULE – POLICE DEPARTMENT

Exhibit H

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
	26.54	Adult Entertainment: Application	\$740.00	\$801.00	Initial	7/1/17
	26.54	Renewal	\$355.00	\$384.00	Annual	7/1/17
	9.4	Card Rooms: Permit Application	\$1,025.00	\$1,109.00	Initial	7/1/17
	9.14	Dealer Application	\$255.00	\$276.00	Biennial	7/1/17
	9.14	Dealer Renewal	\$120.00	\$137.00	Biennial	7/1/17
	6.7	Going Out of Business: Permit	\$60.00	\$68.00	In Business < 2 years	7/1/17
	6.7	Permit	\$25.00	\$32.00	In Business > 2 years	7/1/17
	6.3	Permit Extension	\$25.00	\$32.00	30-Day Extension	7/1/17
	9.53	Hot Tub: Business Permit Application	\$1,350.00	\$1,539.00	Initial	7/1/17
	9.53	Business Renewal	\$675.00	\$770.00	Annual	7/1/17
	9.57	Manager	\$475.00	\$542.00	Initial	7/1/17
	26.29	Live Entertainment: Permit	\$350.00	\$399.00	Initial	7/1/17
	26.29	Renewal	\$115.00	\$131.00	Annual	7/1/17
	26.29	Permit (w/dance)	\$350.00	\$399.00	Initial	7/1/17
	26.29	Renewal (w/dance)	\$115.00	\$131.00	Annual	7/1/17
BPC §4600 et seq.	9.24	Massage Business: Massage Establishment Permit	\$159.00	\$163.00	Initial	7/1/17
BPC §4600 et seq.	9.32	Massage Establishment Renewal	\$159.00	\$163.00	Annual	7/1/17
	22	Parade Permit	\$175.00	\$200.00	Parade	7/1/17
	19.99.21	Parking Citations: Residential Parking Permit Program Violation ¹	NA	\$38.00	Fixed	7/1/17
CVC 22850.5		Vehicle Release: Misdemeanor Felony (penalty)	\$120.00	Eliminate		7/1/17
CVC 22850.5		Repeat Offender (within 12 months) (penalty)	\$150.00	Eliminate		7/1/17

¹ New fee.

FEE SCHEDULE – PUBLIC WORKS DEPARTMENT

Exhibit I

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		Encroachment Permit:				
	27.17	Debris Box	\$123.00	\$125.00	Fixed	7/1/17
	27.17	Nonresidential	\$2,115.00	\$2,157.00	Fixed	7/1/17
	27.17	Residential	\$1,156.00	\$1,179.00	Fixed	7/1/17
	27.17	Temporary	\$909.00	\$927.00	Fixed	7/1/17
	27.43	Excavation Permit: Associated with Inspection Rate	\$228.00 or 15% of construction cost	\$233.00 or 15% of construction cost	Hour (3-hour minimum) or Percentage	7/1/17
	27.43	Full Cost Recovery	\$228.00	\$233.00	Hour	7/1/17
	27.43	Hourly Labor Rate (Research, Plan Check, Inspection)	\$228.00	\$233.00	Hour (2-hour minimum)	7/1/17
66412	28.106	Lot Line Adjustment	\$2,444.00	\$2,493.00	Fixed	7/1/17
		Map Check:				
66451.2.i	28.27(b)	Final Map	\$5,103.00	\$5,205.00	Fixed	7/1/17
			+\$61.00	+\$62.00	Each Lot	7/1/17
66451.2.	28.19(b)	Parcel Map	\$3,024.00	\$3,084.00	Fixed	7/1/17
	19.99.20	Residential Parking Permit Program: Residential Caregiver ¹	NA	\$5.00	Month	7/1/17
			NA	\$60.00	Annual	7/1/17
		One Day Visitor ¹	NA	\$2.00	One-Day Permit (max of 20 permits/ purchase)	7/1/17
		Replacement ¹	NA	\$10.00	Fixed	7/1/17
		Contractor One-Day ^{1,2}	NA	\$109.00	Book of 25 One-Day Permits	7/1/17
			NA	\$112.00	Book of 25 One-Day Permits	1/1/18
		Monthly ^{1,2}	NA	\$54.00	Month	7/1/17
			NA	\$56.00	Month	1/1/18
		Quarterly ^{1,2}	NA	\$109.00	Quarter	7/1/17
			NA	\$112.00	Quarter	1/1/18
8300, <i>et seq.</i>	27.18	Right-of-Way Vacation	\$1,660.00	\$1,693.00	Fixed	8/20/17

FEE SCHEDULE – PUBLIC WORKS DEPARTMENT

Exhibit I

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
8740.1	28.6.1	Segregation of Assessment Dist.	\$2,425.00 +\$228.00	\$2,474.00 +\$233.00	First 2 Lots Each Add'l Lot	7/1/17 7/1/17
	27.23	Sidewalk Permit: ³ Nonresidential	\$341.00 +5% of construction cost	\$355.00 +5% of construction cost	Fixed plus Percentage	8/20/17
	27.23	Residential	\$3.93 (\$228.00 minimum)	\$4.09 (\$237.00 minimum)	Linear Foot (or 1-hour minimum)	8/20/17
	28.51(b)	Storm Drainage Connection: ³ First Class Rate	\$0.283	\$0.295	Net Square Foot	8/20/17
	28.51(b)	Second Class Rate	\$0.136	\$0.142	Gross Square Foot	8/20/17
		Street Improvements Reimbursement: ³				
	27.65(c)	Major Structural Street Section	\$10.78	\$11.22	Square Foot	8/20/17
	27.65(c)	R1 and R2 Street Section	\$8.65	\$9.00	Square Foot	8/20/17
	27.65(c)	R3 Structural Street Section	\$9.82	\$10.22	Square Foot	8/20/17
	27.65(c)	Standard and Ornamental Street Lighting	\$27.16	\$28.27	Linear Foot	8/20/17
	27.65(c)	Standard PCC Curb and Gutter	\$31.62	\$32.91	Linear Foot	8/20/17
	27.65(c)	Standard PCC Driveway Approach	\$10.78	\$11.22	Square Foot	8/20/17
	27.65(c)	Standard PCC Sidewalk	\$9.82	\$10.22	Square Foot	8/20/17
	27.65(c)	Street Trees (15-gallon)	\$12.09	\$12.58	Linear Foot	8/20/17

¹ New fee.

² Recommended for Fiscal Year 2017-18 for permit cycles beginning on or after January 1, 2018 regardless of payment date.

³ Modified annually by the December 31 Engineering News Record Construction Cost Index (ENR-CCI).

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		<u>ENTERPRISE FUNDS</u>				
		Labor Rates:				
		Frontline				
		Regular	\$79.00	\$81.00	Hour	7/1/17
		Overtime	\$116.00	\$118.00	Hour	7/1/17
		Manager				
		Regular	\$121.00	\$123.00	Hour	7/1/17
		Supervisor				
		Regular	\$99.00	\$101.00	Hour	7/1/17
		Overtime	\$149.00	\$152.00	Hour	7/1/17
		Sewer Capacity Charges: ¹				
	35.41	Residential Class 1	\$3,003.00	\$3,113.00	Unit	7/1/17
	35.41	Residential Class 2	\$2,703.00	\$2,820.00	Unit	7/1/17
	35.41	Residential Class 3	\$2,102.00	\$2,193.00	Unit	7/1/17
	35.41	Commercial/Retail	\$1,462.00	\$1,525.00	1,000 Sq Ft	7/1/17
	35.41	Office/R&D	\$2,139.00	\$2,232.00	1,000 Sq Ft	7/1/17
	35.41	Restaurant	\$12,313.00	\$12,847.00	1,000 Sq Ft	7/1/17
	35.41	Hotels and Motels	\$1,351.00	\$1,410.00	charge/room/ dwelling unit	7/1/17
	35.41	Industrial/Other (charges based on estimated loadings)	\$13.427	\$14.010	flow/gpd	7/1/17
	35.41		\$1.304	\$1.361	BOD/lb/year	7/1/17
	35.41		\$1.304	\$1.361	SS/lb/year	7/1/17
		Water Capacity Charges: ¹				
	35.41	Residential Class 1	\$3,613.00	\$3,770.00	Unit	7/1/17
	35.41	Residential Class 2	\$3,071.00	\$3,204.00	Unit	7/1/17
	35.41	Residential Class 3	\$2,348.00	\$2,450.00	Unit	7/1/17
	35.41	¾" meter	\$6,021.00	\$6,282.00	Meter	7/1/17
	35.41	1" meter	\$10,035.00	\$10,471.00	Meter	7/1/17
	35.41	1 1/2" meter	\$20,070.00	\$20,941.00	Meter	7/1/17
	35.41	2" meter	\$32,112.00	\$33,506.00	Meter	7/1/17
	35.41	3" meter	\$60,210.00	\$62,823.00	Meter	7/1/17
	35.41	Meters greater than 3"	\$16.056	\$16.753	Per gallons/ day est water demand	7/1/17

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		<u>UTILITY SERVICES</u>				
		<u>Trash Disposal and Recycling Service:</u>				
	16	Bin For a Day	\$232.00	\$237.00	Fixed	7/1/17
		Bin Rental (Trash and Compost):				
	16	1 cubic yard	\$20.40	\$20.85	Container/Month	7/1/17
	16	2 cubic yards	\$30.60	\$31.25	Container/Month	7/1/17
	16	3 cubic yards	\$40.75	\$41.60	Container/Month	7/1/17
	16	4 cubic yards	\$50.90	\$51.95	Container/Month	7/1/17
	16	6 cubic yards	\$61.15	\$62.40	Container/Month	7/1/17
		Bin Service (Compost):				
		One Cubic Yard				
	16	1 Time/Week	\$76.35	\$77.85	Container/Month	7/1/17
	16	2 Times/Week	\$167.95	\$171.30	Container/Month	7/1/17
	16	3 Times/Week	\$259.25	\$264.45	Container/Month	7/1/17
	16	4 Times/Week	\$350.70	\$357.75	Container/Month	7/1/17
	16	5 Times/Week	\$442.10	\$450.95	Container/Month	7/1/17
	16	6 Times/Week ²	NA	\$544.15	Container/Month	7/1/17
		Two Cubic Yards				
	16	1 Time/Week	\$152.40	\$155.50	Container/Month	7/1/17
	16	2 Times/Week	\$320.40	\$326.80	Container/Month	7/1/17
	16	3 Times/Week	\$488.05	\$497.85	Container/Month	7/1/17
	16	4 Times/Week	\$655.65	\$668.75	Container/Month	7/1/17
	16	5 Times/Week	\$823.20	\$839.70	Container/Month	7/1/17
	16	6 Times/Week ²	NA	\$1,010.75	Container/Month	7/1/17
		Three Cubic Yards				
	16	1 Time/Week	\$228.60	\$233.20	Container/Month	7/1/17
	16	2 Times/Week	\$472.65	\$482.15	Container/Month	7/1/17
	16	3 Times/Week	\$716.55	\$730.95	Container/Month	7/1/17
	16	4 Times/Week	\$960.60	\$979.80	Container/Month	7/1/17
	16	5 Times/Week	\$1,204.50	\$1,228.60	Container/Month	7/1/17
	16	6 Times/Week ²	NA	\$1,477.35	Container/Month	7/1/17
		Four Cubic Yards				
	16	1 Time/Week	\$304.80	\$310.95	Container/Month	7/1/17
	16	2 Times/Week	\$625.25	\$637.80	Container/Month	7/1/17
	16	3 Times/Week	\$945.20	\$964.15	Container/Month	7/1/17
	16	4 Times/Week	\$1,265.40	\$1,290.75	Container/Month	7/1/17
	16	5 Times/Week	\$1,585.55	\$1,617.30	Container/Month	7/1/17
	16	6 Times/Week ²	NA	\$1,943.70	Container/Month	7/1/17
		Special-Extra Pickup ³				
	16	1 cubic yard	\$59.45	\$60.65	Container/Month	7/1/17
	16	2 cubic yards	\$74.45	\$75.95	Container/Month	7/1/17
	16	3 cubic yards	\$95.10	\$97.00	Container/Month	7/1/17
	16	4 cubic yards	\$130.05	\$132.70	Container/Month	7/1/17

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		Bin Service (Trash):				
		One Cubic Yard				
	16	1 Time/Week	\$101.75	\$103.80	Container/Month	7/1/17
	16	2 Times/Week	\$223.90	\$228.40	Container/Month	7/1/17
	16	3 Times/Week	\$345.65	\$352.60	Container/Month	7/1/17
	16	4 Times/Week	\$467.55	\$476.95	Container/Month	7/1/17
	16	5 Times/Week	\$589.45	\$601.25	Container/Month	7/1/17
	16	6 Times/Week	\$711.25	\$725.50	Container/Month	7/1/17
		Two Cubic Yards				
	16	1 Time/Week	\$203.20	\$207.30	Container/Month	7/1/17
	16	2 Times/Week	\$427.15	\$435.70	Container/Month	7/1/17
	16	3 Times/Week	\$650.70	\$663.75	Container/Month	7/1/17
	16	4 Times/Week	\$874.15	\$891.65	Container/Month	7/1/17
	16	5 Times/Week	\$1,097.60	\$1,119.60	Container/Month	7/1/17
	16	6 Times/Week	\$1,321.20	\$1,347.65	Container/Month	7/1/17
		Three Cubic Yards				
	16	1 Time/Week	\$304.80	\$310.90	Container/Month	7/1/17
	16	2 Times/Week	\$630.20	\$642.85	Container/Month	7/1/17
	16	3 Times/Week	\$955.40	\$974.55	Container/Month	7/1/17
	16	4 Times/Week	\$1,280.75	\$1,306.40	Container/Month	7/1/17
	16	5 Times/Week	\$1,605.95	\$1,638.10	Container/Month	7/1/17
	16	6 Times/Week	\$1,931.15	\$1,969.80	Container/Month	7/1/17
		Four Cubic Yards				
	16	1 Time/Week	\$406.40	\$414.55	Container/Month	7/1/17
	16	2 Times/Week	\$833.65	\$850.35	Container/Month	7/1/17
	16	3 Times/Week	\$1,260.25	\$1,285.50	Container/Month	7/1/17
	16	4 Times/Week	\$1,687.20	\$1,720.95	Container/Month	7/1/17
	16	5 Times/Week	\$2,114.05	\$2,156.35	Container/Month	7/1/17
	16	6 Times/Week	\$2,540.75	\$2,591.60	Container/Month	7/1/17
		Six Cubic Yards				
	16	1 Time/Week	\$609.55	\$621.75	Container/Month	7/1/17
	16	2 Times/Week	\$1,239.95	\$1,264.75	Container/Month	7/1/17
	16	3 Times/Week	\$1,870.35	\$1,907.80	Container/Month	7/1/17
	16	4 Times/Week	\$2,500.45	\$2,550.50	Container/Month	7/1/17
	16	5 Times/Week	\$3,130.40	\$3,193.05	Container/Month	7/1/17
	16	6 Times/Week	\$3,760.45	\$3,835.70	Container/Month	7/1/17
		Special-Extra Pickup ³				
	16	1 cubic yard	\$79.25	\$80.85	Pickup	7/1/17
	16	2 cubic yards	\$99.25	\$101.25	Pickup	7/1/17
	16	3 cubic yards	\$126.75	\$129.30	Pickup	7/1/17
	16	4 cubic yards	\$173.40	\$176.90	Pickup	7/1/17
	16	6 cubic yards	\$265.05	\$270.40	Pickup	7/1/17

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		Cart Service (Compost-Commercial Only):				
	16	64-gallon 1 Time/Week	\$43.95	\$48.40	Container/Month	7/1/17
	16	2 Times/Week	\$96.45	\$106.10	Container/Month	7/1/17
	16	3 Times/Week	\$148.50	\$163.35	Container/Month	7/1/17
	16	4 Times/Week	\$201.50	\$221.65	Container/Month	7/1/17
	16	5 Times/Week	\$254.05	\$279.50	Container/Month	7/1/17
	16	Extra Pickup	\$29.10	\$32.05	Pickup	7/1/17
		96-gallon				
	16	1 Time/Week	\$65.95	\$72.60	Container/Month	7/1/17
	16	2 Times/Week	\$144.65	\$159.15	Container/Month	7/1/17
	16	3 Times/Week	\$222.75	\$245.05	Container/Month	7/1/17
	16	4 Times/Week	\$302.30	\$332.55	Container/Month	7/1/17
	16	5 Times/Week	\$381.50	\$419.65	Container/Month	7/1/17
	16	Extra Pickup	\$43.65	\$48.05	Pickup	7/1/17
		Cart Service (Trash):				
	16	20-Gallon (residential only)	\$20.05	\$22.10	Container/Month	7/1/17
	16	32-Gallon	\$29.30	\$32.25	Container/Month	7/1/17
	16	64-Gallon	\$58.60	\$64.50	Container/Month	7/1/17
	16	96-Gallon	\$87.90	\$96.75	Container/Month	7/1/17
		Compactor Service (Cardboard or Mixed Container or Mixed Paper):				
	16	Per Compacted Yard ²	NA	\$16.40	Pickup (on-call and regular service)	7/1/17
	16	10 cubic yards ²	NA	\$163.90	Fixed	7/1/17
	16	20 cubic yards ²	NA	\$327.75	Fixed	7/1/17
	16	25 cubic yards ²	NA	\$409.70	Fixed	7/1/17
	16	30 cubic yards ²	NA	\$491.65	Fixed	7/1/17
	16	35 cubic yards ²	NA	\$573.60	Fixed	7/1/17
	16	40 cubic yards ²	NA	\$655.50	Fixed	7/1/17
		Compactor Service (Compost):				
	16	Per Compacted Yard	\$48.20	\$49.20	Pickup (on-call and regular service)	7/1/17
	16	10 cubic yards	\$481.90	\$491.65	Fixed	7/1/17
	16	20 cubic yards	\$963.75	\$983.25	Fixed	7/1/17
	16	25 cubic yards	\$1,204.70	\$1,229.10	Fixed	7/1/17
	16	30 cubic yards	\$1,445.65	\$1,474.90	Fixed	7/1/17
	16	35 cubic yards	\$1,686.60	\$1,720.70	Fixed	7/1/17
	16	40 cubic yards	\$1,927.50	\$1,966.50	Fixed	7/1/17

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
	16	Compactor Service (Trash): Per Compacted Yard	\$64.25	\$65.55	Pickup (on-call and regular service)	7/1/17
	16	10 cubic yards	\$642.50	\$655.50	Fixed	7/1/17
	16	20 cubic yards	\$1,285.00	\$1,311.00	Fixed	7/1/17
	16	25 cubic yards	\$1,606.25	\$1,638.75	Fixed	7/1/17
	16	30 cubic yards	\$1,927.50	\$1,966.50	Fixed	7/1/17
	16	35 cubic yards	\$2,248.75	\$2,294.25	Fixed	7/1/17
	16	40 cubic yards	\$2,570.00	\$2,622.00	Fixed	7/1/17
	16	Compactor (Roll Off) Turn Around Fee ²	NA	\$35.00	Fixed	7/1/17
		Debris Box: Rental:				
	16	Daily (after 7 days)	\$14.85	\$15.15	Daily	7/1/17
	16	Monthly	\$451.70	\$460.85	Month	7/1/17
		Service: Cardboard				
	16	16 cubic yards	\$171.45	\$174.85	Pickup (on-call and regular service)	7/1/17
	16	20 cubic yards	\$198.20	\$202.20	Pickup (on-call and regular service)	7/1/17
	16	25 cubic yards	\$225.00	\$229.50	Pickup (on-call and regular service)	7/1/17
	16	30 cubic yards	\$254.40	\$259.45	Pickup (on-call and regular service)	7/1/17
	16	40 cubic yards	\$301.35	\$307.40	Pickup (on-call and regular service)	7/1/17
		Compost or Yard Trimmings				
	16	16 cubic yards	\$514.25	\$524.55	Pickup (on-call and regular service)	7/1/17
	16	20 cubic yards	\$594.60	\$606.50	Pickup (on-call and regular service)	7/1/17
	16	25 cubic yards	\$674.90	\$688.40	Pickup (on-call and regular service)	7/1/17
	16	30 cubic yards	\$763.10	\$778.35	Pickup (on-call and regular service)	7/1/17
	16	40 cubic yards	\$904.05	\$922.20	Pickup (on-call and regular service)	7/1/17

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
	16	Trash: 8 cubic yards rock box	\$653.10	\$666.20	Pickup (on-call and regular service)	7/1/17
	16	16 cubic yards	\$685.65	\$699.40	Pickup (on-call and regular service)	7/1/17
	16	20 cubic yards	\$792.75	\$808.65	Pickup (on-call and regular service)	7/1/17
	16	25 cubic yards	\$899.85	\$917.85	Pickup (on-call and regular service)	7/1/17
	16	30 cubic yards	\$1,017.45	\$1,037.80	Pickup (on-call and regular service)	7/1/17
	16	40 cubic yards	\$1,205.40	\$1,229.55	Pickup (on-call and regular service)	7/1/17
	16	Extra Collection Services: Extra Collection-Yard Trimmings or Recycling Cart (nonservice day)	\$12.00	\$13.00	Pickup	7/1/17
	16	Mattress Drop-Off at MVRC	\$18.00	Eliminate		7/1/17
	35.35	<u>Wastewater Service:</u> Base Commercial	\$4.49/unit (748 gallons) or fraction thereof of water consumed (\$31.43 min.)	\$4.94/unit (748 gallons) or fraction thereof of water consumed (\$34.58 min.)	Quantity	7/1/17
	35.35	Commercial/Industrial, Chemical, Groundwater, Liquid Waste	\$7.64/unit (1.7 x base) (748 gallons) or fraction thereof of water consumed (\$53.48 min.)	\$8.40/unit (1.7 x base) (748 gallons) or fraction thereof of water consumed (\$58.80 min.)	Quantity	7/1/17
	35.35	Restaurant	\$8.76/unit (1.95 x base) (748 gallons) or fraction thereof of water consumed (\$61.32 min.)	\$9.64/unit (1.95 x base) (748 gallons) or fraction thereof of water consumed (\$67.48 min.)	Quantity	7/1/17
	35.35	Single-Family Residence, Duplex, Multiple Dwellings, Mobile Homes, and Trailer Courts	\$34.30	\$37.75	Dwelling Unit/Month	7/1/17

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		<u>Water Service:</u>				
		Backflow Prevention Devices (Commercial, Industrial)				
	35.27	5/8" to 1" meter	\$29.55	\$31.65	Monthly	7/1/17
	35.27	1.5" to 2" meter	\$45.10	\$48.30	Monthly	7/1/17
	35.27	3" meter	\$53.05	\$56.80	Monthly	7/1/17
	35.27	4" meter	\$62.70	\$67.10	Monthly	7/1/17
	35.27	6" meter	\$76.10	\$81.45	Monthly	7/1/17
	35.27	8" to 10" meter	\$93.60	\$100.20	Monthly	7/1/17
		<u>Consumption</u>				
	35.26(a)	Commercial/Nonresidential – Uniform	\$6.35	\$6.80	ccf/month	7/1/17
	35.26	Recycled Water	\$2.98	\$3.07	ccf/month	7/1/17
	35.26(a)	Residential – Multi-Family 0 to 2 ccf	\$4.76	\$5.10	ccf/month/ dwelling	7/1/17
	35.26(a)	>2 to 7 ccf	\$6.35	\$6.80	ccf/month/ dwelling	7/1/17
	35.26(a)	>7 ccf	\$10.16	\$10.88	ccf/month/ dwelling	7/1/17
		<u>Residential – Single-Family</u>				
	35.26(a)	0 to 3 ccf	\$4.76	\$5.10	ccf/month/ dwelling	7/1/17
	35.26(a)	>3 to 15 ccf	\$6.35	\$6.80	ccf/month/ dwelling	7/1/17
	35.26(a)	>15 ccf	\$10.16	\$10.88	ccf/month/ dwelling	7/1/17
		<u>Fire Service:</u>				
	35.26(a)	Consumption – Uniform	\$6.35	\$6.80	ccf/month	7/1/17
	35.26(a)	Meter	\$11.87/inch diameter (\$47.48 min.)	\$12.71/inch diameter (\$50.84 min.)	Monthly	7/1/17

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2016-17 Adopted	Fiscal Year 2017-18 Recommended	Fee Basis	Effective Date
		Meter: Residential – Single-Family Residential – Multi-Family/ Commercial/ Recycled Water/ All	\$14.00	\$15.00	Monthly	7/1/17
	35.26(a)	Other: 5/8" and 3/4" meters	\$14.00	\$15.00	Monthly	7/1/17
	35.26(a)	1" meter	\$28.00	\$30.00	Monthly	7/1/17
	35.26(a)	1.5" meter	\$56.00	\$60.00	Monthly	7/1/17
	35.26(a)	2" meter	\$89.60	\$96.00	Monthly	7/1/17
	35.26(a)	3" meter	\$168.00	\$180.00	Monthly	7/1/17
	35.26(a)	4" meter	\$280.00	\$300.00	Monthly	7/1/17
	35.26(a)	6" meter	\$560.00	\$600.00	Monthly	7/1/17
	35.26(a)	8" meter	\$896.00	\$960.00	Monthly	7/1/17
	35.26(a)	10" meter	\$1,344.00	\$1,440.00	Monthly	7/1/17

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 percent change in the Engineering News Record Construction Cost Index (ENR-CCI) for the previous year.

² New fee.

³ Name change.

FISCAL YEAR 2017-18

Recommended **Non-Discretionary** On-Going Changes
General Operating Fund

CITY-WIDE

City Utility Costs: \$ 200,000

Provides increased funding for City utility services used by City departments based on the recommended utility rate adjustments.

CalPERS Replacement Benefit: \$ 20,000

Provides increased funding for replacement benefits processed by CalPERS for certain retiree payments.

City-Wide Total **\$ 220,000**

CITY MANAGER'S OFFICE

KMVT Contract: \$ 25,000

Provides funding for professional contract video services to cover City meetings.

City Manager's Office Total **\$ 25,000**

INFORMATION TECHNOLOGY DEPARTMENT

Microsoft Office/Email Licensing: \$ 220,000

Provides funding for Microsoft subscription licensing of Office, Windows, and Exchange. Microsoft changed from a purchase to subscription model.

Microsoft Windows/SQL Server Licensing: \$ 80,000

Provides funding for the annual subscription licensing for Windows server and SQL servers.

Information Technology Licenses and Maintenance: \$ 42,600

Provides funding for the annual maintenance charges for agency services (campaign finance filings), Library sorting machine, Serena Business Manager increases in licenses, Granicus Software maintenance for VoteCast software and high definition streaming, Cogent increase in internet bandwidth from 100 megabits per second (Mbs) to 250Mbs, and Smartsheet Project Management software.

Network Switch Maintenance: \$ 10,000

Provides increased funding for Network Switch maintenance as a result of additional equipment and higher costs.

Information Technology Department Total **\$ 352,600**

FISCAL YEAR 2017-18

Recommended **Non-Discretionary** On-Going ChangesGeneral Operating Fund

(Continued)

PUBLIC WORKS DEPARTMENT

Janitorial Cost Increases for City Facilities: \$ 91,200

Provides additional funding for contractual increases to janitorial services, to raise the wage level to the current union wage scale.

PG&E Cost Increase: \$ 66,200

Provides increased funding for PG&E's rate increase. This funding does not include the additional \$80,000 annual cost increase for clean energy as a result of Silicon Valley Clean Energy (SVCE).

Contract Services: \$ 20,000

Provides increased funding for contract services for costs related to the increase in prevailing wages and inflationary increases.

Public Works Department Total**\$ 177,400**

COMMUNITY SERVICES DEPARTMENT

Minimum Wage Impact 1/2-year: \$ 170,000

Provides additional funding to cover the impact of the City's Minimum Wage Ordinance for a half year beginning January 2018 (the total cost increase for all funds citywide for a full year is \$557,800).

Janitorial Cost Increase: \$ 14,100 (offset with \$14,100 in fees)

Provides additional funding for contractual increases to janitorial services, to raise the wage level to the current union wage scale.

Heritage Park Maintenance: \$ 9,500

Provides funding for the maintenance of the City's Heritage Park and additional supplies needed to maintain the park.

Community Services Department Total**\$ 193,600**

FISCAL YEAR 2017-18

Recommended **Non-Discretionary** On-Going ChangesGeneral Operating Fund

(Continued)

LIBRARY SERVICES DEPARTMENT

Minimum Wage Impact ¹/₂-year: \$ 30,000

Provides additional funding to cover the impact of the City's Minimum Wage Ordinance for a half year beginning January 2018.

Library Services Department Total **\$ 30,000**

FIRE DEPARTMENT

Annual Medical Surveillance Exams: \$ 36,000

Provides increased funding for annual required medical exams.

Fire Department Total **\$ 36,000**

Total Non-Discretionary On-Going for General Fund **\$ 1,034,600**

FISCAL YEAR 2017-18

Recommended **Non-Discretionary** On-Going Changes
Other Funds

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Water Fund**Utility Online Payment Processing:** \$ 50,000

Provides increased funding for credit card payment processing costs associated with an increase in usage of online Utility Services payments (See Attachment 9).

Workers' Compensation Fund**Workers' Compensation Excess Insurance:** \$ 54,000

Provides increased funding for Workers' Compensation excess insurance. The increased cost is related to increased overtime, payroll, and loss experience.

Finance and Administrative Services Department Total **\$ 104,000**

COMMUNITY DEVELOPMENT DEPARTMENT

Downtown Benefit Assessments District Fund**PG&E Cost Increase:** \$ 20,000 (offset by \$20,000 in revenues from charging stations)

Provides increased funding for PG&E's rate increase. This funding does not include the additional \$80,000 annual cost increase for clean energy as a result of SVCE.

Community Development Department Total **\$ 20,000**

PUBLIC WORKS DEPARTMENT

Water Fund**Bay Area Water Supply and Conservation Agency (BAWSCA) Dues:** \$ 18,000

Provides funding for the increase in dues to the City's membership in BAWSCA, which represents the interest of 24 agencies and 2 private water companies that purchase wholesale water from the San Francisco regional (Hetch Hetchy) water system operated by the San Francisco Public Utilities Commission (SFPUC).

Wastewater Fund**Contract Services:** \$ 1,000

Provides increased funding for contract services for costs related to the increase in prevailing wages and inflationary increases.

FISCAL YEAR 2017-18

Recommended **Non-Discretionary** On-Going ChangesOther Funds

(Continued)

Solid Waste Fund**Commercial Composting Processing Fee:** \$ 35,000

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

Contract Services: \$ 3,300

Provides increased funding for contract services for costs related to the increase in prevailing wages and inflationary increases.

Public Works Department Total**\$ 57,300**

COMMUNITY SERVICES DEPARTMENT

Shoreline Golf Links**Minimum Wage Impact 1/2-year:** \$ 64,900

Provides additional funding to cover the impact of the City's Minimum Wage Ordinance for a half year beginning January 2018.

Shoreline Community Fund**Ranger Service Contract:** \$ 82,000

Provides increased funding for costs associated with modifications to the Ranger Services Program. The costs provided by long time service provider California Land Management (CLM) have increased significantly. Staff is evaluating alternative cost models, including services provided by City employees or a combination of a limited CLM contract and City employees.

Minimum Wage Impact 1/2-year: \$ 14,000

Provides additional funding to cover the impact of the City's Minimum Wage Ordinance for a half year beginning January 2018.

Janitorial Cost Increase: \$ 3,700 (offset with \$3,700 in fees)

Provides additional funding for contractual increases to janitorial services, to raise the wage level to the current union wage scale.

Community Services Department Total**\$ 164,600****Total Non-Discretionary On-Going for Other Funds****\$ 345,900**

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going Changes
General Operating Fund

CITY ATTORNEY'S OFFICE

Legal Services: \$ 10,000

This funding will provide additional legal resources to address fluctuations in workload by assisting with pending high-priority projects (e.g., litigation support, public records request, research projects, drafting ordinances and specialized agreements) requiring legal review and subject matter expertise.

City Attorney's Office Total **\$ 10,000**

CITY MANAGER'S OFFICE

Human Resources Technician Position (0.50): \$ 59,000

Converts a regular ongoing 0.50 FTE Human Resources Technician position to full-time. The additional resources will better manage the increased volume and complexity of entering detailed personnel and benefit changes into the HR/Payroll system, thus improving current operation processes and accuracy, reducing impacts to the Payroll Section, and freeing up capacity of HR Analysts.

Intern Wages: \$ 3,400

Provides increased funding for intern wages. This funding will increase through-put to allow the City to continue to participate in the Regional Intern Program, which supports the development of the local government profession.

City Manager's Office Total **\$ 62,400**

INFORMATION TECHNOLOGY DEPARTMENT

Information Technology Analyst I/II Position: \$ 169,000

Provides funding for an ongoing IT Analyst I/II position. This position will support the increase in technology initiatives, including additional support to the phone system and the increasing demand for mobile device support.

Geographic Information System (GIS) Data Conversion Services: \$ (50,000) (offset by reduction in revenue of \$50,000)

Reduces funding for contracting services to convert developer's plans to GIS data to keep the City's GIS up-to-date. These funds were initially appropriated in Fiscal Year 2016-17 with offsetting revenues based on a new fee, but the program launch was delayed. This program will be revisited in the future with a fee recommendation and possibility of performing services by staff.

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going ChangesGeneral Operating Fund

(Continued)

Open City Hall Subscription: \$ (12,000)

Reduces funding for Open City Hall subscription in the operating budget, \$12,000 and will be appropriated as limited-period for Fiscal Year 2017-18 to evaluate the benefits of the program.

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

Provides increased funding for training, conference, and travel budget to allow IT personnel to attend one IT skill course per fiscal year.

ICS Consulting Services: \$ 8,000

Provides funding for the new A/V maintenance agreement for the Chambers and Plaza Conference Rooms. The funding includes one annual visit for system check/tuning and on-call services.

Information Technology Department Total**\$ 125,000**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Customer Service Representative Position (0.50): \$ 57,600

Provides funding for an ongoing 0.50 FTE Customer Service Representative position. This converts the limited-period hourly wages to regular ongoing, will provide essential support to the daily operations of the Revenue Section and will allow for coverage at the front counter without interruptions to other staff.

Reclassification of Payroll Positions: \$ 20,400

Provides funding for the reclassification of a Senior Accountant Position to Payroll Senior Accountant, Accountant I/II Position to Payroll Accountant I/II, and Account Technician Position to Payroll Technician position based on an analysis showing a higher level of duties performed.

Reclassification of Accountant I/II Position to Senior Accountant: \$ 12,900

Provides funding for the reclassification of an Accountant I/II to a Senior Accountant position based on an analysis showing a higher level of duties performed.

Citywide Memberships: \$ 5,000

Provides increased funding to cover the fee increases of nine Citywide memberships.

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going ChangesGeneral Operating Fund

(Continued)

Training, Conference, and Travel: \$ 5,000

Provides increased funding for additional staff training.

Community Health Awareness Council (CHAC) Funding: \$ 2,800

Provides increased funding to CHAC. The City is a joint powers member of CHAC. This provides for a 3.0 percent increase. CHAC has submitted a request for a 10.0 percent increase (See Attachment 10).

Finance and Administrative Services Department Total **\$ 103,700**

COMMUNITY DEVELOPMENT DEPARTMENT

Reclassification of Senior Planner to Deputy Zoning Administrator: \$ 1,900

Provides funding for the reclassification of a Senior Planner to a Deputy Zoning Administrator position based on a reorganization and an analysis showing a higher level of duties performed.

Community Development Department Total **\$ 1,900**

PUBLIC WORKS DEPARTMENT

Transportation Manager Position (0.75): \$ 149,500*

Provides funding for 0.75 FTE of a Transportation Manager ongoing position (the other 0.25 FTE is funded from the Shoreline Regional Park Community Fund). This position will provide additional resources to assist with the increased number and complexity of transportation projects and studies. The salary for this recommended position is preliminary and subject to review.

Silicon Valley Clean Energy (SVCE) 100 percent Renewable Energy: \$ 80,000

Provides increased funding for the annual cost of clean, 100 percent renewable, energy to City facilities. This funding is in addition to the PG&E cost increase.

Associate Civil Engineer-Capital Projects Section Position: \$ 18,400 (\$183,700 offset by charges to CIPs)

Provides funding for an Associate Civil Engineer position. The position will provide project management and design services for small and large capital projects.

Training, Conference, and Travel: \$ 5,000

Provides funding for training and conferences for Transportation Staff.

Public Works Department Total **\$ 252,900**

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going ChangesGeneral Operating Fund

(Continued)

COMMUNITY SERVICES DEPARTMENT

Tree Trimmer III Position: \$ 139,800

Provides funding for an ongoing Tree Trimmer III position. The additional resources will improve operational efficiencies and assist the Urban Forestry crew to achieve the goals of the Community Tree Master Plan (CTMP), as well as inspections and programming demands of residents.

Office Assistant Wages: \$ 36,800

Provides additional funding in order to maintain adequate staffing levels year round at the front desk of the Community Center.

Training, Conference, and Travel: \$ 5,300

Provides increased funding for a greater number of staff to participate in training and conferences.

Memberships and Dues: \$ 2,300

Provides increased funding for a variety of staff's memberships and dues.

Booking Coordinator Position (0.25) and hours for Stagehand I/II: \$ (4,800) (offset by the elimination of a Senior Stagehand Position)

Provides savings from the elimination of a Senior Stagehand position and the addition of a 0.25 FTE Booking Coordinator Position to an existing 0.75 FTE position for a full-time ongoing position. To offset the elimination of the Senior Stagehand position, Stagehand hours will be added and the salary adjusted as appropriate.

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

LIBRARY SERVICES DEPARTMENT

Library Materials: \$ 40,000

Provides increased funding for books and other Library materials loaned to the public. Preliminary data indicates that Mountain View's materials budget is approximately 16.0 percent below certain benchmark libraries. This funding also includes \$10,000 for the Library's eBook collection.

Police Assistant Wages: \$ 15,600

Provides increased funding to expand the role of the Police Assistants to include City Hall, areas surrounding the Library, and other duties as directed by the Police Department.

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going ChangesGeneral Operating Fund

(Continued)

Contract Services for Reading Program: \$ 3,700

Provides increased contract services funding for the Reading Program which teaches adults basic reading, writing, math, and computer skills.

Training, Conference, and Travel: \$ 3,000

Provides increased funding to allow staff to attend additional training and conferences.

Microfilming Project: \$ 1,500

Provides funding for the annual hosting fee to preserve historical microfilm copies of local newspapers. There is an additional \$14,000 being recommended in limited-period to cover the one-time cost to digitize the microfilm copies.

Support Services Reorganization: No Cost

Eliminates a Library Assistant III position and hours, converts an existing 0.75 FTE Library Assistant III position to a 1.0 FTE Library Assistant III, and creates a new Library Technician 0.50 FTE position.

Library Services Department Total**\$ 63,800**

FIRE DEPARTMENT

Overtime - Hiring Retention and Training: \$ 140,000

Provides increased funding for overtime backfill associated with hiring, retention and training while new Firefighters are in the Academy. This provides funding to backfill two positions annually. There is an additional \$150,000 being recommended in limited-period for the Firefighter Recruit Academy.

Reclassification of Six Firefighter Positions to Paramedic Level, changing the Authorized Level of Paramedics from 21 to 27: \$ 116,100

Provides funding for the reclassification of three Firefighter Hazmat II to Firefighter/Paramedic/Hazmat II positions and three Firefighter positions to Firefighter/Paramedic positions. The reclassifications will increase the authorized level of paramedics from 21 to 27 based on adding to each shift a paramedic for the rescue and ladder truck.

Promotional Recruitment Exams: \$ 20,000

Provides increased funding for required promotional recruitment exams.

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going ChangesGeneral Operating Fund

(Continued)

Rowing Machines (5): \$ 1,000

Provides funding for the maintenance and replacement of five rowing machines located at the fire stations. This would allow one to be purchased each year, on a five year replacement schedule. There is an additional \$5,000 being recommended in limited-period to fund the one-time cost of purchasing five rowing machines.

Fire Department Total**\$ 277,100**

POLICE DEPARTMENT

Lead Public Safety Dispatcher Position (0.50): \$ 98,900

Converts a regular 0.50 FTE Lead Public Safety Dispatch position to a full-time ongoing position. The additional resources will improve the Emergency Communications Center's capacity to manage the Computer Aided Dispatch (CAD) System and support the Communications Operations Supervisor with a variety of management and administrative duties.

Lease of Officer-Worn Cameras (44): \$ 35,000

Provides funding to lease an additional 44 cameras to outfit all 95 sworn and 15 reserve officers with officer worn cameras.

Chaplaincy Program: \$ 19,400

Provides funding for the reinstatement of the Police Chaplaincy Program which assists employees coping with professional or personal difficulties or critical incident stress, as well as responding to significant incidents impacting the community, victims, and victim's families. An additional \$14,900 is being recommended as limited-period to reactivate the program.

Police Department Total**\$ 153,300****Total Discretionary On-Going for General Fund****\$ 1,229,500**

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going Changes
Other Funds

COMMUNITY DEVELOPMENT DEPARTMENT

Development Services Fund**Senior Planner Position:** \$ 176,500

Converts a limited-term Senior Planner position to ongoing to minimize turnover for this hard to fill position and to support the high level of development activity.

Associate Planner Position: \$ 163,000

Converts a limited-term Associate Planner position to ongoing to support the high level of development activity and provide additional support at the Development Services Counter.

Associate Planner Position: \$ 163,000

Provides funding for an additional ongoing Associate Planner position to support the ongoing high level of development activity and provide additional support at the Development Services Counter.

Digital Imaging of Building and Fire Permits: \$ 50,000 (offset by \$50,000 in revenues)

Provides increased funding for the digital imaging of final and expired projects for both building and fire permits. There is an additional \$60,000 being recommended in limited-period funds to address the backlog.

Reclassification of a Senior Planner to a Deputy Zoning Administrator: \$ 16,900

Provides funding for the allocation to the Development Services Fund for this reclassification as mentioned in the General Fund section above.

Reclassification of Principal Planner to Advanced Planning Manager: \$ 4,300

Provides funding for the reclassification of a Principal Planner to an Advanced Planning Manger position based on an analysis showing a higher level of duties performed.

Below Market Rate (BMR) Housing Fund**Contract Services:** \$ 30,000

Provides increased funding for outside professional contract services for the administration of BMR ownership and rental housing programs. There is an additional \$30,000 being recommended in limited-period to fund one-time costs associated with this request.

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going ChangesOther Funds

(Continued)

Notices and Advertisement: \$ 18,500

Provides increased funding for notices and advertisements of affordable housing opportunities.

Memberships and Dues: \$ 3,500

Provides increased funding for memberships and dues to a variety of housing related organizations.

Housing Impact Fund**Notice of Funding Availability (NOFA) Administration:** \$ 25,000

Provides increased funding for a variety of tasks associated with affordable housing projects, including facilitators at neighborhood meetings, consultants for financial analysis of NOFA proposals, and studies on unique site issues. There is an additional \$15,000 being recommended in limited-period to fund one-time costs associated with this request.

Community Development Department Total**\$ 650,700**

PUBLIC WORKS DEPARTMENT

Development Services Fund**Senior Civil Engineer-Land Development Section Position:** \$ 199,400

Converts a limited-term Senior Civil Engineer position to ongoing to enhance retention and to support the high level of development activity.

Associate Civil Engineer-Construction Section Position: \$ 183,700

Converts a limited-term Associate Civil Engineer position to ongoing to support the high level of development activity.

Associate Civil Engineer-Land Development Section Position (0.50): \$ 91,900

Provides funding for 0.50 FTE of an Associate Civil Engineer ongoing position (the other 0.50 FTE is funded from the Shoreline Community, Water, Wastewater, and Solid Waste Funds) to support the high level of development activity.

Shoreline Community**Transportation Manager (0.25):** \$ 49,900*

Provides funding for the allocation to the Shoreline Community Fund for this position as mentioned in the General Fund section above. The salary of this position is preliminary and subject to review.

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going ChangesOther Funds

(Continued)

Associate Civil Engineer-Land Development Section Position (0.20): \$ 36,700

Provides funding for the allocation to the Shoreline Community Fund for this position as mentioned in the Development Services Fund section above.

Water Fund**Associate Civil Engineer-Land Development Section Position (0.10):** \$ 18,400

Provides funding for the allocation to the Water Fund for this position as mentioned in the Development Services Fund section above.

Reclassification of Water Supervisor Position to Water Superintendent: \$ 15,800

Provides funding for the reclassification of a Water Supervisor position to a Water Superintendent position based on an analysis showing a higher level of duties performed.

Reclassification of Water Conservation Coordinator Position to Water Resources Manager: \$ 14,100

Provides funding for the reclassification of a Water Conservation Coordinator position to a Water Resources Manager position based on an analysis performed showing a new, broader and higher level of duties performed.

Reclassification of Senior Water Systems Operator Position to Water Operations Specialist: \$ 2,200

Provides funding for the reclassification of a Senior Water Systems Operator position to a Water Operations Specialist position based on an analysis performed showing a higher level of duties performed.

Wastewater Fund**Associate Civil Engineer-Land Development Section Position (0.10):** \$ 18,400

Provides funding for the allocation to the Wastewater Fund for this position as mentioned in the Development Services Fund section above.

Solid Waste Fund**Associate Civil Engineer-Land Development Section Position (0.10):** \$ 18,400

Provides funding for the allocation to the Solid Waste Fund for this position as mentioned in the Development Services Fund section above.

Public Works Department Total**\$ 648,900**

FISCAL YEAR 2017-18

Recommended **Discretionary** On-Going ChangesOther Funds

(Continued)

COMMUNITY SERVICES DEPARTMENT

Shoreline Golf Links**Net Miscellaneous:** \$ (185,600)

Provides savings from reductions in Utilities (\$161,900) primarily water, Materials and Supplies (\$12,700), other net Maintenance and Operations (\$6,700), and Personnel related costs (\$4,300).

Shoreline Community**Training, Conferences, Travel and Memberships:** \$ 2,000

Provides increased funding for more staff to participate in training, conferences, travel and subscription to memberships.

Tree Mitigation Fund**Street Trees and Arbor Days:** \$ 50,000 (offset with \$50,000 in revenue)

Provides funding for supplies and materials to work with residents on the planting and maintaining of new street trees. These funds will also allow for the distribution of additional trees to residents on Arbor Day. The Tree Mitigation Fund was created in October 2016 in accordance with the Community Tree Master Plan (CTMP). A new Tree Replacement Fee is being recommended that will offset the costs associated with planting new trees.

Community Services Department Total	\$ (133,600)
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Total Discretionary On-Going for Other Fund	<u>\$ 1,166,000</u>
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FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Funded From Fiscal Year 2016-17 Carryover)

General Fund

NON-DEPARTMENT

Transfer to the Community Stabilization and Fair Rent Act (CSFRA) Fund: \$ 150,000

Provides funding for the implementation of the CSFRA.

Non-Department Total **\$ 150,000**

CITY ATTORNEY'S OFFICE

Senior Deputy City Attorney Position (0.50): \$ 101,600

Provides funding for a new half-time, limited-term Senior Deputy City Attorney position. This position will assist with the increase in workload.

City Attorney's Office Total **\$ 101,600**

CITY MANAGER'S OFFICE

Human Resources Analyst I/II Position: \$ 156,800

Provides continuation funding for a limited-term Human Resources Analyst I/II position. This position will assist with the high volume of recruitments; provide support in administering the benefits program, and special event planning.

ICMA Fellow Position: \$ 134,600

Provides continuation funding for a limited-period 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.

Employee Transportation Program: \$ 80,000

Provides funding for a pilot program to provide incentives to reduce drive-alone rates to aid congestion management and reduce employee commute costs and stress.

Human Resources Analyst Wages: \$ 80,000

Provides continuation funding for the Human Resources Analyst hourly wages. The funding will provide dedicated resources for recruitments.

Employee Engagement and Appreciation Program: \$ 75,000

Provides funding for Employee Engagement and Appreciation Programs. The funding will allow staff to continue to develop programs and activities that fulfill the initiatives identified in the 2015 Employee Engagement survey.

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)**Workplace Investigations:** \$ 45,000

Provides funding for professional consultant services to conduct workplace investigations.

Labor Negotiations: \$ 35,000

Provides funding for a Labor Negotiations Attorney and other costs to assist with post contract implementation items. All four represented employee groups' current agreements will expire June 30, 2017.

Wellness Program: \$ 35,000

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

Placeholder for New City Council Goal Related to Vulnerable Populations: \$ 25,000

Provides placeholder funding for the new City Council Major Goal of addressing the need to protect vulnerable populations and the preservation of the community. As the projects associated with this goal are defined, the use of these funds will also be identified.

Hourly Support Staff: \$ 23,000

Provides funding for limited clerical hourly support to the City Manager's Office. The additional funds will support five managers and assist with the increasing workload of the department.

Succession Planning: \$ 20,000

Provides placeholder funding for Citywide Succession Planning efforts to implement a Leadership Academy and provide other resources to develop staff and prepare the organization for potential retirements.

Civica Software Training: \$ 12,400

Provides funding for continued web software training and custom website development.

Multilingual Community Outreach Program (MCOP) Support: \$ 8,000

Provides funding for additional resources to the MCOP due to increased demand for translation, interpretation, outreach, and referral assistance. These funds will provide additional wages, supplies, and translation equipment.

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

Multilingual Civic Leadership Academy: \$ 5,500

Provides continued funding for staff time and supplies to continue the foreign language speakers Civic Leadership Academy. The intent of the Academy is to improve non-native English speaking residents' understanding of government and City services, increase civic engagement, leadership, and volunteerism in the City. The first academy was held during spring 2017 with 29 Spanish speaking participants.

Minimum Wage Mailer: \$ 4,000

Provides funding for copying and mailing services to notice the next minimum wage increase effective January 1, 2018.

City Manager's Office Total **\$ 739,300**

INFORMATION TECHNOLOGY DEPARTMENT

Secretary Position (0.50): \$ 67,900

Provides continuation funding for a half-time, limited-term Secretary position to provide administrative support to the IT Department.

Office 365 Migration Consultant: \$ 20,000

Provides funding for consultant services for the migration to Office 365.

Open City Hall Subscription: \$ 12,000

Provides funding for the Open City Hall Subscription. This software allows the City to post questions and collect feedback from the community. This item was added to the base budget during Fiscal Year 2015-16, and is being moved to limited-period to allow for another year of service while its effectiveness is reviewed.

Microsoft Software (MS) Licenses for Temporary Employees: \$ 10,000

Provides funding for MS licensing for seasonal employees.

Smart Cities Membership: \$ 10,000

Provides funding for the Smart Region Initiative Program of Joint Venture Silicon Valley. The goal of the program is to drive a regional alignment effort for smart cities. Activities in 2017 will include convening a Steering Committee, curating and sharing best practices and ideas, and defining strategies for initial engagement.

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

Training, Conference, and Travel: \$ 1,500

Provides funding for training, conference, and travel to allow one additional IT staff to attend the Municipal Information Systems Association of Californian (MISAC) conference.

Information Technology Department Total **\$ 121,400**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Safety Training Study Implementation: \$ 20,000

Provides funding, combined with rebudget of funding from study, to implement components recommended from a Citywide Safety Training Study. Consultant services can provide certain components recommended due to limited staff resources.

Finance and Administrative Services Department Total **\$ 20,000**

COMMUNITY DEVELOPMENT DEPARTMENT

Administrative Analyst I/II Position-Environmental Sustainability (0.50): \$ 76,600

Provides continued funding for a half-time, limited-term Administrative Analyst I/II position. This converts the limited-period hourly wages to a 0.50 FTE position to support the implementation of the City's Climate Protection Roadmap (CPR), the Municipal Operations Climate Action Plan (MOCAP), Environmental Sustainability Action Plan 3 (ESAP-3), as well as provide assistance with on-going projects and grant opportunities.

Sustainability Outreach and Engagement Program: \$ 30,000

Provides funding to expand the implementation of the Sustainability Outreach and Engagement Program. These resources will fund a community-wide "green challenge" program and provide outreach for the second-half launch of the Silicon Valley Clean Energy (SVCE) program.

Explore Solar Hot Water Heaters: \$ 20,000

Provides funding for consultant services to explore the installation of solar hot water heaters on City properties.

Technology Showcase: \$ 20,000

Provides funding for consultant services and event operations for the third Technology Showcase. More companies and attendees are expected for the third annual showcase, impacting limited staff resources.

Community Development Department Total **\$ 146,600**

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

PUBLIC WORKS DEPARTMENT

Associate Civil Engineer-Capital Projects Section Position: \$ 183,700

Provides funding for a new limited-term Associate Civil Engineer position. The position will support the heavy workload in the Capital Improvement Program.

Associate Civil Engineer-Traffic Section Position (0.45): \$ 82,700

Provides continuation funding for a limited-term Associate Civil Engineer position (the other 0.55 FTE is funded from the Development Services and Shoreline Community Funds) in Traffic to assist with heavy workload.

Program Assistant - Engineering Division Position (0.50): \$ 64,900

Provides continuation funding for a limited-term Program Assistant position (the other 0.50 FTE is funded from the Development Services Fund). The position will support the Engineering Division with organization of paper and electronic files, plans and specifications, AutoCAD files, reports, and other work products from capital improvement and land development projects, and report on various program activities.

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

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

Pilot Program for Sidewalk Ramping and Grinding: \$ 46,000

Provides continuation funding for a two-year pilot program to hire two hourly seasonal workers to perform sidewalk ramping and grinding operations. These additional resources will allow the Streets Section to complete an additional 1,000 locations and dedicate more resources to maintain the City's Pavement Condition Index. The program started in November 2016 and at the current pace, approximately 1,700 grinding location will be completed with the additional resources.

Hourly Staff to Support the Capital Projects Section: \$ 40,000

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

Public Works Department Total**\$ 477,300**

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

COMMUNITY SERVICES DEPARTMENT

Performing Arts Supervisor Position (0.50): \$ 69,500

Provides continuation funding for a 0.50 FTE of a limited-term Performing Arts Supervisor position to add to an existing half-time position. The additional resources will help to maximize ticket sales and revenue at the Center for the Performing Arts.

Automatic Locks and Installation for Park Restrooms: \$ 28,000

Provides funding to install automatic locks on all park restrooms. This will reduce scheduling conflicts for staff as a result of the change in ranger services from outside contractors to an in-house operation.

Special Events and Plaza Activation: \$ 11,500

Provides funding to purchase supplies for games and unstructured play activities in order to offer additional activities at special events such as Concerts on the Plaza.

Audio and Visual Consultant: \$ 10,000

Provides funding for consultant services to upgrade the audio-video (A/V) infrastructure of the Center of Performing Arts. The majority of the A/V infrastructure has not been upgraded since the initial construction of the building over twenty-five years ago.

Community Services Department Total**\$ 119,000**

LIBRARY SERVICES DEPARTMENT

Microfilming Project: \$ 14,000

Provides funding for professional services to digitize and preserve historical local newspapers. There is an additional \$1,500 being recommended as ongoing to fund the annual hosting fee to preserve the microfilm copies.

Library Logo: \$ 5,000

Provides funding for consultant services to develop a new library logo that is easily recognizable and quickly communicates the Library's value to the community.

Library Services Department Total**\$ 19,000**

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

FIRE DEPARTMENT

Special Operations Program: \$ 500,000

Provides funding for the formalization of a Special Operations Program. The funding will provide training and equipment for Technical Rescue and Tactical Medic Programs over a three year period (See Attachment 6).

Firefighter Recruit Academy: \$ 150,000

Provides funding for Firefighter recruits to attend the Firefighter Academy for three months and for an approximately one month transition-to-shift period. The level of recruitments will continue to be high due to the number of current and expected vacancies. There is an additional \$140,000 being recommended as ongoing to fund overtime backfill associated with hiring, retention, and training for two positions annually.

City's Antique Fire Apparatus: \$ 10,000

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

Structure Firefighter Hoods (68): \$ 8,100

Provides funding to purchase 68 Personal Protective Equipment (PPE) Halo multilayer hoods that meet the NFPA 1971 Standards on protective ensembles for structural firefighting.

Vetter Air Bags (2): \$ 5,800

Provides funding to purchase two Vetter Air Bags to improve the department's ability to respond and mitigate recognized technical rescue hazards in the City.

Rowing Machines (5): \$ 5,000

Provides funding to purchase five rowing machines. The rowing machines are a cardiovascular fitness alternative to treadmills. This would allow one to be purchased each year, on a five year replacement schedule. There is an additional \$1,000 being recommended in ongoing to fund the replacement of one machine every five years.

Fire Department Total**\$ 678,900**

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

POLICE DEPARTMENT

Police Officer Position (two-year)-Community Outreach: \$ 221,300 (offset by \$116,400 State grant)

Provides funding for the first year of a two year Police Officer over-hire position. This position will focus 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.

Chaplaincy Program: \$ 19,400

Provides funding for the one-time startup costs of the Police Chaplaincy Program. This program assists employees coping with professional or personal difficulties or critical incident stress, as well as responding to significant incidents impacting the community, victims, and victim's families. There is an additional \$19,400 being recommended as ongoing.

Uniform and Equipment for New Police Officer: \$ 11,800

Provides funding for the uniform and equipment required for the new Police Officer Community Outreach position.

Police Department Total	\$ 252,500
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Total General Fund Limited-Period Expenditures	<u>\$ 2,825,600</u>
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FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures

(Continued)

Other Funds

NON-DEPARTMENT

Child-Care Commitment Reserve**Low-Income Child-Care Subsidies:** \$ 100,000

Provides funding approved by Council on December 6, 2016 for low-income Child-Care Center enrollment.

Public Benefit Fund**Homelessness Initiatives:** \$ 477,000

Provides funding approved by Council on March 7, 2017 for various Homelessness Initiatives.

Successor Agency Fund**Housing and Services for Low-Income Residents:** \$ 250,000

Provides funding approved by Council on March 7, 2017 for Housing and Services for Low-Income and Homeless Residents.

Non-Department Total**\$ 827,000**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Development Services Fund**Cost of Service Study:** \$ 40,000

Provides funding for contractual services to conduct a cost of services study for the Development Services Fund. Fees have not been reviewed since the consolidation of all development services into the Development Services Fund in Fiscal Year 2014-15.

Retirees' Health**Retirees' Health Actuarial Valuation:** \$ 20,000

Provides funding to update the valuation of retiree's health (OPEB) which is required to be updated every two years.

Finance and Administrative Services Department Total**\$ 60,000**

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

COMMUNITY DEVELOPMENT DEPARTMENT

Development Services Fund**Associate Planner Position:** \$ 163,000

Provides funding for a new limited-term Associate Planner position to support the ongoing high level of development activity and provide additional support at the Development Services Counter.

Digital Imaging of Building Permits: \$ 60,000

Provides additional funding for the digital imaging of building and fire permits. This will assist with the backlog of permits to be digitized. There is an additional \$50,000 being recommended as ongoing for this item.

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

Provides funding for training to allow Building and Fire staff to attend the required training to maintain their mandatory certifications. Every three years, new California Building and Fire Codes are adopted which require extensive training.

Below Market Rate (BMR) Housing Fund**Fair Housing Assessment:** \$ 30,000

Provides funding for Fair Housing Assessment as required by HUD as a condition of CDBG and HOME funding.

Consultant Services: \$ 30,000

Provides funding for outside professional contract services for the administration of BMR ownership and rental housing programs. There is an additional \$30,000 being recommended as ongoing for reoccurring costs associated with consultant services.

Housing Impact Fund**Notice of Funding Availability (NOFA) Administration:** \$ 15,000

Provides funding for a variety of tasks associated with affordable housing projects, including facilitators at neighborhood meetings, financial consultants for budget analysis of NOFA proposals, and studies on unique site issues. There is an additional \$25,000 being recommended as ongoing for reoccurring costs associated with the administration of NOFA.

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

Community Stabilization and Fair Rent Act (CSFRA) Fund (to be initially funded by the General Non-Operating Fund (GNOF))

The CSFRA was approved by voters on November 8, 2016. The funding is recommended for the implementation until the Housing Rental Committee is established. The recommended funding is from the GNOF and will be requested to be reimbursed from CSFRA once a budget and fees are established.

Computer Equipment and Software: \$ 50,000

Provides funding for computer equipment and software to develop and implement a database registry for CSFRA.

General Office and Noticings: \$ 40,000

Provides funding for the costs associated with noticing landlords and tenants of updates to CSFRA.

Hearing Officer: \$ 30,000

Provides initial funding for Hearing Officers in order to fulfill the petition hearing process as part to the CSFRA.

Hearing Officer Training: \$ 20,000

Provides funding for training and orientation of Hearing Officers to address the specific elements and the responsibilities of Hearing Officers under the CSFRA.

Tenant Eligibility Assessment & Landlord Compliance: \$ 10,000

Provides funding for tenant eligibility and landlord compliance verification for tenant relocation assistance under just cause evictions, including preparation of forms for implementation, reporting, and maintain records of number of cases and payments made.

Downtown Benefit Assessments Districts Fund

Redirect Third Parking Structure Feasibility Study to Paid Parking Program: \$ 75,000

Redirects funding from the Third Parking Garage Feasibility Study to begin a study on paid parking per City Council direction on October 18, 2016 and to evaluate other alternatives to increase available parking in the downtown. The Third Parking Garage Feasibility Study is on hold due to the Hope Street Lots (Lot 4 and 8) development projects, which is expected to result in increased public parking.

Consultant Services: \$ 45,000

Provides funding for consultant services to assist the Economic Development Division during a staff member's extended absence.

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

Parking Structure-Interior Signage Improvements: \$ 25,000

Provides funding for interior signage improvements at the two downtown parking structures.

Downtown Parking Loading Zones: \$ 20,000

Provides funding for restriping and signing in the downtown core to allow for loading zones. There is an ongoing demand from businesses to have designated loading zones.

Community Development Department Total**\$ 623,000**

PUBLIC WORKS DEPARTMENT

Development Services Fund**Consultants to Support Land Development Section:** \$ 300,000

Provides continuation 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: \$ 200,000

Provides continuation 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: \$ 183,700

Provides continuation funding for a limited-term Associate Civil Engineer position. The position will support the increased workload in the Construction Section due to the high level of private development and related excavation permits activity.

Consultants to Support Traffic Engineering Section: \$ 100,000

Provides continuation funding for consultants to support the Traffic Engineering Section. The increase in activity is mainly attributable to the approval of the three Precise Plans.

Two Associate Civil Engineer-Land Development Section Positions (0.40): \$ 73,500

Provides funding for 0.40 FTE of two new limited-term Associate Civil Engineer positions (the other 0.60 FTE is funded from the Shoreline Community, Water, Wastewater, and Solid Waste Funds). These positions will support the increased workload in the Land Development Section due to the high levels of development activity and higher complexity of projects.

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

Program Assistant - Engineering Division Position (0.50): \$ 64,900

Provides continuation funding for the allocation to the Development Services Fund for this limited-term position as mentioned in the General Fund section above.

Associate Civil Engineer-Traffic Section Position (0.30): \$ 55,100

Provides continuation funding for the allocation to the Development Services Fund for this limited-term position as mentioned in the General Fund section above.

Hourly Staff to Support the Land Development Section: \$ 40,000

Provides continuation 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: \$ 40,000

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

Shoreline Community Fund**Two Associate Civil Engineer-Land Development Section Positions (0.40): \$ 73,500**

Provides funding for the allocation to the Shoreline Community Fund for these new limited-term positions as mentioned in the Development Services Fund section above.

Associate Civil Engineer-Traffic Section Position (0.25): \$ 45,900

Provides continuation funding for the allocation to the Shoreline Community Fund for this limited-term position as mentioned in the General Fund section above.

Water Fund**Associate Civil Engineer-Engineering and Environmental Compliance Section Position: \$ 169,600**

Provides continuation funding for a limited-term Associate Civil Engineer position. Additional staff resources are necessary to comply with recycled water regulations and the increase in recycled water usage.

Two Associate Civil Engineer-Land Development Section Positions (0.40): \$ 73,500

Provides funding for the allocation to the Water Fund for these new limited-term positions as mentioned in the Development Services Fund section above.

FISCAL YEAR 2017-18

Recommended **Limited-Period** Expenditures
(Continued)

Wastewater Fund

Two Associate Civil Engineer-Land Development Section Positions (0.40): \$ 73,500
Provides funding for the allocation to the Wastewater Fund for these new limited-term positions as mentioned in the Development Services Fund section above.

Solid Waste Fund

Two Associate Civil Engineer-Land Development Section Positions (0.40): \$ 73,500
Provides funding for the allocation to the Solid Waste Fund for these new limited-term positions as mentioned in the Development Services Fund section above.

Public Works Department Total **\$ 1,566,700**

Total Other Funds Limited-Period Expenditures **\$ 3,076,700**



CITY OF MOUNTAIN VIEW

MEMORANDUM

Fire Department

DATE: April 27, 2017

TO: Daniel H. Rich, City Manager

FROM: Juan Diaz, Fire Chief

SUBJECT: Special Operations Program

INTRODUCTION

The purpose of this memorandum is to provide information regarding the Fire Department's budget request for the formalization of the Special Operations Program.

BACKGROUND

The Mountain View Fire Department (MVFD) is an "All Risk" emergency response agency. In addition to addressing structure fires, EMS calls, and vehicle accidents, we are also the agency responsible for the mitigation of hazardous materials, emergencies in confined spaces, trench rescue, structural collapse, water rescue, and high-/low-angle rescue. We are required to perform these disciplines in accordance with Cal/OSHA Title 8, § 1960 and NFPA Standards 1006 and 1670. MVFD personnel are required to be certified in all of these disciplines. Historically, the costs for this training and equipment have not been fully funded. If the request is approved, the funding will allow for 66 first responder personnel to be certified in Technical Rescue.

Providing paramedics during Mountain View Police Department (MVPD) SWAT activations is also a response that requires additional training. These personnel are referred to as "Tactical Paramedics." The members of the MVFD assigned to Tactical Paramedic duty will be on a volunteer basis. Tactical Paramedics will not receive a "specialty pay" as a member of SWAT because the Tactical Paramedics will be staging in a safe location and not in the immediate threat zone. There will be costs associated with training and overtime. The Tactical Paramedic Program will maintain a roster of five members. Costs for training four additional members has been budgeted to provide depth and succession in the program. Operating guidelines and standardized training recommendations for Tactical Paramedics are directed in the California Penal Code § 13514.1.

SPECIAL OPERATIONS PROGRAM COST

Use of one-time funds in the amount of \$500,000, to be spent over a three-year period, will provide the following:

Technical Rescue/Urban Search and Rescue (USAR)

Tactical Paramedic (TEMS) Support for the MVPD SWAT Team

Technical Rescue Program	
Equipment (calibration, harness/ropes, trench, etc.)	102,000
Initial Training – FSTEP Courses	74,800
Advanced Training – Specialized Courses	220,200
Tactical Medic Program	
Ballistic Helmet (5), Vests (5), and Uniforms (5)	31,150
A one-time Tactical Medic Training during a three-year period	71,850
Total	\$500,000

Subsequent to the initial training costs with this funding, ongoing training will be integrated into normal operations and should not require additional funding.

JD/7/FIR

100-04-03-17M-E

FISCAL YEAR 2017-18

Recommended **Capital Outlay**General Operating Fund

Information Technology Department:	<u>3,000</u>
MacBook Pro Laptop	1,500
Computer (Tied to new IT Analyst I/II Position)	1,500
Finance and Administrative Services Department:	<u>15,000</u>
Capital Asset Bar Code Scanner	15,000
Public Works Department:	<u>66,500</u>
Total Station Surveying Equipment	65,000
Computer (Tied to new Transportation Planner Position)	1,500
Community Services Department:	<u>86,900</u>
¾ Ton Truck for North Parks	55,000
Fall Prevention Upgrades to the CPA	25,000
Automatic Pool Vacuum (Rengstorff Pool)	6,900
Library Services Department:	<u>24,400</u>
Bookmobile Vinyl Wrap	11,400
ONESolution Interface with Library System Upgrade	10,000
Laptops (2)	3,000
Fire Department:	<u>168,800</u>
Handheld Spectroscopy	57,800
Wildland Personal Protective Equipment	40,900
Technical Rescue Equipment (Trench Kit)	26,000
Wildland Firefighter Webgear	17,900
Washer Extractor for Personal Protective Equipment	16,000
Interoperable Radios (6)	10,200
Police Department:	<u>129,300</u>
Active Shooter Ballistic Vests (100 Police & 25 Fire)	56,300
Utility Task Vehicle	30,000
Interview Room Recording System	25,000
Patrol Bikes and Uniforms (10)	18,000
General Operating Fund Total	\$ <u>493,900</u>

FISCAL YEAR 2017-18

Recommended **Capital Outlay**

(Continued)

Other Funds

Community Development Department:

<u>Development Services Fund:</u>		<u>3,000</u>
Computer (2) (Tied to new Associate Planner Positions)	3,000	

Public Works Department:

<u>Development Services Fund:</u>		<u>3,000</u>
Computer (2) (Tied to new Assoc. Civil Engineer Positions)	3,000	

<u>Wastewater Fund:</u>		<u>304,000</u>
Additional Funding to Replace Vac-Con Vehicles (2)	304,000	

<u>Solid Waste Fund:</u>		<u>50,000</u>
Additional Funding to Replace Street Sweepers (2)	50,000	

Community Services Department:

<u>Shoreline Regional Park Community Fund:</u>		<u>30,600</u>
Emergency Call Boxes on Stevens Creek Trail	30,600	

<u>Shoreline Golf Links:</u>		<u>21,000</u>
Greens Roller	21,000	

Fire Department:

<u>General Non-Operating Fund:</u>		<u>350,000</u>
Self-Contained Breathing Apparatus (SCBA) Replacement	350,000	

Police Department:

<u>General Non-Operating Fund:</u>		<u>1,500</u>
Computer (Tied to new Community Outreach Officer)	1,500	

Total Other Funds		<u>\$ 763,100</u>
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Total Capital Outlay		<u>\$ 1,257,000</u>
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FISCAL YEAR 2017-18

Recommended **Equipment Replacement**

COMPUTERS:		\$ <u>958,600</u>
204 Computers		265,100
1 NetApp Server		250,000
3 Library Self Check-out Stations		75,000
30 Printers		69,500
3 Plotter/Scanners		59,000
1 SAN Disk Shelves		51,000
1 VMware Server		50,000
4 Servers (2 Rebudget)		36,000
1 SAN Disk Head/Controller (Rebudget)		30,000
1 CommVault Backup SAN		20,000
2 Library Self Check-in Station		20,000
5 Switches (Rebudget)		15,000
2 Blades for Switches (Rebudget)		12,000
4 Portable Projectors		6,000
COMPUTER AIDED DISPATCH/RECORDS MANAGEMENT SYSTEM:		<u>156,700</u>
1 Software		147,700
2 Firewall		6,000
1 CISCO Router (Rebudget)		3,000
COMMUNICATIONS CENTER:		<u>179,200</u>
9 Bases (5 Rebudget)		71,200
5 Console Furniture (Rebudget)		60,000
1 Antenna FD St 4 (Rebudget)		20,000
1 Voter/Comparators (Rebudget)		16,000
2 Voting Receivers (Rebudget)		12,000
FIRE RADIO:		<u>2,400</u>
10 Interoperable Portables (Refurbish to extend life)		2,400

FISCAL YEAR 2017-18

Recommended **Equipment Replacement**

(Continued)

FLEET: \$ 3,258,000

2	Vac-Con Specialty Truck	496,000
8	¾ Ton Trucks	440,000
2	Street Sweepers (Rebudget)	400,000
11	Hybrid SUV	391,000
4	2 Ton Truck (1 Rebudget)	304,000
5	Patrol Tahoe	250,000
6	Police Motorcycle	192,000
1	Dump Truck (Small)	145,000
4	Hybrid Sedans	120,000
1	Riding Mower (Large)	90,000
2	Mini Pick-up Trucks	70,000
1	Patrol Vehicle	50,000
6	Trailers (Medium)	48,000
3	Utility Carts	45,000
1	Sedan/Wagon	39,000
1	½ Ton Truck	36,000
1	Van - SUV	35,000
1	Turf Sweeper (Medium) (Rebudget)	30,000
1	Stump Cutter with Trailer	27,000
1	Trailer (Heavy Duty)	20,000
1	Undesignated Equipment	20,000
1	Trailer (Small)	6,000
1	Trailer (Mini)	4,000

GOLF EQUIPMENT: 99,200

1	Mower - Triplex Tee	37,000
3	Mowers - Walk Greens	35,200
3	Utility Vehicles (Light Duty)	27,000

TOTAL EQUIPMENT REPLACEMENT \$ 4,654,100



CITY OF MOUNTAIN VIEW

MEMORANDUMFinance and Administrative
Services Department

DATE: April 27, 2017

TO: City Council

FROM: Suzanne Niederhofer, Assistant Finance and
Administrative Services Director
Nicole Wright, Senior Deputy City Attorney
Patty J. Kong, Finance and Administrative Services Director

VIA: Daniel H. Rich, City Manager

SUBJECT: Credit Card Processing Fees – Update

PURPOSE

The use of credit cards, and therefore the costs associated with credit card processing, has increased with the acceptance of online payments. Staff drafted a memo, included with the Fiscal Year 2015-16 Narrative Budget Report, summarizing possible credit card processing fees and potential complications in implementing a fee to recover costs (Exhibit A). At that time, Council was not interested in passing on a fee to the customer to recover the cost of credit card processing fees, stating the cost to do business online should not be higher than for other methods of transactions. In February 2017, Council reconsidered and directed staff to review the possibility of implementing a credit card processing fee for online and/or on-site transactions.

BACKGROUND

The City accepts credit cards as a form of payment at eight locations in the City: City Hall Finance and Administrative Services, Center for the Performing Arts (CPA), Library, Police/Fire Administration, the Community Center, Eagle Pool, Rengstorff Pool, and Shoreline Golf Links. In addition to on-site locations, the City also accepts online payments for utility bills, parking permits, CPA tickets, basic building permits (E-permits), recreation fees (e.g., classes, camps, lap swim, etc.), Library fees and fines, and golf fees and merchandise.

The forms of payment accepted for on-site payments are cash, check, credit card, and debit card. Credit cards, debit cards, and eChecks can be used for online payments. Also, the City has long had an auto debit program and accepts home banking payments for utility payments. For online utility payments, eCheck transactions are processed at no cost to the City.

A payment gateway or processor is required for the City to accept online credit card payments. A payment gateway is an e-commerce application service that authorizes credit card payments for e-businesses and online retailers. It is the equivalent of a physical point-of-sale terminal. A variety of different credit card payment processors are available for online transactions and each software application often partners with a particular payment processor. For example, the Shoreline Golf Links uses the EZLinks software system to book tee times, manage play at the course, and track payments. EZLinks partners with Electronic Transaction Systems Corporation (ETS) as its payment processor because it interfaces smoothly with their system.

The City does not have to choose ETS as the payment processor, but using a different payment processor may not be compatible with the receipting system. Some of the automated functionality of the system does not work, or work well, with another payment processor. Staying with the City's current merchant services would require manual keying and less-efficient processing. Although it may be beneficial to the City to only have one credit card payment processor, each software system partners with a payment processor to fully integrate with their system. Each payment processor sets up their fee schedule to recover all costs associated with credit card transactions and these fees may vary by processor.

The following payment processors are currently utilized in the City:

- Paymentus – online utility bill payments, business license renewals, and miscellaneous accounts receivables
- Paypal via ShoWare – both on-site and online CPA ticket purchases
- HarborTouch via Tessitura – both on-site and online CPA ticket purchases for Theatreworks events
- Stripe – online parking permit payments
- Cybersource – E-permits (for basic building, electrical, mechanical, and plumbing permits)

- Paypal – online Library fee and fine payments
- ActiveNet – both on-site and online recreation payments (classes, camps, lap swim, swim passes, and facility reservations)
- ETS – both on-site and online payments for golf fees and merchandise

Total fees paid by the City for credit card transactions for Fiscal Year 2015-16 were approximately \$580,000, of which on-site transactions at City Hall, Library, and Police totaled approximately \$296,000. Recreation, CPA, and Golf run all transactions through their payment processor whether on-site or online in order for their respective systems to work efficiently (as discussed above).

The City currently recovers a portion of credit card processing fees. With the implementation of the new Recreation system, for Fiscal Year 2015-16 Council approved a total of \$90,000 for ActiveNet processing costs and a corresponding 3.0 percent increase in Recreation fees to recover these costs. The Golf Course budget includes approximately \$52,000 for credit card processing costs and golf fees are set to recover costs, including these processing costs. Utility payment processing costs are also included in the budget and recovered through utility rates. The CPA bills credit card processing costs back to the client for the event; therefore, fees are recovered as a cost of the performance.

ANALYSIS

The rules and regulations for setting fees to recover the City's cost to process credit card transactions are complicated. Government Code Section 6159 authorizes the City to impose a fee for the use of credit cards as long as the fee does not exceed the City's cost to accept credit cards and is approved by City Council. The options available to Council depend on whether Council would like to recover the costs for utility or nonutility payments.

Utility Payments: The City can have the customer pay a processing fee for utility payments paid online, but not on-site. It is important to note that for utility payments, the City currently benefits from the Discount Utility Rate Program offered by payment brands (e.g., Visa, MasterCard, etc.). This program provides discounted credit card fees on utility payment transactions; however, it is only offered if credit card fees are absorbed by the utility agency. Each payment brand has its own discount depending on the type of card used and not all cards are eligible for the discount. If Council chose to pass the processing fee on to customers for online utility payments, the Discount Utility Rate Program would no longer be available.

For example, for online utility payments, the existing fee structure would change from \$1.85 per transaction for standard credit cards and debit cards, 3.0 percent for specialty cards, and no cost for eChecks to an estimated charge of \$5.95 per utility payment transaction, regardless of form of payment or amount.

Nonutility Payments: The City can also have the customer to pay a processing fee for nonutility payments paid online as well as credit card payments on-site. The City would need to preregister with the payment brands and specific requirements must be met to establish a fee, including disclosure of the fee to the consumer as a separate transaction.

A summary of utility and nonutility payment applicable features is summarized as follows:

Feature	Utility Payments*	Nonutility Payments
Applied to All Transactions Online	Yes	Yes
Applied to Credit Card Transaction On-Site	No	Yes
Can Be Fixed or Flat Fee	Yes	Yes
Can Be a Percentage Fee	No	Yes
Can Select the Type of Payment to Apply the Fee**	N/A	Yes
Uniform Fee Required for All Forms of Payments	Yes	No
Fee Can Be Shared between City and Customer	Yes	Yes

* If any portion of the processing cost is paid by the customer, the Discount Fee Program would no longer be available.

** For example, Transient Occupancy Tax payments, but not recreation fee payments.

As an alternative to a credit card fee, Council could consider increasing the price of some services to recover processing fees as is currently occurring for recreation, golf,

and utilities. However, certain payments cannot be increased to offset the cost of credit card fees such as Transient Occupancy Tax payments and Business License payments, as an increase would require voter approval because they are taxes.

Staff also reached out to the cities of Palo Alto, Sunnyvale, Milpitas, Cupertino, Santa Clara, and Redwood City to find out if they charge a fee for the use of credit cards. None of these cities currently charge a fee for either online or on-site credit card transactions.

SUMMARY/CONCLUSION

Costs for accepting credit cards for payments whether on-site or online are substantial and increasing. The City is incurring approximately \$580,000 in gross credit card processing fees annually. Online payments require a payment gateway which is provided by a payment processor. The City can have the customer pay the processing fee for online payment transactions. For nonutility transactions, the City could establish a fee for on-site credit card payment transactions.

Staff is requesting direction from Council whether to develop options for fees to recover payment processing costs. If so, staff is seeking general policy direction on the following:

1. Whether full cost recovery or something less is desired.
2. Whether a fee should be charged for online transactions only or also to on-site credit card transactions.
3. Whether fees should be limited to certain categories of payments (e.g., Permit fees or Transient Occupancy Tax). If Council would want fee recovery for some, but not all, categories, are there certain categories Council would not want to charge a fee?

Staff can return to Council with some alternatives once general direction is given based on the information provided in this memo.

SN/PJK/3/FIN
541-04-27-17M-E

Exhibit A. [April 28, 2015 Credit Card Processing Fee Memo](#)



CITY OF MOUNTAIN VIEW

MEMORANDUMFinance and Administrative
Services Department

DATE: April 28, 2015

TO: City Council

FROM: Suzanne Niederhofer, Assistant Finance and Administrative Services
Director
Patty J. Kong, Finance and Administrative Services Director

VIA: Daniel H. Rich, City Manager

SUBJECT: Credit Card Processing Fees

PURPOSE

The use of credit cards, and therefore the costs associated with credit card processing, has increased with the use of accepting online payments. In the past, Council has stated the cost to do business online should not be more than the cost to conduct the transaction in person. Staff is seeking direction as to whether the City should implement credit card processing fees for online and/or on-site transactions.

BACKGROUND

On December 2, 2014, staff proposed an appropriation increase of \$70,000 due to the projected increases in utility payment processing fees. At that time, Council requested staff to provide additional information as part of the budget process on alternatives for cost recovery and what other agencies are doing.

There are six locations in the City where staff accepts credit cards as a form of payment: City Hall Finance, Center for the Performing Arts (CPA), Library, Police/Fire Administration, the Community Center, and Shoreline Golf Links. In addition to on-site locations, the City also accepts online payments for utility payments, parking permits, CPA tickets, basic building permits (E-permits), recreation classes and camps, and Library fees and fines. All online transactions are done through a payment processor.

The fees charged for credit card transactions at on-site locations are charged to the City's general bank account at the end of each month. For Fiscal Year 2013-14, the total

credit card fees charged for on-site locations were \$303,000 and approximately \$100,000 for online transactions. The amount for utility payments is increasing as more customers choose to make payments online and is estimated to exceed \$125,000 for the current fiscal year. About 50.0 percent of these charges are for credit card transactions at City Hall processed through Bank of America Merchant Services. It would be difficult to allocate on-site payment processing costs to different funding sources.

Other payment options are available. On-site locations accept cash and checks, and the City has long had an auto debit program and accepts home banking payments for utility payments. For online utility payments, debit and echecks are accepted. These types of transactions have a significantly lower transaction cost for the City.

Online credit card transactions require a payment gateway or processor. A payment gateway is an e-commerce application service that authorizes credit card payments for e-businesses and online retailers. It is the equivalent of a physical point-of-sale terminal. A variety of different credit card payment processors are used for online transactions primarily because each software application often partners with a particular payment processor. For example, the Shoreline Golf Links uses the EZLinks software system to book tee times, manage play at the course, and track payments. EZLinks partners with Electronic Transaction Systems Corporation (ETS) as its payment processor, which will interface smoothly with their system.

Although the City does not have to choose ETS as the payment processor, some of the automated functionality of the system does not work, or work well, without it. Where ETS as the credit card payment processor is fully integrated with EZLinks, staying with the City's current merchant services would require manual keying and less efficient processing. Although it may be beneficial to the City to only have one credit card payment processor, each software system partners with a payment processor to fully integrate with their system. Each payment processor sets up their fee schedule to recover all costs associated with credit card transactions.

The following are the payment processors the City currently uses:

Paymentus – online utility bill payments

Stripe – online parking permit payments

Tickets.com – online CPA ticket purchases

Cybersource – E-Permits (for basic building, electrical, mechanical, and plumbing permits)

Active – online Recreation class/camp payments

PayPal – online Library fee and fine payments

ANALYSIS

There are three different fees for each credit card transaction:

Interchange Fee: In a credit card or debit card transaction, the card-issuing bank deducts the interchange fee from the amount it pays the acquiring bank that handles the credit or debit card transaction for a merchant. This fee is passed on to the merchant.

There are many different interchange fee rates charged for various types of credit cards ranging from 1.43 percent to 2.65 percent for MasterCard and Visa. Commercial credit cards (which include cards that offer rewards such as air miles, cash back, etc.) have higher rates than basic (no rewards) credit cards. A payment processor will set their fees and charges to recover these interchange fees.

Discount Rate: The rate charged to a merchant by a bank for providing debit and credit card services. The rate is determined based on factors such as volume, average transaction amount, risk, and industry. The discount rate charged can be different for each bank. A payment processor will set their fees and charges to recover the discount rate charged by the bank they use.

Bank Fee: A fee that is charged when daily credit card transactions are settled (also known as a batch fee). This fee is very minimal, less than \$100 per month. Although there is not a bank fee, per se, when using a payment processor, there are still bank charges for the Automated Clearing House (ACH) deposit transactions. The cost is similar.

Previously, Council has supported not charging additional fees for online payment services by having the City absorbing all the payment processing costs associated with online payments. Our neighboring cities of Palo Alto and Sunnyvale do not currently charge a fee for credit card transactions either online or on-site. However, as online payments are increasing, these fees have increased substantially and staff has identified three types of fees that the City could charge its customers for the use of credit cards for payments (on-site or online):

Convenience Fee: The charge levied for the privilege of paying for a product or service using an alternative payment channel or a payment method that is not standard for the merchant (i.e., online payments). Each payment network's (Visa, MasterCard, etc.) policy on convenience fees varies. For example, Visa restricts the fee to a flat or fixed amount, not a percentage, and requires the fee to be applied to all means of payment that are accepted by the alternative payment method. This

fee would be applicable only to online transactions and are typical on commercial sites when purchasing tickets for events (e.g., theatre, sports, concerts, etc.).

Surcharge: A cost added for the privilege of using a credit card. California law (Civil Code Section 1748.1) prohibits retailers from adding a surcharge when a customer chooses to use a credit card. However, California law excludes public agencies from the definition of a retailer and expressly allows cities to impose a fee for the use of a credit card so long as it does not exceed the City's cost to accept the credit card and is approved by City Council (Government Code 6159). In addition, payment networks' policies on surcharge requirements vary. It is unclear if these would be applicable to both on-site and online credit card processing.

Government Fee Programs: Both Visa and MasterCard appear to have programs available for government entities that authorize a service fee for the use of a credit card. It is unclear if these would be applicable to both on-site and online credit card processing. Each payment network has their own rules, but both require preregistration with the network amongst additional requirements. Although more information about these programs is needed, such programs are an option available for further evaluation.

Staff from the Finance and Administrative Services Department and the City Attorney's Office have researched information available online and believe outside assistance (such as the City's Merchant Services provider) would be needed to determine how a fee(s) can be set. Should a fee or some cost recovery be desired, setting these fees can be complicated. Things to be considered are as follows:

- Each payment network has their own rules about how much can be charged as well as other requirements with which the City needs to comply. Generally, a fee must be the same across all card payment networks.
- The type of card used determines the interchange fee charged (see above about Interchange Fees); however, the amount the City can charge generally cannot be more than the cost to the City for transacting the payment. For a surcharge, the fee can be imposed at the product level, but it is unclear how staff would be able to identify what type of card is presented for payment to determine the fee.
- The City has different payment processors that charge for services differently. It is unclear if the set fee has to be the same across all payment processors, or if it could be set based on each payment processor.
- A convenience fee can only be applied to payments made by alternative payment methods (online, over the phone, etc.), not on-site transactions. However, it must

be imposed on all like transactions regardless of form of payment used for that payment channel.

SUMMARY/CONCLUSION

There is a cost for accepting credit cards for payments whether on-site or online and these costs are substantial and increasing. The City is currently incurring over \$400,000 in credit card processing fees. Online payments require a payment gateway which is provided by a payment processor. A convenience fee may be added on to a credit card payment transaction if using an alternative payment method (i.e., online payments), or a surcharge may be added to a credit card payment transaction but must not be more than the City's cost. Finally, government fee programs provide another option but more information is needed to evaluate.

Staff is requesting direction from Council if they would like staff to research and develop options for fees for credit card charges. If so, general policy direction on whether full cost recovery or something less is desired would be helpful. If Council directs staff to research and provide alternative fees to be implemented, due to the complex nature of complying with each payment network's rules and ensuring that the fee is being applied correctly, staff will require outside assistance.

SN-PJK/7/FIN

546-04-28-15M-E



590 W. El Camino Real
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March 31, 2017

Mr. Ken Rosenberg
Mayor
City of Mountain View
500 Castro Street
Mountain View, CA 94040

Dear Ken:

On behalf of CHAC, I am submitting a request for funding in the 2017-18 budget year in the amount of \$104,300 which is approximately a 10% increase over last year's funding. Let me share with you a perspective on why this significant increase is merited.

The value we bring to our residents comprise more than just the services we provide in counseling. The most unrecognized benefit of CHAC is that we all benefit - not just the families and individuals we serve. Envision the proverbial pebble dropped in the pond; the pebble creates ripples that expand to the shoreline of the entire pond. When a student gets help the teacher and classmates benefit from more productive teaching and learning within a calmer more engaged environment. Often the playground becomes calmer. The family benefits from more harmonious interaction - and the neighborhood benefits as well.

While the population and clients of Mountain View and CHAC have increased, CHAC has seen no increase in funding from the city in three of the last five years. Last year CHAC served over 9400 Mountain View residents through our counseling programs, our family resource center, our drug, alcohol and juvenile justice prevention and intervention programs and LGBTQQ groups. Most importantly, the CHAC clinic is available to all residents regardless of their ability to pay. We do not turn anyone away.

As you know, CHAC has gone through an exciting, transitional year with several significant staff and program changes that position CHAC for advancement. In 2017 my goal for the agency is to be a proactive, agile and responsive agency serving our clients and community. Our key objectives are to:

- Recruit, retain and train the highest level of staff and interns,
- Become the 21st century thought-leader of culturally sensitive behavioral/mental health,
- Develop resources to effectively sustain our mission.

CHAC will be highly focused on these objectives and will be very thoughtful about undertaking new programs until our infrastructure needs are addressed. However, one potential opportunity that CHAC has is to continue to support the community through the InspireMV grant (submitted/pending) from

LACF. The grant proposal is to open a community dialogue and engage the community in important current issues affecting our families and children. As you know, CHAC's professional expertise is unparalleled and we would welcome a partnership with the Human Rights Committee to bring this important community dialogue to the forefront.

I mention infrastructure above; at this critical time in CHAC's history, the need for support of fundamental infrastructure requires one time funding for a few key projects. I am happy to provide you with specific details and budgets, however, let me briefly outline three projects which are critical to achieving our key objectives above:

- Support for the implementation of an Electronic Medical Records system to provide HIPPA compliant integrated health records with other providers in the interest of our clients
- Laptops for our clinical staff so CHAC and our staff are not reliant on their own equipment
- Replacement of our failing roof and HVAC system to assure safe and healthy environment for our clients and staff

I welcome and would appreciate your thoughts on creative ways to accomplish these goals. We deeply appreciate the partnership and support of the city of Mountain View that CHAC has enjoyed over its 44 year history.

Please reach out to me with any questions about the request.

Sincerely,



Marsha Deslauriers
Executive Director

Comparison of Current and Recommended Utility Rates

Single Family	16-17	17-18	Difference	% Change *
Water (10 units)	\$ 72.73	77.90	5.17	7.1%
Sewer	34.30	37.75	3.45	10.1%
Trash (1 32-gal cart)	<u>29.30</u>	<u>32.25</u>	<u>2.95</u>	10.1%
Total monthly bill:	\$ 136.33	147.90	11.57	8.5%

Multi-Family (4-plex)	16-17	17-18	Difference	% Change *
Water (30 units)	\$ 199.40	213.56	14.16	7.1%
Sewer	137.20	151.00	13.80	10.1%
Trash (4 32-gal carts)	<u>117.20</u>	<u>129.00</u>	<u>11.80</u>	10.1%
Total monthly bill:	\$ 453.80	493.56	39.76	8.8%

Apartment Complex (120 units)	16-17	17-18	Difference	% Change *
Water (830 units)	\$ 5,231.60	5,603.10	371.50	7.1%
Sewer	4,116.00	4,530.00	414.00	10.1%
Trash (ten 3 Yd Bins)	<u>3,780.90</u>	<u>3,856.95</u>	<u>76.05</u>	2.0%
Total monthly bill:	\$ 13,128.50	13,990.05	861.55	6.6%

Commercial	16-17	17-18	Difference	% Change *
Water (60 units)	\$ 470.60	504.00	33.40	7.1%
Sewer	269.40	296.40	27.00	10.0%
Trash (one 3 Yd Bin)	<u>345.55</u>	<u>352.50</u>	<u>6.95</u>	2.0%
Total monthly bill:	\$ 1,085.55	1,152.90	67.35	6.2%

*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					
	Water (1)	Sewer	Trash (2)		Sample Monthly Bill
Mountain View					
FY 2016-17	\$ 72.73	34.30	29.30		136.33
FY 2017-18	\$ 77.90	37.75	32.25		147.90
% Increase	7.1%	10.1%	10.1%		
Palo Alto					
FY 2016-17	\$ 89.85	34.83	47.69		172.37
FY 2017-18	\$ 93.44	34.83	50.07		178.35
% Increase	4.0%	0.0%	5.0%		
Sunnyvale					
FY 2016-17	\$ 53.66	42.89	38.23		134.78
FY 2017-18	\$ 60.37	47.18	39.38		146.92
% Increase	12.5%	10.0%	3.0%		
Cal Water Rate					
FY 2015-16	\$ 55.87	(3)			
FY 2016-17	\$ 61.88	(4)			
% Increase	10.8%				

- (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 35-gallon. Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.
- (3) Rate in effect as of 1/1/16.
- (4) Rate in effect as of 1/1/17.

Residential Services - Multi-Family (4-plex)				
	Water (1)	Sewer	Trash (2)	Sample Monthly Bill
Mountain View				
FY 2016-17	\$ 199.40	137.20	117.20	453.80
FY 2017-18	\$ 213.56	151.00	129.00	493.56
% Increase	7.1%	10.1%	10.1%	
Palo Alto				
FY 2016-17	\$ 271.20	139.32	190.76	601.28
FY 2017-18	\$ 282.05	139.32	200.30	621.67
% Increase	4.0%	0.0%	5.0%	
Sunnyvale				
FY 2016-17	\$ 204.68	110.72	147.56	462.96
FY 2017-18	\$ 230.27	121.79	151.99	504.04
% Increase	12.5%	10.0%	3.0%	

(1) Based on 30 units of water plus meter charge.

(2) Mountain View and Palo Alto based on 32-gallon, Sunnyvale based on 35-gallon.
Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.

Residential Services - Apartment Complex (120 units)

	Water (1)	Sewer	Trash (2)	Sample Monthly Bill
Mountain View				
FY 2016-17	\$ 5,231.60	4,116.00	3,780.90	13,128.50
FY 2017-18	\$ 5,603.10	4,530.00	3,856.95	13,990.05
% Increase	7.1%	10.1%	2.0%	
Palo Alto				
FY 2016-17	\$ 6,447.91	4,179.60	5,520.11	16,147.62
FY 2017-18	\$ 6,705.83	4,179.60	5,520.11	16,405.54
% Increase	4.0%	0.0%	0.0%	
Sunnyvale				
FY 2016-17	\$ 3,886.77	3,321.60	4,425.93	11,634.30
FY 2017-18	\$ 4,372.62	3,653.76	4,558.71	12,585.08
% Increase	12.5%	10.0%	3.0%	

(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 2016-17	\$ 470.60	269.40	345.55		1,085.55
FY 2017-18	\$ 504.00	296.40	352.50		1,152.90
% Increase	7.1%	10.0%	2.0%		
Palo Alto					
FY 2016-17	\$ 537.57	402.60	504.40		1,444.57
FY 2017-18	\$ 559.07	402.60	504.40		1,466.07
% Increase	4.0%	0.0%	0.0%		
Sunnyvale					
FY 2016-17	\$ 394.07	253.80	404.09		1,051.96
FY 2017-18	\$ 443.33	279.18	416.21		1,138.72
% Increase	12.5%	10.0%	3.0%		

(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.