



DATE: June 8, 2021

CATEGORY: Public Hearing

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

TITLE: **Public Hearing for the Fiscal
Year 2021-22 Recommended Budget**

RECOMMENDATION

1. Convene a public hearing, accept public comment, and provide input to staff on the Fiscal Year 2021-22 Recommended Budget (Attachment 1 to the Council report).
2. Approve the Strategic Roadmap Action Plan Fiscal Years 2021-23 (Attachment 2 to the Council report).
3. If approved on Consent, direct staff to include in the Fiscal Year 2021-22 Recommended Budget, General Housing Fund, \$150,000 for the first-year grant funding from Destination: Home.
4. Direct staff to include in the Fiscal Year 2021-22 Recommended Budget in the City Council's Budget \$15,000 for team-building, \$18,100 to restore the Training, Conference and Travel reserve, and \$4,000 to restore the additional travel allowance for the Mayor back to prepandemic levels.
5. Authorize the City Manager to amend the agreement with the Community Services Agency to increase funding of \$1.0 million for direct financial assistance and other programs at Community Services Agency's discretion, which may include rent relief.
6. Authorize the use of another \$3.0 million (for a total of \$6.0 million) for the Homebuyer Program from the Earned Lease Revenue Reserve.
7. Defer new Gatekeeper requests until fall 2023 when Strategic Action Plan items and major planning projects get completed over the next two years.

BACKGROUND

The Fiscal Year 2021-22 Recommended 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.

While most departments began working on their budget submittal in November 2020, the budget process for Fiscal Year 2021-22 started in December 2020, with instructions to departments for preparation of budget requests. At the time of developing the Fiscal Year 2021-22 Recommended Budget, the world was still grappling with the effects of the COVID-19 pandemic.

A brief summary of the budget development and adoption timeline is as follows:

- February 5, 2021: Department budget requests due to the Finance and Administrative Services Department.
- February 9, 2021: The Midyear Budget Status Report and GOF Preliminary Forecast for Fiscal Year 2021-22 were presented to the City Council.
- March 2021: Department budget meetings with the City Manager and Budget Review Team.
- March 16, 2021: Draft Vision, Strategic Priorities, and Potential Projects Study Session.
- March 23, 2021: Proposed Fiscal Year 2021-22 Capital Improvement Program Study Session.
- April 27, 2021: Fiscal Year 2020-21 Third Quarter Budget Status Update Report Public Hearing.
- April 27, 2021: Continue refinement of Strategic Roadmap Action Plan for Fiscal Years 2021-22 and 2022-23.
- April 27, 2021: Community Development Block Grant (CDBG) public hearing.
- May 25, 2021: Recommended Fiscal Year 2021-22 Capital Improvement Program Study Session.

- June 8, 2021: Public hearing on the Fiscal Year 2021-22 Recommended Budget, including water, sewer, and trash and recycling rates, and various fees.
- June 22, 2021: Proposition 218 public hearing.
- June 22, 2021: Public hearing to adopt the Fiscal Year 2021-22 Recommended Budget, including water, sewer, and trash and recycling rates, various fees, City Council's Strategic Roadmap and priorities, and the Fiscal Year 2021-22 Capital Improvement Program.

ANALYSIS

While the past year has been an unprecedented and challenging period in history for the City of Mountain View, the nation, and the entire world, due to the impacts of the COVID-19 pandemic, it has also been a remarkable time of coming together to help those most in need and disproportionately affected by the pandemic. The City declared a local emergency on March 12, 2020, and a Countywide Shelter-In-Place order began on March 17, 2020. Over the past year, the order has been extended twice with varying degrees of restrictions and has continued until the time of this writing. However, most recently, the State of California has experienced a significant improvement in the battle to fight the pandemic with both adjusted case rates and test positivity rates declining significantly Statewide.

In Santa Clara County, cautious optimism is shared by many as the economy opens up and begins to return toward a more normal environment. On May 19, 2021, the County moved into the "yellow" (lowest restriction) tier under the State's "Blueprint for a Safer Economy." In addition, the County's current COVID-19 vaccination rate for all residents over the age of 12 is climbing toward 80.0%, one of the highest vaccination rates in the nation. As a result of increased vaccinations and lower positive case rates, restrictions have been easing throughout the State and, based on the Governor's recent announcement, Statewide Shelter-In-Place orders are anticipated to end June 15, 2021 with the reopening of the economy.

The economic impacts of COVID-19 have been significant but are slowly showing signs of improvement. In April 2020, the Statewide unemployment rate reached an extreme level of 15.5%. One year later, the first quarter of 2021 ended positively with robust employment and strong consumer spending growth. By March 2021, the Statewide unemployment rate was 8.3% and is expected to decrease further over the next year. The unemployment rate in Mountain View was 3.5%, indicating the strength of the local and regional economy. Although many jobs were lost during the past year, the labor market

has vastly improved in recent months, and jobs have returned with some exceptions for certain sectors that were harder hit and may be slower to regain past employment levels.

COVID-19 Response and Recovery

Throughout the COVID-19 pandemic, the City pivoted quickly by enacting swift and innovative programs to assist small businesses and the most vulnerable members of our community and has demonstrated Statewide and regional leadership in responding to the crisis. In addition, the Citywide team has embraced process innovations and operational efficiencies to transform the way we do business. Significant City efforts over this past year include:

- Continuing one of the largest rent relief programs in the Bay Area by providing almost \$4.0 million to help Mountain View renters in need during the pandemic.
- Securing State Project Homekey funding of \$12.0 million and pioneering an innovative private/public partnership with LifeMoves, the County of Santa Clara, Google, and LinkedIn to build within six months and open LifeMoves Mountain View, an interim, transitional modular housing project with over 100 units for homeless, unstably housed, and displaced residents.
- Operating three 24/7 safe parking lots with capacity for more than 101 vehicles to park to assist unstably housed residents, the largest program in the County.
- Distributing over \$900,000 in zero-interest microloans to more than 100 small businesses through the Small Business Resiliency Program, including City funding of \$400,000, a \$400,000 match from Google, and \$100,000 from LinkedIn.
- Creating the Small Business Grant Program with \$250,000 in funding to provide 50 \$5,000 grants to small businesses.
- Collaborating with the Mountain View Chamber of Commerce to develop the www.ilovemv.org online marketplace for local small businesses.
- Implementing “Outdoor Mountain View” (OMV) guidelines to allow downtown restaurants and businesses to temporarily operate outside on private property or authorized public property.
- Opening the County’s first mass COVID-19 vaccination clinic site at the Mountain View Community Center within a week, in conjunction with the County of Santa Clara, providing over 60,000 vaccines as of May 2021.

- Providing City facilities and City staff for COVID-19 testing centers in Mountain View, including launching a drive-through testing site at Shoreline Athletic Fields with Planned Parenthood and utilizing the Center for the Performing Arts in conjunction with the County of Santa Clara and El Camino Hospital.
- Deploying Fire Department staff to work at the County of Santa Clara Public Safety COVID-19 Vaccination Clinic.
- Establishing the Mountain View “Homebound” COVID-19 mobile vaccination clinic for Fire Department staff to provide in-home vaccinations to seniors and vulnerable community members.
- Redeploying Firefighter/Paramedics to two hospitals to assist with critical COVID-19 patient care during the height of the pandemic.
- Coordinating a Citywide Strategic Communications Team to provide multi-layered pandemic response information to the public, including extensive multilingual outreach in Spanish, Chinese, and Russian.
- Implementing the Castro StrEATs program to temporarily close downtown Castro Street to vehicles in support of COVID-19 recovery for downtown restaurants and businesses.
- Continuing the Mountain View Resiliency Roundtable made up of over 40 community leaders and stakeholders to collaborate on how to move forward together as a community.
- Approving equitable rent adjustments on various City leases to accommodate financial hardships to tenants caused by COVID-19.
- Providing over 15 hygiene and mobile sanitation stations around the City for homeless and unstably housed residents.
- Redeploying City staff to help nonprofit community organizations with food distribution efforts and translation services.
- Adopting an action plan to support youth mental health and wellness.
- Creating a small-business call center where employees called over 700 small businesses to provide resources and support.

- Adapting Recreation programming to virtual activities, including after-school programming, 5K/10K runs, holiday kits, and many other community programs.
- Converting City contracts to electronic review and approval.
- Implementing a new automated online bidding application, Planet Bids, to streamline the bidding process for both bidders and City staff.
- Developing an online reporting module for both non-Workers' Compensation and Workers' Compensation COVID-19 cases to enable faster reporting times.
- Implementing the Library "Grab and Go Holds" pickup program to provide access to Library materials during the pandemic.
- Launching an online Spanish language story time and a Spanish language parenting program.
- Adding new digital services and additional e-books to provide more electronic options for people to utilize the Library from anywhere.
- Revamping the Community Development permit center into both an outdoor and online permit center to respond to the closure of City Hall during the pandemic.
- Distributing *The Briefing* e-newsletter weekly to inform the community about the latest COVID-19 updates and, building upon that effort, launching the *City Hall Connection* e-newsletter to include updates about City events and projects.
- Presenting regular COVID-19 updates to the public at City Council meetings.
- Developing safe return-to-work plans for employees and facility reopening plans in line with State and local COVID-19 protocols.
- Holding regular employee Town Hall meetings to communicate to all employees about the latest COVID-19 updates and other City developments.
- Distributing a tailored weekly e-newsletter to all employees to keep staff informed about City business, COVID-19 information, and expressing coworker recognition and appreciation.

- Launching online appointment scheduling for the Community Development, Community Services, and Police Departments.
- Continuing to support over 400 employees working remotely and providing enhanced technology resources as part of that effort.

Although the City has devoted available one-time funding resources towards the aforementioned efforts, the City's revenues have been negatively impacted during the pandemic. As with most local governments, the City has experienced a loss in revenue this past fiscal year. Most notable is the loss of Transient Occupancy Tax (TOT) revenue, estimated to be \$5.2 million lower in the current fiscal year compared to Fiscal Year 2018-19, the last full fiscal year prior to the pandemic. While it is expected that increased vaccinations will increase hotel stays, it is projected that revenues will not reach the Fiscal Year 2018-19 level until Fiscal Year 2023-24. Sales Tax and Service Charge revenues were also hit hard with stores closed, the Center for the Performing Arts closed, and Recreation classes, camps, and rentals canceled.

Even though there was a loss of revenue in Fiscal Year 2020-21, the General Operating Fund (GOF) has been able to remain balanced primarily due to lower expenditures in salaries and benefits (primarily from staffing vacancies), supplies, services, and capital outlay. In addition, with the City's strong property tax base, higher property tax revenue has offset some of the revenue loss while steady lease revenue from City-owned property continues to keep the GOF revenue more stable.

It is projected that it will take time for the City's revenue sources to reach prior levels. As a result, the City faces projected deficits on the horizon followed by a period of recovery. For Fiscal Year 2021-22, there is a preliminary negative operating balance of \$4.2 million, and staff recommends utilizing Excess Education Revenue Augmentation Fund (ERAF) funding, a limited-period revenue source, to balance the budget and smooth the impacts of lost revenue due to the COVID-19 pandemic. In the Five-Year Forecast, the following two fiscal years project negative operating balances of \$4.6 million and \$1.5 million. The fourth and fifth fiscal years are balanced primarily due to revenue growth from property tax, sales tax, and TOT.

More detailed information about the City's projections can be found in the City's Five-Year Financial Forecast section beginning on Page 3-1 in the Recommended Budget Document.

American Rescue Plan Act

In addition to the above local efforts, the Federal government responded to the large number of people nationwide impacted by joblessness, evictions, food insecurity, and other difficulties caused by the pandemic. The American Rescue Plan Act (ARPA) was passed by Congress and signed into law by President Joe Biden on March 11, 2021 and is expected to be a major factor in ensuring the economic recovery continues to be successful with \$1.9 trillion in Federal funding to help mitigate the impacts of the pandemic and assist individuals and communities to rebuild and get back on their feet. In this package, \$65.0 billion is allocated for local governments nationwide with an estimated \$8.0 billion earmarked for California cities.

The City of Mountain View is expected to receive approximately \$15.7 million in direct funding over two years. Receipt of the funds will be made in two equal payments spaced one year apart. The first distribution, approximately \$7.85 million, was available for draw-down in May 2021. The second distribution will occur one year later. Since the City has until December 2024 to spend the funds, the remaining funding will be assessed in relation to the City's continuing fiscal situation, potential revenue losses over the next fiscal year, and other anticipated needs.

The City may use these funds for eligible purposes, including the following:

- Revenue replacement for lost revenue due to the pandemic;
- Negative economic impacts from the pandemic;
- Assistance to small businesses, households, hard-hit industries, and economic recovery; and
- Investments in water, sewer, or broadband infrastructure.

Table 1 below is a summary of Council's preliminary recommended utilization of the first distribution of ARPA funds from the U.S. Treasury Department. However, because the Treasury Department is still expected to make additional changes to its interim rules after receiving public comments over the next several months, the result may be that not all of the recommended uses below will fit squarely with the final eligibility parameters. Consequently, the City may apply the ARPA provision which allows the City to receive reimbursement for the provision of government services to the extent of a reduction in its general revenue. This provision grants the City broad authority to spend ARPA funds used for this purpose. This would allow other one-time General Fund moneys to be freed

up for the purposes noted below so that all of the funding will be compliant with allowable uses.

Additional information on some of these uses can be found in the Recommended Budget beginning on Page 1-8.

Table 1: Recommended ARPA Funds Utilization

Recommended Uses	Amount
Community Services Agency (CSA) funding for direct assistance/rent relief/discretionary uses	\$1,000,000
Guaranteed Basic Income pilot program	1,000,000
Mountain View Solidarity Fund	1,000,000
Technology equipment, hardware, and IT contracts to support online services/remote work/Zoom conference rooms/hybrid meetings	950,000
Unpaid utility bills for residents/small business	750,000
Contract services/PPE/facility improvements for reopening City buildings and implementing required health and safety changes	600,000
Safe parking and homelessness services	250,000
Small business grants of \$5,000 for businesses who applied and did not get selected in the initial grant lottery, and additional funding for new businesses to receive grants	235,000
Economic vitality strategy	200,000
Award of funding to nonprofits who did not receive funding from CDBG/General Fund NOFA process	117,000
CHAC one-time funding	100,000

Recommended Uses	Amount
Castro StrEATs aesthetic improvements	60,000
Displacement strategy	50,000
Eviction defense fund	50,000
TOTAL RECOMMENDED USES	\$6,362,000

Race, Equity, and Inclusion Action Plan

Beyond the COVID-19 pandemic, this past year, the nation was also faced with a critical examination of social-justice matters, police reform, and racial inequities in light of the killing of George Floyd in Minneapolis, Minnesota. Over this past year, the City has taken significant steps toward implementing measures to promote racial justice, equity, and inclusion; these efforts will continue into the next fiscal year and represent a significant part of the Recommended Budget.

An Ad Hoc Council Subcommittee on Race, Equity, and Inclusion (REI Subcommittee) was created in June 2020 to guide the City's efforts on these issues, engage the community in meaningful dialogue, and take action toward a vision of racial justice, equity, and enhanced public trust in law enforcement in Mountain View.

With input from the REI Subcommittee, the City has implemented a Race, Equity, and Inclusion Action Plan focused on three areas, including: policing practices, policies, and accountability; celebration and recognition of community diversity; and review of City operations and policies, with opportunities for community engagement throughout.

Significant efforts made over the course of the fiscal year included:

- Collaborating with regional leaders on solutions.
- Hiring a Ph.D. Research Fellow to analyze MVPD data and design solutions.
- Exploring alternative responses to mental health calls for service.
- Engaging the community on dialogue about policing.

- Launching MVPDx: Partnership for the Future of Policing.
- Creating the Public Safety Advisory Board.

In April 2021, the REI Subcommittee discussed recent efforts to address the increase in xenophobia and anti-Asian American and Pacific Islander sentiment both locally and across the country. As a result of this discussion, the REI Action Plan has been broadened to include the following potential efforts:

- Placing a plaque in downtown Mountain View to commemorate the previous location of Chinatown.
- Holding events that encourage dialogue about the diverse experiences that Mountain View residents of different races and ethnicities have.
- Through the Council Youth Services Committee, exploring how bias and hate incidents impact youth in Mountain View.
- Launching a Mandarin language civic leadership academy.
- Maintaining an inventory of trusted antihate and discrimination community resources on the City's website.
- In partnership with the Human Relations Commission, supporting and promoting bystander trainings that are provided by community partners.

The City will continue to build on these efforts over the course of the next fiscal year, along with other efforts included in the Race, Equity, and Inclusion Action Plan (see Attachment 3). Further information about the Action Plan may also be found at MountainView.Gov/REIActionPlan.

Budget Equity Lens

Following a recommendation from the REI Subcommittee to the City Council, the City made a change to the annual budget development process by incorporating the use of an equity lens for any new budget requests that were submitted by departments for consideration as part of the Recommended Budget.

The City is fortunate to have a diverse population of residents comprised of a range of multicultural and ethnic backgrounds, income levels, ages, and perspectives. While the City desires all residents within the City to fully participate in, and benefit from, the

economic vitality and resources in the region, we recognize that this does not always occur and that more can be done to promote equitable outcomes for all community residents. This is achievable by taking a closer look at how decisions, specifically budget decisions, impact communities of color, lower-income residents, and those that may be disadvantaged or disabled and lacking the same access to the benefits and resources that are available to others in the community.

Because this type of assessment is typically an extensive undertaking requiring more financial and operational resources than the City currently has, the City committed this year to ask the following questions as an “equity lens” in helping to evaluate whether budget additions, potential reductions, and/or reallocations should be recommended:

1. Does this benefit communities of color and/or low-income residents?
2. Does this burden communities of color and/or low-income residents?

The one-time and ongoing recommendations contained in the Fiscal Year 2021-22 Recommended Budget were assessed using this equity lens and were determined to benefit communities of color and low-income residents.

Building upon the City’s commitment to equity, a new full-time Human Services Manager position is recommended to replace a vacant Police Officer position in the Recommended Budget. This position will serve in the City Manager’s Office and will provide leadership and technical expertise on Citywide projects related to homelessness, mental health, basic income, and other efforts under way. This position will also build upon existing strong partnerships with regional nonprofits, private entities, community stakeholders, and local government agencies, including the County of Santa Clara, which functions as the primary provider of Countywide social service and safety net programs.

Lastly, the City held an interactive Budget 101 Workshop for the community in April 2021, where residents learned about how the budget is developed, where the City’s revenues come from, and where money is spent to provide services to the community. Participants also engaged in an interactive budget balancing and prioritizing exercise to understand how budget decisions and tradeoffs are made.

Strategic Planning and Visioning

This past fiscal year, the City began a process to develop a Strategic Roadmap that includes a vision of where the City strives to be in the next three to five years, the City’s top Strategic Priorities (currently called Council Major Goals), and an achievable multi-

year work plan of the critical projects to accomplish the priorities and vision (referred to as the Fiscal Years 2021-23 Strategic Roadmap Action Plan).

On April 27, 2021, the City Council considered a revised vision statement and Strategic Priorities as well as recommended projects for the Fiscal Years 2021-23 Strategic Roadmap Action Plan. Council will approve the Strategic Roadmap on June 8, 2021 and will adopt the Roadmap, along with the Recommended Budget, with funding appropriations on June 22, 2021.

The vision statement and Strategic Priorities are as follows:

City of Mountain View Vision

“A welcoming, vibrant city that plans intentionally and leads regionally to create livable, sustainable neighborhoods, access to nature and open spaces, and a strong, innovation-driven local economy.”

City of Mountain View Strategic Priorities



- Community for All: Support Mountain View’s socioeconomic and cultural diversity. Engage and protect vulnerable populations through policies that promote access to housing, transportation, and other programs and services.

- Livability and Quality of Life: Enhance Mountain View as a great place to live that values community health and well-being. Preserve Mountain View's unique character, restore wildlife habitats, and promote arts and culture. Provide parks, open space, and other key amenities.
- Intentional Development and Housing Options: Support an increase in the quantity and diversity of housing options, including assistance for the unhoused. Provide opportunities for affordable housing as well as home ownership. Plan for neighborhoods with nearby transit, jobs, and amenities that balance density with livable, green, mixed-use development.
- Mobility and Connectivity: Develop a mobility network that enhances connectivity across Mountain View and establishes green corridors. Promote transit and safe, active transportation options that reduce single-occupancy vehicle trips and traffic and increase walking and biking.
- Sustainability and Climate Resilience: Through implementation of the Sustainability Action Plan and other actions, reduce and minimize the City's greenhouse gas emissions and prepare for sea level rise. Protect and enhance local ecosystems and biodiversity through rewilding and other measures. Support residents and businesses to adopt sustainable practices and use resources wisely.
- Economic Vitality: Support a walkable, beautiful, vibrant downtown and accessible village centers that draw residents and visitors. Create an environment where small, local, diverse businesses can thrive across the City alongside large employers. Continue to work in partnership with the business community so that Mountain View remains a center for innovation with meaningful jobs for workers.
- Organizational Strength and Good Governance: Continue to innovate, collaborate, and continuously improve to deliver a high level of customer service. Recruit, develop, and retain top-notch staff. Maintain fiscal responsibility and effective intergovernmental partnerships. Communicate and engage regularly and transparently with our multilingual community.

The City conducted a survey from May 12 to May 26, 2021 to validate the Vision and Strategic Priorities. The survey had a total of 357 responses: 266 of these were full responses, and 91 were partial. Most were English-language responses with 14 Spanish-language and 41 Mandarin-language responses. Overall, a majority of respondents (approximately 71%) indicated that they agree or strongly agree with the statement: "Taken together, this vision and these seven priorities generally capture what is important to the future of the City of Mountain View." Staff and CivicMakers are

preparing a brief report to summarize the survey results. This report will be provided to the City Council and posted to the City's website at MountainView.gov/StrategicRoadmap later this month. The work plan of the critical projects to accomplish the priorities and vision, the Strategic Roadmap Action Plan for Fiscal Years 2021-23, is attached to this Council report as Attachment 2.

Continued Deferral of New Gatekeeper Requests

During the June 2020 Proposed Budget Hearing, Council approved a staff recommendation to defer the Gatekeeper application process until fall 2021 due to high staff workload. As discussed during the recent Strategic Planning process, staff's workload capacity continues to be extremely high, and staff recommends that Council continue to defer the Gatekeeper application process until fall 2023.

The Planning Division has filled many vacancies and reduced the number of vacant positions from six to 1.5 full-time equivalent positions during this past year. Nevertheless, Planning Division staff continues to balance a heavy workload, including leadership of seven projects in the Strategic Roadmap Action Plan for Fiscal Years 2021-22 through 2022-23. In addition to Strategic Roadmap Action Plan items, staff is currently reviewing six Gatekeeper projects that are in various stages of the development review process and nine approved Gatekeeper application projects in the Building Permit review/construction stage.

Staff is also currently working on two large master plans and Development Agreements in the North Bayshore and East Whisman Precise Plan areas, and approximately 200 Planning applications are in the Development Review or Building Permit review/construction phase. While it is difficult for staff to predict the number of development applications that will be submitted for development "by-right" in the various Zoning Districts and Precise Plan areas, staff anticipates a similar number of applications to continue to be submitted for the foreseeable future. All of these are required to be processed within State-mandated timelines and are expected to take up a considerable portion of staff time.

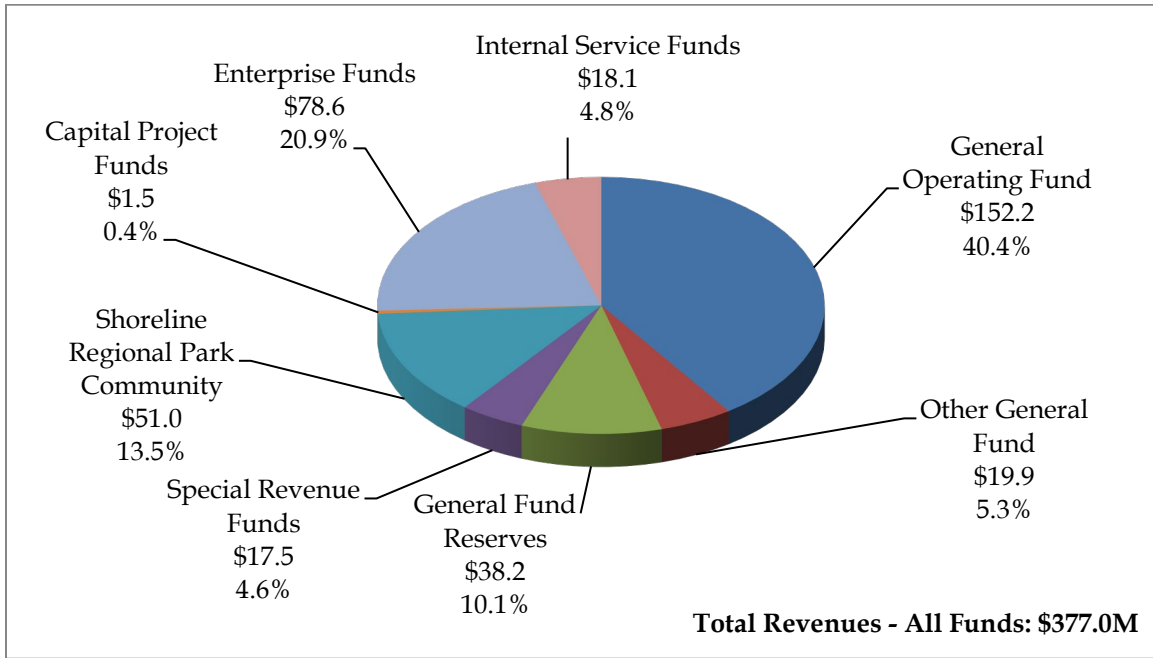
Thus, staff therefore recommends that consideration of Gatekeepers be deferred until fall 2023 when work plan items and major planning projects get completed over the next two years.

Fiscal Year 2021-22 Budget Overview

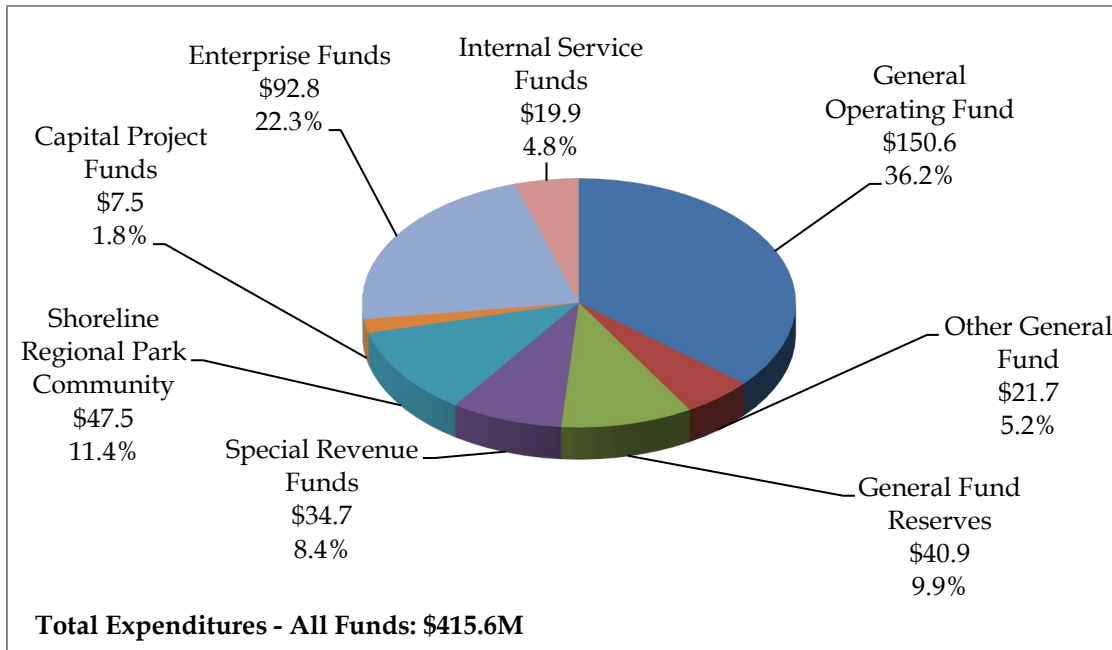
The total Recommended Budget for Fiscal Year 2021-22 is **\$377.0 million in revenues and \$415.6 million in expenditures**. Expenditures are greater than revenues as some

expenditures, such as capital projects, are funded from existing balances. **The GOF budget for day-to-day operations is \$150.6 million, net of the \$4.0 million estimated budget savings.**

**Total Fiscal Year 2021-22 Recommended Revenues – All Funds
(dollars in millions)**



**Total Fiscal Year 2021-22 Recommended Expenditures – All Funds
(dollars in millions)**

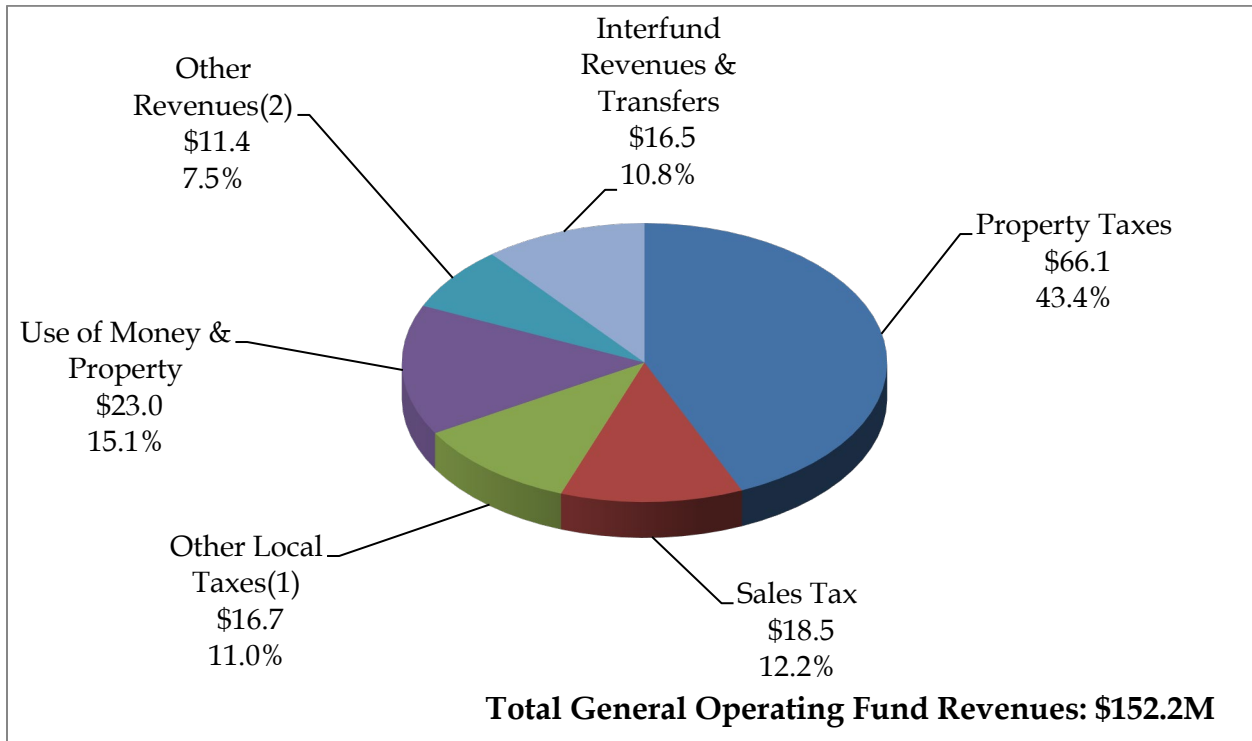


NOTE: General Operating Fund net of \$4.0 million estimated budget savings.

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, Sustainability and all City Administration functions, including the City Attorney, City Clerk, City Manager’s Office, Human Resources, Finance and Administrative Services, and Information Technology. The GOF Recommended Budget includes the City Manager’s recommendations and is currently estimated to be balanced using the amount of Excess Educational Revenue Augmentation Fund (ERAF) expected to be received in Fiscal Year 2021-22. A summary is as follows (dollars in thousands):

Total Revenues	\$146,412
Total Expenditures	<u>(150,634)</u>
Operating Balance	(4,222)
Excess ERAF	<u>5,836</u>
Balance	<u>\$ 1,614</u>

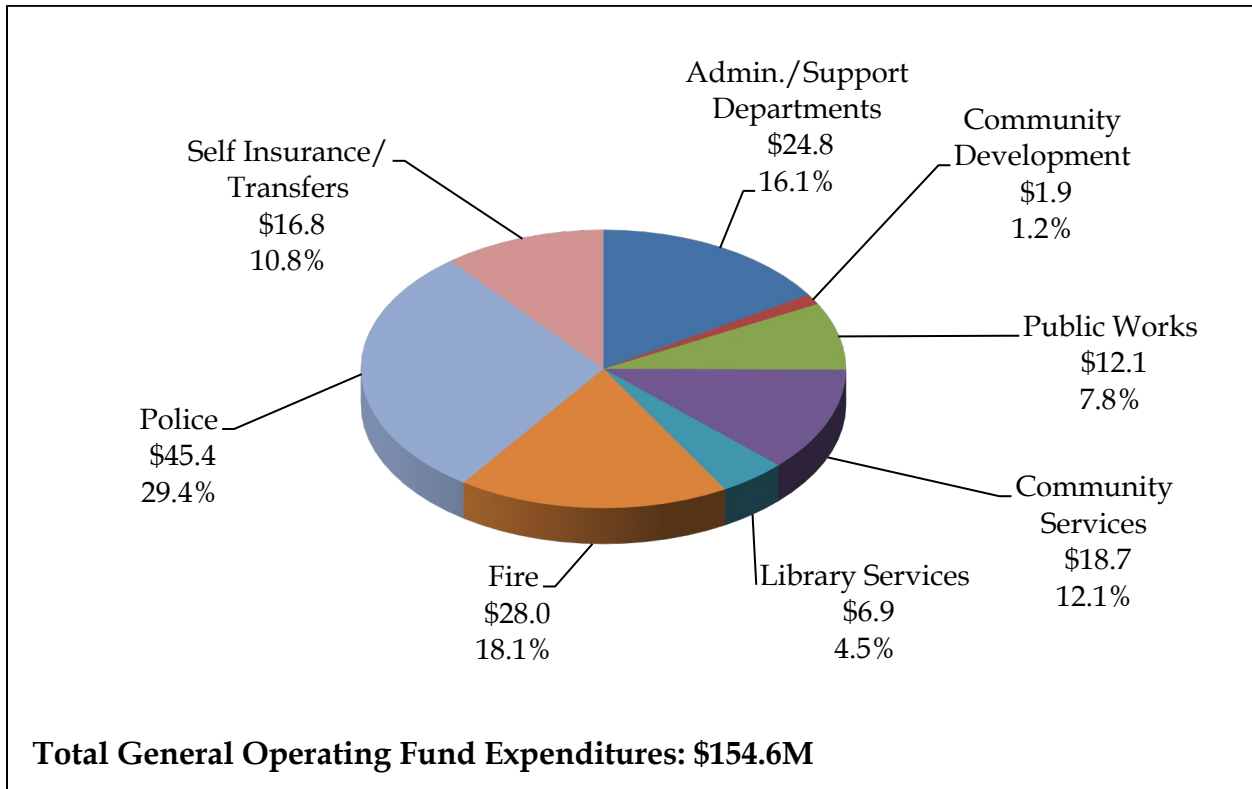
**Total Fiscal Year 2021-22 Recommended Revenues – GOF
(dollars in millions)**



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

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

**Total Fiscal Year 2021-22 Recommended Expenditures – GOF
(dollars in millions)**



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

NOTE: Excludes the \$4.0 million estimated budget savings.

General Operating Fund Five-Year Financial Forecast (Forecast)

Included in the Recommended Budget document (Attachment 1) is the Forecast beginning on Page 3-1. 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 generally possible to identify reasonable financial trends and provide a conceptual financial picture for a multi-year period which is useful to the City Council’s decision-making. However, forecasting the impacts of COVID-19 is even more challenging, and financial trends are difficult to project with the degree of uncertainty surrounding the current economic climate that continues to impede a clear view of the future. The Forecast includes staff’s best estimates for the projected fiscal outlook for the GOF (including the Fiscal Year 2021-22 Recommended Budget).

The Forecast was prepared assuming the earliest recovery period will begin this summer for certain revenue categories such as sales tax and other local taxes, but other revenue categories are not expected to recover fully until well into the subsequent Forecast years. For Fiscal Year 2021-22, staff recommends utilizing Excess ERAF funding to smooth the impacts of lost revenue due to the COVID-19 pandemic. The Forecast then indicates the City will experience budget deficits of approximately \$4.6 million in Fiscal Year 2022-23 and \$1.5 million in Fiscal Year 2023-24. The fourth Forecast year is balanced and the fifth Forecast year is projected with a surplus of \$669,000.

Budget Changes

Destination: Home Grant

On the Consent Agenda tonight, Council will consider acceptance of a \$450,000 grant from Destination: Home. The grant will be distributed over three years, \$150,000 in each Fiscal Years 2021-22 through 2023-24. If approved, staff recommends including the first-year grant amount of \$150,000 in the Recommended Budget.

City Council Budget

Staff recommends including in the Recommended Budget \$15,000 for team building, \$18,100 to restore the Training, Conference, and Travel reserve, and \$4,000 to restore the Mayor's additional travel allowance back to the prepandemic levels of \$20,100 and \$5,000, respectively.

Community Services Agency Agreement for Direct Financial Assistance/Discretionary Programs/Rent Relief

As part of Council's ARPA funding recommendations and due to the upcoming end to the eviction moratorium, staff is recommending that Council authorize the City Manager to amend the agreement with CSA to increase funding of \$1.0 million for the purpose of direct assistance to families and individuals in need and for any CSA-determined discretionary use, which may include additional rent relief. Funding is included in the Recommended Budget, and staff needs time to work on the contract amendment in order to disburse funds to CSA in early July.

Homebuyer Program

In 2019, Council modified Policy D-13, Mountain View Employee Homebuyer Program, and allocated \$3.0 million from the Earned Lease Revenue Reserve for the program. Staff

is requesting to allocate another \$3.0 million (for a total of \$6.0 million) for the Homebuyer Program from the Earned Lease Revenue Reserve as there are several City employees interested in participating in the program.

OTHER MAJOR FUNDS

The City has three other funds considered to be major funds besides the GOF:

- Development Services Fund
- Shoreline Golf Links and Michaels at Shoreline Restaurant Fund
- Shoreline Regional Park Community Fund

Additional information on these funds can be found beginning on Page 1-28 of the Recommended Budget.

Utility Funds

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 will be held on June 22, 2021 for the recommended rate increases for Fiscal Year 2021-22, and a notice was mailed on or before May 7, 2021.

Water Fund

For Fiscal Year 2021-22, the San Francisco Public Utilities Commission (SFPUC) proposed a zero-percent (0.0%) wholesale water rate increase. The Santa Clara Valley Water District (SCVWD) adopted a 9.1% increase for groundwater (well production) and a 9.5% increase for treated water (the treated water surcharge was increased from \$100 to \$115 more per acre-foot than groundwater) at SCVWD's May 11 meeting. For the City, a

1.0% rate increase for the average cost of water and meter rates is recommended due to SCVWD increases and City operating cost increases. The recycled water rate is also recommended with a 1.0% increase, and the rate will be 28.8% lower than the potable uniform water rate.

Wastewater Fund

For Fiscal Year 2020-21, costs for the Palo Alto Regional Water Quality Control Plant (Treatment Plant) are proposed to increase 7.0%. A 6.0% overall rate increase is recommended: 4.0% due to Treatment Plant and City operating cost increases; and 2.0% for the eighth year of the phase-in of planned Treatment Plant capital costs.

Solid Waste Management Fund

The new agreement with Recology provides for a 7.7% increase due to service level changes. The City's net share of SMaRT® Station costs is currently proposed to increase 4.8%. These provider increases as well as increases in the cost of City programs result in an overall average rate increase of almost 6.0%. However, this fund is in a stable financial condition, and an overall rate increase of 4.0% is recommended for Fiscal Year 2021-22.

FISCAL IMPACT

The Recommended Budget provides a fiscal plan for the City for Fiscal Year 2021-22 with a balanced GOF, utilizing estimated Excess ERAF funds, and projected year-end operating balance of \$1.6 million.

The recommendations include additional recommendations for the Fiscal Year 2021-22 Recommended Budget, authority to increase funding to CSA by \$1.0 million, and an increase in the allocation for the Employee Homebuyer Program.

SUMMARY AND CONCLUSION

The City has spent a tremendous amount of effort and funding to address the COVID-19 pandemic during the past year for vulnerable and disadvantaged residents by implementing programs and working with community nonprofit agencies in the area of rent relief, safe parking, sheltering and homeless services, eviction moratorium, small business assistance grants, utility relief, and a host of other financial and nonfinancial assistance for the benefit of the community-at-large. The Fiscal Year 2021-22 Recommended Budget continues many of these programs and will make further increases to programs necessary to improve the welfare for those of lower income and most impacted during the pandemic. Benefitting from the improved economic

conditions that we are now seeing, along with the infusion of Federal funding from ARPA, the City is well-positioned to continue its fiscal recovery while assisting the community financially and through a revised vision for racial equity and inclusion that will bring the City and our residents together by recognizing and building upon our collective diversity and working toward making Mountain View a community for all.

ALTERNATIVES

Council may request modifications to the Fiscal Year 2021-22 Recommended Budget as presented or provide other direction prior to finalizing the budget on June 22.

PUBLIC NOTICING

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

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- Attachments: 1. [Fiscal Year 2021-22 Recommended Budget](#)
2. Strategic Roadmap Action Plan for Fiscal Years 2021-23
3. [The Race, Equity, and Inclusion Action Plan](#)