



**DATE:** June 11, 2019

**CATEGORY:** Public Hearing

**DEPT.:** City Manager's Office/  
Finance and Administrative Services

**TITLE:** **Public Hearing for the Fiscal Year  
2019-20 Proposed Budget**

### **RECOMMENDATION**

Convene a public hearing, accept public comment, and provide input to staff on the Fiscal Year 2019-20 Proposed Budget (see Attachment 1 to the Council report).

### **BACKGROUND**

The Fiscal Year 2019-20 Proposed Budget has been prepared in accordance with Section 1103 of the City Charter, the State Constitutional limit on the proceeds of taxes, and all applicable regulations. It contains the proposed financial plan for the General Operating Fund (GOF) and all other City funds, as well as the Shoreline Regional Park Community (Shoreline Community), a separate component unit of the City.

The budget process for Fiscal Year 2019-20 started in November 2018, with instructions to departments for preparation of budget requests. A brief summary of the budget development and adoption timeline is as follows:

- December 14, 2018: Department budget requests due to the Finance and Administrative Services Department.
- February 12, 2019: The Midyear Budget Status Report and GOF Preliminary Forecast for Fiscal Year 2019-20 was presented to the City Council.
- February 2019: Department budget meetings with City Manager and Budget Review Team.
- March 26, 2019: Study Session for a preliminary review of the Fiscal Year 2019-20 Capital Improvement Program (CIP).

- April 23, 2019: Community Development Block Grant (CDBG) public hearing on Fiscal Year 2019-20 funding cycle.
- April 25, 2019: Proposed Fiscal Year 2019-20 Capital Improvement Program Study Session and Narrative Budget Report Study Session—General Operating and Other Funds and Reserves, Utility Rate and other fee recommendations, and 5-Year Financial Forecast.
- June 11, 2019: Public hearing on the Fiscal Year 2019-20 Proposed Budget, including water, sewer, and trash and recycling rates, and various fees, and Adoption of the Proposed 5-Year Capital Improvement Program (CIP).
- June 18, 2019: Public hearing on the Fiscal Year 2019-20 Proposed Budget, including water, sewer, and trash and recycling rates, and various fees and funding for the Fiscal Year 2019-20 CIP with final adoption scheduled after the public hearing.

## ANALYSIS

The Proposed Budget for Fiscal Year 2019-20 **totals \$453.4 million in revenues and \$520.0 million in expenditures.** Expenditures are greater than revenues as some expenditures, such as capital projects, are funded from existing balances. **The GOF budget for day-to-day operations is \$148.2 million.** At the April 25, 2019 Narrative Budget Study Session, the City Manager presented the Fiscal Year 2019-20 Budget recommendations. The City Council discussed the recommendations and requested additional information on various items.

The items below have been added/modified by either a straw vote of the City Council at the Narrative Budget Study Session or by staff since the Study Session. These items are included in the Proposed Budget and can be found on the pages noted:

### City Council Direction:

- Library Fee Elimination: \$65,000 reduced revenue (7-46, 7-66)
- Community Health Awareness Council (CHAC) 5 percent increase: +\$5,200 (GOF ongoing) (7-13)

Proposed by staff:

- Homeless and Enforcement (from March 19, 2019 City Council meeting, not included in Narrative Budget): +\$570,000 (\$200,000 GNOF, \$250,000 Successor Agency Fund, \$120,000 General Housing Fund) (limited period) (7-22, 7-31)

- Public Works Succession Planning: +\$250,000 Water Fund (limited period)

To backfill for several positions working in interim assignments addressing succession planning needs. (7-35)

- Fire and Environmental Protection Division Staffing: -\$49,800 (net reduction of -\$292,500 GOF, +\$242,700 Wastewater Fund) (ongoing) (7-16, 7-21)

- Nonprofit Funding: +\$54,600 (\$49,600 GNOF, \$5,000 General Housing Fund) (limited period), resulting from allocations approved at April 23, 2019 CDBG Hearing. (7-25)

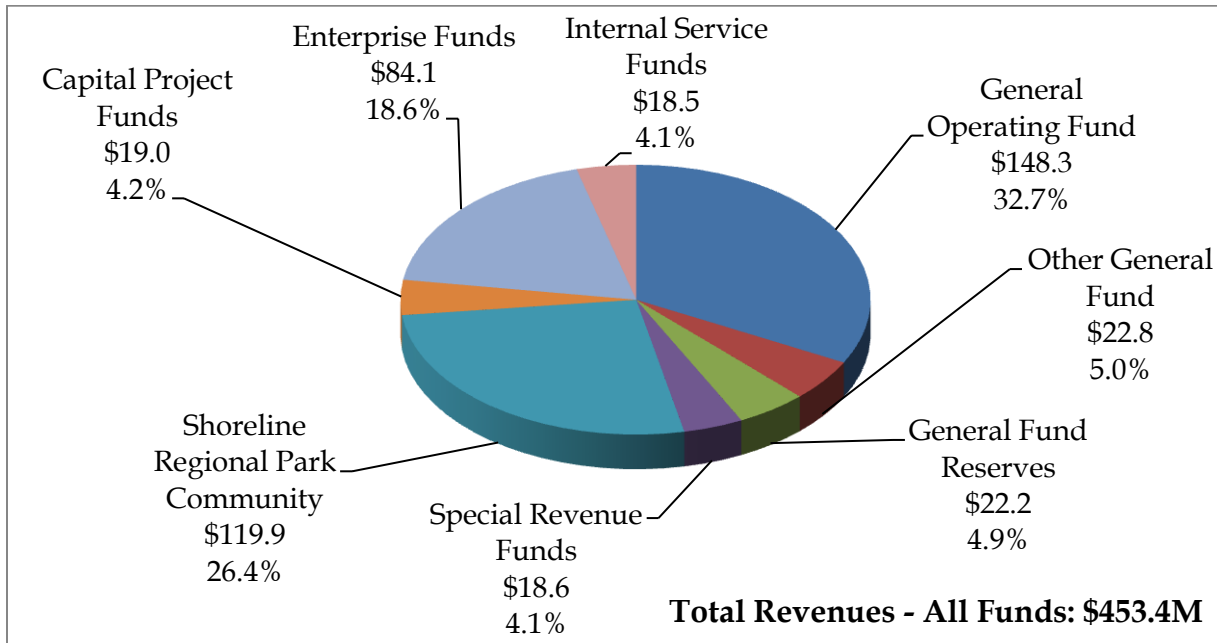
- Police Command Staff Succession Planning: +\$47,900 (GOF ongoing)

To develop staff in preparation for assuming higher levels of responsibility in critical management roles. (7-17)

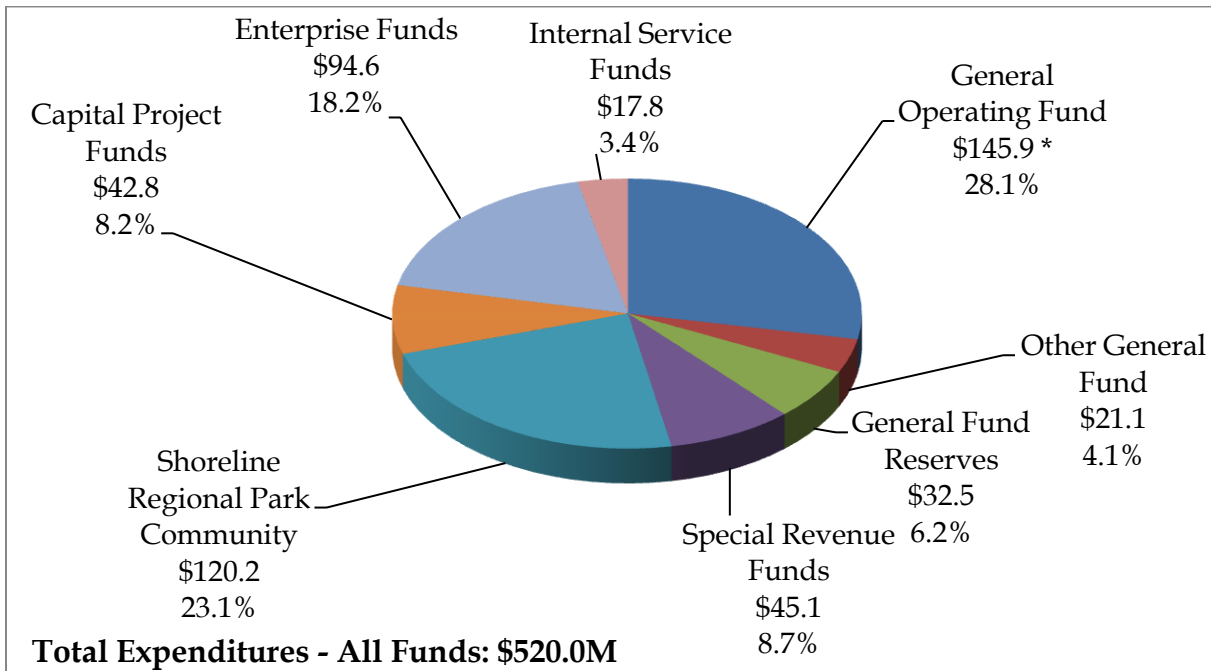
- Homeless Census Count: +\$6,600 (Below-Market-Rate Fund, \$2,000 new and \$4,600 rebudget limited period) (7-33)

Additionally, detailed information can be found on the Major Program Changes section in each division and the proposed Discretionary and Limited Period lists.

**Total Fiscal Year 2019-20 Proposed Revenues – All Funds  
(dollars in millions)**



**Total Fiscal Year 2019-20 Proposed Expenditures – All Funds  
(dollars in millions)**

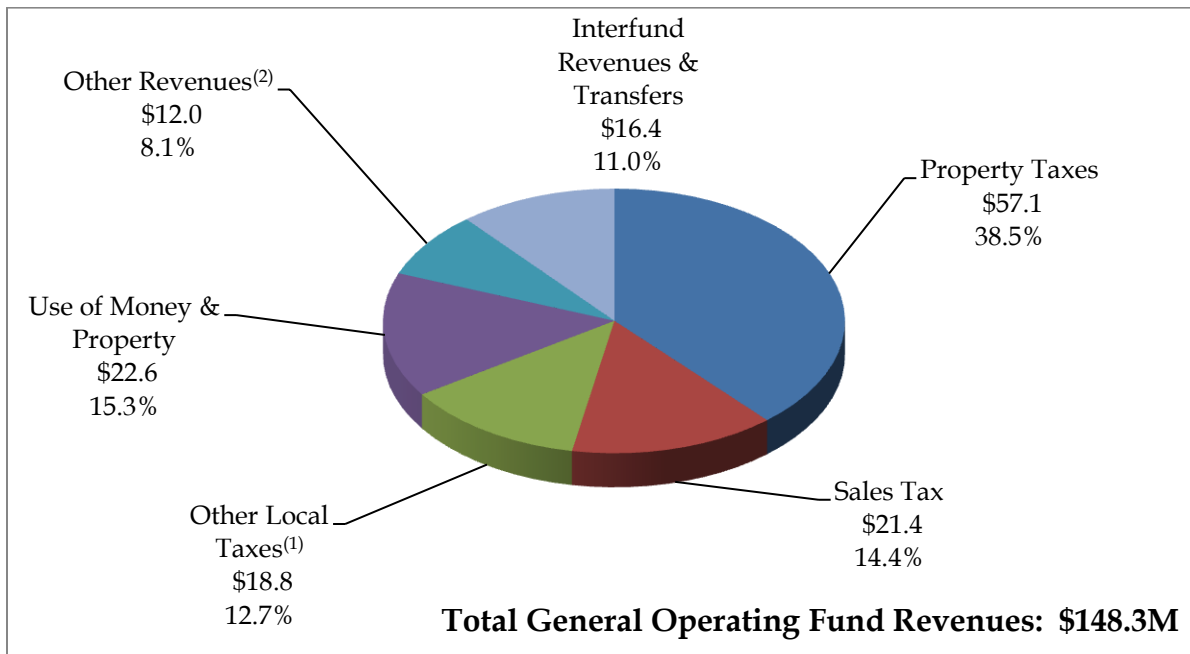


\* Note: Net of the \$2.3 million budget savings and includes the transfers of \$1.0 million to the GNOF for the new Sustainability CIP, \$2.0 million to the GF Reserve, \$3.0 million to the Capital Improvement Reserve, and \$4.0 million toward the CalPERS Liability.

The GOF is the single largest City fund and provides funding for the core services of the City, such as Police, Fire, Parks, Recreation, Library, some Planning and Public Works, and Administration. The GOF Proposed Budget includes the recommendations presented at the Narrative Budget Report Study Session, as well as the City Council and staff additions discussed above. An updated summary is as follows (dollars in thousands):

Total Revenues	\$148,324
Total Expenditures	<u>(135,870)</u>
Operating Balance	12,454
Transfer to GNOF for Sustainability CIP	(1,000)
Transfer to General Fund Reserve	(2,000)
Transfer to Capital Improvement Reserve	(3,000)
Contribution to CalPERS	<u>(4,000)</u>
Ending Balance	<u>\$ 2,454</u>

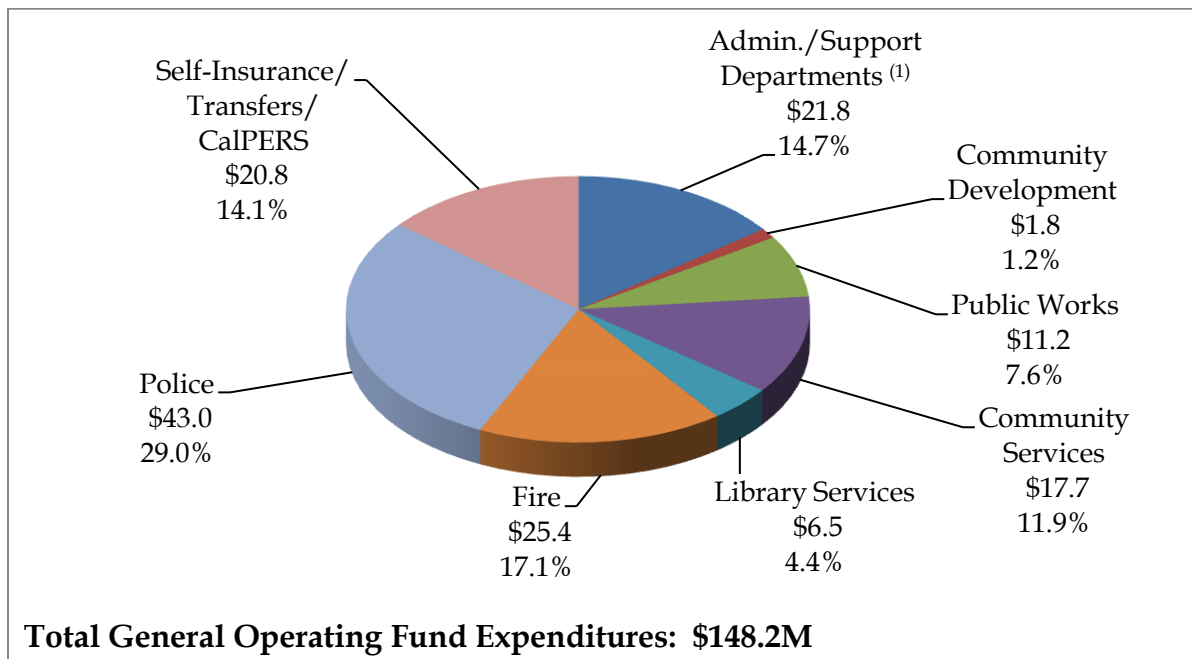
**Total Fiscal Year 2019-20 Proposed Revenues – GOF  
(dollars in millions)**



<sup>1</sup> Other Local Taxes consist of Transient Occupancy Tax, Business Licenses, and Utility Users Tax.

<sup>2</sup> Other Revenues consist of Licenses, Permits and Franchise Fees, Fines and Forfeitures, Intergovernmental, Charges for Services, and Miscellaneous Revenues.

**Total Fiscal Year 2019-20 Proposed Expenditures – GOF  
(dollars in millions)**



<sup>1</sup> Admin./Support Departments include: City Council, City Clerk, City Attorney, City Manager, Information Technology, and Finance and Administrative Services.

Note: Does not include the \$2.3 million budget savings, but does include the transfers of \$1.0 million to the GNOF for the new Sustainability CIP, \$2.0 million to the GF Reserve, \$3.0 million to the Capital Improvement Reserve, and \$4.0 million toward the CalPERS Liability.

At the Narrative Budget Report Study Session, the City Council requested staff to return with additional information on the following items:

- Child-Care Subsidies: \$100,000 (Child-Care Commitment Reserve for the next five years, included in Proposed Budget) (see Attachment 2)
- Feminine Hygiene: Estimated cost \$250 to \$1,000 (see Attachment 3)
- Friends of Caltrain: \$5,000 (GOF ongoing, included in Proposed Budget) (see Attachment 4)
- Community Outreach (Multilingual) Coordinator 0.25 FTE limited-period position: \$35,800 (GNOF limited period, included in Proposed Budget) (see Attachment 5)

In addition, new items (included in the Proposed Budget) that have been discussed and actions taken/direction given by the City Council and need to be budgeted or rebudgeted or are being proposed by staff for City Council consideration are as follows:

City Council Actions:

- Environmental Sustainability: \$7.5 million (\$4.5 million from GF Carryover, \$3.0 million change allocation from SPAR (\$2.0 million Fiscal Year 2018-19, \$1.0 million Fiscal Year 2019-20 GOF allocation))

Staff proposes a CIP be created to achieve the intent approved by the City Council to establish funds for a variety of work plan items that will span multiple fiscal years.

- Affordable Housing Project at 950 West El Camino Real: \$21,072,844 rebudget (BMR)

On April 30, 2019, the City Council discussed the affordable housing project at 950 West El Camino Real and approved appropriations of \$21,072,844 in Below-Market-Rate (BMR) Housing funds. As the agreement is estimated to be complete in November 2019, funds need to be rebudgeted.

- Los Altos School District (LASD)/acquisition of joint-use open space and recreational facility at a future school site and a public park in Mountain View: \$43.0 million (\$40.0 million Parkland Dedication (PLD) Funds \$3.0 million Open Space Acquisition Reserve (OSAR))

City Council took action December 11, 2018 to appropriate \$23.0 million from PLD for public accessibility to open space/recreation facilities associated with the new school site, and \$17.0 million from PLD and \$3.0 million from OSAR for the purchase of a two-acre public park site, to be reimbursed by developer fees. The agreement was initially expected to be complete in January 2019; however, it has been delayed, and LASD has not finalized their actions yet. It is expected the \$20.0 million in developer reimbursement will be received in the July/August 2019 timeframe.

Proposed by Staff:

- ADA Consultant: +\$200,000 (GNOF limited period)

Provides funding for a consultant to prepare an ADA assessment and transition plan for City facilities, website, and public programs (streets, sidewalks, etc.).

Items that, due to timing, are not included in the Proposed Budget and are being proposed by staff to be rebudgeted or for City Council consideration, are as follows:

- Plaza Activation (Artistic Bike Rack and Synthetic Turf at Civic Center Plaza): \$28,400 rebudget (GNOF limited period)

Rebudgets \$3,000 for an artistic bike rack and \$25,400 for synthetic turf at Civic Center Plaza. Staff from several departments have collaborated to identify numerous options for artistic bike racks. Rebudgeting funds to Fiscal Year 2019-20 will provide staff the opportunity to receive input from one or more advisory bodies, such as the Visual Arts Committee or Bicycle/Pedestrian Advisory Committee, prior to the purchase and installation. A Request for Proposals for the synthetic turf was issued in April 2019. Only one response was received and that vendor could not meet City requirements. Staff is currently working on finding another vendor.

- Police Department Organization Staffing Study: \$80,000 rebudget (GNOF limited period)

The Police Department organization staffing study was approved and appropriated at the January 22, 2019 City Council meeting. The procurement process is under way, but the agreement may not be ready by the close of the fiscal year.

- City Predevelopment Cost for Affordable Housing Project at 950 West El Camino Real: \$265,000 rebudget balance (BMR limited period)

Staff will complete the loan agreement with Palo Alto Housing for \$1.4 million of the total \$1.7 million in predevelopment costs. However, staff will not be able to complete entering into agreements by the end of the fiscal year for all of the City's predevelopment costs.

- Reclassification of an Associate Planner position to Senior Planner: \$14,500 (\$1,500 GOF; \$13,000 Development Services Fund)

Provides funding for the conversion of an Associate Planner position to Senior Planner to support an increased number of complex development review projects, which require greater experience and responsibility.



- Additional Senior Civil Engineer position tied to the Google Reimbursement Agreement: \$234,200 (Google Reimbursement)

Staff is currently working on an amendment to the Google Reimbursement Agreement, extending the term three years. The amendment also includes increasing the staff reimbursement from two positions (one Senior Planner and one Senior Civil Engineer) to three positions (adding a second Senior Civil Engineer position). The positions will be authorized for the term of the agreement.

- City Council Major Goals Work Plan: \$1,352,500 (\$267,500 GNOF; \$50,000 Housing Fund; \$1,035,000 Land Use Document Fee-Development Services Fund)

At the May 21, 2019 City Council meeting, the City Council adopted the Fiscal Year 2019-20 through Fiscal Year 2020-21 City Council Major Goals Work Plan. Eight (8) of the projects in the adopted work plan require budget appropriations for Fiscal Year 2019-20 above and beyond any funds previously included in the Narrative Budget Report. The projects and necessary appropriations are as follows:

Project	Additional Funding Request	
	Amount	Source(s)
1.9 Displacement and net loss review	\$30,000	General Fund: LP
1.11 Know Your Rights workshops	\$12,500	General Fund: LP
2.5 R3 Zone standards	\$1,000,000	Land Use Document Fee
2.1 Exploration of modifications to CSFRA	\$25,000	General Fund: LP
2.13 Mobile home park space rents	\$125,000	General Fund: LP
2.19 Update City documents per new housing laws	\$35,000	Land Use Document Fee
2.21 Evelyn site affordable housing	\$50,000	Housing Fund
5.10 Small business strategy	\$75,000	General Fund: LP

Project 2.5 – R3 Zone Standards is proposed to be a new capital project and will be included in Fiscal Year 2019-20 of the 5-Year CIP. Staff is anticipating some one-time revenue and expenditure savings not currently included in the carryover calculation that will be sufficient to fund the General Fund limited-period projects.

- Principal Planner Position: \$218,400 (\$21,800 GOF; \$196,600 Development Services Fund)

As part of the City Council Major Goals Work Plan presented at the May 21, 2019 City Council meeting, staff requested, and Council provided, direction to add a Principal Planner position.

The above new items are not included in the Fiscal Year 2019-20 Proposed Budget. Any changes to the Fiscal Year 2019-20 Proposed Budget approved by City Council prior to formal adoption will be included in the Adopted Budget, scheduled for a public hearing on June 18, 2019.

### **FISCAL IMPACT**

The Proposed Budget provides a fiscal plan for the City for Fiscal Year 2019-20 with a structurally balanced GOF and projected year-end operating balance of \$2.5 million.

### **ALTERNATIVES**

Council may request modifications to the Fiscal Year 2019-20 Proposed Budget as presented or provide other direction prior to finalizing the budget on June 18.

## **PUBLIC NOTICING**

Agenda posting, notice of fee modification as required, and notice of the public hearing was published in two newspapers of general circulation.

Prepared by:

Lauren Kawawaki  
Financial Analyst

Ann Trinh  
Financial Analyst

Helen Ansted  
Principal Financial Analyst

Suzanne Niederhofer  
Assistant Finance and Administrative  
Services Director

LK-AT-HA-SN/6/CAM  
541-06-11-19CR  
190027

Approved by:

Jesse Takahashi  
Finance and Administrative  
Services Director

Daniel H. Rich  
City Manager

- Attachments:
1. [Fiscal Year 2019-20 Proposed Budget](#)
  2. Child-Care Commitment Reserve and Child-Care Subsidies Update
  3. Feminine Hygiene Products at City Facilities
  4. Friends of Caltrain
  5. Fiscal Year 2019-20 Funding for Additional 0.25 FTE Multilingual Community Outreach Coordinator