



## MEMORANDUM

To: Eric Anderson, City of Mountain View  
From: Derek Braun and Heather Bromfield, Strategic Economics  
Date: October 24, 2019  
Project: Mountain View East Whisman Precise Plan  
Subject: Fiscal Impact Analysis

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This memorandum describes the results of Strategic Economics' fiscal impact analysis of potential growth under the East Whisman Precise Plan. Strategic Economics performed this work for the City of Mountain View as part of the Raimi + Associates consulting team. The purpose of the fiscal analysis is to measure the net impact of potential residential and employment growth on the City's General Operating Fund on an annual basis by calculating associated increases in revenues and expenditures.

The first portion of this memo presents the approach and results of the fiscal impact analysis, followed by a full description of the assumptions and methodology.

### About Fiscal Impact Analysis

Fiscal impact analysis measures the impact of new development and associated municipal services on a city's budget. New residents and businesses create demand for city services (such as public safety) and facilities (such as parks and streets), but also provide increased sales tax, property taxes, other local taxes, and other revenues. The fiscal impact reflects the revenues minus the costs that the development is expected to generate. This fiscal impact analysis is focused on the ongoing operations and maintenance impacts of new growth in the East Whisman Precise Plan area on the General Operating Fund, which is the primary operating fund for the City. As such, the analysis does not include estimates of one-time capital expenses such as infrastructure or facilities that may be required to accommodate new development. The analysis also excludes impacts on special districts, enterprise funds and other agencies that are funded independently of the General Operating Fund, such as school districts and utility districts.

The analysis presented here is "static," in that it only estimates fiscal impacts for one year upon build out of the proposed growth program, rather than providing annual estimates of revenues and costs as the area may develop over time. All revenue and cost estimates are presented in constant (2019) dollars.

The results of this fiscal impact analysis account only for the total change in residential and commercial uses related to future new development and growth in the East Whisman Precise Plan area. This approach is a standard industry practice for assessing fiscal impacts of change envisioned in a land use plan. The results do not incorporate the revenues and service expenses associated with existing industrial and commercial buildings in the East Whisman Precise Plan area. The Precise Plan

envisions that some of these sites will be redeveloped with higher intensity uses. The fiscal impacts associated with the existing uses are likely very limited relative to any future replacement uses, given that the replacement uses will add significantly more commercial or residential space to any redeveloped sites.

## Development Program

Figure 1 shows the development program for the East Whisman Precise Plan area analyzed in the fiscal impact analysis. The program represents the total anticipated increase in residential and commercial development at full buildout of the area.

FIGURE 1: EAST WHISMAN PRECISE PLAN DEVELOPMENT PROGRAM

Land Use	Net Growth
<b>Commercial</b>	
Office (Square Feet)	2,099,532
Retail (Square Feet)	60,113
Restaurant (Square Feet)	40,076
Hotel (Number of Rooms)	200
<b>Residential (Units)</b>	
For-Sale Units	
Condos	
Market Rate	2,040
Below Market Rate	360
<i>Subtotal, Condos</i>	2,400
Townhomes	
Market Rate	75
Below Market Rate	24
<i>Subtotal, Townhomes</i>	99
<i>Subtotal, For-Sale Units</i>	2,499
Rental Units (Apartments)	
Market Rate	1,885
Below Market Rate	
<i>Inclusionary Zoning Units</i>	375
<i>Non-Profit or Other Below Market Rate Units</i>	240
<i>Subtotal, Rental Units</i>	2,500
 Total, All Units	 4,999
Total, Below Market-Rate	999

Sources: Draft Environmental Impact Report for the East Whisman Precise Plan Project, June 2019; Raimi + Associates, 2019; City of Mountain View, 2019; Strategic Economics, 2019.

## Summary of Results

- The development program for the East Whisman Precise Plan area would result in a significant net positive fiscal impact on Mountain View’s General Operating Fund.** As shown in Figure 2, the development program results in annual net revenue of approximately \$10,001,800, which represents 65 percent of gross revenues generated in the area before public service expenses.
- Property tax revenues represent the largest single source of revenue generated by growth in the Precise Plan.** Based on the current property values for each land use that is envisioned in the Precise Plan, the assessed values of additional property development would generate an estimated \$9.8 million in property tax revenue and an additional \$2.5 million in property tax revenue in-lieu of vehicle license fees for the City of Mountain View. Over \$1 million in transient occupancy tax revenue and approximately \$547,200 in sales tax revenue would also be generated, as shown in Figure 2.
- Police Department expenses are estimated to constitute the highest share of General Operating Fund expenses associated with growth, followed by Fire Department expenses.** Police service expenses account for about \$2.4 million of the \$5.4 million of all new expenses that will result from new growth in the area, followed by Fire Department expenses (approximately \$1.4 million) and Community Services (\$798,700). Other services, including libraries, administration, community development, the city attorney’s office, and others collectively account for about \$799,000 of the expenses associated with growth.

FIGURE 2: ESTIMATED ANNUAL NET GENERAL OPERATING FUND IMPACT, IN 2019 DOLLARS

	Amount
<b>Revenue</b>	
Property Tax	\$9,821,800
Sales Tax	\$547,200
Property Tax In Lieu of VLF	\$2,549,900
Transient Occupancy Tax	\$1,168,000
Other Recurring Revenues	\$1,342,300
Total Revenues	\$15,429,200
<b>Expenditures</b>	
Fire Department	\$1,386,400
Police Department	\$2,428,500
Community Services	\$798,700
Public Works	\$14,800
Other Recurring Expenditures	\$799,000
Total Expenditures	\$5,427,400
<b>Net Revenue</b>	<b>\$10,001,800</b>
Net Revenue as % of Total Revenue	65%

Note: Columns may not sum due to rounding.  
 Source: Strategic Economics, 2019.

## APPENDIX: ASSUMPTIONS AND METHODOLOGY

### BASE ASSUMPTIONS

#### BUDGET YEAR

The analysis was based on Mountain View's audited General Operating Fund budget actuals for the 2017-2018 fiscal year.

FIGURE 3: MOUNTAIN VIEW GENERAL OPERATING FUND BUDGET, FY 2017-2018 AUDITED VALUES

	FY2017-2018 Actuals	% of Total
<b>Revenues</b>		
Property Tax (excluding property tax in lieu of VLF)	\$39,238,782	28.8%
Property Tax in Lieu of Vehicle License Fees	\$10,180,139	7.5%
Sales Tax (excluding property tax in lieu of sales tax)	\$20,713,381	15.2%
Transient Occupancy Tax	\$7,057,226	5.2%
Utility Users Tax	\$8,135,782	6.0%
Business Licenses	\$250,740	0.2%
Interfund Revenue	\$14,789,608	10.8%
Rents & Leases	\$17,618,653	12.9%
Licenses, Permits & Fees	\$5,248,606	3.8%
Charges for Services - General	\$1,181,291	0.9%
Charges for Services - Recreation	\$2,026,715	1.5%
Investment Earnings	\$2,040,753	1.5%
Intergovernmental	\$816,991	0.6%
Fines & Forfeitures	\$912,138	0.7%
Interfund Revenue Transfers	\$1,550,112	1.1%
Miscellaneous	\$4,616,082	3.4%
<b>Total</b>	<b>\$136,377,000</b>	<b>100.0%</b>
<b>Expenditures</b>		
Police	\$36,259,122	29.8%
Fire	\$23,533,899	19.3%
Community Services	\$14,377,932	11.8%
Public Works	\$9,302,603	7.6%
Library Services	\$5,381,482	4.4%
Finance and Administrative Services	\$5,442,462	4.5%
Non-Departmental	\$15,632,059	12.8%
City Manager's Office	\$3,760,788	3.1%
Information Technology	\$3,913,985	3.2%
Community Development	\$1,550,805	1.3%
City Attorney's Office	\$1,663,370	1.4%
City Clerk	\$562,624	0.5%
City Council	\$301,232	0.2%
<b>Total</b>	<b>\$121,682,363</b>	<b>100.0%</b>

Source: City of Mountain View, 2019; Strategic Economics, 2019.

SERVICE POPULATION

Figure 4 shows the service population in the City of Mountain View, used to establish a baseline for understanding the per capita costs and revenues shown later in this memorandum. The service population refers to an equivalent population for which a city provides services, including both residents and employees. Each worker is counted as producing one-third of the impacts of a resident for the purposes of this analysis, since workers are assumed to require fewer services as a function of their presence at the workplace for less than a full day.

FIGURE 4: EXISTING SERVICE POPULATION IN MOUNTAIN VIEW, 2017

Population Type	Number
Residents	80,484
Employees	96,026
Employee Factor	0.33
<b>Total Service Population</b>	<b>112,173</b>

Note: Employees count does not include federal employees.

Sources: California Department of Finance, 2017; US Census Bureau ACS 1-Year Estimate, 2017; Strategic Economics, 2019.

JOB AND POPULATION ESTIMATES

Many of the costs and revenues in the fiscal analysis were calculated based on the net increase in population and jobs resulting from growth. Strategic Economics applied the following assumptions to derive population and job estimates from growth in housing units and commercial space.

**Residential Household Size:** Figure 5 shows the service population assumptions which were used to calculate the number of residents per new housing unit. These assumptions were developed by transportation consulting firm Fehr and Peers for estimating trips generated as a result of new growth by each housing type for the Precise Plan’s Draft Environmental Impact Report (EIR).

**Jobs per Square Foot or Room:** Figure 5 also shows the square feet per employee assumptions which were used to calculate the workers associated with new commercial spaces, including offices, retail, restaurants, and a hotel. These assumptions were also developed by transportation consulting firm Fehr and Peers to estimate trips generated as a result of growth of each commercial land use.

FIGURE 5: SERVICE POPULATION ASSUMPTIONS BY LAND USE

Land Use	Value
<b>Residents per Housing Type</b>	
Persons per Household, Single-Family Homes	2.4
Persons per Household, Multi-Family Homes	2.1
<b>Employees per Commercial Land Use Type</b>	
Square Feet per Office Employee	330
Square Feet per Retail and Restaurant Employee	252
Employees per Hotel Room	0.4

Sources: Fehr and Peers, 2019; Strategic Economics, 2019.

Figure 6 shows the projected service populations associated with each land use, which are based on the development program shown in Figure 1 and the residential and employment density assumptions shown in Figure 5.

## East Whisman Precise Plan Fiscal Impact Analysis Results

**FIGURE 6: INCREASE IN SERVICE POPULATION ASSOCIATED WITH GROWTH IN THE EAST WHISMAN PRECISE PLAN DEVELOPMENT PROGRAM**

<b>Land Use</b>	<b>Service Population</b>
<b>Nonresidential</b>	
<b>Office</b>	
Employees	6,046
Employee Factor	0.33
Service Population	1,995
<b>Retail</b>	
Employees	227
Employee Factor	0.33
Service Population	75
<b>Restaurant</b>	
Employees	151
Employee Factor	0.33
Service Population	50
<b>Hotels</b>	
Employees	80
Employee Factor	0.33
Service Population	26
Subtotal - Employees	6,503
Subtotal - Employee Service Population	2,146
<b>Residential</b>	
For-sale condos	4,789
For-sale townhomes	225
Apartments	4,988
Subtotal - Residential Service Population	10,003
<b>Total Service Population</b>	<b>12,149</b>

Source: Strategic Economics, 2019.

## PROPERTY OCCUPANCY, TURNOVER, AND ASSESSED VALUE ASSUMPTIONS

Figure 7 shows land use assumptions, including holding period (sales turnover), vacancy rates, and occupancy rates, each of which is explained below. These figures were multiplied by the estimated property value per unit or square foot of anticipated new development.

**Holding period:** A holding period is the length of time between changes in ownership of property. The holding period is used to calculate property transfer taxes. Strategic Economics assumed a 15-year period for commercial and rental residential properties, based on experience and industry standards.

**Vacancy:** Occupancy and vacancy rates are used to determine the actual revenues and costs generated by properties, given that buildings are not usually fully occupied. Unoccupied spaces would not generate workers or residents, nor, on the revenue side, retail sales (where applicable). The analysis applied long-term vacancy rates typically assumed by developers.

**Office value:** The values for office space are derived from a feasibility analysis that Strategic Analysis calculated as part of an analysis of potential community benefits contributions from development in East Whisman.

**Retail and restaurant value:** The value of retail space was calculated using a capitalized value approach, which involves calculating the average annual retail rents for properties in the market area, subtracting out expected losses due to retail vacancies and other expenses, and multiplying by the capitalization rate for the given market and property type. Retail rents per square as of 2019 were reported by commercial real estate brokerage firm CBRE and capitalization rates were reported by commercial real estate brokerage firm Kidder Matthews.

**Hotel value:** The value of hotels was calculated based on an analysis of recent (within the last three calendar years) comparable hotel transactions in Mountain View and adjacent cities.

**Townhome values:** The values for *market rate townhomes* were derived based on comparable transactions that occurred within the past three years in Mountain View. The value of *below-market rate townhomes* was developed based on calculations of the home price that would be affordable to households earning 114 percent of the Area Median Income (AMI). This value is based on the percentage of below-market rate townhomes that will need to be affordable to households earning an average of 100 and 135 percent of AMI.<sup>1</sup> Area Median Income is a value representing the midpoint of incomes for all households in each county and is annually determined by the State Department of Housing and Community Development according to federal guidelines.

**Condo values:** *Market rate condo values* in the East Whisman area were calculated by Seifel Consulting as part of a community benefits analysis for development in East Whisman. *Below market rate condo values* were calculated to reflect the maximum sales price of condos that will be affordable to households earning between 80 and 120 percent of Area Median Income (AMI), with an average overall affordability level of 100 percent of AMI.

**Apartment values:** *Market rate apartment values* for the East Whisman were also calculated by Seifel Consulting as part of the same community benefits analysis. *Below market rate apartment values* were calculated in the same analysis and reflect the values of rental apartment buildings that are

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<sup>1</sup> According to the Mountain View inclusionary zoning ordinance as of 2019, 15% of the below-market rate townhomes need to be made affordable to households earning an average of 100% of AMI, and 10% must be affordable to households earning an average of 135% of AMI; the weighted average of these values is 114%.

## East Whisman Precise Plan Fiscal Impact Analysis Results

affordable to households earning between 50 and 80 percent of Area Median Income (AMI), with an average overall affordability level of 65 percent.

**FIGURE 7: KEY LAND USE ASSUMPTIONS**

Land Use	Development program	Value (per room/square foot/unit)	Holding Period (years)	Vacancy	Turnover Rate
<b>Nonresidential</b>					
Office (Square Feet)	2,099,532	\$1,003	15	5%	7%
Retail (Square Feet)	60,113	\$750	15	5%	7%
Restaurant (Square Feet)	40,076	\$750	15	5%	7%
Hotel (Rooms)	200	\$425,000	15	15%	7%
<b>Residential (Units)</b>					
Condos					
Market Rate Condos	2,040	\$1,037,000	7	5%	14%
BMR Condos (100% avg AMI)	360	\$367,329	7	5%	14%
Townhomes/Rowhomes					
Market Rate Townhomes/Rowhomes	75	\$1,600,000	7	5%	14%
BMR Townhomes/Rowhomes (114% avg AMI)	24	\$477,351	7	5%	14%
Apartments - Market Rate	1,885	\$739,000	15	5%	7%
Apartments - Inclusionary BMR Units (Average 65% AMI)	375	\$268,000	15	5%	7%
Non-Profit or Other BMR Units (Average 65% AMI)	240	\$268,000	15	5%	7%

Source: Seifel Consulting, 2019; Strategic Economics, 2019.

## Estimating Revenues

This section summarizes assumptions for property tax, property tax in lieu of vehicle license fees, sales tax, and transient-occupancy tax.

### PROPERTY TAX AND PROPERTY TAX IN LIEU OF VEHICLE LICENSE FEES (VLF)

**Annual property tax revenue:** Per California’s Proposition 13, the base property tax rate in Mountain View is one percent of assessed property value. The apportionment of the one percent revenue varies by jurisdiction and by tax rate areas in each jurisdiction; for the purposes of this analysis, Strategic Economics examined the overall share of Mountain View’s one percent that is received on average citywide. Mountain View receives 16 percent of the one percent tax revenue (after accounting for shifts to the Educational Revenue Augmentation Fund), per data provided by the City’s Finance Department. The property tax rate was applied to estimated assessed values of new growth in the East Whisman Precise Plan area to determine property tax revenue, as shown in Figure 8. Below market rate apartments that are expected to be built through non-profit housing development were separated out from those that are anticipated to be built as a result of the city’s inclusionary zoning policy because the former are exempt from paying property tax. Inclusionary units were assumed to be part of market-rate housing development projects that would be subject to property tax assessments.

FIGURE 8: PROPERTY TAX REVENUE, IN 2019 DOLLARS

Land Use	Value
<b>Commercial</b>	
Office	\$3,369,300
Retail	\$72,100
Restaurant	\$48,100
Hotels	\$136,000
Subtotal	\$3,625,500
<b>Residential</b>	
Condos	
Market Rate Condos	\$3,384,800
BMR Condos (100% avg AMI)	\$211,600
Townhomes/Rowhomes	
Market Rate Townhomes/Rowhomes	\$192,000
BMR Townhomes/Rowhomes (114% avg AMI)	\$18,300
Apartments - Market Rate	\$2,228,800
Apartments - Inclusionary BMR Units (Average 65% AMI)	\$160,800
Non-Profit or Other BMR Units (Tax Exempt)	\$0
Subtotal	\$6,196,300
<b>Total Property Tax Revenues</b>	<b>\$9,821,800</b>

Source: Strategic Economics, 2019.

**Property tax in-lieu of Vehicle License Fees (VLF):** Since 2004, the State of California has swapped city and county vehicle license fee revenues for additional property tax revenues. The property tax payment provided in-lieu of the VLF grows proportionally to a city’s assessed value. Figure 9 shows the calculation of property tax in-lieu of VLF revenue per dollar of assessed value, based on Mountain View’s total estimated assessed value in FY 2004-2005 and the final revised in-lieu payment from the State for the same fiscal year, and Figure 10 shows the estimated property tax in-lieu of VLF that is anticipated for each land use in the East Whisman Precise Plan area

FIGURE 9: PROPERTY TAX IN LIEU OF VLF ASSUMPTIONS

Citywide Assessed Value, 2004-2005	\$11,288,218,521
Citywide Revised VLF Revenue, 2004-2005	\$4,640,626
VLF Property Tax In-lieu Per \$1,000 in Assessed Value	\$0.4111

Sources: California City Finance, 2019; City of Mountain View, 2019; Strategic Economics, 2019.

FIGURE 10: PROPERTY TAX IN LIEU OF VLF BY LAND USE, IN 2019 DOLLARS

Land Use	Value
<b>Nonresidential</b>	
Office	\$865,700
Retail	\$18,500
Restaurant	\$12,300
Hotels	\$34,900
Subtotal	\$931,400
<b>Residential</b>	
Condos	
Market Rate Condos	\$869,700
BMR Condos (100% avg AMI)	\$54,400
Townhomes/Rowhomes	
Market Rate Townhomes/Rowhomes	\$49,300
BMR Townhomes/Rowhomes (114% avg AMI)	\$4,700
Apartments - Market Rate	\$572,700
Apartments - Inclusionary BMR Units (Average 65% AMI)	\$41,300
Non-Profit or Other BMR Units (Average 65% AMI)	\$26,400
Subtotal	\$1,618,500
<b>Total Property Tax In Lieu of VLF Revenue</b>	<b>\$2,549,900</b>

Source: Strategic Economics, 2019.

**SALES TAX**

Anticipated sales tax revenues reflect the revenues generated by taxable purchases that new residents and workers population will make in Mountain View. Estimates for residential purchases were calculated by using existing taxable sales data for Mountain View provided by the California Department of Tax and Fee Administration. Strategic Economics calculated the value of taxable sales made in the city in neighborhood-serving retail categories, including Food and Beverage Stores, Restaurants, and General Merchandise stores, a category which includes stores such as Target, Walmart, and Costco. The sum of taxable sales in these categories was divided by the number of residents living in Mountain in 2017 to develop a per capita taxable sales value for the residential population. Per capita taxable sales were then multiplied by a 50 percent factor to account for the fact that new households living in East Whisman will not make all of their purchases in these categories in the Precise Plan area, and that the taxable transactions data includes purchases by non-residents. These calculations are shown in Figure 11.

Per capita taxable sales calculations were also calculated for the new workforce and were developed using data from the International Council of Shopping Centers for office worker expenditures on a weekly basis in urban office locations. This weekly value was multiplied by 50 weeks (to account for the fact that most workers have two weeks of vacation per year), by a factor of 40 percent to account for worker purchases likely to occur outside of Mountain View, and by a factor of 66 percent given that only about two-thirds of sales are anticipated to be taxable based on Strategic Economics' calculations, as shown in Figure 11.

## East Whisman Precise Plan Fiscal Impact Analysis Results

These two per capita taxable sales values were multiplied by the respective increase in components of the service population (residential and workforce), and by one percent because according to state law the city receives one percent of all sales tax revenue. These calculations and the estimated sales tax revenue that the city will receive are shown in Figure 12.

**FIGURE 11: TAXABLE SALES ASSUMPTIONS**

	<b>Value or Factor</b>
<b>Residential</b>	
Mountain View Taxable Sales - Neighborhood Serving Retail Categories [1]	\$696,731,423
Residential Population, 2017	80,076
Per Capita Taxable Sales	\$8,700
Share of New Resident Sales Estimated to Occur in Mountain View	50%
Residents (Per Capita) – Neighborhood Serving Retail Categories	\$4,400
<b>Employees</b>	
Average Employee Expenditures per Week - Urban Office Location [2]	\$134.67
Average Annual Employee Expenditures (50 weeks)	\$6,734
Percent of Employee Expenditures in Mountain View	40%
Percent of Employee Expenditures that are Taxable	66%
Employees' (Per Capita) Taxable Sales	\$1,800

[1] Neighborhood-serving retail categories were defined as Food and Beverage Stores, Restaurants, and General Merchandise stores and were calculated with state taxable sales data.

[2] Data provided by the International Council of Shopping Centers, reflects national averages.

Sources: California Department of Tax and Fee Administration, 2018; U.S. Census, 2017; International Council of Shopping Centers, 2011; Strategic Economics, 2019.

**FIGURE 12: SALES TAX REVENUE, 2019 DOLLARS**

	<b>Value</b>
New Residents	10,003
Estimated Residential Retail Spending	\$43,010,965
New Employees	6,503
Estimated Employee Retail Spending	\$11,706,033
<b>Total Sales Tax Revenues</b>	<b>\$547,200</b>

Source: Strategic Economics, 2019.

### TRANSIENT OCCUPANCY TAX REVENUE

The East Whisman Precise Plan growth program includes a hotel with approximately 200 rooms. Strategic Economics applied an average hotel occupancy rate and average daily rate per room based on review of historical average occupancy and daily rates for area hotels. Using Mountain View's current transient occupancy tax rate of 10%, the estimated transient occupancy tax revenue estimate was calculated to be \$1,168,000, as shown in Figure 13.

FIGURE 13: TRANSIENT OCCUPANCY TAX ASSUMPTIONS AND REVENUE

	Value or Factor
Number of Rooms	200
Average Daily Rate per Room	\$200
Average Occupancy Rate	80.0%
TOT Rate	10.0%
Daily Availability	365
<hr/>	
Total TOT Revenue	\$1,168,000

Sources: City of Mountain View, 2019; Strategic Economics, 2019.

**OTHER RECURRING REVENUES**

**Calculating other revenue per capita:** Strategic Economics reviewed Mountain View’s recently proposed and adopted budgets to determine which remaining General Operating Fund revenues vary with service population growth, which are shown in Figure 14. The “percent variable” values reflect the degree to which revenues are anticipated to vary in relationship to the new residents and employees being added to the area. Therefore, revenue sources which fluctuate independently of the number of the service population in a jurisdiction, such as “investment earnings,” were given percent variable values of zero, while revenue sources that vary partially as a function of the service population in a jurisdiction were given percent values between 0 and 100.

For all the revenue sources that vary on a per capita basis, Strategic Economics applied a service population factor of either 1.00 or .33 to reflect the respective service demand for new residents and employees. The value of the variable revenues was multiplied by the respective service population factor, and then divided by the current total current service population in order to generate an estimate of the current total revenues per capita for each service population type by expense category. Finally, these per capita factors were multiplied by the respective new service population in East Whisman to arrive at additional revenues associated with residential and worker growth. The results of these estimates are shown in Figure 15.

FIGURE 14: OTHER RECURRING REVENUE PER CAPITA ASSUMPTIONS, 2019 DOLLARS

	FY 2017-2018 Actuals	Percent Variable	Variable Revenues	Service Pop. Factors		Revenue Per Capita	
				Resident	Employee	Resident	Employee
Utility Users Tax	\$8,135,782	100%	\$8,135,782	1.00	0.33	\$72.53	\$23.93
Business Licenses [1]	\$250,740	100%	\$250,740	-	1.00	\$0.00	\$2.61
Rents & Leases	\$17,618,653	0%	\$0	1.00	0.33	\$0.00	\$0.00
Licenses, Permits & Fees	\$5,248,606	20%	\$1,049,721	-	0.33	\$0.00	\$10.93
Charges for Services - General	\$1,181,291	75%	\$885,969	1.00	-	\$11.01	\$0.00
Charges for Services - Recreation	\$2,026,715	75%	\$1,520,036	1.00	-	\$18.89	\$0.00
Investment Earnings	\$2,040,753	0%	\$0	1.00	0.33	\$0.00	\$0.00
Intergovernmental	\$816,991	0%	\$0	1.00	0.33	\$0.00	\$0.00
Fines & Forfeitures	\$912,138	75%	\$684,104	1.00	0.33	\$6.10	\$2.01
Interfund Revenue Transfers	\$1,550,112	0%	\$0	1.00	0.33	\$0.00	\$0.00
Miscellaneous	\$4,616,082	0%	\$0	1.00	0.33	\$0.00	\$0.00
<b>Total Per Capita Revenues</b>						<b>\$108.52</b>	<b>\$39.49</b>

[1] As of 2020 business license tax renewals, the business license tax will be restructured, likely generating significantly higher revenues but with a different distribution between City funds. Strategic Economics' analysis, however, modeled revenues based on historic actuals and therefore maintained the FY17-18 values for consistency and to avoid speculation about the outcomes from the new business license tax.

Source: City of Mountain View, 2019; Strategic Economics, 2019.

FIGURE 15: OTHER RECURRING REVENUE, 2019 DOLLARS

Employees	6,503
Residents	10,003
<b>Total Other Recurring Revenue</b>	<b>\$1,342,300</b>

Source: Strategic Economics, 2019.

## Expenditure Estimates

A “case study” approach was used to calculate Mountain View’s most significant departmental General Operating Fund expenditure items that will be impacted by new growth, including Fire, Police, Community Services, and Public Works.<sup>2</sup> Strategic Economics consulted closely with staff in these departments to determine preferred approaches and assumptions for estimating the annual service impact of the growth in East Whisman, including approval of the final approaches, methodologies, and assumptions. Growth of other expenses, which individually comprise relatively small shares of the General Operating Fund and are more likely to increase incrementally with population growth, were estimated on a per capita basis.

### FIRE

To estimate the General Operating Fund cost associated with increased fire protection while maintaining current service levels, the Fire Department recommended that the analysis include nine new firefighters needed for an Aerial Ladder Truck Company and their associated overtime costs, a new training division, building inspectors and other similar staff, and new equipment to serve the East Whisman area. While new equipment represents a capital investment and these costs are therefore outside of the scope of this analysis, the expenditures associated with maintaining new vehicles, including fuel, maintenance, repairs, and testing, are expenditures associated with the General Operating Fund and were therefore included. Additionally, regular salaries of new firefighters do not take into account the overtime pay expenditures that these new staff will regularly incur. The cost of overtime pay was estimated by calculating the current cost per firefighter of all overtime pay and multiplying by the nine new firefighters that will be hired as a result of new growth in the area.

The Fire Department cost estimate took into account the fact that significant growth is planned to occur in two locations in Mountain View that are both partially or completely served by the same fire station: in East Whisman, and in the North Bayshore area.<sup>3</sup> Added staff and equipment needs at this fire station are, as a result, attributable to growth in both areas. For this reason, the share of East Whisman’s projected service population growth relative to the North Bayshore area’s projected growth was factored into the new staffing and equipment needs. Based on East Whisman and North Bayshore planning documents, East Whisman’s share of the service population growth increment was estimated at 28 percent. As shown in Figure 16, the total increased expenditures attributable to growth in the East Whisman area was estimated at approximately \$1.4 million.

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<sup>2</sup> All other departmental expenditures reflected a share of General Operating Fund Expenditures that were less than 5%, and they were therefore calculated on a per capita basis rather than using a case study approach. The expense estimates for these departments are shown in the final section.

<sup>3</sup> While part of North Bayshore is also served by an additional fire station, it was not possible to determine what share of the new service population will be served by each station, and thus the analysis did not reduce North Bayshore’s estimated service population demand for the fire station that it shares with East Whisman.

FIGURE 16: FIRE DEPARTMENT ITEMIZED EXPENSES, 2019 DOLLARS

Expense	Value
New Fire Truck Maintenance and Operations [1]	\$20,000
New Aerial Ladder Truck Company (Regular salaries and benefits) [2]	\$3,110,518
Overtime for New Aerial Ladder Truck Company	\$375,000
New Training Division [3]	\$1,000,000
New Hazardous Materials Specialist [4]	\$214,408
Office of Emergency Services Staff [5]	\$239,681
Subtotal, New Cost Items	\$4,959,607
Share of East Whisman Growth (as Percent of Total East Whisman and North Bayshore Growth) [6]	28%
<b>Share of East Whisman Added Cost</b>	<b>\$1,386,425</b>

[1] Includes cost of fuel, maintenance, repairs, and testing of one new vehicle. Cost of purchasing fire truck represents a capital investment and is therefore not included in this analysis.

[2] Reflects salaries and benefits for 9 firefighters.

[3] Reflects salaries and benefits for 3 firefighters.

[4] Reflects salary and benefits for 1 staff member.

[5] Reflects salary and benefits for 1 staff member.

[6] Reflects the East Whisman share of the total new service population for the East Whisman and North Bayshore areas, since growth in both areas combined will trigger the increase in staffing and equipment expenditures, and that only part of the cost growth will be attributable to East Whisman.

Source: City of Mountain View Fire Department, 2019; City of Mountain View, 2019; Strategic Economics, 2019.

## POLICE

To generate estimates of the General Operating Fund costs associated with increased police service, the Mountain View Police Department provided information on which divisions are likely to experience the greatest additional need for services as a result of new service population growth in the area. These include Field Operations, the division that encompasses patrol officers and traffic officers; Emergency Communications, which is associated with emergency dispatch staff; and Operational Services, Training, and Personnel, which will be responsible for training new staff.

For Police Department expenditures, which are shown in Figure 17, Strategic Economics used an approach similar to the one used for calculating “Other Revenues,” involving “percent variable” values to reflect the degree to which expenditures are anticipated to vary as a function of service population being added to the area. The three divisions named above were assigned significantly higher percent variables than other divisions, which include more administrative functions on which the new service population is not anticipated to generate as large an impact. However, it should be noted that the Police Department does not use service population in isolation to project its actual budgetary needs. Typically, detailed budget and staffing projections will also consider the number and duration of calls for service, desired levels of service for tasks such as traffic safety, and other factors are also used to determine detailed staffing requirements. This level of detail was beyond the scope and needs of the fiscal impact analysis for the East Whisman Precise Plan.

FIGURE 17: POLICE DEPARTMENT ESTIMATES OF EXPENSES ASSOCIATED WITH GROWTH IN EAST WHISMAN, 2019 DOLLARS

Police Department Division	FY 2017-18 Budget Actuals	Percent Variable	Variable Cost	Variable Expenditures Per Capita	New service population	Total Cost
Field operations	\$18,863,611	90%	\$16,977,250	\$151.90	12,149	\$1,845,388
Special Operations	\$6,914,081	20%	\$1,382,816	\$12.37	12,149	\$150,309
Support Services	\$4,018,305	20%	\$803,661	\$7.19	12,149	\$87,356
Emergency Communications	\$2,794,048	90%	\$2,514,643	\$22.50	12,149	\$273,336
Youth Services	\$1,339,823	20%	\$267,965	\$2.40	12,149	\$29,127
Administration	\$1,326,410	5%	\$66,321	\$0.59	12,149	\$7,209
Operational services, training, and personnel	\$698,868	50%	\$349,434	\$3.13	12,149	\$37,983
Property & Evidence	\$303,976	20%	\$60,795	\$0.54	12,149	\$6,608
<b>Total, Selected Categories</b>	<b>\$36,259,122</b>		<b>\$22,362,089</b>	<b>\$200.63</b>	<b>12,149</b>	<b>\$2,437,315</b>

Source: City of Mountain View Police Department, 2019; Strategic Economics, 2019.

### COMMUNITY SERVICES

Based on information received from Mountain View's Community Services staff, the two categories of expenditures that are anticipated to grow the most are associated with park maintenance and maintaining landscaping on new streets. These two categories of expenses were calculated using a "case study" approach. Other Community Services expenses paid for out of the General Operating Fund are also expected to experience increased demand and were estimated on a per capita basis. These calculations are presented in Figure 18 and are described in greater detail below.

To account for the fact that the East Whisman area will be adding an additional 14 acres of public parks, the parks maintenance estimate incorporated the salaries of two new parks maintenance staff members, plus the additional value of needed supplies, such as water, vehicles, and general maintenance supplies. The roadside landscaping cost estimate was generated to account for the cost of maintaining the trees along 6,185 linear feet of new publicly maintained roads included in the Precise Plan. The estimate was based on value of the funding that the Forestry and Roadways division received from the General Operating Fund in 2017-2018, which was divided by the existing citywide linear street footage to create a cost per linear street value. This was then multiplied by the number of new linear feet that is planned for in the Precise Plan area. The resulting figure represents the total anticipated cost of new streets.

The funding for other divisions that Community Services receives from the General Operating Fund was calculated on a per capita basis. The Administration division's funding was excluded on the assumption that the department's administration costs will be fixed rather and will not vary directly with population. Finally, the Shoreline and Shoreline Golf Links funding were excluded because these are outside of the geographic scope of the East Whisman Precise Plan area and not included in the General Operating Fund.

FIGURE 18: COMMUNITY SERVICES EXPENSES, IN 2019 DOLLARS

Expenditure	Value or Multiplier
<b>Parks Cost</b>	
New Parks Maintenance Staff	\$300,000
Parks Maintenance Supplies	\$50,000
Subtotal parks costs	\$350,000
<b>Forestry and Roadway Costs for New Streets in East Whisman</b>	
FY 2017-2018 Forestry and Roadway Expenditures	\$3,258,764
Existing Linear Street Footage	739,200
Expenditures per Linear Street	\$4.41
New Linear Feet in East Whisman Precise Plan	6,185
Subtotal, Streets	\$27,267
<b>Other Community Services Expenses</b>	
Total General Fund Expenditures [1]	\$6,485,309
Service Population in 2017	111,765
Cost per Capita	\$58.03
Subtotal, Other Community Services	\$704,938
Percent Variable	60%
Variable Costs, Other Community Services	\$422,963
<b>Total annual new costs</b>	<b>\$800,229</b>

[1] Reflects all General Fund Expenditures for the Department of Community Services except those from the Forestry and Roadway and Parks divisions.

Source: Mountain View Community Services, 2019; Strategic Economics, 2019.

**PUBLIC WORKS**

Mountain View Public Works staff indicated that the only General Operating Fund expenditure item that is anticipated to increase as a result of growth in the East Whisman area is streets maintenance, which includes the maintenance of street medians and pavement quality. Strategic Economics estimated the total added costs of Public Works’ streets maintenance expenditures using the most recent budgetary data available and the service population growth estimate, shown in Figure 19 below.

FIGURE 19: STREETS MAINTENANCE COST INCREASE FOR PUBLIC WORKS DEPARTMENT, IN 2019 DOLLARS

	Value or Multiplier
General Operating Fund Expenditures for Streets Maintenance	\$1,772,095
Existing Streets (linear feet)	739,200
Expenditures per Linear Foot	\$2.40
New Streets (linear feet)[1]	6,185
<b>Annual Cost of New Streets Maintenance</b>	<b>\$14,827</b>

[1]:New streets value excludes "Street C," which is a bicycle/pedestrian only street, since the value of the linear footage was not available.

Source: Mountain View Department of Public Works, 2019; Strategic Economics, 2019.

Although the estimate above is based on the best available current data, Mountain View Public Works staff also pointed out that new local and regional policies are likely to increase the cost of street maintenance in the future. These policy changes include (1) existing streets in the area will need to be retrofitted with bioswales or other "C3-compliant" improvements that enable the on-site treatment of stormwater in the area, while new streets will be constructed with these improvements built in; and (2) Mountain View City staff are considering increasing investments to repave and maintain city streets at a higher standard of quality. Strategic Economics conducted research into both of these items, but there is still considerable uncertainty regarding the cost premiums associated with these policy changes and ultimately neither of these expenses could be realistically estimated due to data and information limitations, as discussed in greater detail below.

**C.3 Compliant Infrastructure:** The Santa Clara Valley Urban Runoff Pollution Prevention Program recently adopted a measure that requires jurisdictions to control the flow of stormwater and stormwater pollutants, known as C.3. Maintaining street medians in Mountain View will involve added costs as a result of installing C.3 compliant infrastructure that treats stormwater onsite. While there are many cities in the Bay Area that have begun to install bioswales, rain gardens, and other similar on-site improvements to treat runoff, there is significant variation reported in the costs of maintaining them, which may be a function of the size of the bioswales or of project design on different sites. Strategic Economics was not able to locate specific budgetary information regarding the baseline cost of maintaining water runoff systems in Mountain View, and additionally did not find any quantitative information regarding the size of or type of the bioswales in the East Whisman Precise Plan area that would enable the calculation of a cost estimate.

**Pavement Quality Improvements:** Currently the pavement condition index (PCI) in Mountain View is 63, and the city is considering making major investments into road resurfacing in order to improve the pavement quality. If a higher PCI target level were to be approved and this target level were to be sustained over time, there could be an increased maintenance budget need. However, because a policy change has not been formally adopted, Strategic Economics did not incorporate an estimate of the higher costs associated with road maintenance for the purposes of this fiscal impact analysis.

**OTHER RECURRING COSTS**

Strategic Economics applied a per capita model to estimate other departmental General Operating Fund expenditures, as shown in Figure 20. As with the per capita revenues, Strategic Economics applied a service population factor to each expense category, representing the relative proportion of expenses attributable to new residents (1.0) and employees (0.33). The value of the variable costs was multiplied by the respective service population factor, and then divided by the current total current service population in order to generate an estimate of the current total costs per capita for each service

## East Whisman Precise Plan Fiscal Impact Analysis Results

population type by expense category. Finally, these per capita factors were multiplied by the respective new service population in East Whisman to arrive at additional costs associated with residential and worker growth, as shown in Figure 21.

FIGURE 20: OTHER RECURRING DEPARTMENT EXPENDITURES, IN 2019 DOLLARS

	FY 2017-18 Actual	Percent Variable	Variable Cost	Service Pop. Factors		Expenditures Per Capita	
				Resident	Employee	Resident	Employee
General Fund Expenditures							
Library Services	\$5,381,482	50%	\$2,690,741	1.00	0.33	\$23.99	\$7.92
Financial and Administrative Services	\$5,442,462	25%	\$1,360,616	1.00	0.33	\$12.13	\$4.00
Non-Departmental	\$15,632,059	0%	\$0	1.00	0.33	\$0.00	\$0.00
City Manager's Office	\$3,760,788	25%	\$940,197	1.00	0.33	\$8.38	\$2.77
Information Technology	\$3,913,985	25%	\$978,496	1.00	0.33	\$8.72	\$2.88
Community Development	\$1,550,805	50%	\$775,403	1.00	0.33	\$6.91	\$2.28
City Attorney's Office	\$1,663,370	25%	\$415,843	1.00	0.33	\$3.71	\$1.22
City Clerk	\$562,624	25%	\$140,656	1.00	0.33	\$1.25	\$0.41
City Council	\$301,232	25%	\$75,308	1.00	0.33	\$0.67	\$0.22
<b>Total Per Capita Expenditures</b>			<b>\$7,377,259</b>	<b>1.00</b>	<b>0.33</b>	<b>\$65.77</b>	<b>\$21.70</b>

Sources: City of Mountain View, 2019; Strategic Economics, 2019.

FIGURE 21: OTHER DEPARTMENT EXPENDITURES TOTALS, IN 2019 DOLLARS

New Employees	6,503
New Residents	10,003
<b>Total Increase in Per Capita Expenditures</b>	<b>\$798,981</b>

Source: Strategic Economics, 2019.