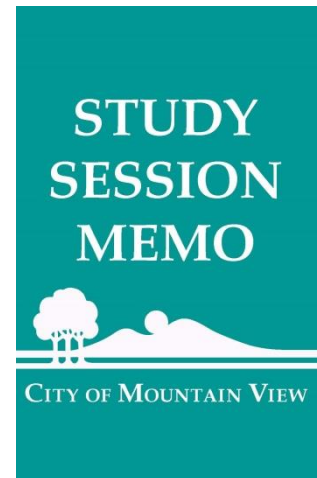


DATE: April 26, 2016
TO: Honorable Mayor and City Council
FROM: Daniel H. Rich, City Manager
TITLE: **Fiscal Year 2016-17 Narrative Budget Report**



INTRODUCTION

This Study Session provides the City Council an opportunity to review and discuss the Fiscal Year 2016-17 Narrative Budget Report, which is the foundation for the Proposed Budget. The Proposed Budget will be discussed by the City Council at public hearings on June 14 and June 21 and is scheduled for adoption after the public hearing on June 21, 2016.

The information in this report is for the following major funds: General Operating Fund (GOF), Development Services, Shoreline Golf Links, Shoreline Regional Park Community (Shoreline Community), Water, Wastewater, Solid Waste Management, and Reserves. For each fund, the report includes a current fiscal year status update of revenues, expenditures, and balance available, as well as budget recommendations for Fiscal Year 2016-17. To provide some context, a Five-Year Financial Forecast (Forecast) for the GOF has been prepared and is included in this document.

In addition, staff is providing the City Council with an update of the Fiscal Years 2015-16 and 2016-17 two-year Major Goals and requesting reaffirmation of the Major Goals and direction on a limited number of new projects to add to the Fiscal Year 2016-17 Council Major Goals Work Plan (See Attachment 1).

BACKGROUND

The City's revenues are cyclical, and the City is currently in a period of revenue growth after recovering from the greatest recession since the Great Depression. The City weathered those tough economic times while continuing to balance the General Operating Fund (single largest fund and provider of core services) budget in order to position itself to take full advantage of the recovering economy. During the recession, balancing the GOF was accomplished by strategically reducing expenditures, establishing more efficient operating models, and working closely with employee

organizations to contain employee compensation costs, as well as implementing limited revenue enhancements where appropriate. Taking the necessary actions to maintain a structurally balanced budget provided a strong foundation for the economic recovery.

However, the City has continued to operate with fewer resources (primarily staff) than were available before the recession. This has the organization strained to continue to provide the high level of services expected at a time of increased demand. Over the periods of retrenchment since Fiscal Year 2001-02, the City reduced approximately 70.0 positions or over 14.0 percent of its workforce in the GOF.

The City organization has found methods to improve efficiencies, to do more with less staff, but this has continued to place pressure on the organization. Therefore, to address some of the staffing needs within the City, there are a total of 20.0 positions, including limited-period positions, for all funds being recommended. Only 3.5 of these are ongoing positions in the GOF. The positions are recommended for almost all departments, however, the focus is on resources being added, or continued, in the Development Services Fund, for Community Development and Public Works, in response to the current high level of private development activity. A summary of the positions recommended is as follows:

	<u>GF</u>	<u>Other Funds</u>	<u>Total Positions</u>
New Ongoing Regular	3.00	0.00	3.00
Limited-Period to Regular	0.50	1.00	1.50
Continuing Limited-Period	2.05	4.95	7.00 ⁽¹⁾
New Limited-Period	<u>6.70</u>	<u>1.80</u>	<u>8.50</u>
 Total	 <u>12.25</u>	 <u>7.75</u>	 <u>20.00⁽¹⁾</u>

⁽¹⁾ Does not include 2.0 FTE limited-period positions reimbursed by Google.

Although the City is currently experiencing strong revenue growth, how long this will continue is unknown. Slowdowns in the economy have occurred between 4 and 9 years in the past five decades, with the longest period of expansion lasting 11 years, from 1990 to 2001. It has been approximately 8.5 years since the beginning of the last recession and will be 11 years if the slowdown occurs in Fiscal Year 2018-19 as built into the Forecast. The economic recovery is very extensive in the Bay Area, but the recovery is not prevalent elsewhere in California and the rest of the country. Some would say the recovery has been very long and slow and, therefore, the next downturn could occur later. Although it is uncertain when the next economic slowdown will occur, based on history, it is certain there will be another recession sooner or later.

Keeping in mind the next recession could be on the horizon, it is prudent to only conservatively add ongoing positions and provide additional resources on a limited-period basis. A discussion of each recommended position is included in this report.

EXECUTIVE SUMMARY

General Operating Fund

Fiscal Year 2015-16 revenues are estimated to exceed budget and expenditures are estimated below budget. This results in an estimated \$8.7 million operating balance. It is recommended this balance be used to fund limited-period expenditures and supplement reserves to meet policy levels for Fiscal Year 2016-17. It is also recommended to contribute an additional \$1.0 million each to the Public Employees' Retirement System (PERS) and Retirees' Health Other Post-Employment Benefits (OPEB) to increase the funding status of these liabilities and transfer \$1.0 million to the Strategic Property Acquisition Reserve (SPAR). The remaining balance, up to \$4.0 million, is recommended to supplement the Capital Improvement Reserve.

It is fortunate the City is once again in an enviable position to be generating significant operating balances. It provides the opportunity to address some infrastructure needs and unfunded liabilities related to employee benefits, which were unable to be addressed during tough economic times. That is why recommendations for available operating balances are being focused towards the unfunded liabilities of PERS and OPEB. Although the PERS liability is 74.3 percent funded, prior to the Great Recession, it was PERS' policy to maintain a minimum funding level of 80.0 percent. PERS continues to work towards raising the funding level of pension benefits; this, however, generally translates into higher rates for agencies.

Fiscal Year 2016-17 revenues are projected to continue to rise to \$118.7 million and expenditures are projected at \$108.8 million (including recommendations). Revenues are at a level sufficient to fund expenditures and additional funding of \$2.0 million each toward the PERS and OPEB liabilities and the transfer of \$2.5 million to the SPAR, with a projected net balance of \$3.4 million. Recommendations include non-discretionary increases, as well as some discretionary increases in high-priority areas. Also recommended is \$1.8 million of budget savings.

In the Forecast, revenues are projected to continue growing; however, the Forecast assumes a recession will occur during the five-year period. It is unknown exactly when a recession will occur, but staff has built in the impact of a recession beginning in Fiscal Year 2018-19 as that would match the longest economic expansion in decades. At that point, the projected operating balance declines and deficits are projected in Fiscal Years 2019-20 and 2020-21.

Items for City Council Discussion and Direction

There are items staff would like further direction on. Staff would like direction from Council regarding whether these are items should be included in the Fiscal Year 2016-17 Proposed Budget. This section can be found at the end of the General Operating Fund.

Other Major Funds

- **Development Services:** Development activity for Fiscal Year 2015-16 remains strong and is anticipated to continue into the upcoming fiscal year. The Development Services Fund (DSF) is in good financial condition and is able to meet its financial obligations.
- **Shoreline Golf Links (SGL):** Course conditions continue to improve; however, both revenues and expenditures are below budget for Fiscal Year 2015-16. Revenues and the surplus balance for Fiscal Year 2016-17 are projected higher than the current fiscal year estimated. Touchstone has notified the City of its desire to extend the operating agreement for an additional five years.
- **Shoreline Regional Park Community (Shoreline Community):** Fiscal Year 2015-16 revenues are estimated to be \$1.3 million less than the Adopted Budget, primarily related to the negative impact of resolved appeals processed by the County. Fiscal Year 2015-16 estimated expenditures are essentially on target with budget. Fiscal Year 2016-17 revenues are projected with increases and expenditures are lower as the General Fund loan has been completely repaid, and the amount of Capital Improvement Programs (CIPs) is less than the prior fiscal year. Future major capital projects related to transportation are proposed to be funded through the new development impact fee recently approved by Council and the future issuance of debt.

Utility Funds

- **Water Fund:** The financial position of this fund is being severely impacted by reduced water sales from conservation efforts due to the drought. There are fewer units of water being sold to generate revenues to support the fixed costs of the system, placing the fund in a negative operating position. For the upcoming fiscal year, the San Francisco Public Utilities Commission (SFPUC) is currently proposing a wholesale water rate increase of 9.3 percent, and the Santa Clara Valley Water District (SCVWD) is proposing 21.2 percent and 23.6 percent increases for treated water and well water, respectively. A 10.0 percent rate increase is recommended to pay for the increased cost of water and operating

expenditures. If water sales continue at this reduced level, an additional significant rate increase will be required for the following year to realign the operating revenues and expenditures.

- **Wastewater Fund:** For Fiscal Year 2015-16, revenues are trending lower than budgeted and expenditures are trending greater than budgeted due to a \$1.3 million payment for current and prior fiscal years Palo Alto Regional Water Quality Control Plant (Treatment Plant) costs. For Fiscal Year 2016-17, the Treatment Plant is currently proposing a 25.9 percent increase in treatment costs. These factors are also causing a significant imbalance of operating revenues and expenditures. The rate increase necessary to bring revenues and expenditures into balance would be 26.0 percent. A 17.0 percent rate increase is recommended to pay for the increased cost of treatment and operating expenditures. An additional 2.0 percent rate increase (the third year of 10 years) is recommended as a strategy to gradually increase rates to pay for major capital improvements at the Treatment Plant. The total rate increase recommended for Fiscal Year 2016-17 is 19.0 percent. The remaining increase needed is recommended to be phased-in over the following two fiscal years and is noticed in the Proposition 218 letter.
- **Solid Waste Management Fund:** For Fiscal Year 2015-16, revenues are trending higher than budgeted and expenditures are trending less than the Adopted Budget. For Fiscal Year 2016-17, a 2.43 percent increase for Recology, a 2.68 percent proposed increase for the SMaRT[®] Station, as well as City operating cost increases and annual maintenance projects result in no recommended increase to rates. However, the Cost of Service Study was completed last year and resulted in an increase in rates for carts of over 27.0 percent. Council approved spreading this increase over three years. Therefore, cart rates are recommended to increase 10.0 percent for the second year as part of a three- year phase-in of the cart rate.

Non-Major Funds

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

Reserves

Most reserves are at their target or policy balance. However, several reserves, including the General Fund Reserve and Compensated Absences, will need to be supplemented to bring them to their policy balances. In addition, a supplement of \$1.0 million each is recommended to fund the PERS and OPEB unfunded liabilities and \$1.0 million to the SPAR from the estimated GOF carryover balance. Any remaining GOF carryover balance up to \$4.0 million is recommended to be transferred to the CIP Reserve. Should

the balance exceed that amount, staff will return to Council for approval of the allocation of additional funds.

Next Steps

Based on the feedback provided by the City Council at the Narrative Budget Report (NBR) Study Session, staff will prepare the Proposed Budget to be presented to City Council at a public hearing on June 14, 2016. Public hearings for utility rate increases and the Proposed Budget are scheduled for June 21, 2016, as well as final budget adoption after the public hearings that same evening.

DISCUSSION

GENERAL OPERATING FUND

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

Building on this strong financial foundation and with the continuation of revenue growth, this report provides the recommendations for the General Operating Fund budget for Fiscal Year 2016-17. The updated projections indicate continued strength in the economic environment through the next few fiscal years, with projected revenue increases in all major revenue categories (e.g., Property Tax, Sales Tax, Transient Occupancy Tax, and Utility Users Tax).

Updated General Operating Fund Status for Fiscal Year 2015-16

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

	2015-16 Adopted <u>Budget</u>	2015-16 Adjusted <u>Budget⁽¹⁾</u>	2015-16 <u>Estimated</u>	Variance of Estimated to Adopted <u>Budget</u>
Revenues	\$107,134	107,580	113,964	6,830
Expenditures	<u>(102,589)</u>	<u>(104,414)</u>	<u>(102,216)</u>	<u>373</u>
Operating Balance	4,545	3,166	11,748	7,203
Contribution to PERS	(2,000)	(2,000)	(2,000)	-0-
Contribution to OPEB	(1,000)	(1,000)	(1,000)	-0-
Rebudgets ⁽²⁾	<u>-0-</u>	<u>1,606</u>	<u>-0-</u>	<u>-0-</u>
Ending Balance	<u>\$ 1,545</u>	<u>1,772</u>	<u>8,748</u>	<u>7,203</u>

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

⁽²⁾ Rebudgets for encumbrances and grant/donation carryovers from the prior fiscal year.

Overall, total revenues for Fiscal Year 2015-16 are currently estimated to be \$6.8 million, or 6.4 percent higher than Adopted Revenues. Of the GOF major revenue sources, only Fines and Forfeitures and Interfund Transfers are estimated below budget while all other revenue categories are estimated to be performing better than expected this fiscal year.

On the expenditure side, total operating expenditures for Fiscal Year 2015-16 are estimated to be \$2.2 million, or 2.1 percent lower than the Adjusted Budget and with \$373,000 greater budget savings than the \$1.8 million included in the Adopted Budget. After accounting for higher revenues, the operating balance is estimated to be \$8.7 million this fiscal year compared to the \$1.5 million budgeted.

This is an improvement in revenues from the estimates provided in the Midyear Report, where the operating balance was estimated at \$5.9 million. Revenue estimates have increased \$3.4 million, primarily as a result of higher property taxes, Sales Taxes, and

Rents and Leases revenues. The expenditure estimate has increased slightly to \$102.2 million from \$101.7 million.

Although we expect the City will end the current fiscal year with an operating balance greater than budgeted, it is important to note two points: the estimated expenditure savings is only slightly more than the \$1.8 million that was assumed in the Adopted Budget (previously it has been as much as \$2.8 million). In addition, the carryover balance is the funding source for key organizational needs, such as limited-period expenditures and maintaining reserve levels.

The estimated available carryover balance is recommended to be used as follows (dollars in thousands):

Estimated GOF Operating Balance	\$11,748
PERS	(2,000)
Retirees' Health OPEB	<u>(1,000)</u>
Total Net Estimated Operating Balance Available	8,748
Estimated GNOF Available:	
Shoreline Loan Repayment	1,472
Estimated One-Time Revenues	<u>1,597</u>
Total Estimated Carryover Balance Available	<u>11,817</u>
Recommended Allocations:	
Non-Discretionary:	
Limited-Period Expenditures/Capital Outlay	(2,150)
General Fund Reserve ⁽¹⁾	(2,248)
Compensated Absences Reserve	(1,500)
Discretionary:	
Capital Improvement Reserve ⁽²⁾	(2,914)
PERS	(1,000)
Retirees' Health OPEB	(1,000)
Strategic Property Acquisition Reserve	<u>(1,000)</u>
Total Recommended Allocations	<u>(11,817)</u>
Estimated Remaining Balance Available	<u>\$ -0-</u>

⁽¹⁾ To be determined with the Adopted Budget.

⁽²⁾ Recommended any balance remaining be allocated to the Capital Improvement Reserve up to \$4.0 million based on the actual balance available after the fiscal year-end close.

Staff is recommending the estimated Fiscal Year 2015-16 carryover balance of \$11.8 million be used to fund the limited-period expenditures of \$2.2 million and supplement the necessary reserves to meet policy levels. The increased available carryover balance allows the City to dedicate resources to reduce the significant liabilities associated with employee compensation, PERS, and OPEB. These liabilities are 74.3 percent and 72.9 percent funded and have existing unfunded liabilities of \$162.5 million (as of June 30, 2014) and \$33.6 million (as of July 1, 2015), respectively. In addition to the \$2.0 million and \$1.0 million contributions to PERS and OPEB, respectively, included in the Fiscal Year 2015-16 Adopted Budget, it is also recommended the City contribute an additional \$1.0 million each from the carryover.

Staff is also recommending transferring \$1.0 million to the SPAR to build up this reserve for a potential future strategic property acquisition. The City has successfully leveraged City-owned property for ongoing revenues, and setting aside available resources in the SPAR could assist in obtaining future strategic properties.

It is currently estimated that after these recommendations, \$2.9 million would remain available. Any remaining carryover available, up to \$4.0 million, is recommended to supplement the Capital Improvement Reserve. The final carryover available will be determined after the fiscal year-end close and audit of the City's financial records.

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

General Operating Fund Projections for Fiscal Year 2016-17

In presenting the Preliminary GOF revenues and expenditures in the Midyear Budget Status Report on February 9, 2016, staff projected a \$2.5 million surplus for Fiscal Year 2016-17. With additional information available on both revenues and expenditures as the fiscal year has progressed, the updated projection is a surplus of \$3.4 million or about 3.1 percent of budgeted expenditures. This surplus is after recommendations for expenditure increases, as well as additional contributions to PERS, OPEB, and the SPAR. A brief discussion of revenues and expenditures for Fiscal Year 2016-17 follows.

Compared to the current Adopted Budget and prior to recommendations, total revenues are anticipated to grow by \$11.4 million, or 10.6 percent, next fiscal year, and total expenditures are projected to increase \$4.6 million or 4.4 percent. The GOF is projected to end Fiscal Year 2016-17 with a balance of \$3.4 million after taking into consideration all recommendations.

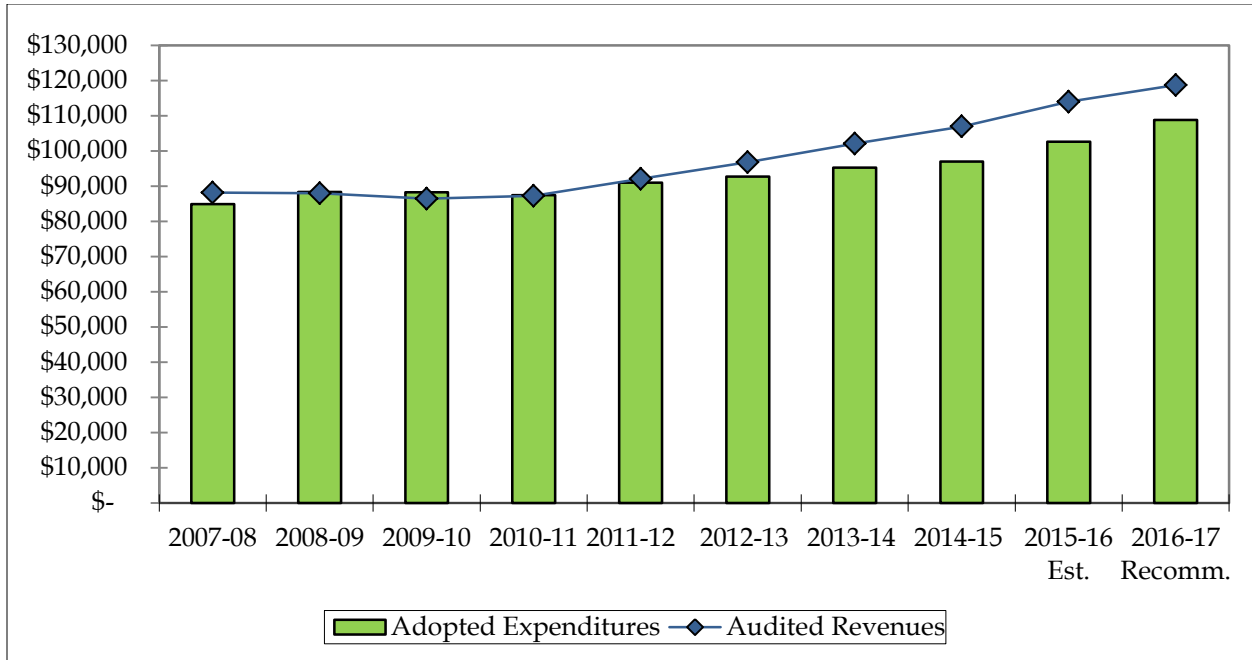
Comprehensive information for revenues and expenditures is included in the GOF Five-Year Forecast Section included in this document. A summary of the Fiscal Year 2016-17 budget is as follows (dollars in thousands):

Total Revenues	\$118,519
Total Net Expenditures	(107,195)
Recommendations:	
Non-Discretionary Increases	(416)
Discretionary Increases	(1,212)
Revenue Enhancements	<u>199</u>
Operating Balance	<u>9,895</u>
PERS Funding	(2,000)
OPEB Funding	(2,000)
SPAR Funding	<u>(2,500)</u>
Net Balance	\$ <u>3,395</u>

Revenue Projections for Fiscal Year 2016-17

For Fiscal Year 2016-17, GOF revenues are projected to grow by 10.8 percent, to \$118.7 million, including recommendations. All major categories of revenues (e.g., Property Tax, Sales Tax, and Other Local Taxes, etc.), except Fines & Forfeitures, Miscellaneous Revenue and Interfund Transfers, are projected to increase compared to the current fiscal year adopted revenues.

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



This table demonstrates the cyclical nature of the City's balance between revenues and expenditures. In recessionary years, small margins exist between GOF revenues and expenditures, while that gap widens during high-revenue-growth years as we are currently experiencing. The adopted expenditures in the table include the budget savings adopted; however, for Fiscal Years 2009-10 through 2011-12, the actual budget saving results were greater than adopted and were necessary to maintain a positive operating balance due to revenue shortfalls compared to budget. In comparison, for Fiscal Year 2011-12 through Fiscal Year 2014-15, actual budget savings have declined, but revenues have been greater than adopted.

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

Expenditure Projections for Fiscal Year 2016-17

The recommended expenditures for Fiscal Year 2016-17 include the addition of non-discretionary increases, which preserves current service levels and \$1.2 million discretionary additions for resources to meet demands and reduce some of the strain on the organization.

While several new expenditure requests by departments are being recommended, there were more requests by departments for expenditure increases, many of which would be desirable and would ease more of the stress on staff resources in the organization. However, as can be seen in the GOF Forecast and summarized below, although more expenditures could be afforded in the Fiscal Year 2016-17 Budget, it would be prudent to contain ongoing expenditure growth due to the anticipation of the next economic recession, when it is projected the GOF will be facing an operating deficit once again. To address heavy workloads, many current demands for resources are being addressed through limited-period funding.

Although service levels are generally not increasing, the City's costs are increasing due primarily to higher personnel costs. Total costs of personnel are increasing \$4.4 million. These increases are occurring even after the significant concessions made by employees over the three Fiscal Years 2010-11 through 2012-13. Although there were structural changes adopted Statewide in pension reform, retirement costs are still projected to increase by \$1.2 million for Fiscal Year 2016-17 over the current fiscal year Adopted Budget. The changes resulting from pension reform will likely not be realized for 10 years or more, until there are a majority of employees under the new formula.

The categories of changes in costs from the Fiscal Year 2015-16 Adopted Budget to the Fiscal Year 2016-17 recommended budget are as follows (dollars in thousands):

Expenditure Changes:

Compensation Changes	\$1,317
Retirement (PERS)	1,206
Health and Other Benefits	1,228
Personnel Recommendations	<u>655</u>
Total Changes Personnel Costs	4,406
Nonpersonnel Miscellaneous	855
Other Recommendations	<u>973</u>
Total Expenditure Increase	<u><u>\$6,234</u></u>

All labor contracts and resolutions expire June 30, 2017. As the City transitioned open enrollment for health care to a calendar year with new premiums effective each January 1, the premiums budgeted for Fiscal Year 2016-17 are actual rates through December 2016 and assume an increase of 11.0 percent for all PPO plans, 10.0 percent for all HMO plans, and 7.0 percent for all Kaiser plans beginning January 2017. PERS rates are budgeted based on the actuarial rates provided by PERS.

California Public Employees Retirement System (PERS) Rates

There has been attention focused on public-sector retirement costs in recent years; therefore, it is worth noting a few key points about Mountain View's approach to providing employee pension benefits. While in many cities the employer pays some or all of the employee contribution, Mountain View employees not only pay the employee contribution, but they also pay a portion of the employer contribution. For example, the amount paid by Safety employees ranges between 13.616 percent and 17.366 percent and for Miscellaneous employees ranges between 10.5 percent and 11.7 percent. This was an unusual and progressive arrangement when instituted in Mountain View and reflects the collaborative approach our employees have taken toward fiscal sustainability.

As a result of the significant financial losses to PERS during the recession and the resulting impacts to the financial sustainability of the pension plans, many changes in the way PERS rates are calculated have been adopted in the past several years, including the reduction in the discount rate from 7.75 percent to 7.50 percent, changes to the methodology for the amortization and smoothing of rates, and the changes in demographic assumptions, primarily related to life expectancy. All of these have an impact on the City's employer rates and there are increases projected in PERS rates throughout the Forecast period as discussed in more detail in the Forecast.

Fiscal Year 2016-17 Budget Recommendations

The following is a discussion of non-discretionary and discretionary recommended expenditure increases. Departments have reviewed their programs, work levels, and proposed goals for the upcoming fiscal year and developed their budget requests. The Citywide non-discretionary increase is primarily related to the City's utility cost increases and PG&E. The discretionary items were reviewed by the City Manager and are recommended for City Council consideration. These recommendations are included in the Fiscal Year 2016-17 projections.

Non-Discretionary Increases

Non-discretionary increases totaling \$416,000 are recommended to fund existing and new required operational costs such as increases in City utility costs, PG&E, and contract services. These new expenditures are offset by \$25,000 in new revenue for a net impact of \$391,000. Items recommended in the base budget \$25,000 and over are as follows (see Attachment 3 for a complete listing of non-discretionary items):

- **City Utility Costs: \$200,000**
Provides increased funding for City utility services used by City departments based on the recommended utility rate adjustments.
- **PG&E Cost Increase: \$100,000**
Provides increased funding for PG&E's annual rate increase. The total PG&E cost increase Citywide is \$143,000.
- **Contract Services for Civica, KMVT, and Environmental Services: \$33,700**
Provides increased funding for professional contract services to assist the City with environmental issues, Civica training and website programming, and the renewal and disengagement of PEG (Public, Education and Government) funding to pay for KMVT Community Television agreement.

Recommended Discretionary Expenditures

New expenditures totaling \$1.2 million are recommended for high-priority ongoing programs. These new expenditures are offset by \$174,500 in new revenue for a net impact of \$1.0 million; \$643,000 is related to positions. Items recommended \$25,000 and over are as follows (see Attachment 4 for a complete listing of discretionary items):

- **IT Analyst I/II – Applications Support Position: \$169,600**
Provides funding for an IT Analyst I/II position. This position will support an increase in technology initiatives, including managing of some technology systems in the Police Department and other departments.
- **Senior Administrative Analyst Position: \$169,500**
Provides funding for a Senior Financial Analyst position. This position will perform a variety of duties to support the increased demand for financial analysis of the Finance and Administrative Services Department and Citywide.
- **Rental Housing Dispute Resolution Program: \$110,000 (offset by \$110,000 in fees)**
Provides funding for contracting services to administer the City's Rental Housing Dispute Resolution Program scheduled for the Second Reading on April 26.

- **On-line Payment Processing: \$99,000**
Provides funding for payment processing costs to implement accepting payments on-line for business licenses, multi-family housing, and miscellaneous accounts receivable.
- **Communications Coordinator Position (0.50): \$92,700**
Converts a limited-term 0.50 FTE Communications Coordinator position to ongoing to support the current and projected workload for the City's Community Information Program.
- **Wireless Data/South Bay Information Sharing System/CopLink: \$71,800**
Provides increased funding for services related to the regional crime information system and wireless data services for Police and Fire Department users. The Santa Clara County Office of the Sherriff is passing the cost of supporting the regional "CopLink" information sharing system to the constituent agencies that use the system.
- **Office Assistant III Position (0.50): \$58,600**
Provides funding for a 0.50 FTE Office Assistant III Position in the Police Department. The position will provide needed clerical support that is currently being performed by the Senior Administrative Analyst.
- **GIS Data Conversion Services: \$50,000 (offset by \$50,000 in fees)**
Provides funding for contracting services to convert developer's plans to GIS data to maintain the City's GIS up-to-date.
- **Generator Maintenance: \$45,000**
Provides increased funding for generator maintenance at multiple locations throughout the City. Generator maintenance requires a specialized skill and due to personnel changes and an increased number of generators, the department is unable to adequately perform this crucial function with existing resources. The total cost of \$91,000 is allocated between GOF, Water (\$25,000), and Wastewater (\$21,000) Funds.
- **Librarian I/II Position (0.25): \$40,400**
Provides increased funding for 0.25 FTE of a Librarian I/II position, adding to an existing 0.75 FTE position. The increase in additional staff will support the increased demand for children's programs.

- **Library Materials: \$40,000**
Provides increased funding for books and Library materials loaned to the public. The preliminary data indicated that Mountain View is approximately 15.0 percent below certain benchmark libraries.
- **Parks Maintenance Worker I/II Position – South Parks (0.25): \$29,200**
Provides funding for a 0.25 FTE Park Maintenance Worker I/II position, adding to an existing 0.75 FTE position. The additional resource will help to address the increased workload from the addition of several City parks in recent years.
- **Parks Maintenance Worker I/II Position – Roadway Crew (0.25): \$29,200**
Provides funding for a 0.25 FTE Park Maintenance Worker I/II position, adding to an existing 0.75 FTE position. The additional resources will help to maintain the 121 acres of median landscaping and irrigation throughout the City. The Roadway Crew also assists the Permanente and Steven Creek Trails, and special City events (e.g., concerts and Thursday Night Live).

Limited-Period Recommendations

There is a total of \$11.8 million available from the estimated operating balance and one-time revenues. Allocations for the carryover balance are included above. There are a number of recommendations for limited-period funding totaling \$2.2 million (offset by \$1,500 in revenue); \$1.4 million is related to positions. Items recommended as limited-period expenditures \$25,000 and over are as follows (see Attachment 5 for a complete listing of limited-period items):

- **Senior Administrative Analyst Position: \$169,500**
Provides continuation funding for a Senior Administrative Analyst position in the Purchasing Division. This position will assist with the monitoring of prevailing wage compliance, implementation of purchasing process improvements, and workload.
- **Public Safety Dispatch Overhire Position: \$169,300**
Provides funding for a Public Safety Dispatch Overhire position. The position is requested due to anticipated vacancies and a lengthy selection and training process.
- **Two Police Officer Trainee Positions: \$155,700**
Provides funding for two Police Officer Trainee positions at 50 percent funding. Police Officer Trainees provide flexibility for current and anticipated vacancies. There are currently two vacant Police Officer positions and four to seven

additional vacancies anticipated in the next 12 months. Includes \$10,000 for hiring, background, training, and uniform costs.

- **Human Resources Analyst I/II Position: \$147,000**
Provides funding to continue a Human Resources Analyst I/II position. This position will assist with the high volume of recruitments, provide support in administering the benefits program, and special event planning.
- **ICMA Fellow: \$135,700**
Provides funding for a management Fellow position in the City Manager's Office. The objective of this position is to provide an increased level of analytical rigor and effectiveness for important City issues. The position will develop tools and training that promote high-quality analysis and will provide direct analytical support in the development of critical department and Citywide projects.
- **November 2016 Election: \$110,000**
Provides funding for the November 8, 2016 General Municipal Election, including four Council seats, the nomination process, candidate statements, and ballot title reviews.
- **Fire Department Overtime Training: \$100,000**
Provides increased funding for overtime related to attending training or completing required certified courses.
- **Employee Transportation Program: \$80,000**
Provides funding for a pilot program to provide incentives to reduce drive-alone rates to aid congestion management and reduce employee commute costs and stress.
- **Associate Civil Engineer – Traffic Position (0.45): \$78,300**
Provides funding for an Associate Civil Engineer position (the other 0.55 FTE is funded from the Development Services and the Shoreline Community Funds). The position will support the increased workload in the Traffic Engineering Section due to high levels of development activity, inquiries from the *Ask Mountain View* system, and an increased emphasis on improving the pedestrian and bicycle environment in the City.
- **Legal Services: \$75,000**
Provides funding for additional legal services. This funding will provide additional legal resources to address fluctuations in workload by assisting with pending high-priority projects (e.g., litigation support, public records requests,

research projects, drafting of ordinances and specialized agreements) requiring legal review and subject matter expertise.

- **Marketing and Public Relations Manager Position (0.5): \$71,000**
Provides increased funding for 0.50 FTE of a Marketing and Public Relations Manager position to add to an existing half-time position. The additional resources will help to maximize ticket sales and revenue at the Center for the Performing Arts.
- **Secretary Position (0.50): \$66,800**
Provides funding for a half-time Secretary position to provide administrative support to the IT Department. Currently, IT and the Purchasing Division in the Finance and Administrative Services Department share a Secretary position. This position will assume administrative functions from other IT Analyst staff that currently is not accommodated by the shared Secretary position.
- **Labor Negotiations Attorney: \$60,000**
Provides funding for a Labor Negotiations Attorney and other costs to assist with contract negotiations and strategies. All four represented employee groups' current agreements will expire June 30, 2017 and, therefore, will be bargaining in Fiscal Year 2016-17.
- **Public Safety Network Design: \$60,000**
Provides funding for third-party consulting and technical services related to public safety computer network design, implementation of all-IP 9-1-1 and radio networks, and industry expertise with respect to Federal information security policies and standards compliance.
- **Housing Trust Boomerang Funds: \$51,000**
Provides funding for the 20.0 percent of the net ongoing Boomerang Funds (former Revitalization Authority funds that are new in the GOF). These funds are appropriated for low- and moderate-income housing but are not designated for a specific project or program. Staff is seeking direction from Council on whether additional funds should be annually transferred to the Housing Fund in the future.
- **Pilot Program for Sidewalk Ramping and Grinding: \$46,000**
Provides funding for a pilot program to hire two hourly seasonal workers to perform sidewalk ramping and grinding operations. These additional resources will allow the Streets Division to complete an additional 1,000 locations and dedicate more resources to maintain the City's Pavement Condition Index.

- Safety Training Study: \$40,000
Provides funding to perform a Citywide Safety Training Study. The study would provide for information on best practices, review available resources, and recommend a safety program appropriate for the City.
- Environmental Sustainability Analyst (Hourly): \$40,000
Provides funding for assistance with the implementation of the City's Climate Protection Roadmap (CPR), the Municipal Operations Climate Action Plan (MOCAP), Environmental Sustainability Action Plan, as well as assistance with ongoing projects and grant opportunities.
- El Camino Real Light Pole Banners: \$40,000
Provides funding to create and install new City banners on El Camino Real. The banners will create a consistent look that will identify the City's boundaries and promote the City.
- 2015 Greenhouse Gas (GHG) Inventory: \$35,000
Provides funding of \$20,000 for consultant services to conduct the 2015 municipal operations and \$15,000 for communitywide GHG inventory in order to report on the GHG reduction targets.
- Transient Occupancy Tax Compliance Audit: \$35,000
Provides funding for an audit of the City's hotels and motels to ensure compliance with the City's Transient Occupancy Tax Ordinance.
- Program Assistant—Engineering Position (0.25): \$30,500
Provides funding for a 0.50 FTE Program Assistant position (the other 0.25 FTE is funded from the Development Services Fund). The position will support the Engineering Division with organization of paper and electronic files, plans and specifications, AutoCAD files, reports, and other work products from Capital Improvement Projects and Land Development projects, and report on various program activities.
- Customer Service Representative (Hourly): \$30,000
Provides funding for an hourly position to assist with the coverage at the front counter in the Finance and Administrative Services Department. The hourly help will provide coverage for the regular Customer Service Representative position during the morning break and lunch hour in order to minimize disruption to other staff and the public.

- Hourly Staff to Support the Capital Projects Section: \$30,000
Provides funding for hourly staff to support the Capital Projects Section of the Public Works Department. The increase in workload is mainly attributable to the high level of development activity and the existing approved Capital Improvement Program.
- Hourly Staff to Support the Traffic Section: \$30,000
Provides funding for hourly staff to support the Traffic Section. The increase in workload is mainly attributable to the high level of development activity.
- Fire Department Training and Education: \$30,000
Provides increased funding for Training and Education. Additional funds are needed to meet the changes in State and national training standards. There will be a significant number of expected retirements and promotions over the next couple of years that will increase the demand for education and other specialized training.

Listings of Fiscal Year 2016-17 Recommended Capital Outlay and Equipment Replacement are included as Attachments 6 and 7, respectively.

Items for City Council Discussion and Direction

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

- Housing Boomerang Funds
In Fiscal Year 2014-15, the Council approved the set aside of Housing Boomerang funds to increase funding for affordable housing in the community. The Boomerang funds are a result of the dissolution of redevelopment agencies (RDAs) and the loss of the previous 20.0 percent housing set-aside for low-and moderate-income housing funds. There were \$149,800 and \$51,000 of funds (to be reviewed annually) adopted as limited-period funds. These funds were committed with the intent the County would match such funds. Of the original \$200,800 budgeted for Fiscal Year 2014-15, a balance of \$191,800 remains. Of the \$51,000 budgeted for Fiscal Year 2015-16, \$10,000 was allocated to CSA and InnVision and \$15,000 requested for the homeless vehicle dweller census and survey.

Staff is requesting Council direction if the \$51,000 Boomerang Funds should continue to be set aside for affordable housing on an ongoing annual basis and if staff should return to Council before the funds are expended.

- Friends of Caltrain Membership: \$5,000
Funding for Friends of Caltrains was approved for Fiscal Year 2015-16. The original request was for membership, and the Council approved the \$5,000 with the restriction the funds be used for educational and information purposes only. The funding was adopted as ongoing; however, staff believes the intent was to be a one-time contribution and has communicated this with the Friends of Caltrains. Staff is requesting Council direction as to whether Council wishes to provide the annual funding or consider it a one-time contribution.

- Council's Budget:
The Council Procedures Committee (CPC) met on February 23, 2016 to discuss the Council's Budget in accordance with Council Policy A-2. The CPC recommended the following:
 - Training, Conference and Travel: \$3,500
Costs associated with Training, Conference, and Travel (TCT) have increased.

 - Council Team Building: \$ 5,000
With the 2016 election and new members joining the Council, the CPC recommends additional funding for a Council team building for 2017, as was done in early 2015.

SUMMARY

With the strong economic growth, and due to the fiscally responsible actions taken in prior fiscal years, the City is poised to invest funds in needed areas such as capital projects, PERS, and Retirees' Health. The growing economy has resulted in overall revenues projected to increase 10.8 percent over the Fiscal Year 2015-16 Adopted Budget. This results in the ability to include non-discretionary expenditure increases of \$416,000 and discretionary increases of \$1.2 million of ongoing expenditures in the most needed areas.

There are other needs in a variety of areas, but the most critical are being addressed with limited-period expenditures. The net result of the recommendations is a projected GOF surplus for Fiscal Year 2016-17 of \$3.4 million after contributions of \$2.0 million each to PERS and OPEB and \$2.5 million to the SPAR. Further ongoing expenditure increases are not recommended at this time as later years in the Forecast are projecting a downturn in the economy and a return of modest deficit balances.

OTHER MAJOR FUNDS

General Fund: Development Services Fund

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

The current revenue estimate for Fiscal Year 2015-16 is \$12.4 million, which exceeds budget by \$1.4 million. The current level of revenues from development activity is trending higher than the prior fiscal year audited as development activity remains strong. Development-related revenues are cyclical in nature and there is a timing difference for each project as plan check revenue is collected at the beginning of the development process, permit revenue just prior to construction, and all services are provided subsequent to payment of fees.

Operating expenditures for the current fiscal year are estimated at \$12.7 million, \$1.1 million (9.9 percent) higher than the Adopted Budget, primarily as a result of increased appropriations for contractual services during the fiscal year. Included in operating expenditures is \$1.6 million to reimburse the cost of administrative support by the GOF. In addition, Development Services contributed \$2.7 million to its share of the Retirees' Health UAAL, \$177,000 to PERS, proportionate to the General Fund contributions, \$15,000 to Workers' Compensation, \$12,000 to the Compensated Absences Fund, and funded capital projects of \$1.8 million. The fund is estimated to end the current fiscal year with a balance of \$6.3 million and a Reserve for Land Use Documents of \$3.5 million.

The Reserve is established for the purpose of accumulating costs associated with the update of Land Use Documents (e.g., General Plan, Precise Plans, Zoning Ordinance, etc.). A new fee for this purpose was approved with the Fiscal Year 2015-16 Adopted Budget.

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

	<u>2014-15</u> <u>Audited</u>	<u>2015-16</u> <u>Adopted</u>	<u>2015-16</u> <u>Estimated</u>	<u>2016-17</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 188	189	177	201
Permits	6,222	5,818	6,109	6,100
Charges for Services	5,278	4,905	6,084	5,424
Other	<u>67</u>	<u>50</u>	<u>31</u>	<u>50</u>
Total Revenues	11,755	10,962	12,401	11,775
Operating Expenditures	<u>9,166</u>	<u>11,565</u>	<u>12,713</u>	<u>12,066</u>
Operating Balance	2,589	(603)	(312)	(291)
Land Use Doc Fee	-0-	840	377	840
Reimb to Other Funds	(1,871)	-0-	-0-	-0-
PERS Contribution	-0-	(177)	(177)	(239)
Transfer to Workers' Comp	-0-	(15)	(15)	-0-
Transfer to Comp Absences	(62)	(12)	(12)	(66)
Retirees' Health UAAL	(590)	(2,748)	(2,748)	(1,639)
Capital Projects	<u>(618)</u>	<u>(1,572)</u>	<u>(1,830)</u>	<u>(539)</u>
Excess (Deficiency) of Revenues	(552)	(4,287)	(4,717)	(1,934)
Beginning Balance	15,140	14,588	14,588	9,871
Land Use Doc Reserve	<u>(3,156)</u>	<u>(3,996)</u>	<u>(3,533)</u>	<u>(4,373)</u>
Ending Balance	<u>\$11,432</u>	<u>6,305</u>	<u>6,338</u>	<u>3,564</u>

The Fiscal Year 2016-17 major recommendations (\$25,000 and over) are as follows (See Attachments 3, 4, and 5 for complete listings):

- Consultants to Support Land Development Section: \$250,000 (limited-period)
 Provides funding for consultants to support the Land Development Section. Additional resources are needed to process the additional workload created by the high level of development activity.

- Associate Civil Engineer – Construction Position: \$174,900 (limited-period)
Provides funding for an Associate Civil Engineer position. The position will support the increased workload in the Construction Section due to the high level of private development and related excavation permits activity.
- Assistant Civil Engineer – Construction Position: \$169,500 (limited-period)
Provides for continuation of funding for an Assistant Civil Engineer position. The position will support the increased workload in the Construction Section due to the high level of private development activity.
- Senior Planner Position: \$166,000 (limited-period)
Provides continuation funding for a Senior Planner position. The position will support the current high level of development activity.
- Associate Planner Position: \$153,000 (limited-period)
Provides continuation funding for an Associate Planner position. This position improves customer service at the counter and will support the current high level of development activity.
- Web Enable Mountain View Permitting System (MVPS): \$110,000 (limited-period)
Provides funding for the web enabling of the current building database. This will allow inspectors to log inspections on a smart phone or other mobile device while in the field and update the database as their day progresses. Other departments and divisions will also have access to information on existing building and fire permits, and plan checks.
- Office Assistant I/II Position: \$100,800 (ongoing)
Provides funding for an Office Assistant I/II position. This position will help to alleviate the increase in workload and provide essential clerical functions to the Community Development Department.
- Assistant Civil Engineer – Land Development Position (0.50): \$84,700 (limited-period)
Provides continuation funding for the allocation to the Development Services Fund for this position as mentioned in the General Fund section above.
- Associate Civil Engineer – Traffic Position (0.30): \$52,200 (limited-period)
Provides funding for the allocation to the Development Services Fund for this position as mentioned in the General Fund section above.

- SB 743 – Transit-Oriented Infill Projects: \$50,000 (limited-period)
Provides funding for consultant services to assist the City with developing thresholds of significance related to the implementation of CEQA’s new vehicle miles travelled (VMT) standards. SB 743 requires CEQA analysis of transportation impacts to move from LOS (level of service) to VMT standards.
- Consultants to Support Traffic Engineering Section: \$50,000 (limited-period)
Provides funding for continuation of consultants and hourly staff to support the Traffic Engineering Section. The increase in activity is mainly attributable to the approval of the three Precise Plans. The total cost of \$100,000 is shared between the Development Services and Shoreline Community Funds.
- Program Assistant – Engineering Position: \$30,500 (limited-period)
Provides funding for the allocation to the Development Services Fund for this 0.50 FTE position as mentioned in the General Fund section above.
- Hourly Staff to Support the Land Development Section: \$30,000 (limited-period)
Provides funding for hourly staff to support the Land Development Section. The increase in workload is mainly attributable to the high level of development activity.
- Hourly Staff to Support the Construction Section: \$30,000 (limited-period)
Provides funding for hourly staff to support the Construction Section. The increase in workload is mainly attributable to the high level of development activity.
- Major Capital Improvement Projects:
 - IT Projects: \$539,000

Fiscal Year 2016-17 revenues are projected at \$11.8 million, \$813,000 more than the current fiscal year Adopted Budget, and \$626,000 lower than the current fiscal year estimate. Development is projected to remain strong through Fiscal Year 2016-17. Fiscal Year 2016-17 operating expenditures are recommended at \$12.1 million, \$501,000 more than the current fiscal year Adopted Budget. There are limited-period recommendations of \$1.4 million and ongoing recommendations of \$100,800 (all primarily targeted to address workload during this high period of development activity) included for Fiscal Year 2016-17. In addition, there is a \$1.6 million contribution to the Retirees’ Health UAAL, which will fully fund the liability for Development Services due to the updated valuation dated July 1, 2015; \$239,000 contribution to the PERS liability proportionate to the General Fund contributions; \$66,000 to the Compensated Absences Fund; and \$539,000 for capital projects.

The fund is projected to end the 2016-17 fiscal year, including Fiscal Year 2016-17 recommendations of \$1.5 million, with expenditures exceeding revenues by \$291,000. After funding Retirees' Health, the additional PERS contribution, Compensated Absences, and capital improvement projects, there is a projected ending balance of \$3.6 million and a Reserve for Land Use Documents of \$4.4 million.

General Fund: Shoreline Golf Links Fund

Shoreline Golf Links (SGL) is an 18-hole course designed by Robert Trent Jones II & Associates that was completed in 1983. The course is owned by the City and generally open to the public 364 days a year. After operating at a deficit for several years, Touchstone Golf, LLC (Touchstone), assumed management and operations of SGL (Pro Shop and maintenance) in January 2012. Although SGL is a General Fund program, it is tracked and reported separately for management information purposes and to provide a more comprehensive overview of its operations.

The Fiscal Year 2015-16 budget was adopted with a \$175,000 net surplus which was budgeted as a revenue transfer to the GOF. For Fiscal Year 2015-16, total revenues are estimated at \$2.4 million, \$274,000 (10.1 percent) lower than the Adopted Budget and \$56,000 less than the prior fiscal year actual, related to less rounds, range activity, memberships, and tournament rounds due to increased rainy weather and renovations to the course that disrupted play. Golf cart rental revenue continues to grow as customers enjoy the fleet replacement completed in the summer of 2014. Compared to Fiscal Year 2014-15, revenues were impacted by the cold and rainy weather from the "El Niño" conditions and the timing of the December holiday. However, the weather and holiday timing also allowed expenditures savings in staffing and water usage compared to the current fiscal year adopted. Specifically, Fiscal Year 2015-16 operating expenditures are estimated at \$2.3 million, \$185,000 (7.4 percent) less than the Adopted Budget of \$2.5 million. Included in operating expenditures is the management fee of \$102,000 to Touchstone, \$75,000 to reimburse the cost of administrative support provided by the GOF, and annual funding of liability insurance and equipment replacement.

The fund is estimated to end the current fiscal year with a sufficient operating balance to fund a transfer of \$90,000 to the GOF.

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

	<u>2014-15</u> <u>Audited</u>	<u>2015-16</u> <u>Adopted</u>	<u>2015-16</u> <u>Estimated</u>	<u>2016-17</u> <u>Recommended</u>
Revenues:				
Green Fees	\$1,143	1,290	1,112	1,256
Tournaments/Memberships	500	535	480	502
Cart Rental	363	333	376	377
Driving Range	261	305	239	277
Retail Sales	172	200	169	200
Other	<u>44</u>	<u>38</u>	<u>51</u>	<u>48</u>
Total Revenues	2,483	2,701	2,427	2,660
Operating Expenditures	<u>2,301</u>	<u>2,516</u>	<u>2,331</u>	<u>2,502</u>
Operating Balance	182	185	96	158
PERS Contribution	-0-	(3)	(3)	(3)
Transfer to Comp Absences	(3)	-0-	-0-	(1)
Transfer to GOF	<u>(177)</u>	<u>(175)</u>	<u>(90)</u>	<u>(150)</u>
Excess (Deficiency) of Revenues	2	7	3	4
Beginning Balance	<u>5</u>	<u>7</u>	<u>7</u>	<u>10</u>
Ending Balance	\$ <u>7</u>	<u>14</u>	<u>10</u>	<u>14</u>

The Fiscal Year 2016-17 major recommendations (\$25,000 and over) are as follows (see Attachments 3, 4, and 5 for complete listings):

- Personnel Costs: \$34,800 (ongoing)
Provides increased funding for Touchstone Personnel Costs in order to abide by the City's Minimum Wage Ordinance.

- Net Miscellaneous: \$53,560 (ongoing)
Provides savings from reductions in Utilities (\$29,300), Materials and Supplies (\$19,200), and other net Maintenance and Operations (\$4,600).

Projected revenue for Fiscal Year 2016-17 is \$2.7 million, \$233,000 higher than the current fiscal year estimate and \$177,000 higher than Fiscal Year 2014-15 Audited. The projected revenue includes \$74,500 anticipated from recommended increases to

membership and greens fees. Regular green fees have not been increased for over 11 years. Touchstone continues to monitor the membership programs and incorporates adjustments as appropriate.

Projected expenditures by Touchstone and the City of \$2.5 million are approximately the same as the current fiscal year adopted. The operating costs reflect recommended decreases in funding for supplies and utilities offsetting minimum wage and other compensation increases. Included in the Fiscal Year 2016-17 recommended operating expenditures are contributions of \$212,000 for annual equipment replacement and \$76,000 for reimbursement of administrative support provided by the GOF.

Fiscal Year 2016-17 is projected with an operating balance of \$158,000 which will be sufficient to fund a \$1,000 contribution to Compensated Absences and a \$3,000 additional contribution to PERS, proportionate to the General Fund contributions.

The course condition continues to improve. Revenues are projected with a net decrease compared to the Fiscal Year 2015-16 Adopted, but a net increase compared to Fiscal Year 2015-16 Estimated. Based on projected revenues and expenditures, management of the course by Touchstone will allow for a transfer of \$150,000 of net surplus to the City's GOF. Staff continues to work with Touchstone and meets quarterly to review the operations and financial status of the golf course. The first term of the operating agreement with Touchstone expires December 31, 2016 and Touchstone has notified the City of its desire to extend the term for an additional five years as provided for in the operating agreement. Staff will return to Council with a recommendation for this extension.

Shoreline Regional Park Community Fund

The Shoreline Regional Park Community (Shoreline Community) was created in 1969 by the Shoreline Regional Park Community Act (Act) for the development and support of the Shoreline Regional Park (Regional Park) and to economically and environmentally enhance the surrounding North Bayshore Area. The Act prescribes the powers of the Shoreline Community, including the construction and replacement of the infrastructure needed to serve the Shoreline Community such as streets, curbs, gutters, parking lots, sidewalks, water and sewer services, lighting, waste disposal, and levees, as well as operations and maintenance of the Regional Park.

The primary source of revenues for the Shoreline Community is property taxes, which include the revenue generated from the Shoreline Community's 1.0 percent levy assessed on the incremental taxable value of real and personal property located within the Shoreline Community. The assessed value (AV) of secured real property that does not experience a change in ownership or is not subject to new construction is adjusted

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

Property Taxes and Investment Earnings are estimated below budget resulting in total estimated revenues for the current fiscal year of \$32.7 million, \$1.3 million (3.7 percent) lower than budget. The property tax projection for Fiscal Year 2015-16 anticipated an increase compared to the July 1, 2014 tax roll resulting from changes in ownership and the 1.998 percent annual CCPI. Although the tax roll did increase, the County resolved appeals which are estimated to reduce property taxes by \$3.8 million.

Total expenditures for the current fiscal year are estimated at \$27.8 million, \$563,000 below the Fiscal Year 2015-16 Adopted Budget of \$28.4 million primarily due to savings in salary and benefits, and services and supplies. This estimate includes the operations of the Shoreline Regional Park, landfill, and street maintenance, as well as the area's share of costs for services such as Police and Fire protection, planning, and general administration. The final loan payment, from the series of loans made by the General Fund in the 1980s for Shoreline Community infrastructure improvements, was made in Fiscal Year 2015-16.

The intergovernmental payments to the County, in accordance with the agreement authorized in December 2004, is estimated to be on target with budget, and contributions to the Mountain View Whisman School District (MVWSD) and the Mountain View Los Altos Union High School District (MVLAUHSD) have been made in accordance with the 10-year Joint Powers Agreement (JPA) approved in June 2013.

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

	<u>2014-15</u> <u>Audited</u>	<u>2015-16</u> <u>Adopted</u>	<u>2015-16</u> <u>Estimated</u>	<u>2016-17</u> <u>Recommended</u>
Revenues:				
Property Taxes	\$28,821	32,732	31,553	36,886
Investment Earnings	600	857	637	706
Other	<u>410</u>	<u>337</u>	<u>465</u>	<u>360</u>
Total Revenues	<u>29,831</u>	<u>33,926</u>	<u>32,655</u>	<u>37,952</u>
Expenditures:				
Operating	10,511	12,682	12,041	13,030
Intergovernmental Payments	7,639	7,693	7,774	8,493
Debt Service	6,310	6,510	6,507	6,514
Loan Payment	<u>1,894</u>	<u>1,472</u>	<u>1,472</u>	<u>-0-</u>
Total Expenditures	<u>26,354</u>	<u>28,357</u>	<u>27,794</u>	<u>28,037</u>
Operating Balance	3,477	5,569	4,861	9,915
CIP Refunds	120	-0-	-0-	-0-
Development Impact Fees	881	-0-	-0-	-0-
PERS Contribution	-0-	(87)	(87)	(112)
Transfer to Workers' Comp	-0-	(7)	(7)	-0-
Transfer to Comp Absences	(121)	(26)	(26)	(52)
Retirees' Health UAAL	(403)	(18)	(18)	(1,075)
Capital Projects	<u>(5,018)</u>	<u>(8,734)</u>	<u>(8,922)</u>	<u>(2,742)</u>
Excess (Deficiency)				
of Revenues	(1,064)	(3,303)	(4,199)	5,934
Beginning Balance	51,298	50,234	50,234	46,035
General Reserve	(4,900)	(5,200)	(5,200)	(4,900)
Landfill Reserve	(3,000)	(4,000)	(4,000)	(5,000)
Dev Impact Fees Reserve	<u>(881)</u>	<u>(881)</u>	<u>(881)</u>	<u>(881)</u>
Ending Balance	<u>\$41,453</u>	<u>36,850</u>	<u>35,954</u>	<u>41,188</u>

The Fiscal Year 2016-17 major recommendations (\$25,000 and over) are as follows (See Attachments 3, 4, and 5 for complete listings):

- Associate Civil Engineer – Traffic Position (0.25): \$43,500 (limited-period)
 Provides funding for the allocation to the Shoreline Community Fund for this position as mentioned in the General Fund section above.

- Assistant Civil Engineer – Land Development (0.15): \$33,900 (limited-period)
Provides continuation funding for the allocation to the Shoreline Community Fund for this position as mentioned in the General Fund section above.
- Consultants/Hourly Staff to Support Traffic Engineering Section: \$50,000 (limited-period)
Provides funding for the allocation to the Shoreline Community Fund for this item as mentioned in the Development Services Fund section above.
- PG&E Cost Increase – Community Services Department: \$27,000 (ongoing)
Provides increased funding for PG&E’s annual rate increase and the addition of the Shoreline Athletic Fields. The total PG&E cost increase Citywide is \$143,000.
- Park Rangers Contract: \$25,000 (ongoing)
Provides increased funding for the California Land Management’s (CLM) Ranger and park janitorial services. The City will be going out to bid for Ranger services during Fiscal Year 2016-17, and costs are anticipated to increase by approximately \$25,000.
- Major Capital Improvement Projects:
 - Charleston Slough Improvement – Feasibility Study: \$817,000
 - Shoreline Maintenance Storage Plan: \$385,000
 - Stierlin Road Bicycle and Pedestrian Improvements, Design: \$277,000

The 1.525 percent CCPI, changes in ownership, completed new development, and reductions from resolved appeals result in a net increase in property tax compared to the July 1, 2015 tax roll. There is a backlog of over 5,000 pending appeals for properties throughout the County, including properties located in the Shoreline Community. Although the County is unable to provide information about pending appeals specific to each local agency, it is reasonable to expect that some appeals for properties in the Shoreline Community will be successful. The anticipated increase in Fiscal Year 2016-17 AV discussed above will result in an increase in the intergovernmental payments to the County and the school districts.

Projected revenues for Fiscal Year 2016-17 are \$38.0 million, \$5.3 million higher than the current fiscal year estimate and \$8.1 million higher than Fiscal Year 2014-15 Audited. Fiscal Year 2016-17 expenditures are recommended at \$28.0 million, \$320,000 less than the current fiscal year Adopted Budget. The Shoreline Community made the final loan

payment to the General Fund in Fiscal Year 2015-16. In addition, there is a \$1.1 million contribution to the Retirees' Health UAAL, which will fully fund the liability for Shoreline Community due to the updated valuation dated July 1, 2015; \$112,000 contribution to the PERS liability, proportionate to the General Fund contributions; \$52,000 to the Compensated Absences Fund; and \$2.7 million in capital projects.

The fund is projected to end the 2016-17 fiscal year, including Fiscal Year 2016-17 recommendations, with an ending balance of \$41.2 million and \$10.8 million in Reserves. There are significant capital projects anticipated in future years related to transportation, landfill, and sea level rise, as previously discussed with City Council. The Council recently adopted the North Bayshore Development Impact Fee to assist with funding some of the improvements. It is anticipated debt will be issued in the near future to complement the fees to fund the transportation projects related to the North Bayshore Precise Plan.

UTILITY FUNDS

WATER, WASTEWATER, SOLID WASTE MANAGEMENT

The City's enterprise utility funds are fully funded by the rates charged to customers; there is no General Fund support to the utility funds. Utility rates charged by governmental entities for water, sewer, and refuse 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.

The water rate change is being affected by wholesale water rate increases and the approximate 30.0 percent reduction in water usage over the last two fiscal years (see Water Section for more details). The wastewater rate change is being affected by unanticipated Treatment Plant increases (see Wastewater Section for more details). The solid waste rate change includes the second year phase-in of cart rates as a result of the Cost of Service Study and would be impacted if additional services are implemented that will be discussed by Council at the Study Session on April 26, 2016. This results in the recommended water, wastewater, and solid waste rate increases requiring a Proposition 218 hearing. A Proposition 218 hearing is scheduled, prior to the adoption of any rate modifications, for June 21, 2016. Staff will be mailing a notification of the potentially proposed rate changes on or before May 6 to meet the 45-day prescribed noticing time subject to Proposition 218.

Water Enterprise Fund

The Water Enterprise Fund is a utility fund accounting for the revenues and expenditures associated with the provision of retail water service to Mountain View residents and businesses. The City provides potable water service to approximately 96.0 percent of water customers within the City limits while California Water Service (a private company) provides service to the remaining 4.0 percent of water customers in a few previously unincorporated neighborhoods. Potable water for the City's system is obtained primarily from the San Francisco Public Utilities Commission (SFPUC) regional Hetch Hetchy water system (86.0 percent). Water is also purchased from the Santa Clara Valley Water District (SCVWD) (10.0 percent) and City well production (4.0 percent). The primary costs associated with water service are the purchase of water, staffing to operate and maintain the system, ongoing maintenance, and capital

replacement and improvement projects. Charges for services are designed to fully fund ongoing annual costs and a base level of annual capital improvement projects as well as to maintain adequate reserves in accordance with Council policy.

An overall 14.0 percent rate increase was adopted for Fiscal Year 2015-16. Current estimated operating revenues for Fiscal Year 2015-16 are \$25.8 million, approximately \$5.4 million (17.2 percent) below budget. Users have continued to conserve water as the drought continued. Last year's water usage and sales in the City through February were more than 15.0 percent lower than the prior fiscal year and the budget and rates adopted were based on the prior 15.0 percent lower usage. However, through additional conservation efforts, actual water usage and sales have declined more than an additional 15.0 percent, an approximate 30.0 percent reduction in usage from the 2013 base year for measuring conservation. Although the reduced water usage is positive from a conservation perspective, revenues are not being met, yet there are fixed costs that are required to be recovered. This is resulting in higher rates required to be generated by the lower units of water sales.

Operating expenditures for the current fiscal year are estimated at \$25.2 million, \$3.9 million (13.4 percent) lower than the budget of \$29.1 million. This is primarily the result of lower water purchases due to lower water sales and savings in operations. This estimate is based on the continued waiving of the required City's minimum water purchases by the SFPUC. A 25-year water supply agreement between the City and the SFPUC became effective as of July 1, 2009. The agreement includes a minimum purchase requirement for the City as well as three other agencies. In response to the ongoing drought and requests for conservation, the SFPUC has waived the minimum purchase requirement due to increased water conservation. If or when the SFPUC discontinues waiving the City's minimum water purchase requirement, staff anticipates water costs to increase dramatically unless water usage also significantly increases. Staff does not anticipate water usage to reach predrought conditions due to the ongoing impact of conservation programs and the gradually increasing use of recycled water. Staff is evaluating options to minimize or eliminate minimum purchase penalties and will provide updates to the Council as alternatives are developed (see Attachment 8).

The estimated operating balance for Fiscal Year 2015-16 is \$538,000, which is insufficient to fund the PERS contribution of \$177,000, transfer to the Workers' Compensation Fund of \$16,000, and the funding of \$3.0 million for capital improvement projects. However, there is a sufficient available balance to fund these costs.

Capacity fees were adopted by Council effective July 1, 2015 and the Adopted Budget included fees of \$3.6 million, based on projected building permits to be issued. The capacity fees are estimated to be \$2.0 million, lower than expected, but sufficient to fund the \$1.8 million in additional capital projects. The fund is estimated to end the fiscal year with a \$6.5 million ending balance and \$9.9 million in reserves.

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

	<u>2014-15</u> <u>Audited</u>	<u>2015-16</u> <u>Adopted</u>	<u>2015-16</u> <u>Estimated</u>	<u>2016-17</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 297	301	319	246
Water Sales	25,197	29,046	23,733	26,106 ⁽¹⁾
Recycled Water Sales	541	600	507	600
Other	<u>1,558</u>	<u>1,187</u>	<u>1,205</u>	<u>1,189</u>
Total Revenues	<u>27,593</u>	<u>31,134</u>	<u>25,764</u>	<u>28,141</u>
Expenditures:				
Operating	9,069	9,745	9,441	9,885
Water Purchases	13,503	18,468	14,855	18,411 ⁽²⁾
Loan Repayment – Recycled Water	300	300	300	300
Debt Service	<u>628</u>	<u>633</u>	<u>630</u>	<u>634</u>
Total Expenditures	<u>23,500</u>	<u>29,146</u>	<u>25,226</u>	<u>29,230</u>
Operating Balance	4,093	1,988	538	(1,089)
Capacity/Development				
Impact Fees	-0-	3,627	2,028	2,369
PERS Contribution	-0-	(177)	(177)	(217)
Transfer to Workers' Comp	-0-	(16)	(16)	-0-
Retirees' Health UAAL	-0-	-0-	-0-	(805)
Capital Projects from Fees	-0-	(1,848)	(1,848)	(1,079)
Capital Projects	<u>(3,173)</u>	<u>(3,029)</u>	<u>(3,029)</u>	<u>(3,066)</u>
Excess (Deficiency) of Revenues	920	545	(2,504)	(3,887)
Beginning Balance	18,011	18,931	18,931	16,427
Capacity/Dev Impact Fees Reserves	-0-	(1,779)	(180)	(1,470)
Reserves	<u>(8,541)</u>	<u>(9,706)</u>	<u>(9,706)</u>	<u>(9,891)</u>
Ending Balance	<u>\$10,390</u>	<u>7,991</u>	<u>6,541</u>	<u>1,179</u>

⁽¹⁾ Based on the recommended 10.0 percent rate adjustment.

⁽²⁾ Based on the proposed 9.3 percent increase in wholesale water costs by the SFPUC and 21.2 percent proposed increase for treated water, and 23.6 percent proposed increase for groundwater (well production) by the SCVWD.

The Fiscal Year 2016-17 major recommendations (\$25,000 and over) are as follows (See Attachments 3, 4, and 5 for complete listings):

- Assistant Civil Engineer – Utilities Position: \$169,500 (limited-period)
Provides continuation funding for an Assistant Civil Engineer position. Additional staff resources are needed to comply with recycled water regulations and the increase in recycled water usage.
- Generator Maintenance: \$25,000 (ongoing)
Provides increased funding for generator maintenance as mentioned in the General Operating Fund section above.
- Major Capital Improvement Projects:
 - Miscellaneous Water Main/Service Line Replacement: \$2,464,000
 - Shorebird Way and Charleston Road Recycled Water Extension and Water System Improvements: \$1,002,000
 - Annual Water System Improvements: \$555,000

The major factors that influence rate setting for the Water Fund are: (1) the cost of wholesale water, (2) water consumption level, (3) annual operating costs, and (4) level of capital improvements. The cost of water purchases from the SFPUC and other water sources (approximately 65.0 percent of recommended expenditures) has been subject to major fluctuations for more than a decade and has caused the City's retail water rate adjustments to vary significantly. The SFPUC has proposed a rate increase of 9.3 percent effective July 1, 2016, and SCVWD is proposing 21.2 percent and 23.6 percent rate increases for treated water and well water, respectively, for Fiscal Year 2016-17. Final rates will not be approved by the SFPUC until May 10, 2016.

The recycled water rate is set to recover the cost of the program which includes the loan repayment (\$300,000) and recycled water program operating costs (\$275,000). Staff will continue to convert customers from potable water to recycled water when possible.

Annual capital project funding of \$2.7 million is included in the rate calculation as the three-year rolling average of annual projects. The policy is, if in any fiscal year capital projects are more or less than this amount, the difference is accounted for by an increase or decrease in Water Fund reserves. However, there are no funds in the reserve in excess of policy to fund additional capital projects. The higher than average capital projects, as well as the rise in expenditures, are also driving the need for higher revenues.

For Fiscal Year 2016-17, a 10.0 percent rate increase is recommended for the average cost of water and meter rates and a 3.0 percent increase is recommended for the recycled water rate. The Uniform and Tier 2 rates reflect the average cost of water; Tier 1 is set at 75.0 percent and Tier 2 is set at 160.0 percent of the average cost of water. Meter rates are tied to the capacity ratios published by the American Water Works Association (AWWA). Because of these relationships, the individual rate increase may be slightly more or less than the 10.0 percent stated. The rate restructuring implemented in Fiscal Year 2013-14 was designed to improve the financial position of this fund and alleviate some of the dependency on the volume of water sales. The fixed rate (meter charge) provides 15.0 percent of revenue while fixed costs represent 35.0 percent of expenditures. The variable (per unit) rate makes up this difference in revenues that are not recovered by the fixed rates. The more than 30.0 percent decrease in water usage over the past two years has not generated the necessary revenues to also fund the fixed costs and has placed a significant strain on the financial position of this fund.

Taking into consideration the proposed rate increases by the SFPUC and the SCVWD, and increases in operating costs, the rate increase to maintain a balance in operating revenues and expenditures would be 7.0 percent. However, due to significantly lower water usage, an additional 3.0 percent rate increase is needed to fund the difference in fixed costs as mentioned above. This projection assumes the minimum water purchase requirement will continue to be waived for Fiscal Year 2016-17. If this assumption does not come to fruition, the fund will be significantly out of balance and a much larger rate increase will be needed in Fiscal Year 2017-18. This increase could be as high as 25.0 percent in order to maintain a positive operating balance and an adequate reserve. Based on current projections, an additional 6.0 percent has been included for Fiscal Year 2017-18 in the Proposition 218 notice.

Fiscal Year 2016-17 projected revenues, with the recommended rate adjustments and continued low water consumption, are \$28.1 million and recommended expenditures are \$29.2 million (after eliminating the budget effect of depreciation expense). Included in expenditures are the proposed rate adjustments to wholesale water costs. It is anticipated the SFPUC rate will be adopted at its meeting on May 10, 2016. Staff will provide an update to Council of any changes to the proposed rate increase with the Proposed Budget on June 14, 2016. Recommended fee modifications are included in Attachment 2, and a comparison of the current rates and the recommended rates are included in Attachment 9.

The recommendation results in a negative operating balance of \$1.1 million. There are also capital projects of \$3.1 million, contribution to PERS of \$217,000, proportionate to the General Fund contributions, and funding the Retirees' Health unfunded liability of \$805,000 resulting from the updated actuarial valuation. This results in a projected Fiscal Year 2016-17 reserve balance of \$11.4 million and projected ending balance of \$1.2

million, significantly less than the current fiscal year estimate and lower than desired to be maintained for working capital and cash flow purposes.

Capacity fees are projected at \$2.4 million for Fiscal Year 2016-17, funding \$1.1 million in additional capital projects. As noted above, these fees provide funding for additional capital projects and mitigate the need to fund these projects with rate increases.

Future fiscal year rates are anticipated to be impacted by the continued projected rate increases for implementation of the SFPUC capital improvements to the Hetch Hetchy system. The SFPUC has provided estimated future water rate increases of 5.7 percent, 9.3 percent, 13.9 percent, and 0.2 percent for Fiscal Years 2017-18 to 2020-21, respectively.

Wastewater Enterprise Fund

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

An overall 6.0 percent rate increase was adopted for Fiscal Year 2015-16, the combination of 4.0 percent for increased Treatment Plant and operating costs and 2.0 percent for future Treatment Plant capital costs. As previously outlined, there are future capital expenditures forecasted for the Treatment Plant as the facility began operations in 1972 and is in need of major renovations. A cumulative rate increase of 20.0 percent is projected and Council approved a gradual phase-in of 2.0 percent annually for 10 years to fund these long-term capital costs. Fiscal Year 2015-16 is the second year.

Staff had also previously indicated there are major City sewer main replacement projects necessary, approximately \$26.0 million over the next 11 years. The majority of the trunk main infrastructure was installed in the 1950s and 1960s. The possibility of issuing debt for these projects, with a corresponding recommendation to phase-in rate increases to fund the debt, was previously identified as an option. However, capacity fees were adopted by Council effective July 1, 2015, and as funds are collected, these

capacity fees could provide a source of funding and reduce future rate increases needed or reduce any debt needed for these additional capital projects. Staff projected \$3.2 million, \$3.7 million, and \$3.8 million to be received in capacity fees during Fiscal Years 2015-16, 2016-17, and 2017-18, respectively, based on projected building permits to be issued during each fiscal year on development in the pipeline. Due to building permits not being deemed complete and issued for construction as quickly as anticipated, the estimate for the current fiscal year is \$2.5 million, \$687,000 lower than originally anticipated.

Based on the original projections, the near-term additional capital projects could be financed with the projected capacity fees, thereby not requiring the issuance of debt to finance the additional capital projects needed in the next three to four years. The projects were projected to require funding prior to the collection and accumulation of sufficient fees, creating a deficit in funding and borrowing from the other reserves until repaid from future projected fees. Staff will continue to monitor the amount of the fees collected and review if there will be a need to issue debt, and any potential associated rate increase necessary, for these additional capital improvement projects.

Estimated operating revenues for the current fiscal year are \$16.8 million, \$290,000 (1.7 percent) lower than the budget of \$17.1 million, as wastewater service charges are trending slightly lower than budget. Operating expenditures are currently estimated at \$16.3 million, \$767,000 (4.9 percent) higher than the budget of \$15.5 million, primarily due to \$1.3 million additional costs for the Treatment Plant offset by operating savings.

Treatment Plant costs are \$1.3 million higher than originally budgeted, of which \$943,000 is related to Fiscal Year 2014-15 and \$367,000 to Fiscal Year 2015-16. Each fall, an annual reconciliation of the prior fiscal year's actual treatment costs (based on volume) is performed by the Treatment Plant, and an adjustment is provided to each member agency. The City's share of actual expenditures for the Treatment Plant for last fiscal year were higher than budgeted, resulting in an additional charge of \$943,000. This included an oversight of not including some permitting and enforcement costs in the budget, which results in additional Treatment Plant costs of \$367,000 for the current fiscal year (see Attachment 8 for additional details).

The estimated operating balance will fund the PERS contribution of \$111,000 and transfer to the Workers' Compensation Fund of \$37,000. The current fiscal year's \$4.3 million for capital projects will be funded from the available balance. The fund is estimated with a \$1.1 million ending balance and \$5.2 million in reserves, which includes the accumulation of the rate increases needed for future Treatment Plant capital expenditures and the borrowing of funds for the additional City capital projects until sufficient capacity fee revenues are received.

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

	<u>2014-15</u> <u>Audited</u>	<u>2015-16</u> <u>Adopted</u>	<u>2015-16</u> <u>Estimated</u>	<u>2016-17</u> <u>Recommended</u>
Revenues:				
Hazardous Materials/ Fire Safety Permits	\$ 453	425	432	425
Investment Earnings	173	218	218	151
Wastewater Service	15,341	16,370	16,111	19,172 ⁽¹⁾
Other	<u>303</u>	<u>60</u>	<u>22</u>	<u>30</u>
Total Revenues	<u>16,270</u>	<u>17,073</u>	<u>16,783</u>	<u>19,778</u>
Expenditures:				
Operating	5,672	6,613	6,109	6,746
Wastewater Treatment	<u>8,623</u>	<u>8,922</u>	<u>10,193⁽²⁾</u>	<u>11,036</u>
Total Expenditures	<u>14,295</u>	<u>15,535</u>	<u>16,302</u>	<u>17,782</u>
Operating Balance	1,975	1,538	481	1,996
Capacity/Development				
Impact Fees	-0-	3,221	2,534	2,054
PERS Contribution	-0-	(111)	(111)	(128)
Transfer to Workers' Comp	-0-	(37)	(37)	-0-
Retirees' Health UAAL	-0-	-0-	-0-	(488)
Capital Projects from Fees	-0-	(4,271)	(4,271)	(1,520)
Capital Projects	<u>(2,827)</u>	<u>(4,342)</u>	<u>(4,342)</u>	<u>(1,749)</u>
Excess (Deficiency)				
of Revenues	(852)	(4,002)	(5,746)	165
Beginning Balance	12,922	12,070	12,070	6,324
Capacity/Dev Impact Fees				
Reserves	(58)	992	1,679	1,145
Treatment Plant Reserve	(290)	(891)	(891)	(891)
Reserves	<u>(5,984)</u>	<u>(5,984)</u>	<u>(5,984)</u>	<u>(5,602)⁽³⁾</u>
Ending Balance	<u>\$ 5,738</u>	<u>2,185</u>	<u>1,128</u>	<u>1,141</u>

(1) Based on a recommended 19.0 percent rate increase.

(2) Includes \$1.3 million amount due for the prior fiscal year and current fiscal year correction.

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

The Fiscal Year 2016-17 major recommendations (\$25,000 and over) are as follows (See Attachments 3, 4, and 5 for complete listings):

- There are no single items recommended that are \$25,000 and over.
- Major Capital Improvement Projects:
 - Miscellaneous Storm/Sanitary Sewer Main Replacement: \$1,553,000
 - Immediate Repairs to Sewage Pump Station: \$1,000,000
 - San Antonio Area Sewer Improvements, Design: \$320,000

Costs for the Treatment Plant are proposed to increase 25.9 percent for Fiscal Year 2016-17, resulting in the cost of wastewater treatment to be approximately 62.0 percent of the total recommended operating expenditures. Due to the unanticipated Treatment Plant costs that had not been budgeted, the fund is in a distressed financial condition. To fully fund the impact of the increase in Treatment Plant costs, the rate increase for Fiscal Year 2016-17 would be 26.0 percent. However, staff is recommending spreading the increase needed to stabilize the financial position of this fund over three years and utilizing half of the rate stabilization reserve over the next two fiscal years to balance the fund. **A 19.0 percent overall rate increase is recommended for Fiscal Year 2016-17:** 17.0 percent is due to the increase from the Treatment Plant for Fiscal Year 2016-17 and operating cost increases, and 2.0 percent is the third year of the phase-in of planned Treatment Plant capital costs. For rate-setting purposes, a \$2.0 million base level of annual maintenance capital projects is assumed for Fiscal Year 2016-17. Additional rate increases needed for Fiscal Years 2017-18 and 2018-19 are projected at 6.0 percent each year and are noted in the Proposition 218 notice.

Based on the recommended overall 19.0 percent rate increase, operating revenues for next fiscal year are projected at \$19.8 million and recommended operating expenditures are \$17.8 million (after eliminating the budget effect of depreciation expense). The operating balance of \$2.0 million will fund the \$1.7 million for capital projects. Additional funding needed for the contribution to PERS of \$128,000, proportionate with the General Fund contributions, and funding the Retirees' Health unfunded liability of \$488,000, based on the updated actuarial valuation, will be funded from the available balance. This results in a reserve balance of \$5.3 million, using half of the rate stabilization reserve, and a projected ending balance for Fiscal Year 2016-17 of \$1.1 million. This is lower than desired as an ending balance for working capital and cash flow purposes.

Capacity fees are estimated at \$2.1 million for Fiscal Year 2016-17, funding \$1.5 million in additional capital projects. As noted above, capacity fees are not being generated as quickly as originally projected. The projection for Fiscal Year 2016-17 is \$1.6 million lower than the projection provided last fiscal year. In addition, staff has also deferred some projects in order to balance the updated revenue projections and avoid increasing the deficit funding. Staff will continue to monitor and review the need to issue debt and any potential associated rate increases necessary for the City's additional capital improvement projects.

Solid Waste Management Enterprise Fund

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

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

Fiscal Year 2015-16 is the third year of the new trash and recycling collection services agreement with Recology. This agreement expanded diversion services primarily to bin customers, increased convenience for cart customers through additional curbside collections, and expanded drop-in services at the Mountain View Recycling Center. A Cost of Service Study (COS Study) to review the rate structure and realign rates to reflect the true cost of collection and disposal was completed and the results were incorporated for Fiscal Year 2015-16. Incorporating the COS Study resulted in a 14.0 percent rate increase adopted for carts, a 1.5 percent rate increase adopted for bins and compactors, and a rate restructuring adopted for debris boxes to remove the additional tonnage charges and reduce overall revenue for debris boxes 15.0 percent. The increase to bring cart revenues in line with the COS Study is being phased in over three years, with additional 10.0 percent increases for carts in the following two fiscal years.

Current City revenue estimates for Fiscal Year 2015-16 are \$13.1 million compared to the budget of \$11.7 million. Trash and recycling service charges are trending \$1.3 million (11.5 percent) higher than budget. City expenditures are estimated at \$12.3 million, \$352,000 (2.8 percent) lower than the adopted budget of \$12.6 million, as a result of savings in operations offset by higher SMaRT Station costs due for the prior fiscal year SMaRT Station reconciliation. The SMaRT Station performs an annual

reconciliation of the prior fiscal year's costs and an adjustment is provided to each member agency. For Fiscal Year 2014-15, the City owed an additional \$119,000, which is included in the current fiscal year expenditures. Recology revenues and expenditures are not considered part of the City's budget as these are contractually passed through to Recology.

Operating revenues are projected to exceed operating expenditures by \$806,000. After funding the additional PERS contribution of \$75,000, the transfer to Workers' Compensation of \$8,000, and the current fiscal year's \$323,000 in capital projects, there is an estimated ending balance of \$3.7 million and reserves of \$3.2 million.

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

	<u>2014-15</u> <u>Audited</u>	<u>2015-16</u> <u>Adopted</u>	<u>2015-16</u> <u>Estimated</u>	<u>2016-17</u> <u>Recommended</u>
Revenues:				
Investment Earnings	\$ 61	75	62	62
Trash and Recycling Service Charges	12,216	11,440	12,759	12,742 ⁽¹⁾
Other	<u>246</u>	<u>195</u>	<u>280</u>	<u>195</u>
City Revenues	12,523	11,710	13,101	12,999
Recology Revenues ⁽²⁾	<u>13,666</u>	<u>14,335</u>	<u>14,174</u>	<u>14,683</u>
Total Revenues	<u>26,189</u>	<u>26,045</u>	<u>27,275</u>	<u>27,682</u>
Expenditures:				
Operating Disposal and SMaRT Station Charges	3,983	4,981	4,488	5,149
	<u>7,014</u>	<u>7,666</u>	<u>7,807⁽³⁾</u>	<u>7,789</u>
City Expenditures	10,997	12,647	12,295	12,938
Recology Payments	<u>13,666</u>	<u>14,335</u>	<u>14,174</u>	<u>14,683</u>
Total Expenditures	<u>24,663</u>	<u>26,982</u>	<u>26,469</u>	<u>27,621</u>
Operating Balance	1,526	(937)	806	61
PERS Contribution	-0-	(75)	(75)	(91)
Transfer to Workers' Comp	-0-	(8)	(8)	-0-
Retirees' Health UAAL	-0-	-0-	-0-	(46)
Capital Projects	<u>(295)</u>	<u>(323)</u>	<u>(323)</u>	<u>(268)</u>
Excess (Deficiency) of Revenues	1,231	(1,343)	400	(344)
Beginning Balance	5,187	6,418	6,418	6,818
Reserve	<u>(2,966)</u>	<u>(3,162)</u>	<u>(3,162)</u>	<u>(3,235)</u>
Ending Balance	<u>\$ 3,452</u>	<u>1,913</u>	<u>3,656</u>	<u>3,239</u>

⁽¹⁾ Based on no overall rate adjustment recommended and the second year 10.0 percent phase-in for carts.

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

⁽³⁾ Includes \$119,000 additional cost from SMaRT Station reconciliation for the prior fiscal year.

The Fiscal Year 2016-17 major recommendations (\$25,000 and over) are as follows (See Attachments 3, 4, and 5 for complete listings):

- Online Payment Processing: \$57,000 (ongoing)
Provides funding for credit card payment processing costs to implement accepting payments on-line for business licenses, multi-family housing, and miscellaneous accounts receivable.
- Commercial Composting Processing: \$50,000 (ongoing)
Provides increased funding for the City's Commercial Composting Processing Program. Additional funds are needed to cover the increase in cost due to a 2.85 percent CPI and the continuing expansion of the program.
- Major Capital Improvements:
 - Shoreline Landfill Cap Maintenance and Repairs: \$131,000
 - Landfill Gas/Leachate System Repairs and Improvements: \$131,000

The revenues generated for trash and recycling services are based on trash service, and as diversion opportunities increase, consumers will continue to reduce service levels for trash, resulting in lower total revenues. However, the cost to pick up and haul both recycling and trash remains and increases with inflation.

Fiscal Year 2016-17 is the fourth year of the new agreement with Recology and the contract provides for an increase based on CPI which is 2.43 percent. SMaRT Station costs are currently proposed to increase 2.68 percent. These increases, as well as increases in the cost of City programs and the annual maintenance projects, would support an overall average 2.0 percent rate increase. However, as the fund is in a stable financial condition, staff is recommending no increase other than the second-year phase-in of cart rate increases resulting from the COS Study. Results of the COS Study were implemented in Fiscal Year 2015-16 with a phase-in of the cart rate increase over three years, the remaining increase of 10.0 percent in each of Fiscal Year 2016-17 and Fiscal Year 2017-18 were noticed in last year's Proposition 218 letter.

Incorporating the COS Study phase in for cart rates, for Fiscal Year 2016-17 **a 10.0 percent rate increase is recommended for carts, but no other rate adjustment is recommended.** With a 10.0 percent rate increase for carts, the rate for a 32-gallon cart will increase by \$2.70 a month to \$29.30 per month, which is still lower than our neighboring cities' rates. Attachment 2 includes recommended fee modifications and Attachment 9 includes a comparison of the current rates and the recommended rates.

Revenues for Fiscal Year 2016-17, including no rate adjustment recommended and the COS Study rate phase-in for carts, are projected to total \$27.7 million (City revenues of \$13.0 million) with total expenditures of \$27.6 million (City expenditures of \$12.9 million). There is also funding of \$268,000 for capital projects and \$46,000 to fund the Retirees' Health unfunded liability based on the updated actuarial valuation. In addition, staff is recommending additional contributions to PERS of \$91,000, proportionate with the General Fund contribution. The fund is projected to end the 2016-17 fiscal year with a reserve at the policy level of \$3.2 million and a \$3.2 million ending balance.

At a Study Session on tonight's agenda, staff will be presenting alternatives for additional composting services for residential customers and an option for weekly recycling. Depending on Council's direction and if these services are to be implemented in Fiscal Year 2016-17, an additional rate adjustment associated with the enhanced services would be required. The additional composting services would be for cart service only and the weekly recycling option would impact rates for carts, bins, and compactors. These additional rates are noticed in the Proposition 218 letter as a maximum rate subject to Council's direction tonight.

Non-Major Funds

The Fiscal Year 2016-17 major recommendations (\$25,000 and over) for non-major funds are as follows (See Attachments 3, 4, and 5 for complete listings):

Below-Market-Rate (BMR) Housing Fund

- Rent Assistance Program: \$200,000 (offset by \$200,000 revenues)
Provides funding for a rent increase gap assistance program to be administered by the Community Services Agency (CSA). On December 1, 2015, Council approved an appropriation of \$150,000 to fund this program for the current fiscal year. The City currently funds \$70,000 annually for a volunteer mediation program. The additional funding being requested will allow CSA to provide a higher level of service and assistance to Mountain View renters who are having difficulties due to high rent increases over the past few years.

Housing Impact Fund

- Notice of Funding Availability (NOFA) Administration: \$40,000 (limited-period)
Provides funding for a variety of tasks associated with affordable housing projects, including facilitators at neighborhood meetings, financial consultants for a budget analysis of NOFA proposals, and studies on unique site issues.

Downtown Benefit Assessments Districts Fund

- **Parking Technology Enhancements: \$75,000 (limited-period)**
Provides funding for the third phase of the Downtown Parking Technology Study. The funding will be used to expand the real-time wayfinding signs to parking lots and parking enforcement technology to assist with the Police Department's parking enforcement efforts.
- **Parking Coordinator Consultant: \$50,000 (limited-period)**
Provides funding for consultation services on parking programs and policies associated with the Parking District. The consultant will assist with designing and implementing programs that increase parking availability and convenience by managing the different parking user groups more efficiently. In addition, consultant support is needed for the possible expansion of the Parking District and changes to the Parking In-Lieu Fee.

Cable Television Fund

- **Cable TV Broadcasting Equipment: \$42,500 (limited-period)**
Provides funding to purchase an HD Live TV unit for mobile broadcasts (including data services), update radio equipment, and two portable HD Digital Switchers. The total cost is \$85,000; one-half of the cost will be negotiated with KMVT as part of the contract renewal during Fiscal Year 2016-17.

Workers' Compensation Fund

- **Worker's Compensation Excess Insurance: \$83,000 (ongoing)**
Provides increased funding for Workers' Compensation excess insurance. The increased cost is related to increased overtime, payroll, and loss experience.

RESERVES

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

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

Reserve Classifications

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

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

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

- Liability Self-Insurance
- Retirees' Health Insurance Program

Reserves in the first group are uncommitted but designated for a specific purpose and are funded entirely by the General Fund. Those in the second group have current or future liabilities offsetting all or most of the reserve balance and, with the exception of the Property Management and Graham Site Maintenance, receive transfers from multiple operating funds. The General Fund and Earned Lease Revenue Reserves are below the Policy/Target Balance. In the second group, the Compensated Absences and Retirees' Health Program have liabilities that currently exceed the reserve balances. The liabilities are recalculated at the end of each fiscal year.

For the Retirees' Health Program, the City continues to accumulate funds toward this liability which is required to be recalculated every two years and was updated as of July 1, 2015. All funds, except the General Operating Fund, have contributed their full share of the liability. Fiscal Year 2015-16 includes funding from other funds to maintain full funding, an additional \$1.0 million contribution from the General Operating Fund, and \$500,000 from the Fiscal Year 2014-15 carryover. The liability has been recalculated as of July 1, 2015 and the Fiscal Year 2016-17 budget includes recommended funding from other funds to maintain full funding of their share of the liability, an additional \$2.0 million from the General Operating Fund and \$1.0 million from the Fiscal Year 2015-16 carryover.

Background and Analysis

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

	6/30/16 Estimated <u>Balance</u>	Amount Recommended <u>for Allocation</u>	<u>Other Funds</u>	7/1/16 Recommended <u>Balance</u>	Policy/ Target <u>Balance</u>
Uncommitted but Designated for Specific Purpose:					
GF Reserve	\$25,422	2,248 ⁽¹⁾	-0-	27,670	27,670 ⁽¹⁾
GF Budget Contingency	5,209	-0-	-0-	5,209	5,209
GF Earned Lease Revenue	2,560	-0-	-0-	2,560	2,919
GF Capital Improvements	13,260	2,919 ⁽²⁾	-0-	16,179 ⁽³⁾	8,276 ⁽³⁾
GF Open Space Acquisition	562	-0-	-0-	562	562
GF Strategic Property Acquisition	11,737	3,500	-0-	15,237 ⁽⁴⁾	15,237 ⁽⁴⁾
GF Child-Care Commitment	<u>260</u>	<u>-0-</u>	<u>-0-</u>	<u>260</u>	<u>-0-</u>
Subtotal	<u>59,010</u>	<u>8,667</u>	<u>-0-</u>	<u>67,677</u>	<u>59,873</u>
To Fund Liabilities:					
GF Property Management	1,560	-0-	-0-	1,560	1,560
Graham Site Maintenance	730	-0-	-0-	730	730
Compensated Absences ⁽⁶⁾	6,900	1,500	125	8,525	8,499 ⁽⁵⁾
Equipment Replacement ⁽⁶⁾	24,400	-0-	-0-	24,400	24,400
Workers' Compensation ⁽⁶⁾	9,500	-0-	-0-	9,500	9,082 ⁽⁷⁾
Unemployment ⁽⁶⁾	450	-0-	-0-	450	450
Liability Self-Insurance ⁽⁶⁾	<u>5,500</u>	<u>-0-</u>	<u>-0-</u>	<u>5,500</u>	<u>3,898⁽⁷⁾</u>
Subtotal	<u>49,040</u>	<u>1,500</u>	<u>125</u>	<u>50,665</u>	<u>48,619</u>
Total	<u>\$108,050</u>	<u>10,167</u>	<u>125</u>	<u>118,342</u>	<u>108,492</u>
 Retirees' Health ⁽⁸⁾	 <u>\$ 90,690</u>	 <u>3,000</u>	 <u>4,251</u>	 <u>97,941</u>	 <u>130,526⁽⁹⁾</u>

(1) Policy balance is calculated as 25.0 percent of the General Operating Fund budget to be determined with the Adopted Budget.

(2) Recommended up to \$4.0 million, to be determined based on actual results for Fiscal Year 2015-16.

(3) Includes \$3.3 million balance for prepaid lease from Downtown Family Housing Project.

(4) Designated funds of \$5.0 million for the Community Center Project.

(5) Based on the liability established as of June 30, 2015.

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

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

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

(9) Based on the actuarial valuation as of July 1, 2015 for Fiscal Year 2016-17.

General Fund Reserve

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

For Fiscal Year 2016-17, \$2.2 million is estimated to be necessary to supplement this reserve to meet the policy level based on recommended expenditures. The final amount necessary will be calculated with the Adopted Budget. Any use of this reserve for the remainder of the fiscal year will increase the amount necessary to supplement this reserve.

General Fund Budget Contingency Reserve

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

During this past recession, this reserve has been used for the transitioning of positions to be eliminated, the phasing out of certain expenditures, in addition to funding for the transitioning of employee benefit changes, transitioning Shoreline Golf Links to a new operating model, and the elimination of the City's redevelopment agency. The reserve remains with a balance of \$5.2 million available for similar purposes in the next economic downturn.

General Fund Earned Lease Revenue

In April 2011, the City leased to Google Inc. (Google) the remaining portion of the Charleston East site and Google prepaid \$30.0 million as rent for the 53-year lease term that coincides with the lease term for the northern portion of the site. The initial \$30.0 million was placed in a fiduciary fund for the benefit of Google. The annual rent of approximately \$580,900 is recognized as it is earned and accumulated in this reserve with the intent the \$30.0 million principal balance will be available at the end of the 53-

year lease term. Based on an average 3.5 percent interest rate over the 53-year lease term, it was originally projected annual average interest earnings would be \$1.1 million.

Beginning in Fiscal Year 2011-12, \$1.1 million was transferred to the GOF from this reserve. However, due to the unprecedented low interest rate environment, the transfer was reduced to \$750,000 for Fiscal Years 2012-13 and 2013-14 and in Fiscal Year 2014-15 transfers were ceased altogether. Staff is recommending no transfers be made until interest rates rise, the projected interest earning can be reevaluated, the principal balance has been restored, and the reserve reaches its target level.

General Fund Capital Improvement Reserve

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

After other recommended allocations from the Fiscal Year 2015-16 General Fund carryover, it is recommended any balance remaining up to \$4.0 million (currently estimated to be \$2.9 million) be allocated to this reserve. However, if the remaining carryover is greater than \$4.0 million, staff will return to Council for approval of the remaining carryover after the fiscal year-end close.

In June 2009, \$3.5 million was appropriated for the acquisition of the property at 263 Escuela Avenue (now The View Teen Center) and was repaid from the land lease prepayment for the Downtown Family Development Project in Fiscal Year 2011-12. However, these funds are considered unearned revenue and are available to be allocated as rent is earned. There is a remaining balance of \$3.3 million of unearned revenue.

General Fund Open Space Acquisition Reserve

This reserve was established for the purpose of acquiring open space to meet the needs of the City. Council Policy A-11 provides the proceeds from sale of surplus property be allocated to this reserve if there is no other recommendation. These funds are designated to be available as supplemental funding to Park Land Dedication fees for open space acquisition. There is a balance of \$562,000 in this fund from the sale of Washington Alley for the 100 Moffett Boulevard development project.

General Fund Strategic Property Acquisition Reserve (SPAR)

This reserve was created in Fiscal Year 2000-01 for the purpose of setting aside specific funds for the City to use for the acquisition of strategic property(ies) in order to take advantage of economic development opportunities. The proceeds from the sales of City-owned property have been placed in this reserve as one source for its funding.

During Fiscal Year 2014-15, \$2.5 million was transferred from the Open Space Acquisition Reserve to the SPAR to reimburse a portion of the funds paid for 771 North Rengstorff Avenue as it has been designated a park. In addition, \$1.4 million was reimbursed from the sale of 449 Franklin Street, which was purchased to complete the notch on the Bryant Street property. During the current fiscal year, \$2.0 million was received for the sale of the parking lot at 801 El Camino Real and \$1.0 million was expended for exercising the option to purchase the adjacent property to the Franklin Street property. The estimated balance available is \$11.7 million, of which Council has designated \$5.0 million toward the funding of the capital improvements for the Community Center.

The City has had a positive history of leveraging City properties with long-term ground leases to generate ongoing revenues for the GOF. Long-term ground lease revenues are recession-resistant and are usually structured with inflationary increases. In order to provide resources for future properties that could be leased for future ongoing revenues, staff is recommending \$1.0 million be transferred to this reserve from the Fiscal Year 2015-16 carryover. In addition, staff is recommending \$2.5 million be transferred from the GOF to this reserve in Fiscal Year 2016-17.

General Fund Child-Care Commitment Reserve

With the adoption of the Fiscal Year 2005-06 budget, the Council set aside \$1.2 million as part of the financing plan for the Child-Care Center. The \$1.2 million funded a portion of the initial \$200,000 payment (prior to the operator assuming operations) to the Packard Foundation and with interest earnings would fund the balloon payment of \$1.6 million. The final balloon payment to the Packard Foundation was made in January 2016. Community Gatepath was selected as the new operator of the Child-Care Center in 2015 and will continue to make the same annual payments of \$200,000.

As the annual \$200,000 lease payment from Community Gatepath is no longer needed for debt service of the loan, it is currently under review for possible reprogramming for other purposes. This reserve is now reclassified as uncommitted, but designated for specific purposes as the liability has been repaid. The Council will be discussing alternatives on April 19, 2016 and, depending on Council direction, the use for this reserve may no longer be necessary.

General Fund Property Management Reserve

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

Graham Site Maintenance Reserve

This reserve was established in Fiscal Year 2004-05 to fund maintenance obligations for the Graham Sports Complex. In the agreement with the school district to construct the reservoir beneath the playing fields at Graham Middle School, the Water Fund contributes \$220,000 per year to this reserve. The City agrees to maintain this site and the GOF is reimbursed from this reserve for the maintenance costs of the Graham Sports Complex. For Fiscal Year 2015-16, a capital project of \$650,000 to replace the turf of the playing fields at the Graham Sports Complex was funded from this reserve.

Compensated Absences Reserve

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

During Fiscal Year 2014-15, \$1.0 million was paid out of this reserve and \$1.1 million has been paid out as of March 31 for the current fiscal year. The calculated liability for this reserve has increased \$331,000 from the prior fiscal year. This is the first increase after two consecutive years of declines which were possibly in part due to structural changes to this benefit agreed to by employee groups. The current estimated reserve balance of \$6.9 million is below the calculated liability of \$8.5 million as of June 30, 2015. Staff is recommending to supplement the reserve \$1.5 million from the General Fund carryover, and \$125,000 from other funds for their proportionate share, to bring the balance to the policy level. The liability will be recalculated at the close of the current fiscal year.

Equipment Replacement Reserve

The City established the Equipment Replacement Reserve in Fiscal Year 1991-92 to stabilize the annual funding needed for the replacement of certain City equipment. Level annual contributions are received from various funds and this reserve absorbs the large fluctuations in annual expenditures for equipment replacement from fiscal year to fiscal year. Only major categories of fixed assets are included in the Equipment Replacement Fund. The assets included are all vehicles, information technology equipment (e.g., computers, printers, servers, etc.), Police and Fire radios, CAD/RMS system hardware, and Communications Center furniture and equipment. The equipment for the maintenance of Shoreline Golf Links is also separately accounted for in the Equipment Replacement Reserve. The annual contribution level is based on the cost or estimated replacement cost of the asset divided by the estimated useful life of the asset.

The current estimated balance of \$24.4 million is on target with the policy balance; however, the target balance is under review. Equipment replacements scheduled for Fiscal Year 2016-17 total \$3.7 million, plus there is \$921,000 recommended to be rebudgeted (from the \$5.2 million budgeted in the current fiscal year) for a total of \$4.6 million. Staff will be reviewing all items before purchasing and will only replace those items necessary due to expected failure or that will provide improved efficiencies.

Workers' Compensation Self-Insurance Reserve

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

Expenditures paid out of this fund include the cost for the City's third-party administrator (TPA), the insurance above our self-insurance retention of \$750,000, claims, indemnity payments, and the State self-insurance fee. The Council approved a contract extension with the City's TPA, Athens, through June 30, 2017.

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

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

The Reserve has an estimated balance of \$9.5 million, which is slightly higher than the \$9.1 million policy level as of June 30, 2015.

Unemployment Self-Insurance Reserve

The Unemployment Self-Insurance Reserve was approved by Council in 1978. This program provides for the State-mandated unemployment insurance benefits for former employees. The City pays for unemployment claims on a pay-as-you-go basis. In prior years, contributions for the estimated payments were made annually. As a balance accumulated in this fund, the annual contributions were recommended to cease as a GOF reduction measure. Although annual expenditures will fluctuate in this fund, the Great Recession produced higher unemployment and longer eligibility periods, resulting in higher unemployment costs. Therefore, in Fiscal Year 2011-12, contributions from various funds were reinstated to pay for unemployment costs. The balance in this fund is approximately \$450,000.

Liability Self-Insurance Reserve

The Liability Self-Insurance Reserve was approved by Council in 1980. The City currently self-insures for the first \$1.0 million of liability exposure per occurrence. The City is a member of the Authority of California Cities Excess Liability (ACCEL) Program for the pooling of liability insurance above the \$1.0 million self-insured retention. ACCEL began in 1986 as a pool for medium-sized cities and the City joined ACCEL in 1992. Other members of the pool are Anaheim, Bakersfield, Burbank, Modesto, Monterey, Ontario, Palo Alto, Santa Barbara, Santa Cruz, Santa Monica, and Visalia. ACCEL pools liability coverage for the next \$4.0 million of coverage and the City purchases additional coverage through ACCEL. Other expenditures funded from the Liability Fund are for outside legal counsel for defense against claims, insurance (e.g., property, automobile, flood, etc.), and payment for claims.

Council Policy A-11 specifies the policy level of this reserve to be \$2.0 million for the self-insured exposure for two catastrophic incidents and an amount to fund estimated incurred claims. The estimated incurred claims are determined by an actuarial valuation performed every year and are reviewed on an annual basis with the close of

the City's financial records. The actuarial valuation, last updated as of June 30, 2015, indicates a liability of \$1.9 million, resulting in the policy level for this reserve at \$3.9 million. The current estimated balance of \$5.5 million is higher than the policy level, but staff is recommending the surplus balance remain in the fund to offset potential future liability increases.

Retirees' Health Insurance Program Reserve

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

The Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* (Statement No. 45), became effective for the City with the fiscal year ending June 30, 2008. This statement requires the City to update its Retirees' Health valuation every two years and was last updated as of July 1, 2015.

In 2015, the GASB approved Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. The new OPEB standard parallels the pension standard issued with GASB Statement No. 68, *Financial Reporting for Pension Plans*, which essentially requires the agency to report the unfunded liability on the face of the agency's financial statements and enhances the note disclosures and required supplementary information (RSI) about their OPEB liabilities. This new statement will be effective with the fiscal year ending June 30, 2018.

Major changes occurring with the latest valuation included the migration of Public Safety employees into the CalPERS health system (PEMHCA). As previously discussed with Council, it is anticipated the City's total actuarial accrued liability (AAL) will increase significantly by adding dependent coverage; however, the plan costs are lower and the employees are now contributing annually towards this liability. Other factors increasing this liability are the projected excise tax for high-cost plans under the Affordable Care Act, revised demographic assumptions and the reduced discount rate from 7.00 percent to 6.73 percent. (The City participates in the California Employers' Retiree Benefit Trust (CERBT or Trust) managed by CalPERS, which reduced the discount rate for all of its plans.)

The City has made great strides toward funding the AAL of \$130.5 million (projected for Fiscal Year 2016-17 as of July 1, 2015), with assets set aside of \$90.7 million, or 69.5 percent funded (estimate as of June 30, 2016). All funds other than the GOF have fully funded its share of the unfunded AAL (UAAL) and will contribute an additional \$4.3

million to fully fund their share as updated in the July 1, 2015 valuation. To reduce the GOF share of its UAAL, a total of \$3.5 million additional funds have been budgeted and transferred to the CERBT since Fiscal Year 2014-15. An additional \$1.0 million is recommended to be transferred from the current fiscal year carryover and staff is also recommending an additional \$2.0 million in the Fiscal Year 2016-17 budget as well as \$1.0 million for Fiscal Year 2017-18.

Reserve Recommendations

Staff has performed a preliminary review of reserve levels and included funding recommendations for specific reserve requirements. Additional supplemental funding for the General Fund Reserve will be required. It is currently estimated at \$2.2 million and staff will recalculate the Reserve supplement needed with the Adopted Budget. Additional funding of \$1.6million is recommended for the Compensated Absences Reserve to bring it to policy level. These recommendations will allow most reserves to meet policy levels. In addition, from the Fiscal Year 2015-16 General Fund carryover \$1.0 million each is recommended to fund PERS, OPEB, and SPAR, with any remaining balance up to \$4.0 million to be transferred to the Capital Improvement Reserve.

CONCLUSION

Strong revenue growth has continued and the GOF is in a good financial position. For Fiscal Year 2016-17, GOF revenues are projected to increase to \$118.7 million, or 10.8 percent, compared to the current fiscal year adopted revenues. The economy is anticipated to remain strong and all major categories (e.g., Property Tax, Sales Tax, and Other Local Taxes, etc.), except Fines & Forfeitures, Miscellaneous Revenue and Interfund Transfers, are projected to continue to increase. Including consideration of the budget recommendations, the General Operating Fund is projected to have an operating balance of \$3.4 million at the end of Fiscal Year 2016-17, about 3.1 percent of budgeted expenditures. Although there are other areas where additional resources could be added, more are not recommended at this time as to remain prudent in containing ongoing expenditure growth in anticipation of the next economic downturn.

The Development Services Fund revenues for the current fiscal year are estimated higher than budgeted as development activity remains strong. The Fund is estimated to end Fiscal Year 2015-16 with an available balance of \$6.3 million and a reserve of \$3.5 million. Development activity is anticipated to continue at a high level for Fiscal Year 2016-17.

The condition of the Shoreline Golf Links continues to improve under the management of Touchstone. Fiscal Year 2015-16 revenues and expenditures are estimated less than budget, allowing a transfer to the GOF of \$90,000. Continued improvement is projected for Fiscal Year 2016-17 and Touchstone has notified the City of its desire to extend the operating agreement for an additional five years.

The Shoreline Community's total Fiscal Year 2015-16 property taxes are estimated \$1.2 million lower than budget due to resolved appeals processed by the County. Fiscal Year 2016-17 revenues are projected with increases and expenditures are lower as the General Fund loan has been fully repaid.

The financial position of the Water fund is being severely impacted by reduced water sales from conservation efforts due to the drought, resulting in approximately 30.0 percent less water usage over the last two years. Water purchases are also lower than budget due to reduced water sales. For Fiscal Year 2016-17, the SFPUC is proposing a rate increase of 9.3 percent in wholesale water costs and SCVWD is currently proposing a 21.2 percent and 23.6 percent rate increase for treated water and well water, respectively. A 10.0 percent rate increase in the average cost of water and meter rates and a 3.0 percent increase in recycled water are recommended for Fiscal Year 2016-17 to fund the increased cost of water, City operational costs, and some of the impact of reduced water sales. If water sales continue at this reduced level, an additional

significant rate increase will be required for the following fiscal year to realign the operating revenues and expenditures.

Wastewater Fund revenues are trending lower than budgeted and expenditures are greater than budget, primarily due a \$1.3 million payment for the current fiscal year and prior fiscal year Treatment Plant costs offset by savings in operating costs. A 19.0 percent rate increase is recommended for Fiscal Year 2016-17, 17.0 percent due to a 26.9 percent proposed increase in Treatment Plant costs as well as City operating costs and the additional 2.0 percent for the incremental phasing in of funding for capital replacements at the Treatment Plant (the third year of 10). An additional rate increase is needed to align operating revenues with expenditures, recommended to be phased in over the following two fiscal years.

Solid Waste Management Fund revenues are higher than budget and expenditures are less than budget. The fourth year of the Recology contract provides for a 2.43 percent increase and the SMaRT Station has submitted an operating cost increase of 2.68 percent. However, no rate increase is recommended other than the 10.0 percent rate increase for carts, the second year of a three-year phase-in resulting from the Cost of Service Study implemented in the current fiscal year. Council will be considering potential enhanced services that will have an associated rate impact if implemented.

A Proposition 218 notice will be mailed out by May 6, indicating the recommended changes for water, wastewater, and solid waste rates, along with maximum potential increases and noticing projected future increase. The total average increase for a single-family residential customer as recommended for all three utilities is 12.2 percent, resulting in an estimated increase of \$14.85 monthly. Rates will generally still be comparable, or lower, than our neighboring cities. A comparison of the current and the recommended rates is included in Attachment 9.

Most reserves are at or exceed their target or policy balance. A supplement for the General Fund Reserve is estimated at \$2.2 million, but will be recalculated based on the expenditures in the Fiscal Year 2016-17 Adopted Budget. The Compensated Absences Reserve requires a supplement of \$1.5 million from the estimated General Fund carryover and \$125,000 from other funds. It is recommended \$1.0 million each be allocated to PERS, OPEB, and the SPAR with any remaining carryover up to \$4.0 million to be allocated to the Capital Improvements Reserve.

NEXT STEPS

Council input and direction are sought on the material in this report at the April 26, 2016 Study Session. Based on feedback from the City Council, the Fiscal Year 2016-17 Proposed Budget will be prepared for distribution to the City Council prior to budget hearings. The evening of June 14 is scheduled for the first public hearing and final adoption is scheduled for the City Council Special Meeting of June 21, 2016.

PUBLIC NOTICING

Agenda posting and notice published in the *San Jose Post Record*.

DHR/SN/2/CAM
541-04-26-16SS-E

- Attachments:
1. Reaffirming Fiscal Years 2015-16 and 2016-17 City Council Major Goals and Projects
 2. Fiscal Year 2016-17 Recommended Fee Modifications
 3. Fiscal Year 2016-17 Recommended Non-Discretionary Ongoing Changes
 4. Fiscal Year 2016-17 Recommended Discretionary Ongoing Changes
 5. Fiscal Year 2016-17 Recommended Limited-Period Expenditures
 6. Fiscal Year 2016-17 Recommended Capital Outlay
 7. Fiscal Year 2016-17 Recommended Equipment Replacement
 8. Water and Wastewater Cost Increases
 9. Comparison of Current and Recommended Utility Rates



MEMORANDUM

Finance and Administrative
Services Department

DATE: April 26, 2016

TO: City Council

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

VIA: Daniel H. Rich, City Manager

SUBJECT: General Operating Fund 5-Year Financial Forecast

INTRODUCTION

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

Annually, a forecast is prepared and presented to the City Council during the budget process. Beginning with the Fiscal Year 2008-09 budget process, the City Council set as a high-priority goal the development of a 10-year forecast. A 5-year Financial Forecast is prepared annually and a 10-year Long-Range Financial Forecast is prepared periodically (every two to four years), and initially discussed with City Council during the Narrative Budget Study Session. This report is a 5-year Forecast (Forecast) for the time period of Fiscal Years 2016-17 through 2020-21. The most recent 10-year Long-Range Financial Forecast was completed for Fiscal Years 2015-2024.

A financial forecast, even with fluctuating economic variables, can assist with identification of long-term financial trends, causes of fiscal imbalances, future fiscal challenges, opportunities, and potential requirements, all of which may assist in keeping the City on a continuing path of fiscal sustainability. Growth and development will occur at a different pace than anticipated in this Forecast and actual revenues and

expenditures in future years will vary, but trend lines will be apparent. This Forecast is intended to provide a foundation for the City Council's decision making for Fiscal Year 2016-17 budget deliberations. The Forecast is focused on the General Operating Fund (GOF), which provides financing for the majority of City services, including Police, Fire, Parks, Recreation, Library, and administrative functions necessary for ongoing City operations. The GOF is also the fund that is most significantly influenced by economic conditions.

BACKGROUND AND ANALYSIS

The Forecast is based on reasonable assumptions utilizing available information from a wide variety of sources. These sources include reviewing the City's historical trends, gathering information from economists that specialize in the regional economics of Silicon Valley, reviewing various indicators (e.g., unemployment data, etc.), networking with staff of neighboring agencies, reviewing State of California (State) and national economic trends, and factoring in known Mountain View conditions, such as economic and property development. The level of City services, staffing, and cost of operations projected for Fiscal Year 2016-17 is the base year for subsequent fiscal years' expenditures in the Forecast. Confidence levels in the Forecast assumptions become less certain with each subsequent fiscal year, and actual future revenues and expenditures will vary from the Forecast.

Although it is uncertain as to when it will actually occur, it is prudent to include a downturn in the economy in the Forecast based on economic cycles. Historically, slowdowns in the economy have occurred approximately between 4 and 9 years in the past five decades, with the longest period of expansion lasting 11 years, from 1990 to 2001. It has been approximately 8.5 years since the beginning of the last recession and will be 11 years if the slowdown occurs in Fiscal Year 2018-19, as included in the Forecast. As a result, a general slowdown in economic activity is projected to begin Fiscal Year 2018-19 and continue into Fiscal Year 2019-20. However, some would say the recovery has been very long and slow; therefore, the next downturn could occur later.

The Forecast is not intended to predict precisely when the next slowdown in the economy will occur, but rather an indication of what the financial picture could look like when it occurs. The next slowdown could occur sooner or later than projected, but it is anticipated another downturn will occur during the Forecast period. The trend, based on the assumptions utilized, the recommendations included in the Fiscal Year 2016-17 Narrative Budget Report, and assuming \$1.8 million annual budget savings, indicates revenues in Fiscal Year 2016-17 through Fiscal Year 2018-19 will exceed

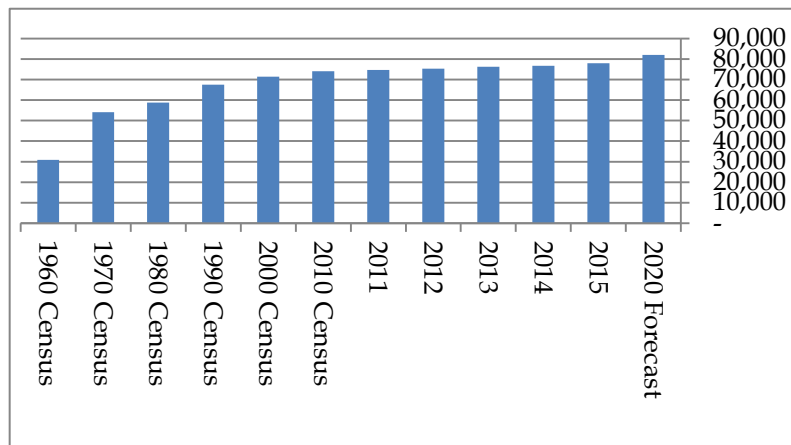
expenditures, but as a result of an anticipated economic downturn, revenues may not be sufficient to fund all expenditures in Fiscal Years 2019-20 and 2020-21.

The various GOF revenue sources respond differently to such an economic event—some, such as Transient Occupancy Tax (TOT), react almost immediately while others, such as property taxes, sales tax, and investment earnings, lag behind. While the budget is projected to be balanced until the middle of the next downturn, it is important to note the five-year period includes revenues from projected development. If this development does not occur, annual operating balances will be negatively impacted.

The following chart shows historical population annually for the past five years, each U.S. Census year back to 1960 and projects population growth to 2020. From the 2000 Census to the 2010 Census, the City of Mountain View population grew by 2,697 (3.8 percent). According to the California State Department of Finance, the City’s population was 77,914 in 2015, a 5.2 percent growth over five years. With the current pace of housing development, and potential for housing in the North Bayshore Area, the population could exceed ABAG projections of 81,992 for 2020.

Population

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



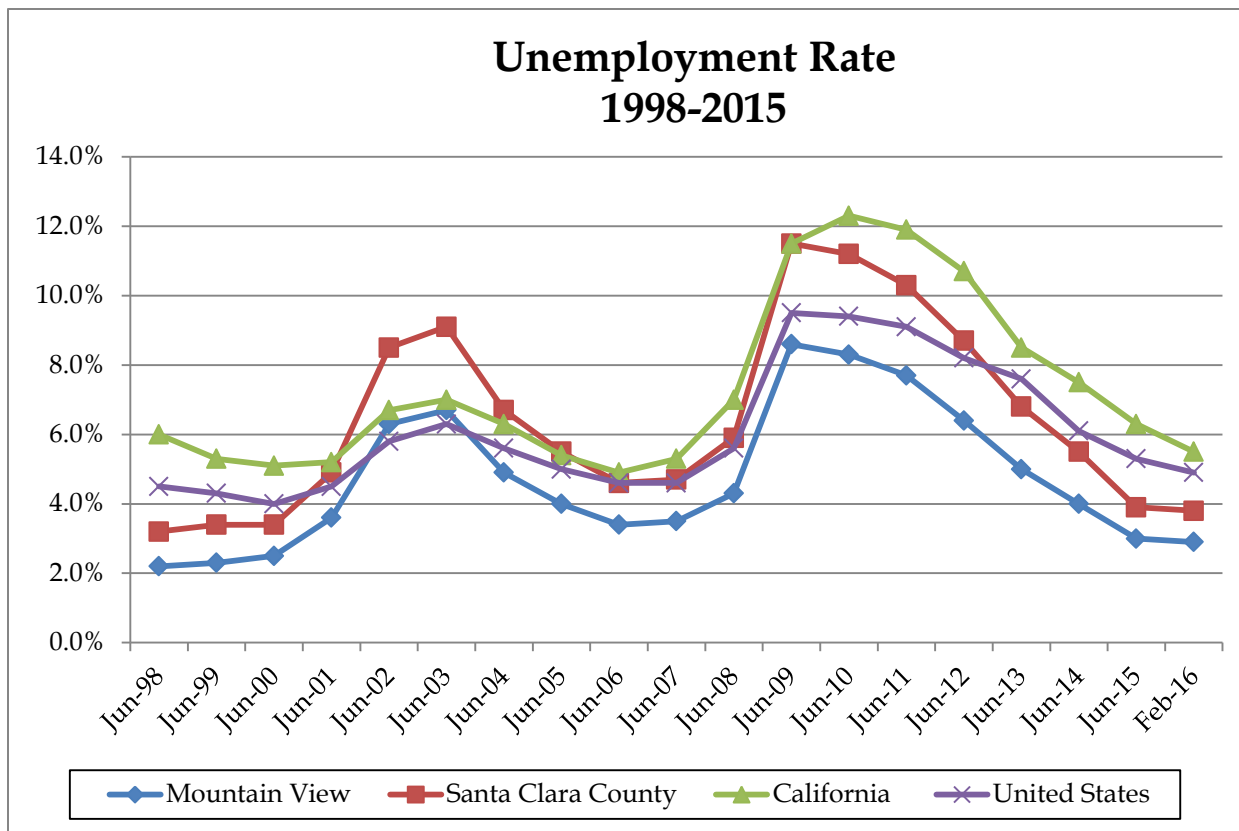
Sources: U.S. Census Bureau (1960-2010)
 Association of Bay Area Governments (2020)
 California State Department of Finance (all other years)

Economic Climate Factors

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

Unemployment

As detailed in the chart below, Mountain View’s unemployment level has been below the County of Santa Clara (County), State, and nation, except during the recession of the early 2000s, which hit Silicon Valley the hardest. As of February 2016, unemployment in the City is at 2.9 percent, lower than the prerecession rate and well below the County (3.8 percent), the State (5.5 percent), and the nation (4.9 percent).



State of California

Five years ago, the unemployment rate exceeded 12.0 percent and the State faced a significant budget gap. The budget was balanced with permanent spending cuts and temporary taxes from Proposition 30. Summarizing the Governor's January 2016 budget message—relative to past years, the State budget is in good shape. Education funding is at its highest level ever, 15 million more Californians have medical coverage, the State minimum wage has risen to \$10 per hour, the State will provide almost \$400 million to low-wage working families through an earned income tax credit, the Rainy Day Fund is growing, and the Fiscal Year 2016-17 Proposed Budget will have a surplus even after spending several billions of dollars on infrastructure investments. However, in view of the recent multi-billion-dollar deficits of just five years ago, the Governor's Office maintains fiscal restraint must still be a goal.

Revenue and Expenditure Overview

In order to maintain a base level of services in the City, revenue growth is necessary. If the existing revenue base cannot generate sufficient revenues to fund the cost of operations, the economic base must be enhanced or operating costs reduced. Fiscal Year 2016-17 revenues are projected to increase \$11.6 million (10.8 percent) compared to Fiscal Year 2015-16 adopted revenues and \$4.8 million (4.2 percent) compared to the Fiscal Year 2015-16 estimated revenues.

The City is in a stronger financial position with an annual surplus projected for the next few fiscal years, the result of cost containment, increased efficiencies and economic recovery. The economic recovery from the recession is apparent locally and in other areas of the State. Locally, this includes major new private and public developments, such as The Village at San Antonio Center Phase II, various rental and ownership housing developments, commercial office development, and Moffett Gateway. These developments will provide housing, hotel rooms, shopping, and entertainment as well as generating additional ongoing revenues for the City, some as early as Fiscal Year 2016-17. Lease revenues are increasing from the revaluation of the long-term ground leases for the North Charleston and Crittenden sites. These two leases include a revaluation to market every 10 years.

Fiscal Year 2016-17 recommended expenditures are \$6.2 million (6.0 percent) higher compared to the Fiscal Year 2015-16 adopted expenditures. The increases in expenditures are primarily related to cost-of-living adjustments (COLAs), retirement and health-care benefits costs for current and retired employees. Additional ongoing expenditures of \$1.6 million are recommended to address some of the resource limitations of the organization. After allowing for a \$2.0 million contribution each to

the unfunded California Public Employees' Retirement System (PERS) and Other Post-Employment Benefits (OPEB) liabilities, a \$2.5 million transfer to the Strategic Property Acquisition Reserve (SPAR), and anticipated budget savings of \$1.8 million, the operating balance is projected to be \$3.4 million for Fiscal Year 2016-17.

Although there have been changes made to reduce the cost of current health benefits, the overall Retirees' Health liability has increased. Between July 1, 2013 and July 1, 2015, the Actuarial Accrued Liability (AAL) increased from \$101.9 million to \$123.8 million. Major components of this increase include: the migration of Public Safety employees to the PERS Health Care system (PEMHCA) (\$13.1 million), incorporation of the projected excise tax for high-cost plans under the Affordable Care Act (\$5.9 million), revised demographic assumptions (\$5.3 million), and the change in the discount rate from 7.0 percent to 6.73 percent (\$3.9 million). However, the City continues to make progress toward the funding of this liability with additional contributions, so where the City was 68.2 percent funded as of July 1, 2013, the City is 72.9 percent funded as of July 1, 2015. Investment returns are also a factor in the improved funded ratio.

Staff and Council recognized the opportunity to take advantage of the City's improved financial position to reduce unfunded liabilities for PERS and OPEB. These liabilities are 74.3 percent and 72.9 percent funded, respectively, and have existing unfunded liabilities of \$162.5 million (as of June 30, 2014) and \$33.6 million (as of July 1, 2015), respectively. Beginning in Fiscal Year 2014-15, Council approved allocations of \$5.2 million toward the PERS liability and \$3.5 million toward the OPEB liability. The Fiscal Year 2016-17 recommendations continue this important strategy with a \$2.0 million annual contribution each to PERS and OPEB.

Although the percentage of funding is similar for both unfunded liabilities, the unfunded liability for PERS is significantly greater. Therefore, future recommendations are focused with more funding for PERS. For 2017-18 funding of \$3.0 million and \$1.0 million for PERS and OPEB, respectively, and for Fiscal Year 2018-19 funding of \$2.0 million for PERS. Staff is also recommending an additional \$1.0 million each for PERS and OPEB, from the Fiscal Year 2015-16 carryover, budgeted in the General Non-Operating Fund, and \$854,000 from other funds for PERS for their share of the additional contributions. Other funds continuously fully fund their share of the OPEB liability; only the GOF is not fully funded.

	Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-09		Total	
	PERS	OPEB	PERS	OPEB	PERS	OPEB	PERS	OPEB	PERS	OPEB	PERS	OPEB
GOF	-	\$1.0 M	\$2.0 M	\$1.0 M	\$2.0 M	\$2.0 M	\$3.0 M	\$1.0 M	\$2.0 M	-	\$9.0 M	\$5.0 M
GNOF	\$1.0 M	\$1.0 M	\$1.5 M	\$0.5 M	\$1.0 M	\$1.0 M	-	-			\$3.5 M	\$2.5 M
Other Funds	-	-	\$687 K	-	\$854 K	-	\$732 K	-	\$488 K	-	\$2.8 M	-

Fiscal Year 2016-17 includes contractual COLAs as provided for in the multi-year labor contracts for MVFF, POA, EAGLES, and SEIU and adopted resolutions for the remaining employee groups. Fiscal Years 2017-18 and 2018-19 include modest COLAs as placeholders and the remaining Forecast years do not include any COLAs. Annual step and merit increases, as well as projected annual benefit cost increases, are included for the entire Forecast period.

The following table includes the projected revenues and expenditures by category for Fiscal Year 2016-17 and the subsequent Forecast years.

GENERAL OPERATING FUND FORECAST
(dollars in thousands)

	<u>2015-16 ADOPTED</u>	<u>2015-16 ESTIMATED</u>	<u>2016-17 FORECAST</u>	<u>2017-18 FORECAST</u>	<u>2018-19 FORECAST</u>	<u>2019-20 FORECAST</u>	<u>2020-21 FORECAST</u>
REVENUES:							
Property Taxes	\$ 35,932	39,336	40,208	41,732	42,953	43,387	43,940
Sales Tax	19,380	20,665	20,091	20,685	19,433	18,223	18,429
Other Local Taxes ¹	14,333	15,373	16,082	16,467	16,842	15,564	16,011
Use of Money and Property	11,202	12,012	16,403	18,653	19,385	19,995	20,601
Other Revenues ²	<u>26,287</u>	<u>26,578</u>	<u>25,934</u>	<u>26,245</u>	<u>25,947</u>	<u>25,684</u>	<u>25,994</u>
TOTAL REVENUES	<u>107,134</u>	<u>113,964</u>	<u>118,718</u>	<u>123,782</u>	<u>124,560</u>	<u>122,853</u>	<u>124,975</u>
EXPENDITURES:							
Salaries and All Pays	55,081	53,874	57,053	59,458	61,400	61,650	61,816
Retirement	13,445	13,445	14,651	15,590	16,735	17,716	18,238
Health Benefits	9,185	8,108	9,772	10,531	11,380	12,304	13,292
All Other Benefits	<u>5,719</u>	<u>5,459</u>	<u>6,360</u>	<u>6,550</u>	<u>6,777</u>	<u>6,971</u>	<u>7,220</u>
Salaries and Benefits	83,430	80,886	87,836	92,129	96,292	98,641	100,566
Supplies and Services	15,365	15,685	16,390	16,792	17,205	17,652	18,111
Capital Outlay/ Equipment Replacement	2,742	2,793	3,044	3,118	3,199	3,283	3,370
Self-Insurance	2,852	2,852	3,353	3,384	3,398	3,401	3,435
Debt Service	-0-	-0-	-0-	3,000	3,000	3,000	3,000
Budget Savings	<u>(1,800)</u>	<u>Included</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>
NET EXPENDITURES	<u>102,589</u>	<u>102,216</u>	<u>108,823</u>	<u>116,623</u>	<u>121,294</u>	<u>124,177</u>	<u>126,682</u>
PERS Contribution	(2,000)	(2,000)	(2,000)	(3,000)	(2,000)	-0-	-0-
OPEB Contribution	(1,000)	(1,000)	(2,000)	(1,000)	-0-	-0-	-0-
Transfer to SPAR	<u>-0-</u>	<u>-0-</u>	<u>(2,500)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
OPERATING BALANCE/(DEFICIT)	<u>\$ 1,545</u>	<u>8,748</u>	<u>3,395</u>	<u>3,159</u>	<u>1,266</u>	<u>(1,324)</u>	<u>(1,707)</u>

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

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

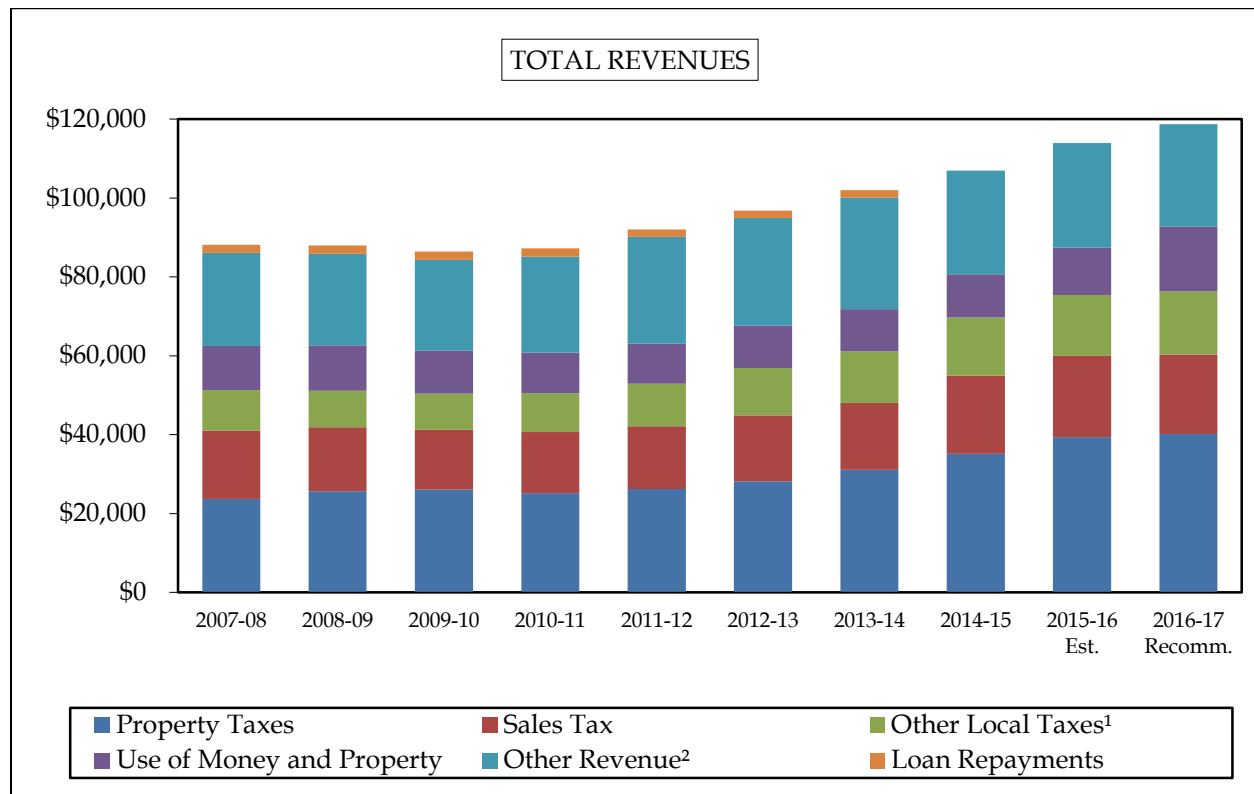
Revenue and Expenditure Background

Revenues

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

For Fiscal Year 2016-17, all the main categories of GOF Revenues listed in the previous table, except Other Revenues, are projected to meet or exceed the Fiscal Year 2015-16 Adopted Budget. Significant factors, such as increasing property and lease values and sales tax, hotel rates and occupancy, and improved compliance with the City's Utility Users Tax (UUT) Ordinance, are contributing to an improved financial condition and an overall indication the City is in a strong revenue growth period. The Other Revenues category is lower due to Fines and Forfeitures and Transfers as explained later in those respective sections.

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



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

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

Total Fiscal Year 2016-17 revenues are projected to increase \$11.6 million (10.8 percent) compared to the Fiscal Year 2015-16 Adopted. Additional discussion of individual revenue sources can be found later in this Forecast.

Expenditures

During Fiscal Years 2009-10 through 2012-13, there were projected structural deficits ranging from \$1.1 million to \$6.0 million and, through a combination of operating efficiencies and expenditure reductions (totaling \$7.4 million), revenue enhancements, and employee cost containment (totaling \$2.2 million), the City was able to balance those budgets and weather the Great Recession. Revenues had recovered sufficiently and no budget restructuring was necessary beginning in Fiscal Year 2013-14. The economic health of the City has continued to improve, resulting in a higher level of demand for services to support commercial and residential development, as well as to support other community priorities such as transportation and sustainability. Revenue projections for Fiscal Year 2016-17 indicate the strength of the recovery and allow for the recommended ongoing and limited-period positions, services and supplies, contributions toward the PERS and OPEB liabilities, and setting aside additional funds for potential strategic property acquisition. From the peak in Fiscal Year 2001-02 through Fiscal Year 2012-13, the GOF employee count was reduced by over 70.0 positions (over 14.0 percent). Although there have been high-priority positions added in recent years, overall, the City continues to operate at a very lean staffing level for the quality and volume of services provided. The Fiscal Year 2016-17 budget recommends additional positions to address the workload demands.

The Forecast expenditures are calculated in the same manner as the annual budget and include the full cost of each existing position (salary and benefits). For Fiscal Years 2016-17 through 2018-19, the salaries have been adjusted based on both compensation agreements as approved by City Council and projections. Also included are multi-year assumptions related to the remaining cost components (e.g., steps, merits, retirement, health care, etc.) throughout the Forecast period. The factors for future health benefit costs were based on health-care trends and historical experience. The projected California PERS rates for Fiscal Years 2016-17 through 2020-21 were provided by PERS.

For Supplies and Services and the remaining categories, a base level of expenditures is calculated utilizing the Fiscal Year 2015-16 Adopted Budget and then adjusted based on the multi-year assumptions related to each component of cost (e.g., City utilities, equipment maintenance, self-insurance funding, etc.).

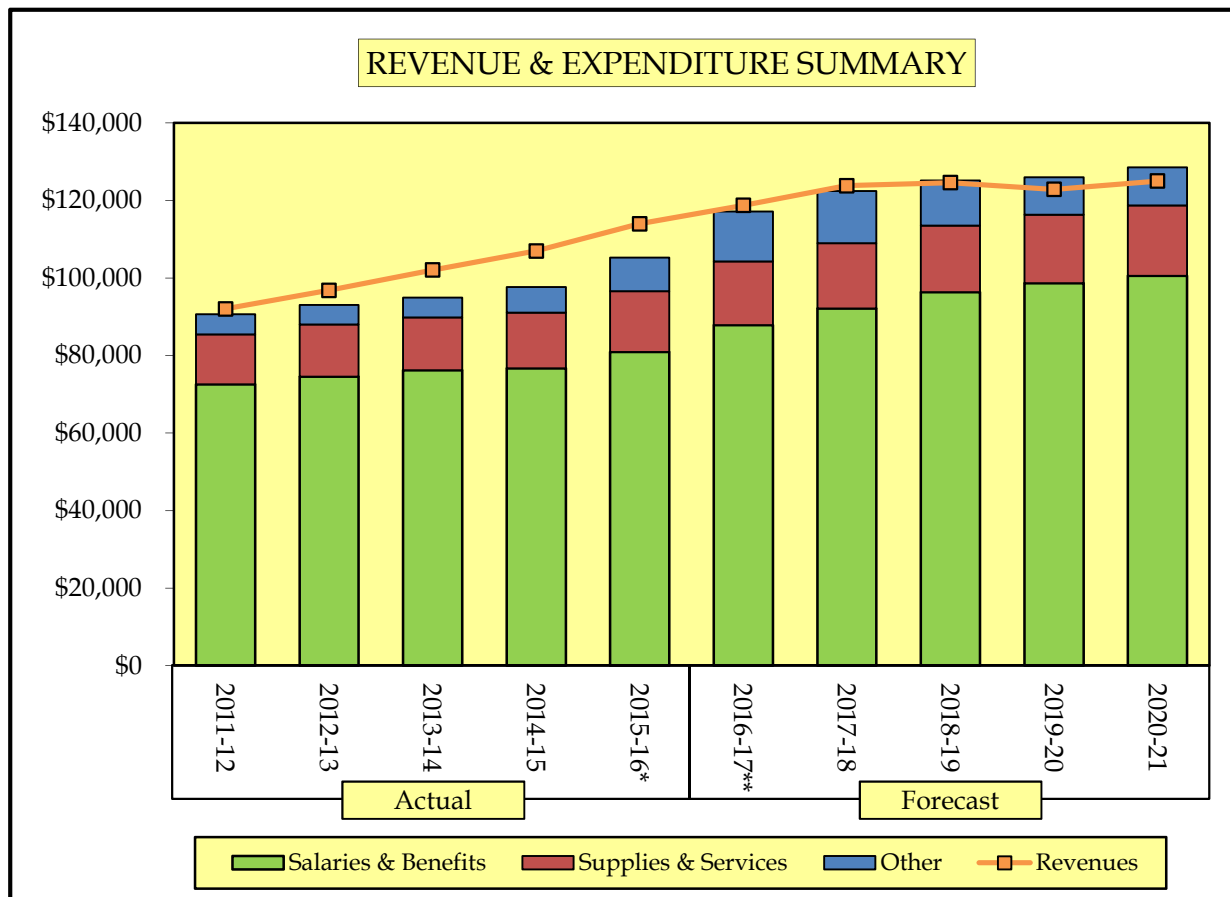
Based on past experience, it is typical to underspend the budget due to vacant positions and cost containment in Supplies and Services accounts. Beginning in Fiscal Year 2009-10, a budget savings amount was assumed. It has been as high as \$2.8 million, reduced to \$2.0 million in Fiscal Year 2014-15 and to \$1.8 million in Fiscal Year 2015-16 as the higher levels of savings were not being realized. It remains at \$1.8 million annually throughout the Forecast period.

SUMMARY

Silicon Valley continues to be a leader in the local and national economic recovery—job creation, vacant space utilization, development of both residential and commercial projects, and the recovery of property values are contributing to the health of the local economy. Although anticipated PERS and medical rate increases are significant factors, the Forecast projects revenue growth and positive operating balances (including funds set aside for PERS and OPEB) through Fiscal Year 2018-19. The final two years of the Forecast project negative balances of \$1.3 million and \$1.7 million, respectively. Future financial stability will be dependent upon the strength of the economy, the timing of the next recession, and continued fiscal restraint.

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

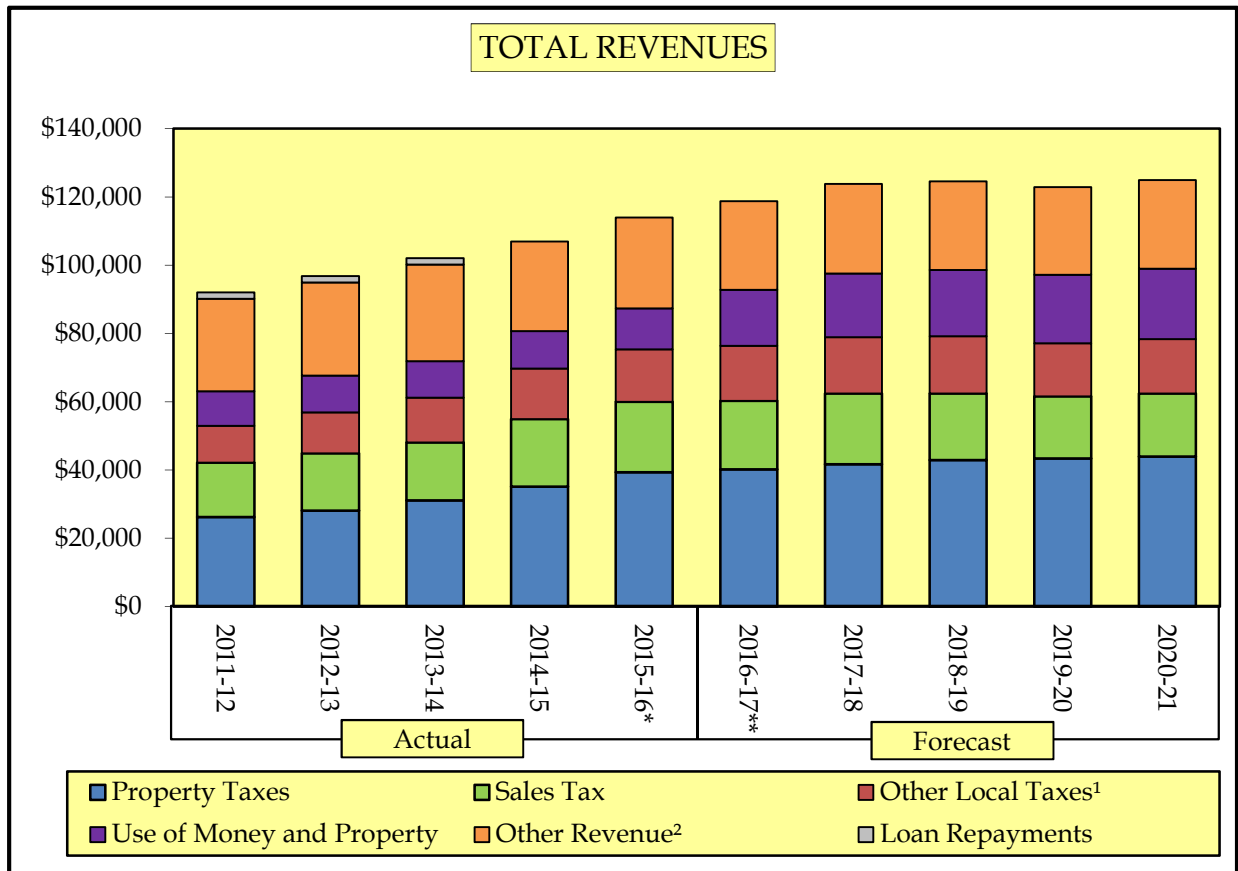
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<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>
2011-12	92,041	90,605
2012-13	96,811	93,041
2013-14	102,045	94,933
2014-15	106,940	97,677
2015-16 *	113,964	105,216
2016-17 **	118,718	117,123
2017-18	123,782	122,423
2018-19	124,560	125,094
2019-20	122,853	125,977
2020-21	124,975	128,482

* Estimated
 ** Recommended
 (dollars in thousands)

The Fiscal Year 2016-17 recommended expenditures and all forecast years do not include the projected operating budget savings. The Fiscal Year 2016-17 recommended expenditures includes the \$2.5M transfer to the Strategic Property Acquisition Reserve.



<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>% Change</u>
2011-12	92,041	5.5%
2012-13	96,811	5.2%
2013-14	102,045	5.4%
2014-15	106,940	4.8%
2015-16 *	113,964	6.6%
2016-17 **	118,718	4.2%
2017-18	123,782	4.3%
2018-19	124,560	0.6%
2019-20	122,853	(1.4%)
2020-21	124,975	1.7%

* Estimated
 ** Recommended
 (dollars in thousands)

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

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

PROPERTY TAXES

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

SOURCES

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

ECONOMIC FACTORS

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

- Availability of credit.
- State legislation regarding tax allocation.

HISTORY

In 1992, as a way of solving its own budget shortfall, the State enacted legislation that shifted partial financial responsibility for funding education to local government. Property tax revenues belonging to cities, counties, and special districts were shifted to the Education Revenue Augmentation Fund (ERAF). The net cumulative loss to the GOF resulting from all ERAF shifts through Fiscal Year 2015-16 exceeds \$90.0 million (almost \$94.0 million for the entire City).

For the past two decades, housing activity has remained strong with short periods of uncertainty or declines related to the availability of housing stock, interest rates, and the overall economy. During Fiscal Year 2008-09, the housing market collapsed and assessed valuation across the County suffered and caused some properties to be appraised at less than the outstanding debt on the property. During that time, foreclosures nationwide increased dramatically as homeowners defaulted on their mortgages and California was the epicenter of the foreclosure crisis. Mountain View experienced foreclosures, but not as severely as other parts of the State. The number of foreclosures in the nation and California has declined significantly, now at the lowest level since 2006. The number of foreclosures in both the County and the City has also fallen dramatically.

Beginning Fiscal Year 2008-09, the County began processing Proposition 8 (Prop 8) reductions for residential and commercial properties. The majority of the lost value for residential Prop 8 reductions was recaptured in Fiscal Years 2013-14 and 2014-15 and the remainder was recaptured in Fiscal Year 2015-16.

In the time period since the beginning of the recession, commercial property owners have also submitted applications for value reductions. The number of appeals submitted Countywide for 2015 is the lowest since 2007. Because of the variable nature of commercial properties, the process of reviewing and valuing them is more complicated and lengthy. The County has processed Countywide AV roll reductions (primarily the result of resolved appeals) and corrections during the current fiscal year and anticipates a net of \$3.0 billion in AV reductions through June 30, 2016. The General Fund's share of this property tax revenue loss for Fiscal Year 2015-16 is approximately \$274,000. As of January 2016, the County had approximately 5,500 active appeals and the Forecast includes some loss in property tax revenue as a result of resolution of these appeals.

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

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

<u>Year</u>	<u>Single-Family Home (SFH)</u>	<u>Number of SFH CIO</u>	<u>Condo/Townhome</u>	<u>Number of Condo/Townhome CIO</u>
2007	\$955,000	218	\$575,000	255
2008	\$963,250	200	\$590,000	184
2009	\$845,000	182	\$535,000	179
2010	\$892,000	267	\$572,500	268
2011	\$900,750	306	\$445,000	241
2012	\$1,000,000	341	\$570,000	299
2013	\$1,245,000	297	\$639,000	356
2014	\$1,450,000	255	\$781,000	322
2015	\$1,600,000	274	\$910,000	312

Also impacting the growth in Property Taxes is the CCPI. Four of the last six fiscal years have had annual CCPI less than the maximum 2.0 percent allowed, and one of the four years was a negative CCPI.

In total, Fiscal Year 2015-16 estimated Property Tax revenues of \$39.3 million exceeds both the Fiscal Year 2015-16 Adopted Budget of \$35.9 million and the Fiscal Year 2014-15 actual of \$35.2 million.

FORECAST

The Fiscal Year 2016-17 projected secured property tax revenues is based on the July 1, 2016 tax roll adjusted for the following:

- A 1.525 percent CCPI increase to the AV of all eligible residential and commercial property;
- Projected AV loss from resolution of pending appeals;

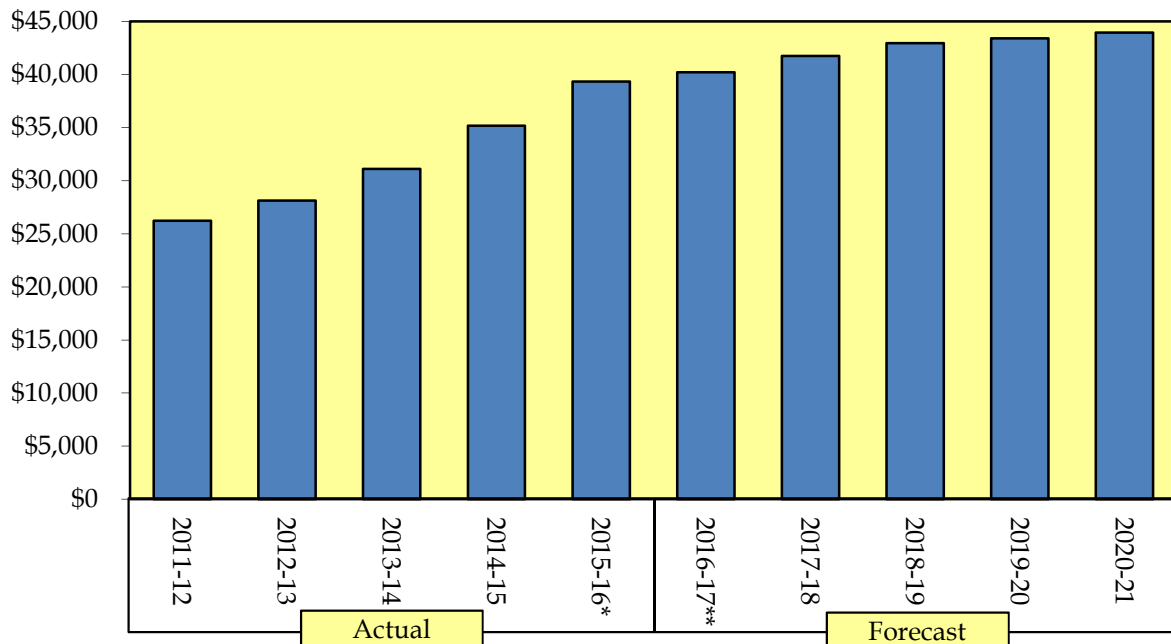
- AV changes related to property transfers and sales prior to the lien date; and
- Projected AV increase related to new development and remodels.

As mentioned earlier, the County has a backlog of approximately 5,500 appeals. As the County is unable to provide information about pending appeals specific to each local agency, the Fiscal Year 2016-17 revenues include a projected tax loss for the resolution of pending appeals.

For the remaining Forecast years, total secured property tax is projected with net growth ranging from 1.0 percent to 4.7 percent annually. These average annual increases include an annual change in AV based on a 2.0 percent CCPI, new development projects in the pipeline (including The Village at San Antonio Phase II, Moffett Gateway projects and various housing developments), and anticipated growth from CIO and remodeling. The increased revenue from Moffett Gateway has been identified as a possible revenue source for the Police/Fire Administration Building capital improvement project (CIP).

For Fiscal Years 2016-17, 2017-18, and 2020-21, unsecured property tax revenue is projected to increase 1.0 percent annually. Fiscal Years 2018-19 and 2019-20 are projected with 10.0 percent and 5.0 percent declines, respectively, reflecting the impact of a projected downturn in the economy.

PROPERTY TAXES



<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>% Change</u>
2011-12	26,216	4.3%
2012-13	28,122	7.3%
2013-14	31,120	10.7%
2014-15	35,173	13.0%
2015-16 *	39,336	11.8%
2016-17 **	40,208	2.2%
2017-18	41,732	3.8%
2018-19	42,953	2.9%
2019-20	43,387	1.0%
2020-21	43,940	1.3%

* Estimated
 ** Recommended
 (dollars in thousands)

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SALES TAX

Sales Tax revenue is the second largest single revenue source of the GOF and also the most volatile. The City of Mountain View is allocated 1.0 percent of every sales dollar subject to sales tax. In the late 1990s, sales tax from commercial/industrial businesses generated a greater amount of sales tax than retail businesses, an approximate 1.5:1.0 ratio. During the current decade, as a result of relocations, recession, growth of the service economy (nontaxable products), and Board of Equalization (BOE) reporting changes, retail contributes a greater share and the ratio is approximately 1.0:3.3.

SOURCES

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

ECONOMIC FACTORS

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

HISTORY

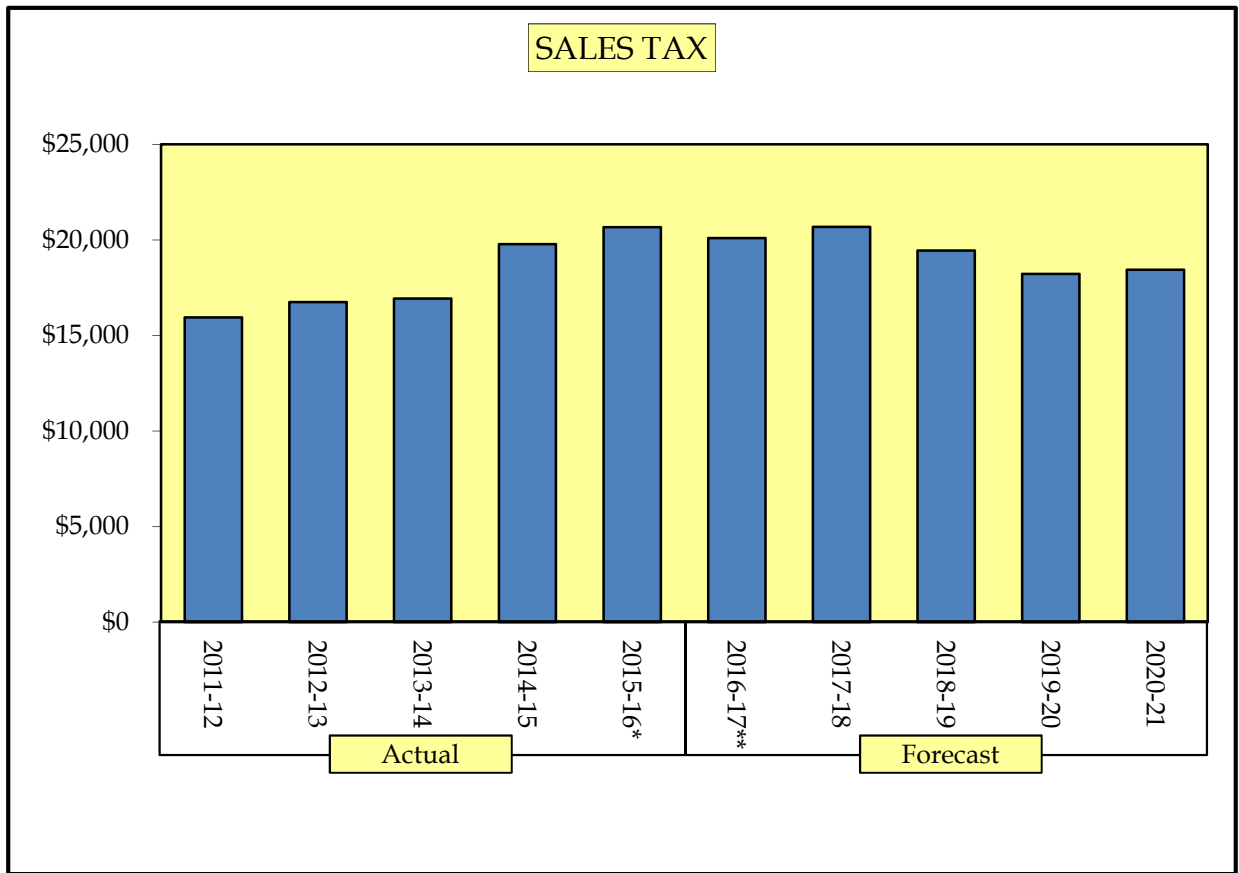
Since the early 1990s, sales tax has been an extremely volatile revenue source, reaching an all-time record high of \$24.1 million in Fiscal Year 2000-01, primarily resulting from high-tech businesses. A precipitous decline to \$14.2 million occurred in Fiscal Year 2003-04 followed by steady growth through Fiscal Year 2007-08 to \$17.3 million. These variations typically occur as businesses move in and out of the City, companies modify reporting and/or sales methods, and the economy changes. Fundamentally, as the service economy grows, less manufacturing is done locally, so there is a smaller

commercial tax base because sales tax is not applicable to most technology company sales. As a result of the Great Recession, Sales Tax revenue fell in excess of \$2.0 million (11.8 percent) to \$15.2 million in Fiscal Year 2009-10. Since then, sales tax revenue has again grown steadily, reaching almost \$20.0 million in Fiscal Year 2014-15. The most recent quarters of sales tax data indicates there is net growth for Santa Clara County, the nine Bay Area counties, and the State. Fiscal Year 2015-16 is estimated to exceed both the Fiscal Year 2015-16 Adopted Budget and Fiscal Year 2014-15 actual.

The State Department of Finance has notified local agencies that the Economic Recovery Bonds approved by voters in 2004 to close the State's then operating deficit will likely be paid off during Fiscal Year 2015-16. This will end the "triple flip" swap of 25 percent of the City's 1.0 percent sales tax to the State for a transfer of local property tax revenues from schools. There is no impact to the City's ongoing sales tax revenue as after the bonds are paid off and the swap ends, the City will begin receiving the full 1.0 percent sales tax in lieu of the property tax revenues. However, because of the timing of when the swap ends and the City receiving its full 1.0 percent sales tax, Fiscal Year 2015-16 sales tax revenues will be slightly higher due to a true-up.

FORECAST

Overall growth of 2.0 percent offset by known changes in businesses is projected for Fiscal Year 2016-17, but total sales tax revenue is projected to be slightly less than the Fiscal Year 2015-16 estimated, primarily due to the timing and true-up of the end of the triple flip mentioned above. Fiscal Year 2017-18 includes 2.0 percent projected growth, the two subsequent Forecast years reflect 7.0 percent declines related to an anticipated downturn in the economy, and a recovery begins in the final Forecast year. The Village at San Antonio Center Phase II is projected to be completed in Fiscal Year 2017-18 with retail tenants in place beginning to generate sales tax.



<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>% Change</u>
2011-12	15,940	2.8%
2012-13	16,744	5.0%
2013-14	16,936	1.1%
2014-15	19,773	16.8%
2015-16 *	20,665	4.5%
2016-17 **	20,091	(2.8%)
2017-18	20,685	3.0%
2018-19	19,433	(6.1%)
2019-20	18,223	(6.2%)
2020-21	18,429	1.1%

* Estimated
 ** Recommended
 (dollars in thousands)

OTHER LOCAL TAXES

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

SOURCES

- TOT is a 10.0 percent tax assessed on hotel and motel occupancies. Any occupancy by a government employee while on government business, or a stay exceeding 30 consecutive days, is exempt from the tax. This tax is self-reported on a quarterly basis by hotels and motels within the City limits, and a compliance audit is performed on a periodic basis.
- Business License Tax is assessed on all businesses known to be operating in Mountain View and billed annually. Currently, there are approximately 6,300 businesses with licenses. The tax rate varies by type of business, generally \$30 per year for most (73.0 percent), but can exceed \$1,000 for certain types of businesses.
- UUT is a 3.0 percent tax assessed on the consumption of all telecommunication, electricity, and gas services. Companies providing taxable utility services remit UUT payments monthly and a compliance audit is performed on a periodic basis.

ECONOMIC FACTORS

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

HISTORY

TOT: The current tax rate of 10.0 percent was last modified in June 1991 from 8.0 percent. Occupancy and room rates in the City typically grow in nonrecessionary times. The impacts of economic downturns or disruptions are immediately felt in TOT revenue as demonstrated by the 50.0 percent decline resulting from the dot-com bust and the 26.6 percent decline during the Great Recession. TOT revenues began to recover from this last recession in spring 2010 and growth has continued through Fiscal Year 2015-16.

Business License Tax: This revenue does not change significantly from year to year as the tax rate has remained essentially unchanged since June 1954 (excluding two business types updated in 1985). Fluctuation in the number of businesses does not significantly change annual revenue because of the low annual tax rate.

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

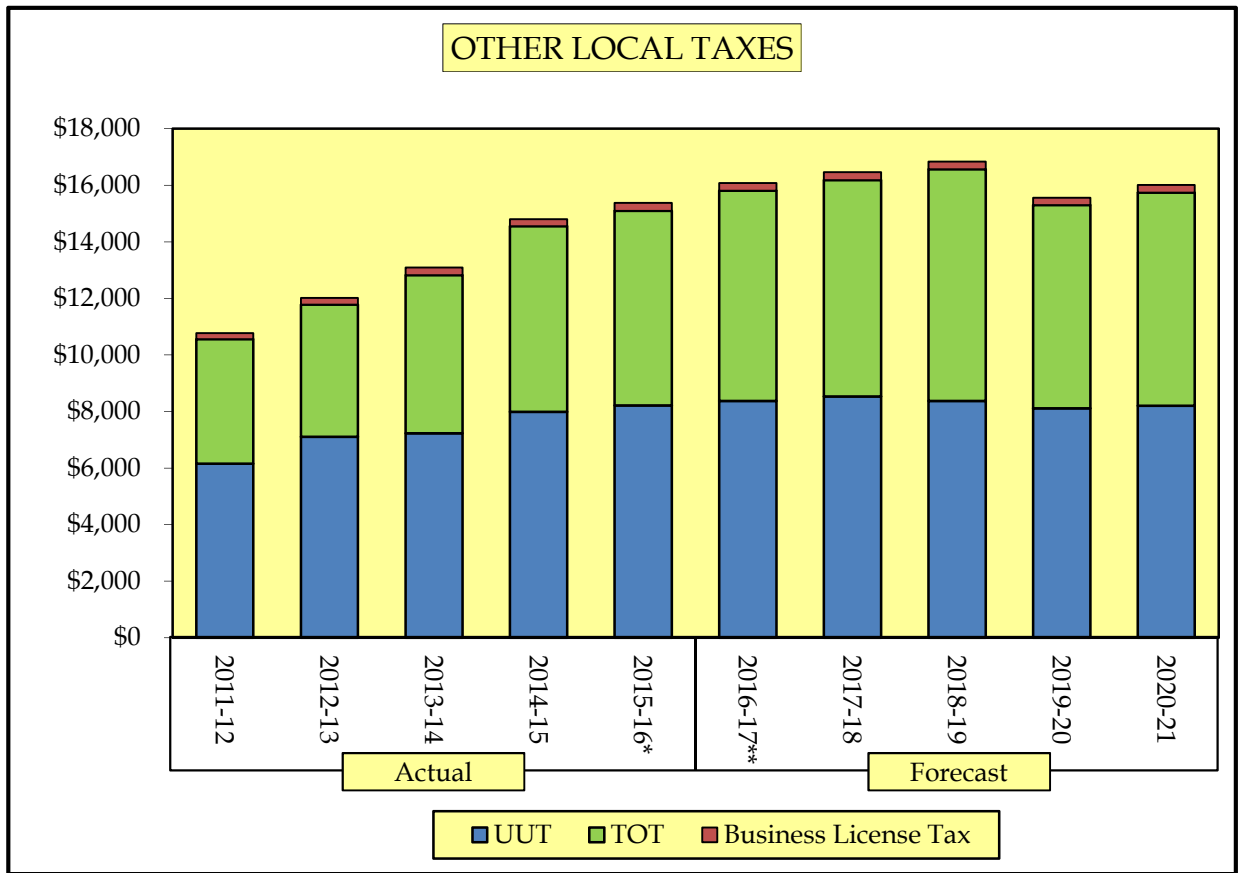
An audit of telecommunications providers was completed in January 2014 and resulted in a \$1.1 million settlement and one-time assessment payments. In addition, during Fiscal Year 2014-15, staff worked to bring another telecommunications provider into compliance, resulting in a payment of the amount due for that fiscal year and a \$1.6 million payment for a prior time period. Both of these companies are remitting monthly UUT payments, contributing to ongoing revenue. Overall, Fiscal Year 2015-16 estimated revenue exceeds both the Fiscal Year 2015-16 Adopted Budget and the Fiscal Year 2014-15 actual.

FORECAST

TOT: Fiscal Year 2016-17 reflects the completion of the Hampton Inn and Residence Inn remodel/room addition projects and projected revenue for a portion of the fiscal year. Growth is projected at 8.0 percent for the remaining properties. The projected growth is anticipated to slow through Fiscal Year 2017-18, decline 15.0 percent to 20.0 percent in the following two Forecast years and begin recovering in the final Forecast year. Fiscal Year 2017-18 reflects the completion of the Best Western remodel/room addition and Fiscal Year 2018-19 reflects the anticipated opening of the hotel planned as part of the San Antonio Phase II project and the hotel planned as part of the Moffett Gateway project.

Business License Tax: Business license revenue is forecast with a 2.0 percent annual growth through Fiscal Year 2017-18 and the anticipated two-year downturn includes 3.0 percent average annual declines followed by the beginning of the recovery in the final Forecast year. A business license compliance audit commenced during Fiscal Year 2015-16, but there is an insignificant increase in revenue based on findings to date.

UUT: Total projected UUT revenue for Fiscal Year 2016-17 is 1.9 percent higher than the Fiscal Year 2015-16 estimated. The Agreement between the BOE and the City for prepaid phone cards was executed in December 2015 and the City should receive the first quarterly payment of UUT for prepaid phone cards in September 2016. No revenue has been included in the Forecast as it is unknown what the amount might be. The UUT revenues for the following four Forecast years fluctuate with the anticipated economic downturn.



<u>Fiscal Year</u>	<u>Utility Users Tax</u>	<u>Transient Occupancy Tax</u>	<u>Business License Tax</u>	<u>Total Other Local Taxes</u>	<u>% Change</u>
2011-12	6,157	4,397	220	10,774	9.2%
2012-13	7,108	4,668	239	12,015	11.5%
2013-14	7,226	5,595	268	13,089	8.9%
2014-15	7,988	6,559	258	14,805	13.1%
2015-16 *	8,216	6,883	274	15,373	3.8%
2016-17 **	8,374	7,429	279	16,082	4.6%
2017-18	8,536	7,646	285	16,467	2.4%
2018-19	8,375	8,191	276	16,842	2.3%
2019-20	8,118	7,178	268	15,564	(7.6%)
2020-21	8,199	7,537	275	16,011	2.9%

* Estimated

** Recommended

(dollars in thousands)

USE OF MONEY AND PROPERTY

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

SOURCES

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

ECONOMIC FACTORS

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

HISTORY

Investment Earnings: Over the past decade, part of the City's financial strategy was to build reserves in anticipation of budget constraints in order to generate additional revenue in the form of investment earnings and to maintain sufficient funds to weather any further significant declines in revenues. The Federal Reserve has aggressively managed short-term interest rates since 2006 in an effort to combat the ripple effect of the subprime lending crisis and support the economic recovery by reducing the Federal funds rate from 5.25 percent to a target of 0.25 percent. This has significantly impacted the City's interest earnings. In December 2015 the Federal funds rate was increased 25 basis points and if the economy continues to improve, it is anticipated the Federal Open Market Committee (FOMC) will continue to implement small incremental increases in the upcoming years.

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

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

In late Fiscal Year 2005-06, Council approved the amended and restated lease between the City and SFX Entertainment, Inc. (operating company of Live Nation, Inc.), for the lease of the Shoreline Amphitheatre. The terms of the lease eliminated the percentage rent structure and replaced it with a fixed amount of \$200,000 per month for the concert season (nine months), a total of \$1.8 million annually.

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

In May 2010, Savvy Cellars opened to the public at the Centennial Plaza Train Depot and, in accordance with the lease, the annual revenue to the City for the first five years was \$29,700. The first increase of 3.1 percent was effective December 2014, followed by a 2.59 percent increase effective December 2015. Effective with the Fiscal Year 2015-16 Adopted Budget, rental income from the Adobe Building, Community Center, and Senior Center was moved from Recreation Service Charge revenue to Rents and Leases and estimated at \$145,000 for Fiscal Year 2015-16.

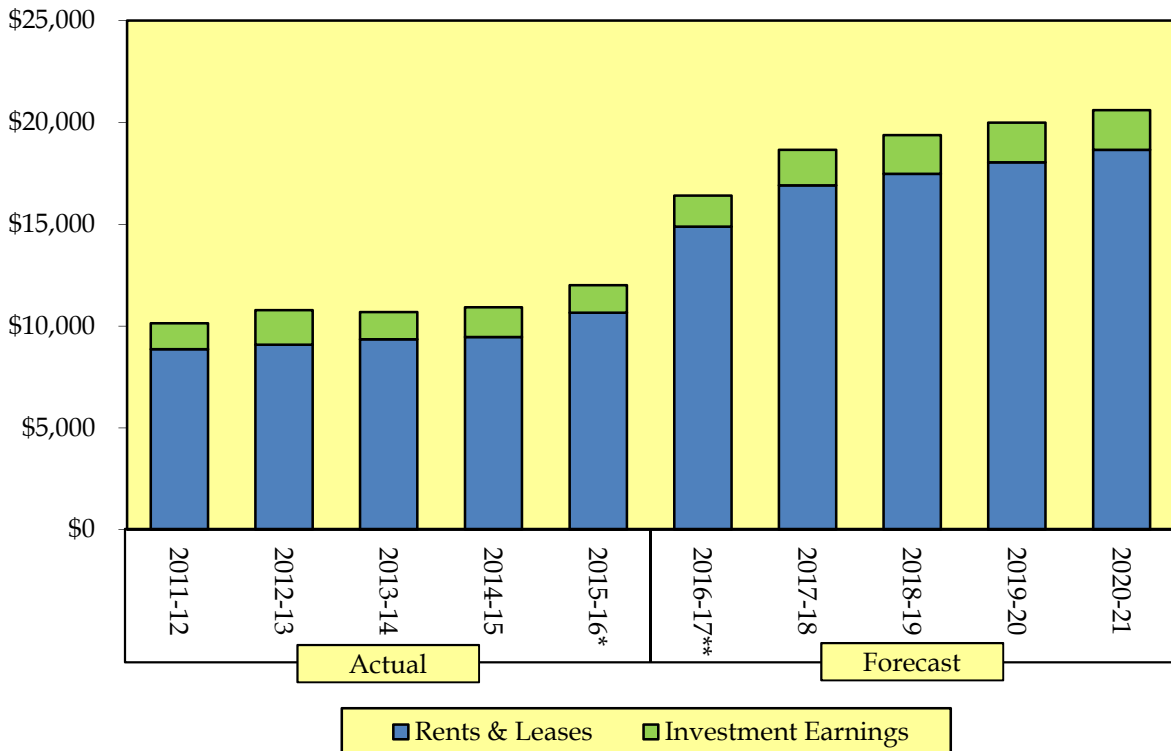
FORECAST

Investment Earnings: The Fiscal Year 2016-17 projection is based on the assumption that as instruments mature, the funds will be reinvested at rates slightly higher than those available in Fiscal Year 2015-16, resulting in an average portfolio yield of 1.26 percent for Fiscal Year 2016-17. This assumes the Local Agency Investment Fund (LAIF) pooled rate averages 0.75 percent (currently at 0.51 percent). The City's average portfolio yield is anticipated to continue rising or remain level through Fiscal Year 2019-20 and then decline in the final Forecast year as the impact of the projected economic downturn affects rates.

Rents and Leases: The Crittenden ground lease is due for its decennial revaluation effective January 1, 2017 and the process will start in the fall of 2016. Fiscal Year 2016-17 assumes an increase at 50.0 percent of the North Charleston revaluation for the applicable six months. The Charleston East ground lease includes a 3.0 percent annual increase and will be revalued during the Forecast period.

The City receives \$1.8 million annually from SFX Entertainment, Inc. (SFX), for the lease of the Shoreline Amphitheatre through Fiscal Year 2016-17 and 2.0 percent annual contractual increases begin the following fiscal year. Should the City allow Google to extend its sublease from SFX after 2017, additional revenue would be expected. The lease agreement with CSMA includes an increase effective Fiscal Year 2018-19. The Savvy Cellars lease provides for annual increases through the Forecast period, which have been projected at 3.0 percent annually. In Fiscal Year 2017-18, the CVS lease agreement provides for an 11.9 percent increase. The remaining lease agreements will remain essentially level. The annual rental fees from the Adobe Building, Community Center, and Senior Center range from \$131,000 to \$152,000 over the forecast period.

USE OF MONEY AND PROPERTY



<u>Fiscal Year</u>	<u>Rents & Leases</u>	<u>Investment Earnings</u>	<u>Total Use of Money and Property</u>	<u>% Change</u>
2011-12	8,866	1,272	10,138	(1.5%)
2012-13	9,083	1,700	10,783	6.4%
2013-14	9,345	1,345	10,690	(0.9%)
2014-15	9,463	1,465	10,928	2.2%
2015-16 *	10,659	1,353	12,012	9.9%
2016-17 **	14,887	1,516	16,403	36.6%
2017-18	16,911	1,742	18,653	13.7%
2018-19	17,476	1,909	19,385	3.9%
2019-20	18,049	1,946	19,995	3.1%
2020-21	18,650	1,951	20,601	3.0%

* Estimated

** Recommended

(dollars in thousands)

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LICENSES, PERMITS, AND FEES/FINES AND FORFEITURES

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

SOURCES

- Licenses and Permits revenues are generated from businesses requiring specific City permits.
- Franchisees are required to pay Franchise Fees as compensation to the City for the use of City property while providing a commercial service to Mountain View businesses and residents.
- Fines and Forfeitures are generated from citations issued by the City and the California Highway Patrol.

ECONOMIC FACTORS

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

HISTORY

Licenses, Permits, and Fees: Historically, Licenses and Permits revenue tended to fluctuate with the development cycle. In Fiscal Year 2006-07, Building Services was separated from the GOF to better facilitate tracking and accounting. This revenue category has grown with the development activity of the past several years. In order to provide a more comprehensive picture of the development process and to more accurately align all development-related revenues and expenditures, Council approved the consolidation of all development-related functions within the City into a Development Services Fund for Fiscal Year 2014-15. Development-related revenues and expenditures were moved from the GOF to the Development Services Fund which decreased revenues in several categories, including this one, and eliminated the effect of development. Revenues are estimated to be essentially on target with the Fiscal Year 2015-16 Adopted.

Franchise Fee revenue generated from gas and electricity usage has historically increased as a result of significant commercial and residential development and declined during economic downturns as a result of commercial office vacancies, reduced construction debris discarded, and conservation by residential customers.

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

Beginning in Fiscal Year 2011-12, Cable Franchise revenues were budgeted directly as General Fund Franchise revenue in lieu of a transfer from the Cable Fund. In total, Franchise Fee revenue has been growing since Fiscal Year 2009-10.

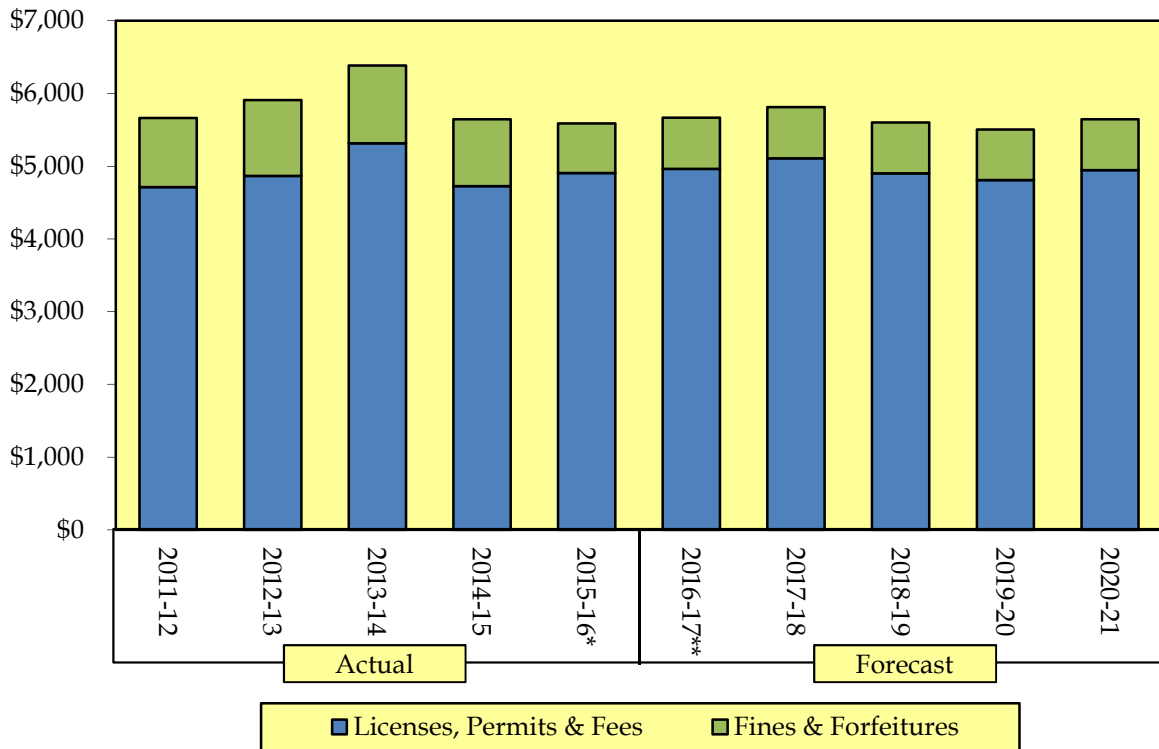
Fines and Forfeitures: This revenue source includes false alarm response fees, bail/fine payments from the County, and parking violation payments. All the estimated Fine and Forfeitures revenue sources for Fiscal Year 2015-16 are at or lower than both the Fiscal Years 2015-16 Adopted and 2014-15 Audited. Depending on the specific revenue, the decline is related to either position vacancies, a focus on higher priorities, recent legislation, or a higher level of enforcement in Fiscal Year 2014-15 which generated a significantly higher level of revenue in that fiscal year.

FORECAST

Licenses, Permits, and Fees: Fiscal Year 2016-17 and the remainder of the forecast years are projected at approximately the same level as the Fiscal Year 2015-16 estimated as it is anticipated there will be no significant changes in these activities.

Fines and Forfeitures: A 2.8 percent increase is included for Fiscal Year 2016-17 followed by annual changes of less than 1.0 percent for the remaining Forecast years.

LICENSES, PERMITS & FEES/ FINES & FORFEITURES



<u>Fiscal Year</u>	<u>Licenses, Permits & Fees</u>	<u>Fines & Forfeitures</u>	<u>Total Licenses, Permits & Fees/ Fines & Forf</u>	<u>% Change</u>
2011-12	4,711	954	5,665	7.6%
2012-13	4,867	1,043	5,910	4.3%
2013-14	5,315	1,068	6,383	8.0%
2014-15	4,725	920	5,645	(11.6%)
2015-16 *	4,905	683	5,588	(1.0%)
2016-17 **	4,964	702	5,666	1.4%
2017-18	5,108	705	5,813	2.6%
2018-19	4,904	700	5,604	(3.6%)
2019-20	4,809	695	5,504	(1.8%)
2020-21	4,948	698	5,646	2.6%

* Estimated

** Recommended

(dollars in thousands)

INTERGOVERNMENTAL

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

SOURCES

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

ECONOMIC FACTORS

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

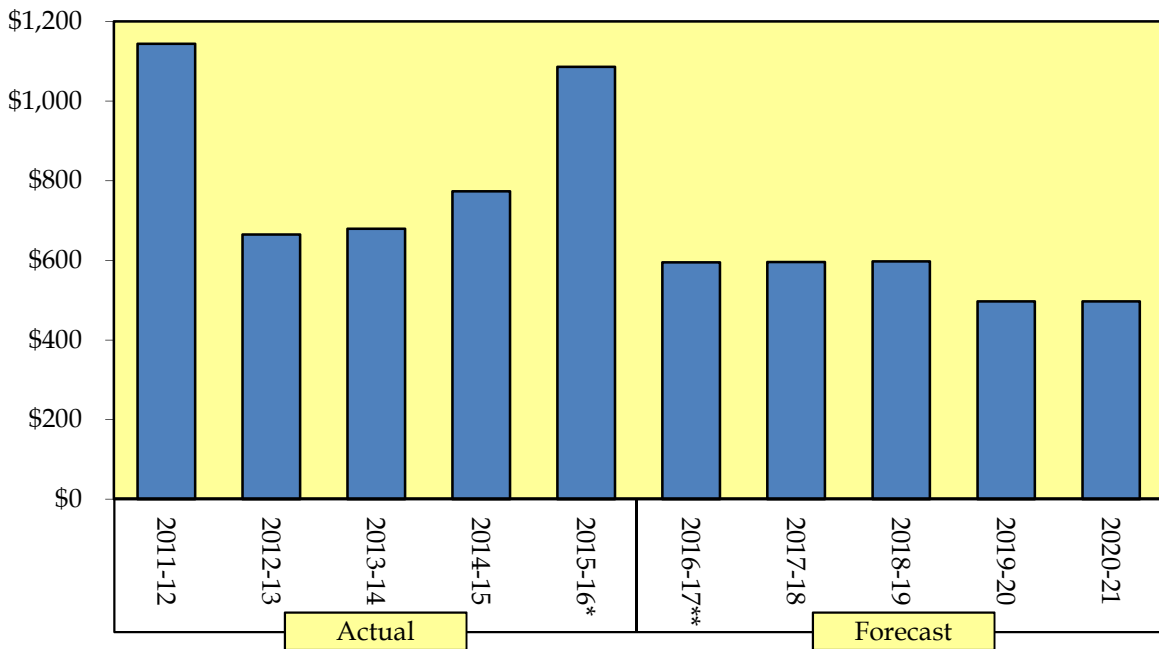
HISTORY

During the past decade, many revenues from the State have been reduced or eliminated, including Vehicle License Fees (VLF), Community-Oriented Policing Services (COPS), Public Library Funds, Rapid Enforcement Allied Computer Team (REACT), SB 90 mandate reimbursement, and other programs. The Fiscal Year 2015-16 estimated revenue exceeds both the Fiscal Year 2015-16 Adopted Budget and the Fiscal Year 2014-15 actual and is unusually high as a result of payment for deferred SB 90 claims and a higher than anticipated Public Safety Realignment allocation.

FORECAST

Fiscal Year 2016-17 projected revenue is essentially the same as Fiscal Year 2015-16 Adopted but is lower compared to Fiscal Year 2015-16 estimated, primarily as the projection for Fiscal Year 2016-17 does not include one-time grant funds or mandate reimbursements that were received in the 2015-16 fiscal year. The remaining Forecast years include small incremental increases to several reimbursements from the County and the end of Regional Auto Theft Task Force (RATTF) funding in Fiscal Year 2019-20.

INTERGOVERNMENTAL



<u>Fiscal Year</u>	<u>Intergovernmental</u>	<u>% Change</u>
2011-12	1,144	(11.4%)
2012-13	665	(41.9%)
2013-14	679	2.1%
2014-15	773	13.8%
2015-16 *	1,086	40.5%
2016-17 **	595	(45.2%)
2017-18	596	0.2%
2018-19	597	0.2%
2019-20	497	(16.8%)
2020-21	497	0.0%

* Estimated
 ** Recommended
 (dollars in thousands)

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CHARGES FOR SERVICES

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

SOURCES

- City Recreation programs.
- Reimbursement of administrative costs related to private development activity.
- Other provided services.

ECONOMIC FACTORS

- State of the economy.
- Level of participation in City Recreation programs.
- Level of development activity.

HISTORY

In order to ensure appropriate pricing for services, during Fiscal Year 2009-10 staff initiated a Police services cost-of-service study, and Council approved a Recreation Cost Recovery Policy (Policy). As a result of these, increased recovery levels for services provided by other departments, and new or increased service fees were adopted. Subsequent to approval of the Policy, staff completed an analysis of participation levels, revenues, and changes in programming related to Recreation services. There was an indication that participation levels decreased in some programs and the utilization of the fee waiver program increased (likely as a result of the struggling economy). Therefore, the number of programs and classes was reduced as a result of minimum attendance requirements authorized in the Policy and new revenue sources, such as sponsorships, were approved.

Staff continually reviews programming and pricing, adjusts as appropriate, and Recreation-related Service Charge revenue has continually grown. On March 24, 2015, Council approved a change to the Recreation Financial Assistance Program (FAP), from a subsidy of \$800 per family to an individual subsidy of 75.0 percent with a cap of \$400 per person, to offset the cost of youth classes and programs. The modest change in revenue related to this was included in the Fiscal Year 2015-16 Adopted Budget. In

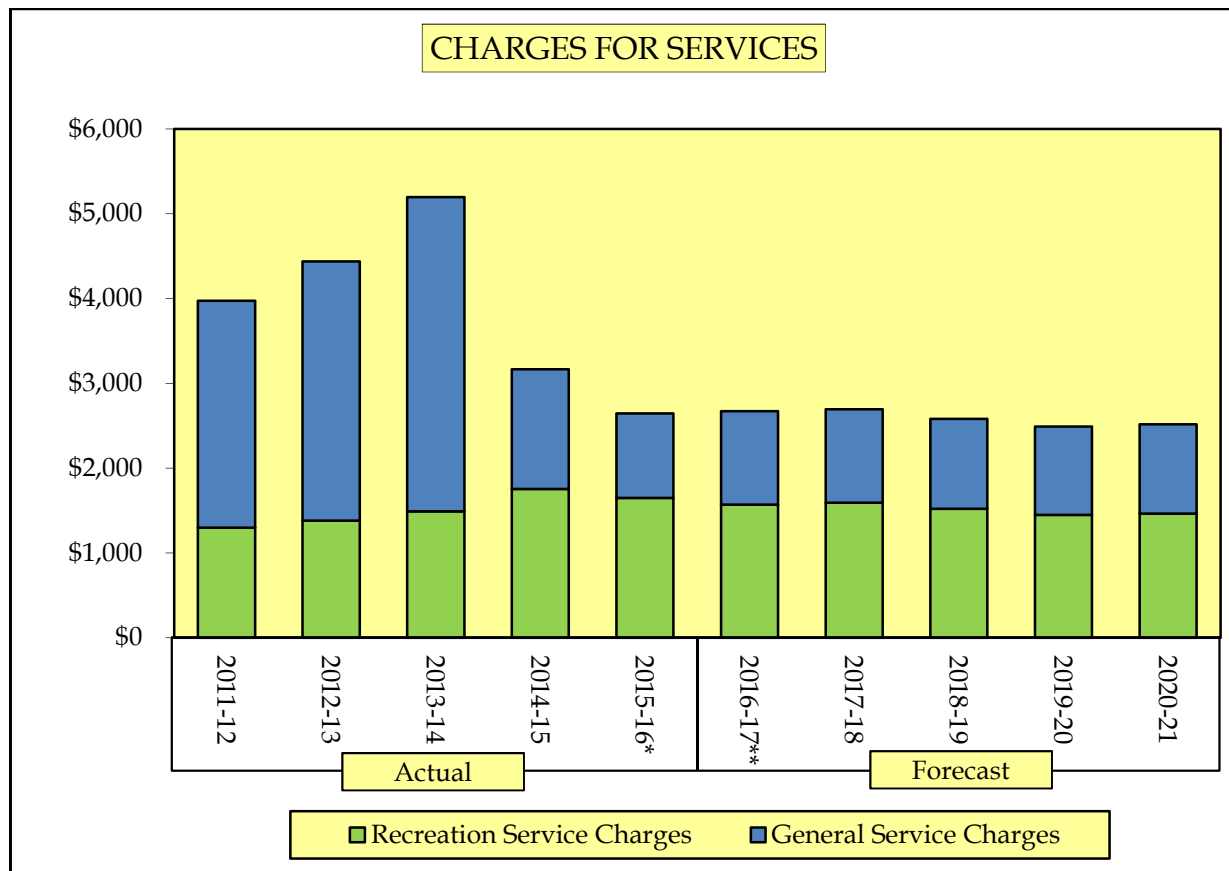
addition, some Charges for Services revenue was determined to be, and was moved to, rental income effective with the Fiscal Year 2015-16 Adopted Budget.

Effective with the Fiscal Year 2014-15 Adopted Budget, Development Services was separated from the GOF in order to facilitate better tracking and accounting and allow for an effective way to match revenues and expenditures. The separation caused the significant decline from Fiscal Year 2013-14 to Fiscal Year 2014-15. The remaining development-related revenue is for Heritage tree applications and reimbursement to the GOF for administrative support provided to development projects.

As a result of the changes discussed above, Fiscal Year 2015-16 Charges for Services revenue was projected to decrease 2.8 percent compared to the Fiscal Year 2014-15 Adopted Budget. In total, Fiscal Year 2015-16 Charges for Services revenue is estimated to exceed the Fiscal Year 2015-16 Adopted Budget primarily resulting from additional contract instructor classes and higher than anticipated facilities reservations.

FORECAST

Fiscal Year 2016-17 is projected to remain essentially level with the Fiscal Year 2015-16 Adopted Budget. The Fiscal Year 2015-16 estimated revenue includes some one-time revenue that will not be received in future years and revenue from new programs. Staff recommends a longer evaluation period for the new program revenue before adjusting the budget. The remainder of the Forecast period includes average annual increases of approximately 1.0 percent before and after declines resulting from the anticipated economic downturn.



<u>Fiscal Year</u>	<u>Recreation Service Charges</u>	<u>General Service Charges</u>	<u>Total Charges for Services</u>	<u>% Change</u>
2011-12	1,299	2,675	3,974	10.7%
2012-13	1,383	3,055	4,438	11.7%
2013-14	1,491	3,705	5,196	17.1%
2014-15	1,756	1,410	3,166	(39.1%)
2015-16 *	1,651	995	2,646	(16.4%)
2016-17 **	1,572	1,100	2,672	1.0%
2017-18	1,594	1,102	2,696	0.9%
2018-19	1,521	1,061	2,582	(4.2%)
2019-20	1,451	1,042	2,493	(3.4%)
2020-21	1,465	1,054	2,519	1.0%

* Estimated

** Recommended

(dollars in thousands)

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

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MISCELLANEOUS REVENUES

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

SOURCES

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

ECONOMIC FACTORS

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

HISTORY

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

Some reimbursement for services provided in Fiscal Year 2015-16 and prior fiscal years are budgeted as they are ongoing in nature. Other reimbursements are one-time in nature and are not budgeted. The City provides the following categories of services:

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

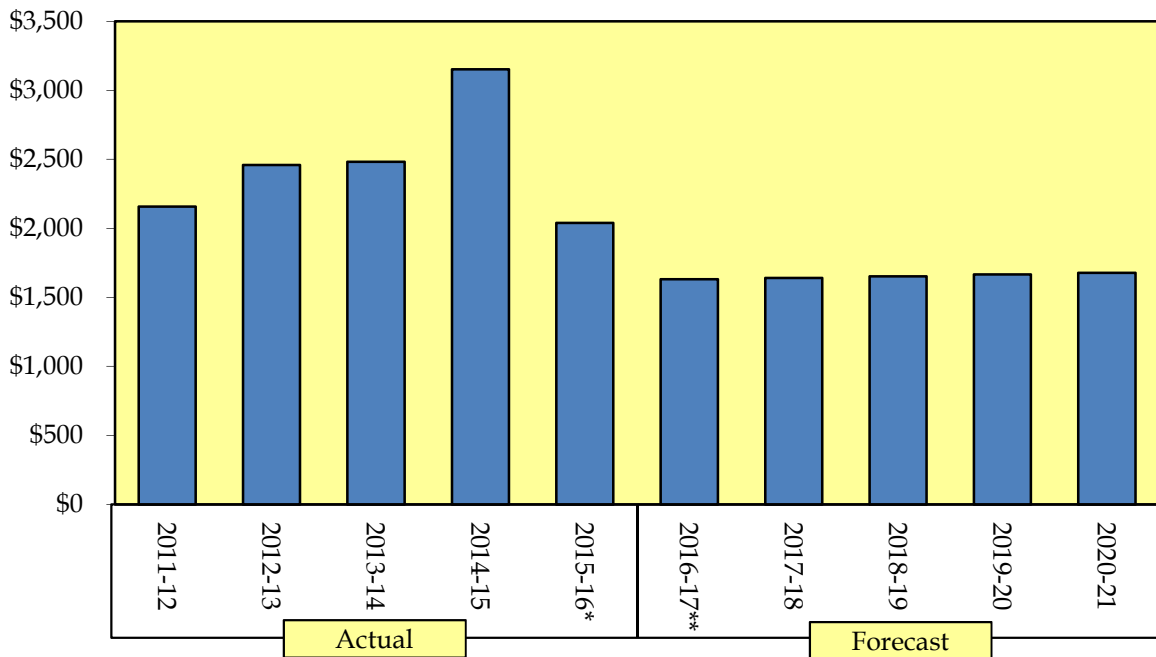
- Staffing and other support for some Shoreline Amphitheatre events and other special events.

Total annual Miscellaneous Revenues vary, but over the past 10 years has averaged approximately \$2.0 million annually.

FORECAST

Fiscal Year 2016-17 Miscellaneous Revenues is projected to be essentially at the same level as the Fiscal Year 2015-16 Adopted Budget but, as discussed earlier, lower than the Fiscal Year 2015-16 estimate as a result of grants, donations, and reimbursements not budgeted. The remaining Forecast years increase less than 1.0 percent annually.

MISCELLANEOUS REVENUES



<u>Fiscal Year</u>	<u>Miscellaneous Revenues</u>	<u>% Change</u>
2011-12	2,158	20.2%
2012-13	2,459	13.9%
2013-14	2,483	1.0%
2014-15	3,152	26.9%
2015-16 *	2,038	(35.3%)
2016-17 **	1,630	(20.0%)
2017-18	1,641	0.7%
2018-19	1,653	0.7%
2019-20	1,665	0.7%
2020-21	1,678	0.8%

* Estimated
 ** Recommended
 (dollars in thousands)

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INTERFUND REVENUES AND TRANSFERS

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

SOURCES

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

ECONOMIC FACTORS

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

HISTORY

Interfund Revenues: In the early 1990s, with the assistance of a cost plan consultant, the City began preparing and utilizing a full cost plan for reimbursement to the GOF. The Plan has been updated approximately every two to three years and this revenue source accounts for approximately 11.0 percent of total GOF revenues. The most recent update of the Plan was completed and the results incorporated for Fiscal Year 2015-16.

Interfund Transfers: These vary from year to year, and are ongoing and one-time/limited-period in nature. The Fiscal Year 2015-16 estimated includes the annual transfers from the Gas Tax and Parking District funds, and \$90,000 of net operating income from Shoreline Golf Links, \$85,000 less than adopted.

In April 2011, the City executed a long-term (52 years) ground lease with Google Inc. for the other portion of the Charleston East site which became effective in June 2011. Google remitted \$30.0 million in prepaid rent to the City which is invested and generates annual investment earnings. The \$30.0 million of prepaid rent was received from Google Inc. for the Charleston East site when the portfolio yield was above 2.5 percent and the average annual rate was projected at 3.5 percent for the 52 years. However, due to the recession, the Federal Open Market Committee (FOMC) has reduced and maintained the current low interest rate environment and the actual

investment yields have been significantly lower than the 3.5 percent previously projected. This low interest rate environment has been longer than anticipated; therefore, in order to preserve the principal amount of the prepaid rent, for Fiscal Years 2014-15 and 2015-16, City Council approved staff's recommendation to reduce the transfer from the Earned Lease Revenue Reserve (Lease Reserve) from \$750,000 to \$350,000. However, after reviewing the balance of the Lease Reserve at the end of Fiscal Year 2014-15, it was determined to be more prudent for no funds to be transferred for Fiscal Year 2014-15. Staff is continuing this recommendation for Fiscal Year 2015-16 until the balance is brought back to the policy level. See the Reserves Section for additional discussion.

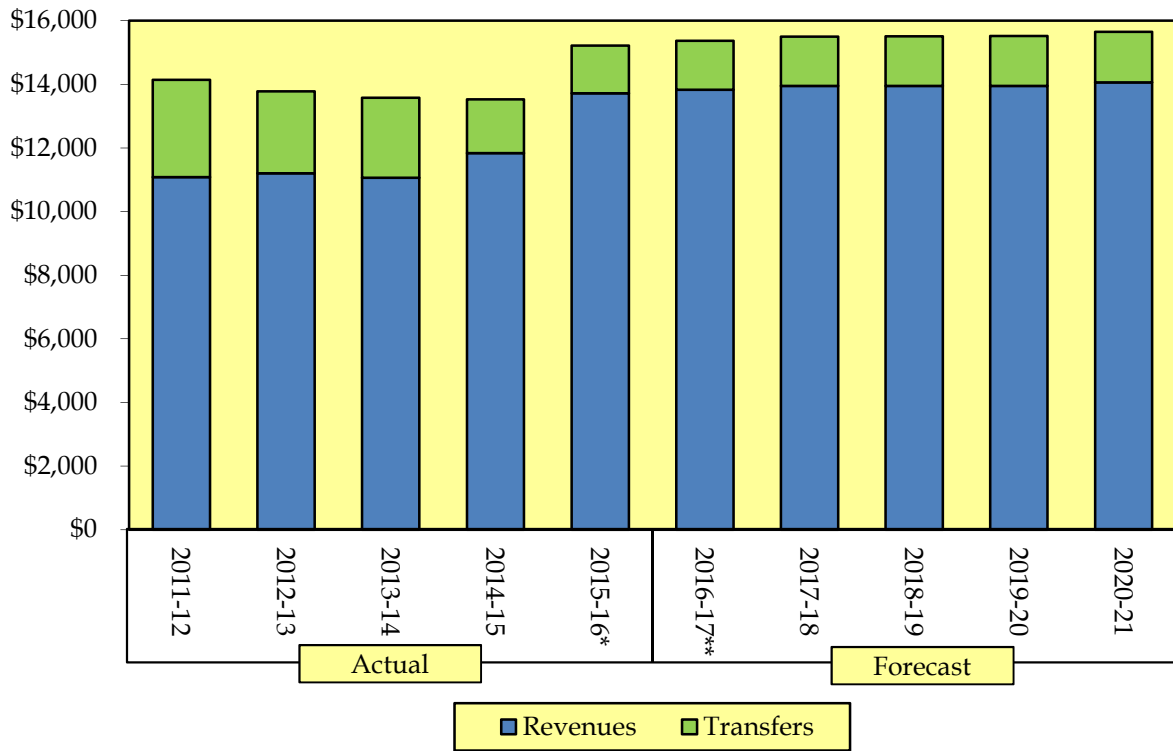
FORECAST

Interfund Revenues: For Fiscal Year 2016-17, Interfund Revenues include reimbursement from various funds which receive support from the GOF. The remaining Forecast period includes annual increases of less than 1.0 percent and is held level during the anticipated economic decline.

Interfund Transfers: For Fiscal Year 2016-17, Interfund Transfers include \$1.3 million of reimbursement from the Gas Tax Fund, \$150,000 of operating income from Shoreline Golf Links, and \$108,000 of reimbursement from the Parking District. The transfer from the Lease Reserve is deferred for the remainder of the Forecast period.

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

INTERFUND REVENUES AND TRANSFERS



<u>Fiscal Year</u>	<u>Interfund Revenues</u>	<u>Interfund Transfers</u>	<u>Total Interfund Rev & Trans</u>	<u>% Change</u>
2011-12	11,085	3,053	14,138	13.8%
2012-13	11,204	2,577	13,781	(2.5%)
2013-14	11,065	2,510	13,575	(1.5%)
2014-15	11,836	1,689	13,525	(0.4%)
2015-16 *	13,717	1,503	15,220	12.5%
2016-17 **	13,831	1,540	15,371	1.0%
2017-18	13,946	1,553	15,499	0.8%
2018-19	13,946	1,565	15,511	0.1%
2019-20	13,946	1,579	15,525	0.1%
2020-21	14,062	1,592	15,654	0.8%

* Estimated

** Recommended

(dollars in thousands)

LOAN REPAYMENTS

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

SOURCES

- Shoreline Regional Park Community.

ECONOMIC FACTORS

- Financial condition of the paying funds.

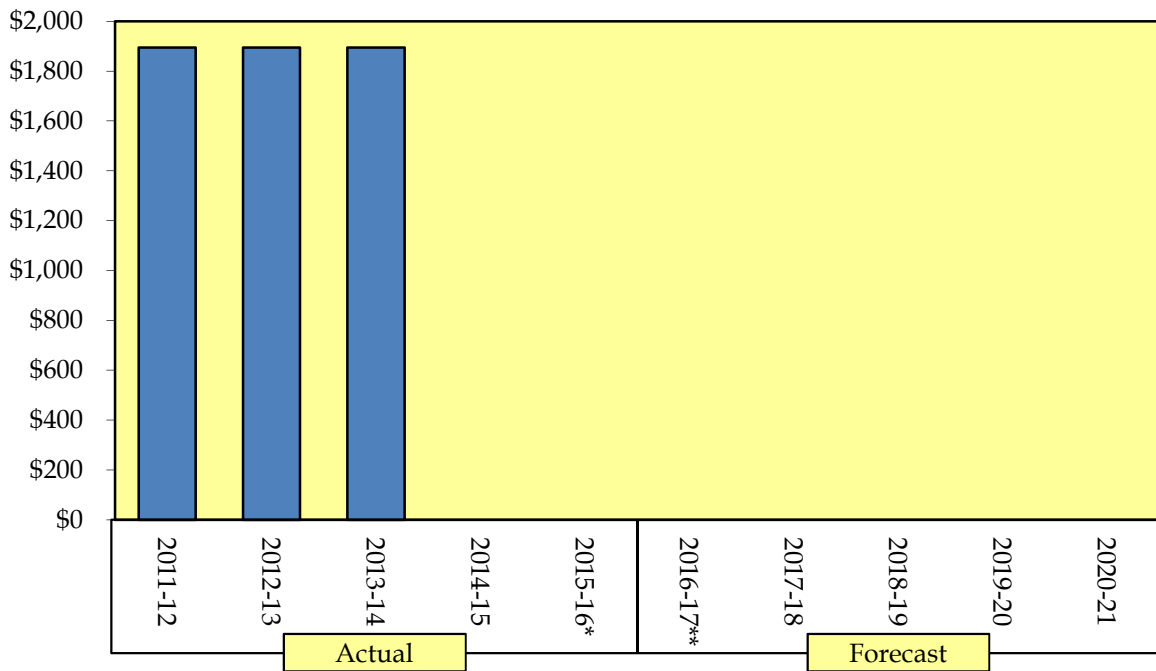
HISTORY

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

FORECAST

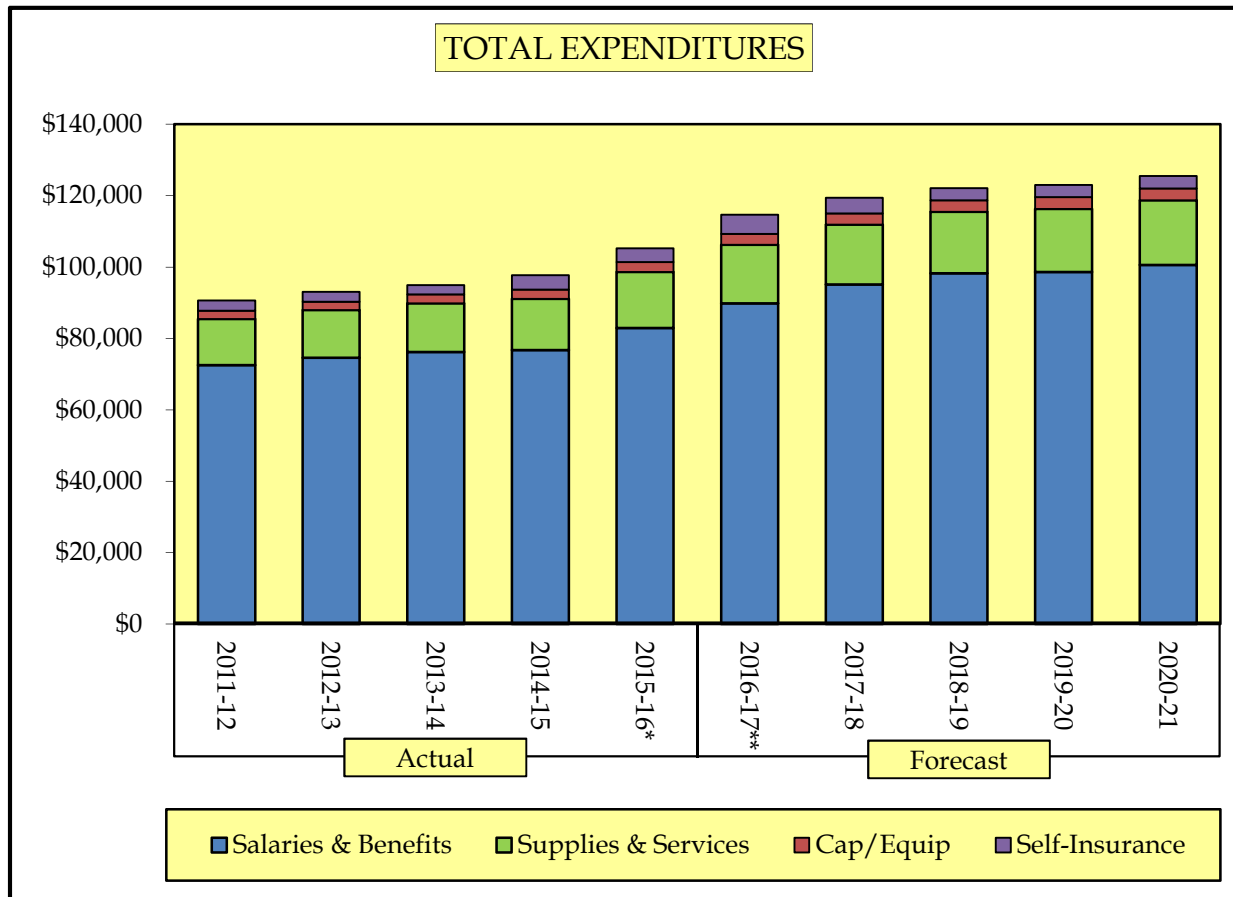
There are no longer any loan repayments included in the GOF.

LOAN REPAYMENTS



<u>Fiscal Year</u>	<u>Loan Repayments</u>	<u>% Change</u>
2011-12	1,894	(8.7%)
2012-13	1,894	0.0%
2013-14	1,894	0.0%
2014-15	0	(100.0%)
2015-16 *	0	0.0%
2016-17 **	0	0.0%
2017-18	0	0.0%
2018-19	0	0.0%
2019-20	0	0.0%
2020-21	0	0.0%

* Estimated
 ** Recommended
 (dollars in thousands)



<u>Fiscal Year</u>	<u>Total Expenditures</u>	<u>% Change</u>
2011-12	90,605	5.2%
2012-13	93,041	2.7%
2013-14	94,933	2.0%
2014-15	97,677	2.9%
2015-16 *	105,216	7.7%
2016-17 **	117,123	11.3%
2017-18	122,423	4.5%
2018-19	125,094	2.2%
2019-20	125,977	0.7%
2020-21	128,482	2.0%

* Estimated
 ** Recommended
 (dollars in thousands)

The Fiscal Year 2016-17 recommended expenditures and all forecast years do not include the projected operating budget savings. The Fiscal Year 2016-17 recommended expenditures includes the \$2.5M transfer to the Strategic Property Acquisition Reserve.

SALARIES AND BENEFITS

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

CATEGORIES

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

HISTORY

Since Fiscal Year 2000-01, there have been two downturns in the economy necessitating a net reduction of approximately 70.0 positions and other employee compensation cost containment. During Fiscal Year 2011-12, the City negotiated three-year contracts with

all employee groups that expired June 30, 2015. Cost-containment measures that became effective for Fiscal Year 2012-13 for all or some of the employee groups included maximum vacation accruals, modified sick-leave incentive program, HMO medical plan copay, option of new high-deductible health plans, improved alignment of dental and vision plans between groups, and Retirees' Health Trust contributions.

Pension costs have increased dramatically since 2000, when they were \$2.9 million (4.7 percent of GOF expenditures), compared to \$13.4 million (12.9 percent of GOF expenditures) for Fiscal Year 2015-16. Pension costs continue to grow and in many cities the employer pays some or all of the employee contribution. Mountain View employees not only pay the full employee contribution, but they also pay a portion of the employer contribution. This was an unusual and progressive arrangement when instituted in Mountain View and reflects the collaborative approach of our employees. For Fiscal Year 2015-16, cost shares range from 10.5 percent to 17.366 percent, depending on the employee group.

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

- In March 2012, the PERS Board approved the reduction of 0.25 percent in the discount rate used to calculate the pension liability and corresponding employer contribution rates. The impact was a 0.92 percent and 1.4 percent employer rate increase for miscellaneous employees and a 2.56 percent and 1.6 percent employer rate increase for safety employees for Fiscal Years 2013-14 and 2014-15, respectively. For Mountain View, this resulted in an increase to pension costs of \$1.3 million (net of additional cost share) phased in over two years.
- On April 17, 2013, the PERS Board adopted recommendations of the Chief Actuary. The recommendations changed the methodology for the amortization and smoothing of rates. Overall, the methods are expected to result in higher volatility in employer rates in normal years, but less volatility in employer rates in years where extreme events occur (e.g., significant investment losses). The method will result in increased higher employer rates over time, but are also expected to result in improved funding levels. This change is reflected in the employer rates beginning in Fiscal Year 2015-16.
- On February 18, 2014, the PERS Board adopted changes as a result of the demographic study. The study resulted in increased rates as life expectancy continues to rise. Generational mortality tables are also being incorporated in the

actuarial assumptions. The demographic changes are anticipated to raise rates by 4.5 percent and 7.05 percent over five years, for miscellaneous and public safety, respectively. This impact is reflected in the employer rates beginning in Fiscal Year 2016-17.

- Currently under consideration by the PERS Board are two approaches to mitigate future rate volatility, a flexible glide path methodology, a lowering of the discount rate and expected investment volatility following a great investment return and a blended glide path methodology which is similar to the flexible glide path but with check points over time that would trigger additional asset allocation changes and lowering of the discount rate if investment returns did not result in a sufficient reduction in volatility.

The City Council has approved additional contributions from the General Fund totaling \$4.5 million from a combination of carryover funds and budgets since Fiscal Year 2014-15. The Narrative Budget includes a recommendation to contribute \$1.0 million from the Fiscal Year 2015-16 carryover and an additional \$2.0 million from the GOF. The General Operating Fund represents approximately 80.0 percent of the total PERS contribution; therefore, staff recommends additional contributions from the Other Funds, proportional to the General Operating Fund contribution.

FORECAST

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

Fiscal Year 2016-17 includes a 2.0 percent COLA in accordance with the MVFF, POA, EAGLES, and SEIU labor contracts and resolutions adopted for all other groups. Fiscal Years 2017-18 and 2018-19 include modest COLAs as placeholders, but there are no COLAs for the remaining Forecast years as deficits are projected. All Forecast years include step and merit increases.

Fiscal Year 2016-17 medical insurance rates are projected to increase 7.0 percent to 11.0 percent (depending on the health plan), for the second half of the fiscal year and dental rates are projected to increase 2.0 percent. The remaining Forecast years assume medical rates will increase 7.0 percent to 10.0 percent annually (depending on the health plan) and dental rates will continue to increase by 2.0 percent annually.

Overall, retirement benefit costs are projected to increase 9.0 percent compared to the Fiscal Year 2015-16 Adopted Budget. In Fiscal Years 2017-18 through 2020-21, the annual increases are projected to fluctuate between 2.9 percent and 7.4 percent. All

employee groups contribute their employee share of PERS costs plus a “cost share” of a portion of the City’s contribution. Additional contributions of \$2.0 million, \$3.0 million, and \$2.0 million in Fiscal Years 2016-17, 2017-18, and 2018-19, respectively, are included to reduce this unfunded liability. Contributions from other funds for their share of this liability are also included. The chart in the Revenue and Expenditure Overview Section of the Forecast provides detailed amounts for each fiscal year.

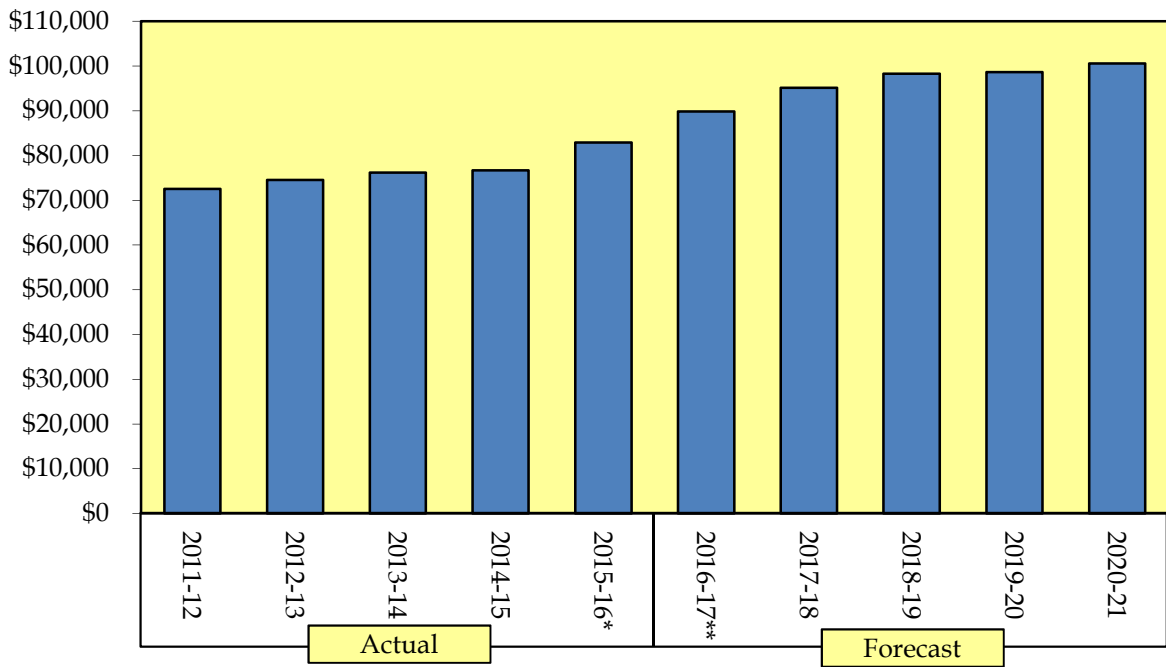
Below are the projected employer rates provided in the PERS actuarial valuations.

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Miscellaneous	25.192	26.77	28.6	30.4	32.2	32.7
Safety ⁽¹⁾	34.89	38.643	41.0	43.4	45.8	46.6

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

The impact of the assumption changes previously discussed are reflected in these employer rates provided by PERS.

SALARIES AND BENEFITS



<u>Fiscal Year</u>	<u>Salaries and Benefits</u>	<u>% Change</u>
2011-12	72,537	5.1%
2012-13	74,561	2.8%
2013-14	76,198	2.2%
2014-15	76,707	0.7%
2015-16 *	82,886	8.1%
2016-17 **	89,836	8.4%
2017-18	95,129	5.9%
2018-19	98,292	3.3%
2019-20	98,641	0.4%
2020-21	100,566	2.0%

* Estimated
 ** Recommended
 (dollars in thousands)

Fiscal Years 2015-16, 2016-17, and 2018-19 include an additional \$2.0M PERS contribution and Fiscal Year 2017-18 includes an additional \$3.0M PERS contribution.

SUPPLIES AND SERVICES

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

CATEGORIES

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

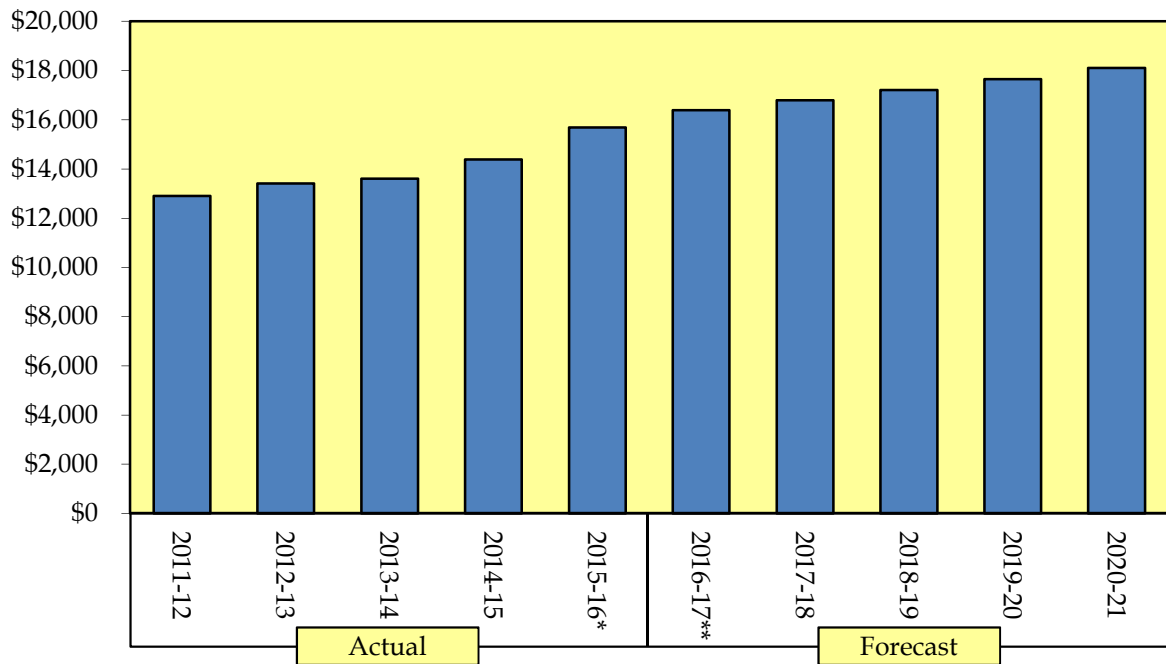
HISTORY

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

FORECAST

The Fiscal Year 2016-17 recommended budget (including discretionary and nondiscretionary increases) is increasing \$1.0 million (6.7 percent) compared to the Fiscal Year 2015-16 Adopted. The remainder of the Forecast period includes average annual inflationary increases of 2.6 percent to 2.8 percent.

SUPPLIES AND SERVICES



<u>Fiscal Year</u>	<u>Supplies and Services</u>	<u>% Change</u>
2011-12	12,910	5.6%
2012-13	13,414	3.9%
2013-14	13,608	1.4%
2014-15	14,386	5.7%
2015-16 *	15,685	9.0%
2016-17 **	16,390	4.5%
2017-18	16,792	2.5%
2018-19	17,205	2.5%
2019-20	17,652	2.6%
2020-21	18,111	2.6%

* Estimated
 ** Recommended
 (dollars in thousands)

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CAPITAL OUTLAY AND EQUIPMENT REPLACEMENT

The Capital Outlay and Equipment Replacement category represents the new and replacement equipment needs of the City. Although Capital Outlay is one-time in nature, the City includes this category in the Operating Budget to reflect capital needs on an annual basis. In addition, annual contributions to the Equipment Replacement Fund are made by the GOF, Development Services, Shoreline Golf Links, Parking District, Shoreline Regional Park Community, Water, Wastewater, Solid Waste Management, and Fleet Maintenance Funds based on the equipment used by each of those operations. Equipment replacement expenses are accounted for in the Equipment Replacement Reserve Fund.

CATEGORIES

- Capital Outlay.
- Equipment Replacement.

HISTORY

Capital Outlay: Since Fiscal Year 1993-94, annual expenditures have grown as a result of an increased level of technology and related equipment, an increase in the number and quality of safety vehicles, and the addition of hybrid vehicles to the fleet. This category is also influenced by the economic condition impacting the GOF and has experienced fluctuations over the past 10 fiscal years. For the past decade, annual budgeted expenditures for Capital Outlay have ranged between \$200,000 and \$400,000. For Fiscal Year 2015-16, capital outlay was funded at \$300,000.

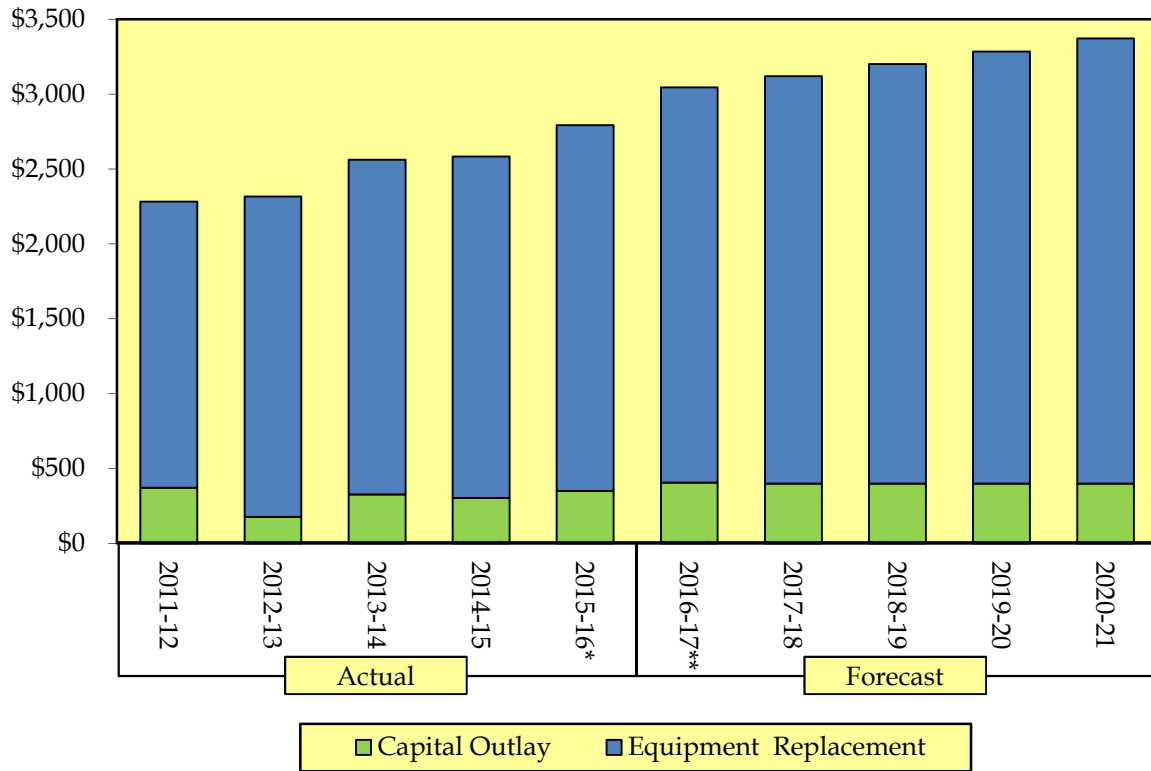
Equipment Replacement: The Equipment Replacement Reserve was funded with year-end General Fund carryover in Fiscal Years 1992-93 and 1993-94. Subsequently, appropriations were gradually increased until the GOF was fully funding its share in Fiscal Year 2001-02. Then, after several years of reduced contributions, a review of cost methodologies, useful life assumptions, and annual contributions was completed in Fiscal Year 2005-06 and staff concluded annual funding would need to be restored in order to financially sustain the replacement schedule. This was accomplished through a combination of increasing operating budget contributions supplemented by General Fund carryover. Beginning in Fiscal Year 2009-10, the full share of funding is budgeted in the GOF. The Fiscal Year 2015-16 contribution to Equipment Replacement was adopted at \$2.4 million.

FORECAST

Capital Outlay: For Fiscal Year 2016-17, recommended capital outlay items total \$405,200, and annual funding of \$400,000 is included as the base level of funding for the Forecast period.

Equipment Replacement: The GOF contribution for Fiscal Year 2016-17 is projected to increase 8.0 percent and the remainder of the Forecast period includes annual increases of 3.0 percent, continuing full funding of the GOF's share of equipment replacement.

CAPITAL OUTLAY AND EQUIPMENT REPLACEMENT



<u>Fiscal Year</u>	<u>Capital Outlay</u>	<u>Equipment Replacement</u>	<u>Total Capital Outlay & Equip. Replcmnt.</u>	<u>% Change</u>
2011-12	371	1,911	2,282	1.3%
2012-13	178	2,137	2,315	1.4%
2013-14	327	2,235	2,562	10.7%
2014-15	303	2,279	2,582	0.8%
2015-16 *	351	2,442	2,793	8.2%
2016-17 **	405	2,639	3,044	9.0%
2017-18	400	2,718	3,118	2.4%
2018-19	400	2,799	3,199	2.6%
2019-20	400	2,883	3,283	2.6%
2020-21	400	2,970	3,370	2.7%

* Estimated

** Recommended

(dollars in thousands)

SELF-INSURANCE

The Self-Insurance category represents the GOF's share of insurance costs accounted for in the Internal Service Funds. Special Funds and the Enterprise Funds also contribute to self-insurance.

CATEGORIES

- General Liability.
- Retirees' Health Program.
- Vision Care.

HISTORY

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

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

In 2004, the Government Accounting Standards Board (GASB) published Statement No. 45—*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB)—which required the City report the annual cost of this liability in the City's Comprehensive Annual Financial Report (CAFR) beginning in Fiscal Year 2007-08. An actuarial report was completed and beginning in Fiscal Year 2006-07, the calculated normal cost (NC) portion for current employees has been budgeted in all the affected funds. In addition, for Fiscal Year 2006-07, Council approved contributions from other funds for their proportionate share of the unfunded actuarial accrued liability (UAAL). The combined NC and the amortization of the UAAL represents the annual required contribution (ARC). The City has committed to contributing the ARC on an annual basis. The actuarial valuation is required to be updated every two years and was most recently updated as of July 1, 2015.

In February 2008, Council approved an agreement authorizing the City's participation in the PERS-administered California Employers' Retiree Benefit Trust (CERBT) Fund,

and in February 2009, the City began depositing funds into the CERBT. The balance in the CERBT as of December 31, 2015 is \$90.2 million. All funds except the GOF have contributed their full share of the actuarial accrued liability, and continue to fund their full share as valuations are updated. The City Council has approved additional General Fund contributions totaling \$3.5 million from the Fiscal Years 2013-14 and 2014-15 carryovers and Fiscal Years 2014-15 and 2015-16 adopted budgets. The Narrative Budget includes a recommendation to contribute \$1.0 million from the Fiscal Year 2015-16 carryover. In addition, as part of the agreement for Public Safety to move to the PERS Health Care system, Public Safety employees are contributing an ongoing 1.2 percent of salary towards the OPEB liability.

Vision Care: Vision care claims for employees and retirees with Health Net medical coverage and reimbursement for safety glasses submitted by current employees are paid for by the Employee Benefits Fund. The annual cost of this program is allocated to all operating funds.

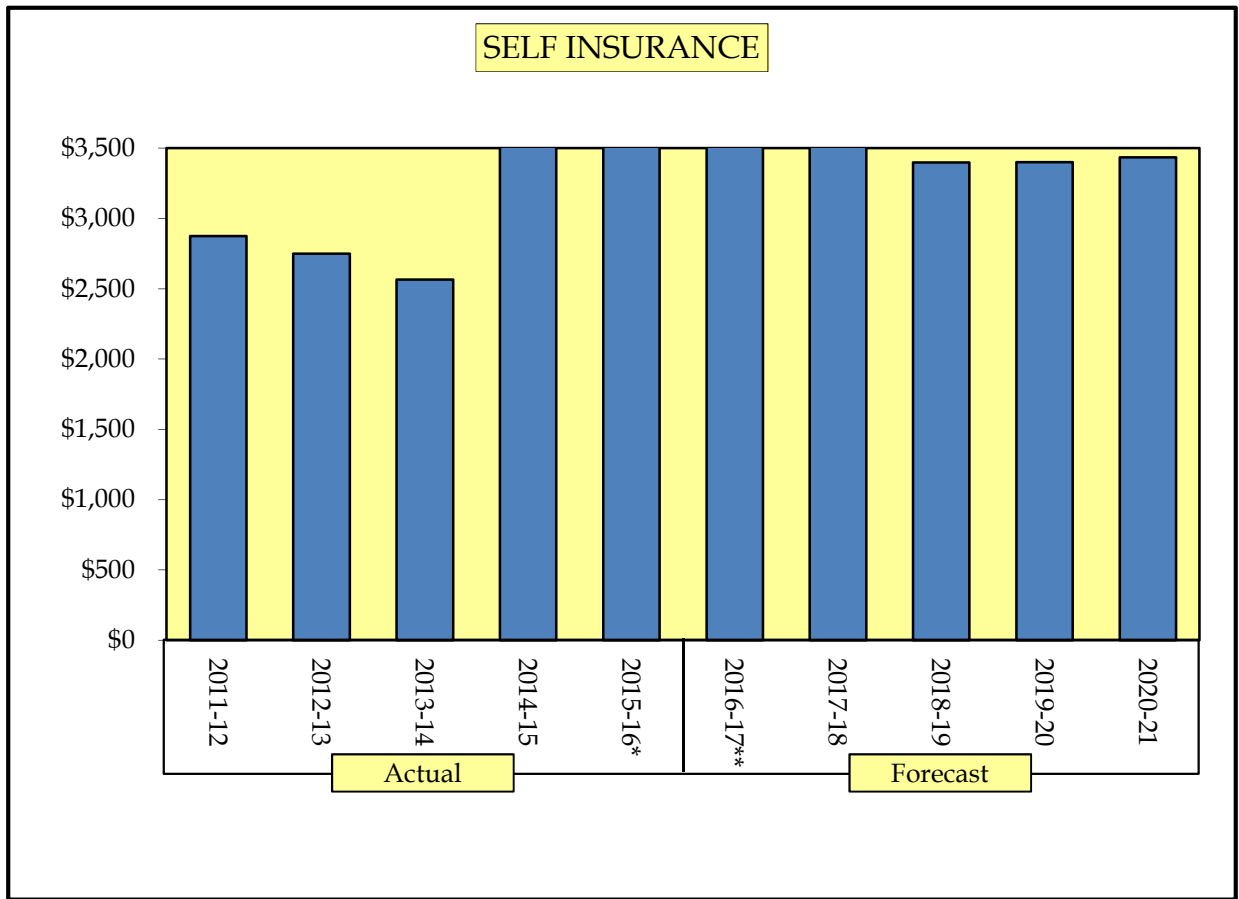
FORECAST

General Liability: The Fiscal Years 2016-17 through 2020-21 projections are based on maintaining the minimum policy level for reserve balances. The City currently has a \$1.0 million SIR, but this could be increased to \$2.0 million in the near future. For Fiscal Year 2016-17, the GOF is contributing \$1.0 million for the cost of claims and administering the program, essentially the same level as Fiscal Year 2015-16 Adopted. The remainder of the Forecast period includes 3.0 percent annual increases.

Retirees' Health Insurance Program: Fiscal Year 2016-17 includes \$2.3 million for the UAAL amortization. The remaining Forecast years use projections provided for in the July 1, 2015 valuation for the UAAL amortization and staff is recommending additional contributions of \$2.0 million in Fiscal Year 2016-17 and \$1.0 million in Fiscal Year 2017-18 from the GOF to raise the funding status of this liability. The chart in the Revenue and Expenditure Overview Section of this Forecast provides detailed amounts for each fiscal year and additional information is provided in the Reserves section.

As stated previously, between July 1, 2013 and July 1, 2015, the Actuarial Accrued Liability (AAL) increased from \$101.9 million to \$123.8 million. The actuarial as of July 1, 2015 provides a forecasted AAL of \$130.5 million for Fiscal Year 2016-17 and \$137.4 million for Fiscal Year 2017-18. The difference between the pay-as-you-go premiums and the ARC will be deposited into the CERBT on an annual basis. Additional information is located in the Reserves Section of the Narrative Budget Report.

Vision Care: The GOF's contribution is based on the projected amount required to fund vision coverage for employees and retirees with Health Net coverage and safety glasses for employees.



<u>Fiscal Year</u>	<u>Self Insurance</u>	<u>% Change</u>
2011-12	2,876	7.6%
2012-13	2,751	(4.3%)
2013-14	2,565	(6.8%)
2014-15	4,002	56.0%
2015-16 *	3,852	(3.7%)
2016-17 **	5,353	39.0%
2017-18	4,384	(18.1%)
2018-19	3,398	(22.5%)
2019-20	3,401	0.1%
2020-21	3,435	1.0%

* Estimated
 ** Recommended
 (dollars in thousands)

Fiscal Years 2014-15, 2015-16 and 2017-18 include an additional \$1.0M OPEB contribution and Fiscal Year 2016-17 include an additional \$2.0M OPEB contribution above the full funding of the amortization of the UAAL.

DEBT SERVICE

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

CATEGORIES

- Police/Fire Building

HISTORY

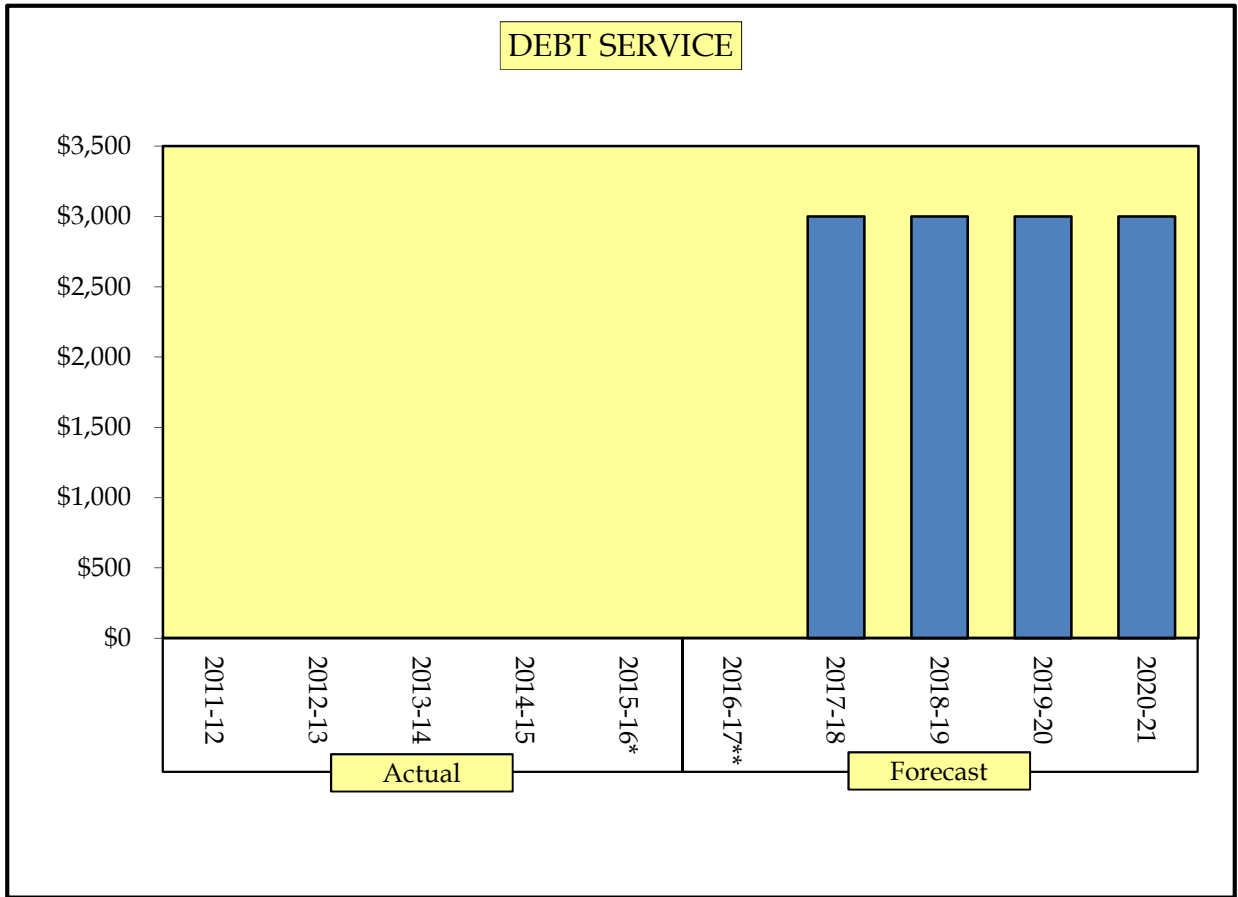
The GOF has had no debt obligations since prior to Fiscal Year 2009-10, when the City Hall/Center for the Performing Arts debt repayment was transferred to Construction and Conveyance Tax funding.

FORECAST

The Forecast assumes revenue generated from the Moffett Gateway development beginning in Fiscal Year 2016-17. This revenue is potentially earmarked for the Police/Fire Administration Building Remodel and Expansion. It is assumed debt will be issued for the project and annual debt service payments will be approximately \$3.0 million and have been included as a placeholder beginning in Fiscal Year 2017-18.

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<u>Fiscal Year</u>	<u>Debt Service</u>	<u>% Change</u>
2011-12	0	0.0%
2012-13	0	0.0%
2013-14	0	0.0%
2014-15	0	0.0%
2015-16 *	0	0.0%
2016-17 **	0	0.0%
2017-18	3,000	100.0%
2018-19	3,000	0.0%
2019-20	3,000	0.0%
2020-21	3,000	0.0%

* Estimated
 ** Recommended
 (dollars in thousands)

GENERAL OPERATING FUND HISTORY
(dollars in thousands)

	<u>2006-07</u> <u>AUDITED</u>	<u>2007-08</u> <u>AUDITED</u>	<u>2008-09</u> <u>AUDITED</u>	<u>2009-10</u> <u>AUDITED</u>	<u>2010-11</u> <u>AUDITED</u>	<u>2011-12</u> <u>AUDITED</u>	<u>2012-13</u> <u>AUDITED</u>	<u>2013-14</u> <u>AUDITED</u>	<u>2014-15</u> <u>AUDITED</u>
REVENUES:									
Property Taxes	22,027	23,681	25,647	26,017	25,142	26,216	28,122	31,120	35,173
Sales Tax	17,223	17,273	16,264	15,242	15,502	15,940	16,744	16,936	19,773
Other Local Taxes ¹	9,357	10,338	9,242	9,144	9,870	10,774	12,015	13,089	14,805
Use of Money and Property	10,242	11,165	11,480	10,881	10,290	10,138	10,783	10,690	10,928
Other Revenues ²	24,232	23,623	23,270	23,072	24,361	27,079	27,253	28,316	26,261
Loan Repayments	<u>2,060</u>	<u>2,060</u>	<u>2,060</u>	<u>2,060</u>	<u>2,075</u>	<u>1,894</u>	<u>1,894</u>	<u>1,894</u>	<u>0</u>
TOTAL REVENUES	<u>85,141</u>	<u>88,140</u>	<u>87,963</u>	<u>86,416</u>	<u>87,240</u>	<u>92,041</u>	<u>96,811</u>	<u>102,045</u>	<u>106,940</u>
EXPENDITURES:									
Salaries and Benefits	58,454	63,374	68,091	69,549	69,007	72,537	74,561	76,198	76,707
Supplies and Services	13,782	13,567	13,155	11,933	12,226	12,910	13,414	13,608	14,386
Capital Outlay/ Equipment Replacement	1,284	1,777	1,504	2,213	2,253	2,282	2,315	2,562	2,582
Self-Insurance	1,618	2,082	809	2,441	2,674	2,876	2,751	2,565	3,002
Debt Service	<u>1,016</u>	<u>1,016</u>	<u>1,020</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENDITURES	<u>76,154</u>	<u>81,816</u>	<u>84,579</u>	<u>86,136</u>	<u>86,160</u>	<u>90,605</u>	<u>93,041</u>	<u>94,933</u>	<u>96,677</u>
OPEB Contribution	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,000)</u>
OPERATING BALANCE ³	<u>8,987</u>	<u>6,324</u>	<u>3,384</u>	<u>280</u>	<u>1,080</u>	<u>1,436</u>	<u>3,770</u>	<u>7,112</u>	<u>9,263</u>

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

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

³ Balance transferred to General Non-Operating Fund and General Fund Reserve.

List of Attachments

1. Reaffirming Fiscal Years 2015-16 and 2016-17 City Council Major Goals and Projects
2. Fiscal Year 2016-17 Recommended Fee Modifications
3. Fiscal Year 2016-17 Recommended Non-Discretionary Ongoing Changes
4. Fiscal Year 2016-17 Recommended Discretionary Ongoing Changes
5. Fiscal Year 2016-17 Recommended Limited-Period Expenditures
6. Fiscal Year 2016-17 Recommended Capital Outlay
7. Fiscal Year 2016-17 Recommended Equipment Replacement
8. Water and Wastewater Cost Increases
9. Comparison of Current and Recommended Utility Rates



CITY OF MOUNTAIN VIEW

MEMORANDUM

City Manager's Office

DATE: April 26, 2016

TO: City Council

FROM: Kimbra McCarthy, Deputy City Manager

VIA: Daniel H. Rich, City Manager

**SUBJECT: Reaffirming Fiscal Years 2015-16 and 2016-17
City Council Major Goals and Projects**

The purpose of this memorandum is to provide Council with information needed to reaffirm the Fiscal Year 2015-16 and Fiscal Year 2016-17 City Council Major Goals, and provide staff with direction on a limited number of new projects to add to the Fiscal Year 2016-17 Council Major Goals Work Plan.

BACKGROUND

In February 2015, the City Council held a Study Session at which the Council adopted a two-year goal cycle and identified the following City Council Major Goals for Fiscal Year 2015-16 and Fiscal Year 2016-17:

1. Improve the quantity, diversity, and affordability of housing.
2. Enhance environmental sustainability efforts.
3. Improve transportation by enhancing mobility and connectivity.

Following the Council's adoption of the goals, Council advisory body input and City department input was solicited in order to identify specific projects and initiatives to fulfill the three major goals.

In April 2015, Council held a Study Session to review the proposed projects and initiatives, and approved a total of 38 projects to achieve the Council's major goals (Exhibit A).

City Council Major Goals

Throughout the current fiscal year, much progress has been made toward completing the 38 projects and initiatives:

- 10 projects will be completed by the end of Fiscal Year 2015-16.
- 16 projects are under way and are expected to be completed in Fiscal Year 2016-17.
- 12 projects are expected to continue beyond Fiscal Year 2016-17.

In addition to the existing projects, 11 new projects are proposed to be added in Fiscal Year 2016-17, for a total of 49 projects to fulfill Council's major goals (Exhibit B) over this two-year period, 39 of which will be active in Fiscal Year 2016-17.

Department Goals

In addition to the Council Major Goals, as part of the annual budget process, each department identifies additional goals, projects, and initiatives for the upcoming fiscal year (Exhibit C).

NEXT STEPS

As established by the City Council in the goal-setting process, Council is asked to review and reaffirm the projects and initiatives related to the Council Major Goals as part of the Fiscal Year 2016-17 budget development, in addition to approving the departmental goals and projects. Based upon Council's discussion and direction at the Narrative Budget Session, final departmental goals, projects, initiatives, and the corresponding budget impacts will be included in the Proposed Budget materials for Council approval.

KMcC/7/MGR
610-04-26-16M-E

- Exhibits: A. City Council Major Goals Fiscal Years 2015-16 and 2016-17
B. Status of City Council Major Goals
C. Draft Department Goals

CITY COUNCIL MAJOR GOALS Fiscal Years 2015-16 and 2016-17

The City of Mountain View provides critical ongoing services, programs, and projects to fulfill its mission to make Mountain View a great community in which to live, work, visit, and play. These essential efforts will continue. In addition, through a deliberate goal-setting process, the City Council has identified the following three major goals, and specific projects to fulfill them, over the next two years.

** Projects listed in italics represent new projects proposed to be added in Fiscal Year 2016-17.*

GOAL I: IMPROVE THE QUANTITY, DIVERSITY, AND AFFORDABILITY OF HOUSING

A critical component of a diverse and vibrant City is having an array of housing options. City resources are dedicated to the zoning, planning, inspection, and development of housing in Mountain View. The City is committed to administering housing programs for extremely low- to moderate-income renters and homebuyers, and providing funding to subsidize affordable housing. In addition to the current efforts under way, it is a priority of the City Council over the next two years to:

- Update the Accessory Dwelling (Companion) Unit Ordinance.
- Explore opportunities for microunit housing.
- Consider a no net loss/minimum density policy.
- Complete the work of amending the North Bayshore Precise Plan to include residential uses.
- Study East Whisman area for residential uses in conjunction with the East Whisman Precise Plan.
- Hold outreach meetings and workshops with affordable housing developers to identify barriers to affordable housing and innovative solutions to those obstacles.
- Identify new funding sources and initiate partnerships with affordable housing developers to apply for limited-term State and Federal affordable housing funding.
- Partner with outside groups like Project Sentinel to offer biannual educational programs at the Library, with a housing theme.

- *Explore a variety of efforts designed to help homeless vehicle dwellers.*
- *Develop and implement rent relief ordinances and programs.*
- *Continue to provide staff support for the three Notice of Funding Availability (NOFA) affordable housing projects during the funding reservation, design, and entitlement process.*

GOAL II: ENHANCE ENVIRONMENTAL SUSTAINABILITY EFFORTS

The City is committed to promoting environmental sustainability projects and systems to protect the natural environment, reduce greenhouse gas emissions, meet water-conservation goals, and safeguard the health and well-being of all community members. Priority environmental sustainability efforts over the next two years include:

- Investigate the feasibility of using treated contaminated groundwater for irrigation and nonpotable needs.
- Continue to implement a Community Choice Energy Program in conjunction with Sunnyvale, Cupertino, and Santa Clara County.
- Review the Climate Protection Roadmap, Municipal Operations Climate Action Plan, and Greenhouse Gas Reduction Program; conduct a cost-benefit analysis of the actions; solicit Council Environmental Sustainability Committee and public feedback; and propose and adopt Environmental Sustainability Action Plan-3.
- Develop an Environmental Sustainability Action Plan-3 implementation plan (including goals/milestones).
- Install solar photovoltaic systems on three City buildings.
- Complete installation of energy-efficient streetlights on the City's residential streets.
- Continue Sewage Pump Station and Landfill Flare Station microturbine maintenance and repairs.
- Continue the Shoreline at Mountain View Master Plan project.
- Implement the Urban Forestry Management Plan for tree preservation and planting, canopy, and habitat preservation.
- Complete construction of Heritage Park at 771 North Rengstorff Avenue.

- Look for opportunities to add garden space to existing open space.
- Include a theme of sustainability in the 2015 Call for Artists.
- Explore possibility of offering e-mail receipts instead of paper receipts when checking out Library materials.
- Hold biannual educational classes at the Library on topics such as recycling and sustainability.
- Ensure that all City computer monitors turn off after 30 minutes of inactivity.
- Partner with Master Gardeners and the California Native Plant Society to offer quarterly educational classes at the Library on environmentally friendly gardening.
- *Continue to support Palo Alto's feasibility study of recycled water advanced treatment.*
- *Manage the recycled water program to improve water quality, maximize water use, expand the City's distribution system, and participate in efforts to develop a regional distribution system.*
- *Begin design and construction of new community gardens at Shoreline Boulevard/Latham Street.*
- *Establish the financing for the Silicon Valley Clean Energy JPA.*

GOAL III: IMPROVE TRANSPORTATION BY ENHANCING MOBILITY AND CONNECTIVITY

The City is faced with substantial traffic congestion and significant City resources are focused on transportation management, infrastructure maintenance projects, and bicycle and pedestrian mobility improvements. Extensive efforts are under way to mitigate vehicle impacts and expand the mobility and connectivity options of residents. The City Council is committed to the following efforts over the next two years to:

- Continue efforts to support the exploration and development of a potential automated guideway or other innovative transit system for the Downtown Transit Center to North Bayshore Area corridor.
- Design and Construct East Whisman area transportation-oriented development improvements.
- Conduct Latham Street/Church Street Bike Boulevard study.

- Install Calderon Avenue bike lane – Phase I (Villa Street to Mercy Street).
- Continue to prepare a Multimodal Improvement Plan as required by the Congestion Management Agency.
- Design, permit, and construct Castro/Moffett/Central intersection near-term improvements.
- Complete the Transit Center Master Plan.
- Conduct Permanente Creek Trail Extension – West Middlefield Road to McKelvey Park Feasibility Study.
- Analyze Shoreline Boulevard right-of-way and tree impact.
- Design and construct Shoreline Boulevard interim bus lane and utility improvements.
- Conduct feasibility study of Charleston Road improvements.
- Conduct preliminary design of Shoreline Boulevard bicycle/pedestrian bridge over Highway 101.
- Continue with monthly bike workshops.
- Conduct North Bayshore semiannual traffic counts.
- *Work with Safe Moves to offer programs during Summer Reading.*
- *Pilot remote services like Lawyers in the Library and Social Security appointments to eliminate car trips.*
- *Consider other bicycle and pedestrian mobility improvements that are low cost and easily implementable.*
- *Continue planning and design of utility and transportation infrastructure improvements to support North Bayshore Development.*

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**City Council Major Goals Fiscal Years 2015-16 and 2016-17
April 2016 Status**

Exhibit B

Project	Department	Underway - Expected completion in FY 15-16	Underway - Expected completion in FY 16-17	Expected to continue beyond FY 16-17	New
Improve the Quantity, Diversity, and Affordability of Housing					
Update the Accessory Dwelling (Companion) Unit Ordinance.	CDD/CAO	X			
Explore opportunities for micro-unit housing.	CDD	X			
Consider a no net loss/minimum density policy	CDD	X			
Complete the work of amending the North Bayshore Precise Plan to include residential uses.	CDD		X		
Study East Whisman area for residential uses in conjunction with East Whisman Precise Plan.	CDD			X	
Hold outreach meetings and workshops with affordable housing developers to identify barriers to affordable housing and innovative solutions to those obstacles.	CDD		X		
Identify new funding sources and initiate partnerships with affordable housing developers to apply for limited-term State and Federal affordable housing funding.	CDD		X		
Partner with outside groups like Project Sentinel to offer biannual educational programs with a housing theme.	LSD		X		
<i>Explore a variety of efforts designed to help homeless vehicle dwellers.</i>	CMO				X
<i>Develop and implement rent relief ordinances and programs.</i>	CDD				X
<i>Continue to provide staff support for the three Notice of Funding Availability (NOFA) affordable housing projects during the funding reservation, design and entitlement process.</i>	CDD				X
Enhance Environmental Sustainability Efforts					
Investigate the feasibility of using treated contaminated groundwater for irrigation and non-potable needs.	PWD		X		
Continue to investigate a Community Choice Energy program in conjunction with Sunnyvale, Cupertino, and Santa Clara County.	CDD		X		
Review the Climate Protection Roadmap, Municipal Operations Climate Action Plan, and Greenhouse Gas Reduction Program; conduct a cost-benefit analysis of the actions; solicit Council Environmental Sustainability Committee and public feedback; and propose and adopt Environmental Sustainability Action Plan-3.	CDD		X		
Develop an Environmental Sustainability Action Plan-3 implementation plan (including goals/milestones).	CDD		X		
Install solar photovoltaic systems at three City buildings.	PWD	X			
Complete installation of energy-efficient street lights on the City's residential streets.	PWD	X			
Continue Sewage Pump Station and Landfill Flare Station microturbine maintenance and repairs.	PWD			X	
Continue Shoreline at Mountain View Master Plan project.	PWD/CSD		X		
Implement the Urban Forestry Management Plan for tree preservation and planting, canopy, and habitat preservation.	CSD/CDD		X		
Complete construction of Heritage Park at 771 North Rengstorff Avenue.	PWD/CSD		X		
Look for opportunities to add garden space to existing open space.	CSD	X			
Include a theme of sustainability in the 2015 Call for Artists.	CDD	X			
Explore possibility of offering e-mail receipts instead of paper receipts when checking out Library materials.	LSD	X			
Hold biannual educational classes at the Library on topics such as recycling and sustainability.	LSD		X		

**City Council Major Goals Fiscal Years 2015-16 and 2016-17
April 2016 Status**

Project	Department	Underway - Expected completion in FY 15-16	Underway - Expected completion in FY 16-17	Expected to continue beyond FY 16-17	New
Ensure that all City computer monitors turn off after 30 minutes of inactivity.	IT	X			
Partner with Master Gardeners and the California Native Plant Society to offer quarterly educational classes on environmentally friendly gardening	LSD		X		
<i>Continue to support Palo Alto's feasibility study of recycled water advanced treatment.</i>	PWD				X
<i>Manage the recycled water program to improve water quality, maximize water use, expand the City's distribution system and participate in efforts to develop a regional distribution system.</i>	PWD				X
<i>Begin design and construction of new community gardens at Shoreline/Latham.</i>	CSD				X
<i>Establish the financing for the Silicon Valley Clean Energy JPA.</i>	FASD				X
Improve Transportation by Enhancing Mobility and Connectivity					
Continue efforts to support the exploration and development of a potential automated guideway or other innovative transit system for the Downtown Transit Center to North Bayshore Area corridor.	PWD			X	
Design and construct East Whisman Area transportation-oriented development (TOD) improvements.	PWD			X	
Conduct Latham Street/Church Street Bike Boulevard study.	PWD			X	
Install Calderon Avenue bike lane - Phase I (Villa Street to Mercy Street).	PWD		X		
Continue to prepare a Multimodal Improvement Plan as required by the Congestion Management Agency.	CDD			X	
Design, permit, and construct Castro/Moffett/ Central intersection near-term improvements.	PWD			X	
Complete the Transit Center Master Plan.	PWD		X		
Conduct Permanente Creek Trail Extension -West Middlefield Road to McKelvey Park Feasibility Study.	PWD/CSD			X	
Analyze Shoreline Boulevard right-of-way and tree impact.	PWD			X	
Design and construct Shoreline Boulevard interim bus lane and utility improvements.	PWD			X	
Conduct feasibility study of Charleston Road improvements.	PWD			X	
Conduct preliminary design of Shoreline Boulevard bicycle/pedestrian bridge over Highway 101.	PWD			X	
Continue with monthly bike workshops.	LSD		X		
Conduct North Bayshore semiannual traffic counts.	CDD	X			
<i>Consider other bicycle and pedestrian mobility improvements that are low cost and easily implementable.</i>	PWD				X
<i>Continue planning and design of utility and transportation infrastructure improvements to support North Bayshore Development.</i>	PWD				X
<i>Work with Safe Moves to offer programs during Summer Reading.</i>	LSD				X
<i>Pilot remote services like Lawyers in the Library and Social Security appointments to eliminate car trips.</i>	LSD				X

* Projects listed in italics represent new projects added in FY16-17

Completed by Year End	10
Underway and expected completion after 2016 before 2017	16
Completion after Year 2017	12
<i>New Projects</i>	11
Total Projects	49

CITY ATTORNEY'S OFFICE

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR
FISCAL YEAR 2016-17

- Provide legal support to update Precise Plans to implement the General Plan.
- Continue to work on the development of City-owned properties in Downtown, in conjunction with the Community Development Department and the Financial and Administrative Services Department.
- Draft a revised Park Land Dedication Ordinance, in conjunction with the Community Development Department and the Community Services Department.
- Begin to develop and implement action items related to the employee engagement survey results.

CITY CLERK'S OFFICE

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR
FISCAL YEAR 2016-17

- Conduct the November 2016 Election for Council Candidates, including the nomination process, candidate statement, ballot title reviews, and all other legally required processes.
- Complete technology upgrades in the City Council Chambers, in conjunction with the Information Technology Department.
- Complete the revisions to the Citywide Records Retention Schedule.
- Complete the digitizing of the microfilm/fiche records project (following completion of the Community Development Department's digitizing project).
- Begin to develop and implement action items related to the employee engagement survey results.

CITY MANAGER'S OFFICE

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR
FISCAL YEAR 2016-17

*(Items in **bold** are tied to Fiscal Years 2015-16 and 2016-17 Major Council Goals; items in **bold italics** are new Major Council Goals for Fiscal Year 2016-17)*

- *Explore a variety of efforts designed to help homeless vehicle dwellers.*
- Prepare for and negotiate new labor agreements by June 30, 2017.
- Develop a pilot employee commute relief program.
- Coordinate the reauthorization of a statewide cable franchise agreement and associated renewal of KMVT PEG cable TV contract.
- Continue to implement Purchasing Study priority recommendations, in conjunction with the Finance and Administrative Services Department.
- Begin to develop and implement action items related to the employee engagement survey results.

COMMUNITY DEVELOPMENT DEPARTMENT

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR FISCAL YEAR 2016-17

(Items in **bold** are tied to Fiscal Years 2015-16 and 2016-17 Major Council Goals; items in **bold italics** are new Major Council Goals for Fiscal Year 2016-17)

- **Complete the work of amending the North Bayshore Precise Plan to include residential uses.**
- **Study East Whisman area for residential uses, in conjunction with the East Whisman Precise Plan.**
- **Hold outreach meetings and workshops with affordable housing developers to identify barriers to affordable housing and innovative solutions to those obstacles.**
- **Identify new funding sources and initiate partnerships with affordable housing developers to apply for limited-term State and Federal affordable housing funding.**
- **Continue to investigate a Community Choice Energy program, in conjunction with Sunnyvale, Cupertino, and Santa Clara County.**
- **Review the Climate Protection Roadmap, Municipal Operations Climate Action Plan, and Greenhouse Gas Reduction Program; conduct a cost-benefit analysis of the actions; solicit Council Environmental Sustainability Committee and public feedback; propose and adopt Environmental Sustainability Action Plan-3.**
- **Develop an Environmental Sustainability Action Plan-3 implementation plan (including goals/milestones).**
- **Implement the Urban Forestry Management Plan for tree preservation and planting, canopy, and habitat preservation, in conjunction with the Community Services Department.**
- **Continue to prepare a Multimodal Improvement Plan as required by the Congestion Management Agency.**
- *Develop and implement rent relief ordinances and programs.*
- *Continue to provide staff support for the three Notice of Funding Availability (NOFA) affordable housing projects during the funding reservation, design, and entitlement process.*
- **Draft a revised Park Land Dedication Ordinance, in conjunction with the City Attorney's Office and the Community Services Department.**
- **Develop and implement parking strategies for the downtown public parking lots and structures.**
- **Begin preparation of a downtown parking garage feasibility study, depending on the outcome of the development of City-owned properties in Downtown request for proposal.**
- **Continue implementation of the El Camino Real, North Bayshore, and San Antonio Precise Plans.**
- **Continue to expand one-stop plan check services.**

- Continue to work on the development of City-owned properties in Downtown, in conjunction with the City Attorney's Office and the Finance and Administrative Services Department.
- Begin to develop and implement action items related to the employee engagement survey results.

COMMUNITY SERVICES DEPARTMENT

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR FISCAL YEAR 2016-17

(Items in **bold** are tied to Fiscal Years 2015-16 and 2016-17 Major Council Goals; items in **bold italics** are new Major Council Goals for Fiscal Year 2016-17)

- **Continue the Shoreline at Mountain View Master Plan project, in conjunction with the Public Works Department.**
- **Implement the Urban Forestry Management Plan for tree preservation and planting, canopy and habitat preservation, in conjunction with the Community Development Department.**
- **Complete construction of Heritage Park at 771 North Rengstorff Avenue, in conjunction with the Public Works Department.**
- **Conduct Permanente Creek Trail Extension - West Middlefield Road to McKelvey Park Feasibility Study, in conjunction with the Public Works Department.**
- *Begin design and construction of new community gardens at Shoreline/Latham.*
- Complete online scheduling procedures for the Center for Performing Arts ushers to increase efficiencies and reduce staff time.
- Expand Center of Performing Arts digital and social media presence for marketing to potential clients and increasing ticket sales. Review all of Center of Performing Arts use of traditional media and implement improvements to design and production processes.
- Begin renovations on the Shoreline Golf Links Driving Range.
- Begin Park Irrigation improvement projects including replacements at Shoreline Park, in conjunction with the Public Works Department.
- Continue to support the 4 Cities (Sunnyvale, Cupertino, Los Altos, and Mountain View) Coordinated Stevens Creek Trail Feasibility Study to review extending the trail through Mountain View to reach Blackberry Farm in Cupertino.
- Draft a revised Park Land Dedication Ordinance, in conjunction with the City Attorney's Office and the Community Development Department.
- Construct Permanente Creek Trail undercrossing improvements at Amphitheatre Parkway, in conjunction with the Public Works Department.
- Partner with Mountain View Trees to plant new trees and provide information to the community on enhancing trees in Mountain View.
- Begin park improvements including the Graham Athletic Field Synthetic Turf Replacement project.
- Begin the Park Restroom Renovations project, in conjunction with the Public Works Department.

- Complete design of the Community Center renovation and expansion, in conjunction with the Public Works Department.
- Continue to monitor and participate in the Santa Clara Valley Water District's Permanente Creek flood protection project (including the construction of McKelvey Park/Ball Field and Schaefer Park), in conjunction with the Public Works Department.
- Coordinate with the Mountain View Whisman School District on the construction of Permanente Creek Trail, Rock Street to Middlefield Road, and the Crittenden Field improvements, in conjunction with the Public Works Department.
- Begin to develop and implement action items related to the employee engagement survey results.

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR FISCAL YEAR 2016-17

(Items in **bold** are tied to Fiscal Years 2015-16 and 2016-17 Major Council Goals; items in **bold italics** are new Major Council Goals for Fiscal Year 2016-17)

- ***Establish the financing for the Silicon Valley Clean Energy JPA.***
- Continue to work on the development of City-owned properties in Downtown, in conjunction with the City Attorney's Office and the Community Development Department.
- Support the City Manager's Office with negotiations for new labor agreements.
- Complete compliance audit of hotels/motels for Transient Occupancy Tax.
- Assist with the transition to the City's new external auditors.
- Commence Phase II of the implementation of the City's Financial System, ONESolution, in conjunction with the Information Technology Department.
- Continue to implement Purchasing Study priority recommendations, in conjunction with the City Manager's Office.
- Begin to develop and implement action items related to the employee engagement survey results.

FIRE DEPARTMENT

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR FISCAL YEAR 2016-17

- Implement changes to the Multi-Family Housing Inspection Program based on the findings of the evaluation report and/or the direction of Council.
- Participate as an active member of the Trash Capture Feasibility Study work group in development and review of long-term trash load reduction planning.
- Continue to collaborate with the fire agencies within Santa Clara County to develop community-focused and sustainable initiatives that improve service quality, create operational efficiencies, eliminate redundancy, and leverage existing emergency response resources. This is inclusive of:
 - a) Present to the City Management the options available from the Feasibility Study on Consolidation of Dispatch Center for Fire/EMS between Mountain View, Palo Alto, San Jose Fire and Santa Clara County Fire. Collaborate with all agencies involved in the study to understand the level of commitment towards a Fire Dispatch consolidation. In addition, determine which Fire Dispatch model is most desirable for the City of Mountain View.
 - b) Full boundary drops implementation between Los Altos and Mountain View.
- Enhance community outreach efforts to teach safety and risk reduction curriculum to local elementary schools.
- Begin to develop and implement action items related to the employee engagement survey results.

INFORMATION TECHNOLOGY DEPARTMENT

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR FISCAL YEAR 2016-17

- Commence Phase II of the implementation of the City's Financial System (IFAS) to ONESolution, in conjunction with the Finance and Administrative Services Department.
- Complete technology upgrades in the City Council Chambers, in conjunction with the City Clerk's Office.
- Update the utility system base maps (701 maps) to support a water, sewer and storm drainage operations modeling system and a Computerized Work Order Management System, in conjunction with the Public Works Department.
- Complete rollout of public Wi-Fi to the Municipal Operations Center and Police/Fire Administration.
- Install permanent monitors and computer systems in City conference rooms to replace laptops and portable projectors.
- Migrate MS Exchange email system to MS-hosted system.
- Upgrade of core network switches and perimeter firewall equipment to protect City from outside security attacks.
- Deploy online system for new Business License applications.
- Begin to develop and implement action items related to the employee engagement survey results.

LIBRARY SERVICES DEPARTMENT

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR FISCAL YEAR 2016-17

*(Items in **bold** are tied to Fiscal Years 2015-16 and 2016-17 Major Council Goals; items in **bold italics** are new Major Council Goals for Fiscal Year 2016-17)*

- **Partner with outside groups like Project Sentinel to offer biannual educational programs with a housing theme.**
- **Hold biannual educational classes on topics such as recycling and sustainability.**
- **Partner with Master Gardeners and the California Native Plant Society to offer quarterly educational classes on environmentally friendly gardening.**
- **Continue with monthly bike workshops.**
- *Work with Safe Moves to offer programs during Summer Reading.*
- *Pilot remote services like Lawyers in the Library and Social Security appointments to eliminate car trips.*
- Increase marketing efforts to ensure more of the community is aware of Library services: publish regular newsletters, reach out to new residents and employees, and attend community events.
- Highlight the Library's role in promoting reading by encouraging community leaders to share what they are reading, promoting staff picks, and highlighting tools such as NoveList on the Library website.
- Complete the design phase of the project to enhance Children's area improvements at the Library, in conjunction with the Public Works Department.
- Establish a cross-functional team including Library, Finance and Administrative Services, and Information Technology Departments to implement output accounting module to directly transfer financial information from Sierra to OneSolution.
- Highlight and promote the Library's collection of bus and train schedules.
- Begin to develop and implement action items related to the employee engagement survey results.

POLICE DEPARTMENT

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR FISCAL YEAR 2016-17

- Implement effective initiatives that enhance public support and trust.
- Implement comprehensive traffic safety and education programs. Utilize multiple methods and platforms to build strong community partnerships, to include on-line communication and hosting events that promote in-person community-police engagement.
- Implement programs that enhance Police Department employee safety and wellness.
- Complete the implementation of the records management system.
- Complete migration of the public safety radio infrastructure to the Silicon Valley Regional Interoperability Authority's regional communications system.
- Continue to grow and increase community engagement through the department's social media channels.
- Implement in-field access to dispatch and records systems with handheld technology.
- Continue implementation, training and evaluation of officer worn cameras while ensuring that camera use and procedures address both departmental and community interests.
- Begin to develop and implement action items related to the employee engagement survey results.

PUBLIC WORKS DEPARTMENT

MAJOR DEPARTMENTAL GOALS/PROJECTS/INITIATIVES FOR FISCAL YEAR 2016-17

(Items in **bold** are tied to Fiscal Years 2015-16 and 2016-17 Major Council Goals; items in **bold italics** are new Major Council Goals for Fiscal Year 2016-17)

- Investigate the feasibility of using treated contaminated groundwater for irrigation and non-potable needs.
- Continue Sewage Pump Station and Landfill Flare Station microturbine maintenance and repairs.
- Continue Shoreline at Mountain View Master Plan project, in conjunction with the Community Services Department.
- Complete construction of Heritage Park at 771 North Rengstorff Avenue, in conjunction with the Community Services Department.
- Continue efforts to support the exploration and development of a potential automated guideway or other innovative transit system for the Downtown Transit Center to North Bayshore Area corridor.
- Design and construct East Whisman Area transportation-oriented-development (TOD) improvements.
- Conduct Latham Street/Church Street Bike Boulevard study.
- Install Calderon Avenue bike lane - Phase I (Villa Street to Mercy Street).
- Design, permit, and construct Castro/Moffett/Central intersection near term improvements.
- Complete the Transit Center Master Plan.
- Conduct Permanente Creek Trail Extension - West Middlefield Road to McKelvey Park Feasibility Study, in conjunction with Community Services Department.
- Analyze Shoreline Boulevard right-of-way and tree impact.
- Design and construct Shoreline Boulevard interim bus lane and utility improvements.
- Conduct feasibility study of Charleston Road improvements.
- Conduct preliminary design of Shoreline Boulevard bicycle/pedestrian bridge over Highway 101.
- *Continue planning and design of utility and transportation infrastructure improvements to support North Bayshore Development.*

- *Consider other bicycle and pedestrian-mobility improvements that are low cost and easily implementable.*
- *Continue to support Palo Alto's feasibility study of recycled water advanced treatment.*
- *Manage the recycled water program to improve water quality, maximize water use, expand the City's distribution system and participate in efforts to develop a regional distribution system.*
- Begin construction of modifications to Castro Street between El Camino Real and Miramonte Avenue.
- Resurface segments of Rengstorff Avenue, Old Middlefield Way, and Charleston Road and install new bike lanes on Charleston Road.
- Update the utility system base maps (701 maps) to support a water, sewer and storm drainage operations modeling system and a Computerized Work Order Management System, in conjunction with the Information Technology Department.
- Coordinate with the Mountain View Whisman School District on the construction of Permanente Creek Trail, Rock Street to Middlefield Road, and the Crittenden Field improvements, in conjunction with the Community Services Department.
- Construct Permanente Creek Trail undercrossing improvements at Amphitheatre Parkway, in conjunction with the Community Services Department.
- Continue to support the Moffett Gateway development project.
- Begin Park Irrigation improvement projects including replacements at Shoreline Park, in conjunction with the Community Services Department.
- Begin the Park Restroom Renovations project, in conjunction with the Community Services Department.
- Complete design of the Community Center renovation and expansion, in conjunction with the Community Services Department.
- Continue to monitor and participate in the Santa Clara Valley Water District's Permanente Creek flood protection project (including the construction of McKelvey Park/Ball Field and Schaefer Park), in conjunction with the Community Services Department.
- Complete the design phase of the project to enhance Children's area improvements at the Library, in conjunction with the Library Services Department.
- Begin to develop and implement action items related to the employee engagement survey results.



CITY OF MOUNTAIN VIEW

MEMORANDUMFinance and Administrative
Services Department

DATE: April 26, 2016

TO: City Council

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

VIA: Daniel H. Rich, City Manager

SUBJECT: **Fiscal Year 2016-17 Recommended Fee Modifications**

INTRODUCTION

As part of the annual budget process, departments review their fees and prepare recommendations to modify current fees, add new required fees, and eliminate any fees that are no longer necessary. If there are services provided that specifically benefit a particular individual/household or segment of the population versus more global services that generally benefit the entire community, a fee may be calculated and recommended to Council to recover all or a portion of the cost of providing the service. The Master Fee Schedule, the complete listing of all City fees, will be updated to reflect Council actions on June 21, 2016, pertaining to fees, and then published for Fiscal Year 2016-17.

BACKGROUND AND ANALYSIS

Each fee being modified, added, or eliminated is listed on the attached Exhibits A through J detailing the fees in effect for Fiscal Year 2015-16 and the Fiscal Year 2016-17 Recommended amounts, fee basis, and effective date. The fee modifications are summarized below and if the fee is not a General Operating Fund revenue source, the applicable fund is identified. This is not a complete listing of all City fees, only those that are recommended as new or modified in some manner.

A complete listing of all City fees can be found in the Master Fee Schedule located at <http://www.mountainview.gov/civicax/filebank/blobdload.aspx?BlobID=17498>.

City Attorney's Office (Exhibit A)

General Operating Fund

These Code Enforcement and development-related fees are recommended to increase, reflecting the cost of the staff providing the services.

Community Development Department (Exhibits B and C)

Development Services Fund

Land Use Documents – This fee was initially adopted for Fiscal Year 2015-16 in order to collect reimbursement from development projects for updating of various land use documents (e.g., General Plan, Precise Plans, Zoning Ordinance, etc.). The cost of the North Bayshore Precise Plan (NBPP) was not included in the initial fee calculations; however, it will need to be updated in the future and staff is recommending this component be added to the fee for Fiscal Year 2016-17. The fee is currently assessed at 0.21 percent of building valuation and with the addition of the NBPP, is recommended to increase to 0.26 percent of building valuation.

The Cellular Antennae Fee is recommended with both a name change to Wireless Telecommunications Facilities and the addition of a fee to recover cost. The cost is for work resulting from minor modifications to certain existing wireless telecommunication facilities which is required, by a change in Federal regulations, to be processed more quickly with less review.

Housing and Rental Housing Impact Funds

These housing fees are recommended with the annual consumer price index (CPI) increase, as set forth in City Code Section 36.40.55.b.2 and Resolution 17937.

Parking District Fund

The Downtown Parking District Parking In-Lieu Fee is recommended to increase from \$26,000 to \$48,000 for new construction and from \$13,000 to \$24,000 for new restaurants and office uses in existing retail buildings. The fee is also recommended to be adjusted on an annual basis according to the rate of inflation for construction costs (ENR). The fee has not been increased since 2000. The recommended fee is based on the estimated cost of constructing new public parking structures and the construction cost for the California Street at Bryant Street parking structure. The adjusted fee is important to accrue funds for the creation of new public parking spaces to meet the demand for parking created by businesses which increase the demand but are unable to

accommodate the parking on-site (see Exhibit C for additional information). There is one development project currently in the pipeline that would be impacted by this fee increase.

The Parking Permit Program is managed on a calendar year basis and the permit fees are recommended with a CPI increase as set forth in Resolution 17820, cumulative for 2016 and 2017.

Community Services Department (Exhibit D)

General Operating Fund

Center for the Performing Arts (CPA):

The service charge on consignment tickets is recommended to increase from \$1.00 to \$1.50. Consignment tickets offer a way for CPA clients to sell directly to their patrons, resulting in a loss in service charge revenue to the CPA. This fee increase offsets some of the loss to the City while still allowing the client to handle a portion of their ticket inventory at an affordable level.

The service charge on tickets purchased via fax, mail, and telephone is recommended to increase from \$2.50 to \$3.00 in order to move the per-ticket fee level closer to industry norms for service charges. This increase will also offset a portion of the new per-ticket fees assessed by the new ticket software vendor.

The recommendation for a new type of subscription fee will allow for the recovery of charges from the new ticket software vendor and maintain current revenue levels.

Ticket Purchases and Transactions are both recommended with a slight name change. Ticket Purchases are recommended to change from a flat \$0.50 per ticket to a flat fee on a ladder price structure and that no fee be charged for tickets at or below \$10.00.

Recreation:

The Adult Sports League fees are recommended to change from fixed pricing for five specific sports to a pricing range that can be applied to many different sports. Allowing flexibility in both activity and fee enables the division to adjust offerings based on the most current trends.

The Open Gym fees currently assessed for drop-in basketball and volleyball programs are recommended to be expanded to a Drop-In Sports category that would include sports that could utilize either a gym or athletic field on a drop-in basis.

Tennis lesson and youth camp fees are recommended to increase 15 percent in order to help fund rising personnel costs resulting from the increased minimum wage. This recommendation does not require a revision in the Cuesta Tennis Agreement; however, the Agreement requires any fee increases be approved by City Council.

Shoreline Golf Links Fund

Frequent Player – The Frequent Player rates are the most affordable in the area and are recommended with an increase of 2.0 percent which is anticipated to generate \$4,000 to \$5,000 and offset increasing expenses. Staff also recommends this increase and any future increase be rounded to the nearest \$5.00 and the schedule be adjusted from Monday through Friday to Monday through Thursday.

The top of the range for Green Fees is recommended to increase \$2.00 which could generate up to \$70,000 and will offset cost increases in wages, water and other utilities, and general maintenance.

The rate increases were presented to and approved by the Advisory Greens Committee on January 20, 2016.

Finance and Administrative Services Department (Exhibit E)

General Operating Fund

The current fee of \$25.00 for a hard copy business license report has been reviewed and is recommended to be reduced to \$16.50 for an electronic version and \$16.50 plus \$0.25 per page for a hard copy. The reduced price reflects the ability to create and e-mail an electronic version of the report. Beginning Fiscal Year 2016-17, the department will create a business license report and upload to the City website on a quarterly basis. If a member of the public requires and requests a more up-to-date version, the fee will be assessed.

Fire Department (Exhibit F)

Environmental Safety:

Wastewater Fund

Hazardous Materials Facility Closure Review/Inspection is recommended with a basis change to one hour at no charge, reflecting the amount of time a routine inspection should take.

The remaining Environmental Safety fees are recommended with either the annual CPI or cost-of-living adjustment (COLA) increase, as applicable, rounded to the nearest dollar.

Fire and Building Safety:

General Operating Fund

When the Multi-Housing Valid Service Request fee was initially adopted in 1996, it was tied to the Multi-Housing Reinspection Fee. The Valid Service Request fee is recommended with a cumulative CPI to bring this fee back in line with the Multi-Housing Reinspection Fee.

The remaining recommended fees are to be increased by either the annual CPI or applicable COLA, rounded to the nearest dollar.

Environmental Safety/Fire and Building Safety:

General Operating and Wastewater Funds

The Fire Protection System Maintenance fees are recommended with the annual CPI increase and a name change to include Public Safety.

Information Technology (IT) Department (Exhibit G)

General Operating Fund

The City requires digitized development plan sets in a format usable by the City Enterprise Geographic Information System (EGIS) for all public and private development projects in order to maintain the EGIS with accurate and current data. The EGIS is used for City maintenance and to assist public safety staff. The digitization of plans is a new activity that will include IT staff collecting and cataloging the project plan set, reviewing the digitized plans created by an outside vendor, reviewing and processing invoices, and incorporating updated data into the EGIS. The Data Digitization Fee is recommended to be set at a level that will recover the cost of both an external bonded service to digitize all development plans in a format usable by the City EGIS and administration of the program. The fee will be collected with permit fees before the plans are sent to be digitized and prior to the issuance of the Building Permit, Excavation Permit, or Final Map.

Staff is in the process of collecting and evaluating the cost to produce the digitized plans and will provide a recommended fee amount to City Council at the Proposed Budget public hearing.

Library Services Department (Exhibit H)

General Operating Fund

Internet Computer Station Use—As more customers are coming to the Library with their own devices to use WiFi, use of the Library's desktop computers is declining. As a result of the increased capacity, the time limit was increased from 90 minutes to 120 minutes for Fiscal Year 2015-16. Many of the customers who use this service are the least able to pay and rely on the Library for their only access to the Internet and this fee is recommended to be eliminated.

Replacement Library Card—This fee is recommended to be eliminated, as staff would like to eliminate every possible barrier to service. The loss of revenue is minimal.

Public Works Department (Exhibits I and J)

General Operating Fund

The Street Improvement Reimbursements are recommended to increase by the December 2015 Engineering News Record (ENR) construction index of 1.57 percent.

Development Services Fund

The Sidewalk Permits are recommended to increase by the annual ENR index and the remaining fees are recommended with the annual COLA as applicable.

Storm Drain Construction Fund

Storm Drainage Connection fees are recommended to increase by the annual ENR index.

Utility Services (Exhibit J):

Water, Wastewater, and Solid Waste Management Funds

Chapters 28 and 35 were amended effective April 22, 2014, eliminating the code sections authorizing the Existing Facilities Connection fees.

Labor Rates are recommended with the appropriate COLA.

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

Water – 10.0 percent and Recycled Water – 3.0 percent.

The outside City limits meter rates were eliminated effective February 2016.

Wastewater – 19.0 percent.

Solid Waste Management – 10.0 percent for carts only; no change for all other trash and recycling services.

CONCLUSION

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

HA-PJK/7/FIN
530-04-08-16M-E

- Exhibits:
- A. Fee Schedule – City Attorney’s Office
 - B. Fee Schedule – Community Development
 - C. Downtown Parking In-Lieu Fee Proposed Increase
 - D. Fee Schedule – Community Services
 - E. Fee Schedule – Finance and Administrative Services
 - F. Fee Schedule – Fire
 - G. Fee Schedule – Information Technology
 - H. Fee Schedule – Library Services
 - I. Fee Schedule – Public Works
 - J. Fee Schedule – Utility Services

FEE SCHEDULE – CITY ATTORNEY’S OFFICE

Exhibit A

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
	N/A	Code Compliance Inspection	\$94.00	\$96.00	Hour (4-Hour Min)	7/1/16
	N/A	Development Agreement	\$159.00	\$174.00	Hour	7/1/16
		Document Review for CC&Rs, Easements, and Other Documents Related to Permits, Licenses, etc.:				
	36.54.30	Uniform Product/Use	\$328.00	\$350.00	Initial 2.5 Hours	8/21/16
	36.56.15					
	36.54.30	Mixed Product/Use	\$656.00	\$700.00	Initial 5 Hours	8/21/16
	36.56.15					
	36.54.30	Additional Review	\$131.00	\$140.00	Hour	8/21/16
	36.56.15					

FEE SCHEDULE – COMMUNITY DEVELOPMENT DEPARTMENT

Exhibit B

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		PARKING Parking In-Lieu				
	Downtown Precise Plan Downtown Precise Plan Table II-2	New Construction ¹	\$26,000.00	\$48,000.00	Space	8/21/16
	Reso 17820	Change in Use ¹	\$13,000.00	\$24,000.00	Space	8/21/16
		Parking Permits: ²				
		Annual	\$309.00	\$326.00	Space	1/1/17
		Daily	\$103.00	\$109.00	25 Daily Permits	1/1/17
		Monthly	\$52.00	\$54.00	Space	1/1/17
		Quarterly	\$103.00	\$109.00	Space	1/1/17
		PLANNING Housing Fees				
	36.40.55.b Reso 16666, 17938	Housing Impact: ² Office/High-Tech/Industrial				
		First 10,000 square feet	\$12.50	\$12.79	Net Square Foot	8/21/16
		10,000+ square feet	\$25.00	\$25.58	Net Square Foot	8/21/16
	36.91.b.2 Reso 16666	Hotel/Retail/Commercial/ Entertainment				
		First 25,000 square feet	\$1.34	\$1.37	Square Foot	8/21/16
		25,000+ square feet	\$2.68	\$2.74	Square Foot	8/21/16
	Reso 17748, 17937	Rental Housing Impact ²	\$17.00	\$17.39	Net New Habitable Square Foot	8/21/16
GC66014	Reso 17968	Land Use Documents ³	0.21%	0.26%	Building Valuation Associated w/the Issuance of a Building Permit	7/1/16

FEE SCHEDULE – COMMUNITY DEVELOPMENT DEPARTMENT

Exhibit B

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
	36.56.15	Wireless Telecommunications Facilities: Minor Wireless Telecommunications Facilities ⁴	NA	\$1,100.00	Fixed	7/1/16
	36.56.15	Cellular Antennae Major Wireless Telecommunications Facilities ⁵	\$3,859.00	\$3,859.00	Fixed	7/1/16

-
- ¹ Recommended to be increased annually by the Engineering News Record (ENR) construction index.
 - ² Previously authorized by Council to be increased by the prior year CPI as part of the budget process.
 - ³ Recommended to also include the reimbursement of future North Bayshore Precise Plans.
 - ⁴ New fee.
 - ⁵ Name change only.



CITY OF MOUNTAIN VIEW

MEMORANDUM

Community Development Department

DATE: April 26, 2016

TO: City Council

FROM: Eric Anderson, Associate Planner
Tiffany Chew, Business Development Specialist
Randy Tsuda, Community Development Director

VIA: Daniel H. Rich, City Manager

SUBJECT: Downtown Parking In-Lieu Fees Proposed Increase

BACKGROUND

The Downtown Parking Maintenance Assessment District (Parking District) provides public parking for downtown businesses and funds the maintenance and operations of the public parking facilities (Attachment 1 - Parking District Map). Most properties in the historic Castro Street commercial area are not physically able to provide parking on-site due to their small size and shape, so they are allowed to pay fees in lieu of providing parking to expand buildings or build new ones. These one-time fees are paid to the Parking District which uses the funds to create new public parking facilities. Shared parking increases parking efficiency, reduces parking cost and makes effective use of the parking facilities within the Parking District.

The Downtown Precise Plan contains the parking in-lieu fee requirements. They apply to the following developments in the Parking District: 1. new buildings, floor area or residential units, and 2. new restaurants and offices in existing retail buildings. Existing businesses, buildings and housing units do not pay the parking in-lieu fee (unless they are proposing to expand). Buildings outside the Parking District are required to provide parking on-site and do not pay the fee.

PROPOSED INCREASE

In 2000, the City adopted a fee of \$26,000 per required parking space for new construction and \$13,000 for new restaurants and offices in existing retail buildings. The fee was based upon land costs and estimated cost to construct a new parking structure on a net new parking spaces basis. Net new parking spaces is determined by taking the total number of parking spaces in the parking structure and subtracting it

from the number of spaces that existed on the property before the structure was built. This fee has not increased with the cost of construction since then.

For the new proposed fee, staff analyzed the cost of constructing parking structures from several different cost perspectives:

- The cost of several comparable parking structures in the Bay Area was estimated. The average cost per net new space was determined by assuming the existing land was used as parking.
- The cost of constructing the 850 California Street Parking Structure was estimated, adjusting by the current rate of inflation for construction costs, and subtracting the costs of constructing the retail space and solar panels. The average cost per net new space was determined.

Staff is proposing the fee increase from \$26,000 to \$48,000 for new construction and from \$13,000 to \$24,000 for new restaurants and offices in existing retail buildings. The \$48,000 is based on an average of the two analyses above. For comparison purposes, Palo Alto's fee is \$63,848 per parking space and Sunnyvale does not have a parking in-lieu fee. There is one small development project currently in the pipeline that would be impacted by this fee increase.

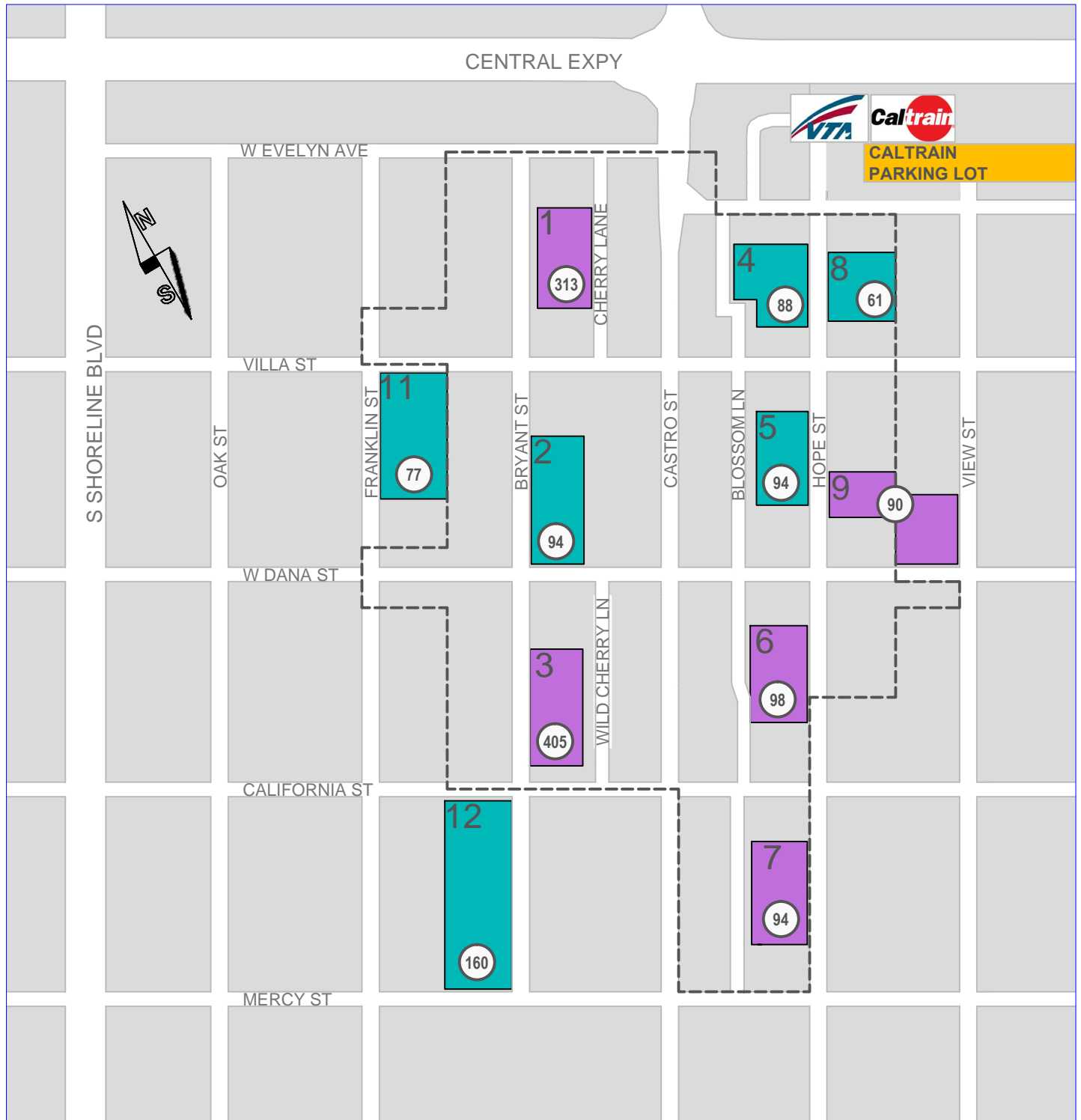
OUTREACH


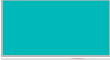




Staff held two public meetings about the proposed fee increase. The Downtown Committee reviewed the fee increase at their regularly scheduled meeting of April 5, 2016. The Committee supported the fee increase to help address the demand for more public parking.

Staff also held an information session about the fee increase on April 8, 2016. The following were notified about the information session: property owners within the Parking District, developers and commercial brokers who have worked in the Parking District, the Central Business Association, and the Chamber of Commerce. One property owner (of the development project above) and a developer attended the information session.

ATTACHMENT: 1. Parking District Map

DOWNTOWN PARKING FACILITIES



-  PERMIT PARKING ALLOWED
-  PERMIT PARKING NOT ALLOWED
-  CALTRAIN STATION
-  VTA STATION
-  NUMBER OF SPACES IN LOT
-  PARKING DISTRICT BOUNDARY

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		<u>CENTER FOR THE PERFORMING ARTS</u>				
	38.100	Ticket Services: Consignment (Renter-Sold Tickets-Initial Request, Return, Reprint)	\$1.00	\$1.50	Ticket	7/1/16
	38.100	Fax/Mail/Phone Subscriptions	\$2.50	\$3.00	Ticket	7/1/16
	38.100	Fixed Package-all subscriptions except for those series whose highest ticket value does not exceed \$15.00 ¹	NA	\$2.00	Ticket/Title	7/1/16
	38.100	Flex Package-all subscriptions except for those series whose highest ticket value does not exceed \$15.00 ¹	NA	\$2.00	Ticket/Title	7/1/16
	38.100	Ticket Purchase (online web sale): ²				
		All Tickets	\$0.50	Eliminate		7/1/16
		\$0.00-\$10.00 ¹	NA	No Charge	Ticket	7/1/16
		\$10.01-\$15.00 ¹	NA	\$2.50	Ticket	7/1/16
		\$15.01-\$25.00 ¹	NA	\$3.00	Ticket	7/1/16
		\$25.01-\$45.00 ¹	NA	\$4.00	Ticket	7/1/16
		>\$45.00 ¹	NA	\$5.00	Ticket	7/1/16
		Transaction (online web sale) ²	\$5.00	\$5.00	Order	7/1/16
		<u>RECREATION</u>				
		Adult Sports Leagues:				
	38.8	Basketball	\$67.00	Eliminate	Game	7/1/16
	38.8	Flag Football	\$67.00	Eliminate	Game	7/1/16
	38.8	Softball (Coed)	\$69.00	Eliminate	Game	7/1/16
	38.8	Softball (Men’s)	\$69.00	Eliminate	Game	7/1/16
	38.8	Volleyball	\$49.00	Eliminate	Game	7/1/16
	38.8	Various Sports ¹	NA	\$50.00-\$70.00	Game	7/1/16
	38.3	Drop-In Sports (athletic fields, gyms) Open Gym : ^{2,3}				
		10 Visits	\$15.00	\$15.00	Pass	7/1/16
		20 Visits	\$30.00	\$30.00	Pass	7/1/16
		Drop-in	\$3.00	\$3.00	Day	7/1/16

FEE SCHEDULE – COMMUNITY SERVICES DEPARTMENT

Exhibit D

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
	Agreement	Tennis				
	Agreement	Cuesta Court Lessons				
		Adult	\$14.75-\$26.00	\$15.25-\$30.00	Hour	7/1/16
		Junior	\$13.75-\$26.00	\$13.75-\$30.00	Hour	7/1/16
	38.8/ Agreement	Rengstorff Courts				
		Youth Camp	\$10.00-\$26.00	\$10.00-\$30.00	Hour	7/1/16
		<u>SHORELINE GOLF LINKS</u>				
		Frequent Player: ⁴				
	38.8	Junior (Annual)	\$372.00	\$380.00	Fixed	7/1/16
	38.8	Regular Play (Annual)	\$2,508.00	\$2,560.00	Fixed	7/1/16
	38.8	Regular Play (Annual Family)	\$3,768.00	\$3,845.00	Fixed	7/1/16
	38.8	Regular (M-ThF/ Annual) ⁵	\$1,644.00	\$1,675.00	Fixed	7/1/16
	38.8	Regular (M-ThF/ Quarterly) ⁵	\$550.00	\$560.00	Fixed	7/1/16
	38.8	Regular (M-ThF/ Annual Family) ⁵	\$2,148.00	\$2,190.00	Fixed	7/1/16
	38.8	Seniors (M-ThF/ Annual) ⁵	\$1,260.00	\$1,285.00	Fixed	7/1/16
	38.8	Seniors (M-ThF/ Quarterly) ⁵	\$400.00	\$410.00	Fixed	7/1/16
	38.8	Seniors (M-ThF/ Annual Family) ⁵	\$1,824.00	\$1,860.00	Fixed	7/1/16
	38.8	Twilight (Annual)	\$996.00	\$1,015.00	Fixed	7/1/16
	38.8	Twilight (Annual Family)	\$1,644.00	\$1,675.00	Fixed	7/1/16
		Green Fees				
		Weekday M-F:				
	38.11	Afternoon (March-October, 2 hours prior to twilight)	Up to \$25.00	Up to \$27.00	Fixed	7/1/16
	38.11	Regular	Up to \$38.00	Up to \$40.00	Fixed	7/1/16
	38.11	Resident	Up to \$31.00	Up to \$33.00	Fixed	7/1/16
	38.11	Senior (>/=60)	Up to \$28.00	Up to \$30.00	Fixed	7/1/16
	38.11	Senior Resident (>/=60)	Up to \$21.00	Up to \$23.00	Fixed	7/1/16
	38.11	Twilight/Back 9 Regular	Up to \$25.00	Up to \$27.00	Fixed	7/1/16
	38.11	Twilight/Back 9 Resident	Up to \$18.00	Up to \$20.00	Fixed	7/1/16
	38.11	All Others	Up to \$32.00	Up to \$34.00	Fixed	7/1/16
		Super Twilight:				
	38.11	Regular	Up to \$17.00	Up to \$19.00	Fixed	7/1/16
	38.11	Resident	Up to \$10.00	Up to \$12.00	Fixed	7/1/16
		Weekends/Holidays:				
	38.11	Regular	Up to \$54.00	Up to \$56.00	Fixed	7/1/16
	38.11	Resident	Up to \$47.00	Up to \$49.00	Fixed	7/1/16
	38.11	Twilight/Back 9 Regular	Up to \$28.00	Up to \$30.00	Fixed	7/1/16
	38.11	Twilight/Back 9 Resident	Up to \$21.00	Up to \$23.00	Fixed	7/1/16

-
- ¹ New fee.
 - ² Name change.
 - ³ Expanded application to gyms and athletic fields.
 - ⁴ Rounded to nearest \$5.00.
 - ⁵ Basis change.

FEE SCHEDULE – FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Exhibit E

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
GC 6253.9(b)	CP B-3	Business License Report:				
		Electronic	\$25.00	\$16.50	Fixed	7/1/16
GC 6253.9(b)		Hard Copy	\$25.00	\$16.50	Fixed	7/1/16
			+\$0.25	+\$0.25	Page	7/1/16

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		<u>ENVIRONMENTAL SAFETY</u>				
	24	Electronic/Computer Entry of Hazardous Materials Management Plan Data	\$89.00 (1-Hour Minimum)	\$93.00	Hour (1-Hour Minimum)	7/1/16
	24	Fire Safety Facility Inspection: 0-5,000	\$31.00	\$32.00	Square Foot	7/1/16
	24	5,001-25,000	\$185.00	\$189.00	Square Foot	7/1/16
	24	25,001-100,000	\$767.00	\$785.00	Square Foot	7/1/16
	24	100,001-250,000	\$2,148.00	\$2,197.00	Square Foot	7/1/16
	24	250,001-500,000	\$4,602.00	\$4,708.00	Square Foot	7/1/16
	24	500,001+	\$6,135.00	\$6,276.00	Square Foot	7/1/16
CFC 105	14	Fire Safety Operational Permits: Hazardous Materials Permitted Occupancy	\$198.00	\$203.00	Annual	7/1/16
	24	Hazardous Materials: Emergency Response (Hazardous Materials Specialist)	\$103.00 Plus equip- ment costs	\$105.00 Plus equip- ment costs	Hour	7/1/16
	24	Hazardous Materials Facility Closure Review/Inspection: First 2 Hours ¹ > 2 1 Hours ¹	No Charge \$99.00	No Charge \$103.00	Hour	7/1/16 7/1/16
	24	Hazardous Materials Third and Subsequent Reinspection(s)	\$336.00	\$349.00	Hour	7/1/16
	24	Plan Check or Plan Review/Inspection	\$103.00	\$107.00	Hour (2-Hour Minimum)	7/1/16
		Hazardous Materials Permit for the following hazard classes: Miscellaneous Hazardous Materials – Liquids, Solids				
	24	QR1	\$123.00	\$128.00	Annual	7/1/16
	24	QR2	\$151.00	\$157.00	Annual	7/1/16
	24	QR3	\$185.00	\$192.00	Annual	7/1/16
	24	QR4	\$214.00	\$223.00	Annual	7/1/16
	24	QR5	\$245.00	\$255.00	Annual	7/1/16

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		Combustible Liquids, Flammable (Liquids, Solids), and Nonflammable (Gas)				
24		QR1	\$123.00	\$128.00	Annual	7/1/16
24		QR2	\$185.00	\$192.00	Annual	7/1/16
24		QR3	\$245.00	\$255.00	Annual	7/1/16
24		QR4	\$308.00	\$320.00	Annual	7/1/16
24		QR5	\$368.00	\$383.00	Annual	7/1/16
		Corrosive (Gas, Liquids, Solids), Cryogen, Flammable (Gas), Explosives, Infectious Substances, and Oxidizers (Gas, Liquids, Solids)				
24		QR1	\$123.00	\$128.00	Annual	7/1/16
24		QR2	\$245.00	\$255.00	Annual	7/1/16
24		QR3	\$368.00	\$383.00	Annual	7/1/16
24		QR4	\$430.00	\$447.00	Annual	7/1/16
24		QR5	\$490.00	\$510.00	Annual	7/1/16
		Poisonous Materials (Gas, Liquids, Solids), Spontaneous Combustible Materials, Dangerous When Wet Materials (Liquids, Solids), and Organic Peroxides				
24		QR1	\$123.00	\$128.00	Annual	7/1/16
24		QR2	\$245.00	\$255.00	Annual	7/1/16
24		QR3	\$368.00	\$383.00	Annual	7/1/16
24		QR4	\$490.00	\$510.00	Annual	7/1/16
24		QR5	\$614.00	\$639.00	Annual	7/1/16
24		Radioactive QR1-QR5	\$152.00	\$158.00	Annual	7/1/16
		Underground Storage Tank Closure/Demolition:				
24		First Tank (2-Hour max)	\$214.00	\$223.00	Fixed	7/1/16
24		First Tank Add'l Hours >2 Hours	\$107.00	\$111.00	Hour	7/1/16
24		Each Add'l Tank (1-Hour each max)	\$107.00	\$111.00	Hour	7/1/16
24		Each Add'l Tank >2 Hours	\$107.00	\$111.00	Hour	7/1/16
		<u>FIRE AND BUILDING SAFETY</u>				
14		Alarm (Preventable False)	\$141.00	\$144.00	3rd and Subsequent Alarm/180 Days	7/1/16

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
CFC 105	14	Extended Consultation/ Preconstruction Conference	\$157.00	\$160.00	Hour	7/1/16
	14	Fire Inspections (Temporary Installation/Events):				
		Carnivals	\$165.00	\$168.00	Hour	7/1/16
		Christmas Tree Lot	\$165.00	\$168.00	Hour	7/1/16
		Fairs	\$165.00	\$168.00	Hour	7/1/16
		Fireworks Display	\$165.00	\$168.00	Hour	7/1/16
		Haunted Houses	\$165.00	\$168.00	Hour	7/1/16
		Live Audiences	\$165.00	\$168.00	Hour	7/1/16
		Production Facility	\$165.00	\$168.00	Hour	7/1/16
		Pumpkin Patch	\$165.00	\$168.00	Hour	7/1/16
		Pyrotechnical Special Effects	\$165.00	\$168.00	Hour	7/1/16
		Special Inspection of Temporary Installation	\$165.00	\$168.00	Hour	7/1/16
		Temporary Membrane Structures, Tents, Canopies	\$165.00	\$168.00	Hour	7/1/16
		All Others	\$165.00	\$168.00	Hour	7/1/16
CFC 105		After Hours or Weekend Duty (only DFM) M-F 5:00 p.m.-6:59 a.m., Sat, Sun, Holidays	\$165.00	\$168.00	Hour (2-Hour Minimum)	7/1/16
	14	Fire Safety Operational Permits: Fire Prevention Bureau (Nonhazardous Materials Permitted Occupancy)	\$165.00	\$170.00	Annual	7/1/16
	14	Reinspections (third and subsequent)	\$165.00	\$170.00	Hour	7/1/16
	25.77	Multi-Housing: Multi-Housing Inspection Fee Hotels and Motels	\$78.00	\$80.00	Hour (2-Hour Minimum)	7/1/16
	25.79	Reinspections: Multi-Housing	\$99.00	\$101.00	Hour (2-Hour Minimum)	7/1/16
	25.78	Hotels and Motels	\$99.00	\$101.00	Hour (2-Hour Minimum)	7/1/16
	25.81	Valid Service Request	\$79.00	\$101.00	Hour (2-Hour Minimum)	7/1/16

FEE SCHEDULE – FIRE DEPARTMENT

Exhibit F

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		<u>ENVIRONMENTAL SAFETY/FIRE AND BUILDING SAFETY:</u>				
CFC Chapter 9	14	Fire Protection/ Public Safety System maintenance Required to be Tested on a Frequency of < 1 Year (waived if test completed within 30 days) ²	\$109.00	\$112.00	System	7/1/16
CFC Chapter 9	14	Fire Protection/ Public Safety System maintenance Required to be Tested on a Frequency of ≥ 1 Year and < 5 Years (waived if test completed within 30 days) ²	\$222.00	\$227.00	System	7/1/16
CFC Chapter 9	14	Fire Protection/ Public Safety System maintenance Required to be Tested on a Frequency of ≥ 5 Years (waived if test completed within 30 days) ²	\$332.00	\$340.00	System	7/1/16
CFC Chapter 9	14	Deficiencies Failed to be Corrected Within 30 Days	\$169.00	\$173.00	System	7/1/16

¹ Basis change.

² Name change.

FEE SCHEDULE – INFORMATION TECHNOLOGY DEPARTMENT

Exhibit G

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		Data Digitization ¹	NA	Pending	Page	7/1/16

¹ New fee.

FEE SCHEDULE – LIBRARY SERVICES DEPARTMENT

Exhibit H

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
	NA	Internet Computer Station Use:				
	NA	Library Member	\$5.00	Eliminate		7/1/16
	NA	Guest Pass	\$5.00	Eliminate		7/1/16
	Library Policy	Replacement Library Card	\$2.00	Eliminate		7/1/16

FEE SCHEDULE – PUBLIC WORKS DEPARTMENT

Exhibit I

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
	27.17	Encroachment Permit: Debris Box/ Temporary Storage Container ¹	\$118.00	\$123.00	Fixed	7/1/16
	27.43	Full Cost Recovery ²	\$219.00	\$228.00	Hour	7/1/16
	27.17	Nonresidential	\$2,034.00	\$2,115.00	Fixed	7/1/16
	27.17	Residential	\$1,112.00	\$1,156.00	Fixed	7/1/16
	27.17	Temporary	\$874.00	\$909.00	Fixed	7/1/16
	27.43	Excavation Permit: Associated with Inspection Rate ^{2,3}	\$219.00 or 15% of construction cost	\$228.00 or 15% of construction cost	Hour (3-hour minimum) or Percentage	7/1/16
	27.43	Hourly Labor Rate (Research, Plan Check, Inspection)	\$219.00	\$228.00	Hour (2-hour minimum)	7/1/16
66412		Lot Line Adjustment	\$2,350.00	\$2,444.00	Fixed	7/1/16
66451.2.i	28.27(b)	Map Check: Final Map	\$4,907.00 +\$60.00 ²	\$5,103.00 +\$61.00 ²	Fixed Each Lot	7/1/16 7/1/16
66451.2.i	28.27(b)	Parcel Map	\$2,908.00	\$3,024.00	Fixed	7/1/16
8300, <i>et seq.</i>	27.18	Right-of-Way Vacation	\$1,596.00	\$1,660.00	Fixed	8/21/16
8740.1	28.6.1	Segregation of Assessment Districts	\$2,332.00 +\$219.00	\$2,425.00 +\$228.00	First 2 Lots Each Add'l Lot	7/1/16 7/1/16
	27.23	Sidewalk Permit: ⁴ Nonresidential	\$336.00 +5% of construction cost	\$341.00 +5% of construction cost	Fixed plus Percentage	8/21/16
	27.23	Residential	\$3.87 (\$219.00 minimum)	\$3.93 (\$228.00 minimum)	Linear Foot (or 1-hour minimum)	8/21/16
	35.31.6, 28.51(b)	Storm Drainage Connection: ⁴ First Class	\$0.279	\$0.283	Net Square Foot	8/21/16
	35.31.6, 28.51(b)	Second Class	\$0.134	\$0.136	Gross Square Foot	8/21/16

FEE SCHEDULE – PUBLIC WORKS DEPARTMENT

Exhibit I

State Code § (if any)	MVCC§ §/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		Street Improvements Reimbursement: ⁴				
	27.65(c)	Major Structural Street Section	\$10.61	\$10.78	Square Foot	8/21/16
	27.65(c)	R1 and R2 Street Section	\$8.52	\$8.65	Square Foot	8/21/16
	27.65(c)	R3 Structural Street Section	\$9.67	\$9.82	Square Foot	8/21/16
	27.65(c)	Standard and Ornamental Street Lighting	\$26.74	\$27.16	Linear Foot	8/21/16
	27.65(c)	Standard PCC Curb and Gutter	\$31.13	\$31.62	Linear Foot	8/21/16
	27.65(c)	Standard PCC Driveway Approach	\$10.61	\$10.78	Square Foot	8/21/16
	27.65(c)	Standard PCC Sidewalk	\$9.67	\$9.82	Square Foot	8/21/16
	27.65(c)	Street Trees (15-gallon)	\$11.90	\$12.09	Linear Foot	8/21/16

¹ Name change.

² Based on number of plan check and inspections related to particular construction items. See itemized table in Excavation Permit application. Some permits may be assessed on a full cost-recovery basis (e.g., fiber optic).

³ Increase annually by the June 30 CPI of the prior fiscal year.

⁴ Increase annually by the December 2015 Engineering New Record (ENR) construction index of 1.57 percent.

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		<u>ENTERPRISE FUNDS</u>				
		Existing Facilities Connection: ¹				
	35.41	Sanitary Sewer	\$83.61	Eliminate		4/22/14
	28.51, 35.42	Sanitary Sewer	\$334.80	Eliminate		4/22/14
	28.51.a, 35.41	Water Main	\$96.33	Eliminate		4/22/14
	35.28	Hydrant Meter Construction Water Consumption	\$12.42	\$15.30	ccf/month	7/1/16
		Labor Rates:				
		Frontline				
		Regular	\$76.00	\$79.00	Hour	7/1/16
		Overtime	\$112.00	\$116.00	Hour	7/1/16
		Manager				
		Regular	\$116.00	\$121.00	Hour	7/1/16
		Supervisor				
		Regular	\$95.00	\$99.00	Hour	7/1/16
		Overtime	\$143.00	\$149.00	Hour	7/1/16
		<u>UTILITY SERVICES</u>				
		<u>Trash Disposal and Recycling Service:</u>				
		Cart Service (Compost):				
		64-gallon only, Commercial only	75% of Trash Service	75% of Trash Service		
	16	1 Time/Week	\$39.90	\$43.95	Container/Month	7/1/16
	16	2 Times/Week	\$87.65	\$96.45	Container/Month	7/1/16
	16	3 Times/Week	\$135.00	\$148.50	Container/Month	7/1/16
	16	4 Times/Week	\$183.15	\$201.50	Container/Month	7/1/16
	16	5 Times/Week	\$230.95	\$254.05	Container/Month	7/1/16
		Special Extra Service	\$26.45	\$29.10	Pickup	7/1/16
		96-gallon only, Commercial only	75% of Trash Service	75% of Trash Service		
	16	1 Time/Week	\$59.85	\$65.95	Container/Month	7/1/16
	16	2 Times/Week	\$131.50	\$144.65	Container/Month	7/1/16
	16	3 Times/Week	\$202.50	\$222.75	Container/Month	7/1/16
	16	4 Times/Week	\$274.80	\$302.30	Container/Month	7/1/16
	16	5 Times/Week	\$346.80	\$381.50	Container/Month	7/1/16
	16	Extra Pickup	\$39.65	\$43.65	Pickup	7/1/16

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		Cart Service (Trash):				
	16	20-Gallon (residential only)	\$18.20	\$20.05	Container/Month	7/1/16
	16	32-Gallon	\$26.60	\$29.30	Container/Month	7/1/16
	16	64-Gallon	\$53.20	\$58.60	Container/Month	7/1/16
	16	96-Gallon	\$79.80	\$87.90	Container/Month	7/1/16
	16	Excess Garbage Tag	\$5.00	\$6.00	Tag	7/1/16
	16	Excess Trash	\$5.00	\$6.00	Per each 32-gallon, charged in 32-gallon increments	7/1/16
	16	Extra Collection Services: Extra Collection-Yard Trimmings or Recycling Cart (nonservice day)	\$11.00	\$12.00	Pickup	7/1/16
	35.33	Wastewater Service: Base Commercial	\$3.77/unit (748 gallons) or fraction thereof of water consumed (\$26.39 min.)	\$4.49/unit (748 gallons) or fraction thereof of water consumed (\$31.43 min.)	Quantity	7/1/16
	35.33	Commercial/Industrial, Chemical, Groundwater, Liquid Waste	\$6.41/unit (1.7 x base) (748 gallons) or fraction thereof of water consumed (\$44.87 min.)	\$7.64/unit (1.7 x base) (748 gallons) or fraction thereof of water consumed (\$53.48 min.)	Quantity	7/1/16
	35.33	Restaurant	\$7.36/unit (1.95 x base) (748 gallons) or fraction thereof of water consumed (\$51.52 min.)	\$8.76/unit (1.95 x base) (748 gallons) or fraction thereof of water consumed (\$61.32 min.)	Quantity	7/1/16
	35.33	Single-Family Residence, Duplex, Multiple Dwellings, Mobile Homes, and Trailer Courts	\$28.80	\$34.30	Dwelling Unit/Month	7/1/16

FEE SCHEDULE – UTILITY SERVICES

Exhibit J

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
		Water Service:				
		Backflow Prevention Devices (Commercial, Industrial)				
	35.27	5/8" to 1" meter	\$26.85	\$29.55	Monthly	7/1/16
	35.27	1.5" to 2" meter	\$41.00	\$45.10	Monthly	7/1/16
	35.27	3" meter	\$48.20	\$53.05	Monthly	7/1/16
	35.27	4" meter	\$57.00	\$62.70	Monthly	7/1/16
	35.27	6" meter	\$69.15	\$76.10	Monthly	7/1/16
	35.27	8" to 10" meter	\$85.05	\$93.60	Monthly	7/1/16
		Backflow Prevention – Outside City Limits				
	35.27	5/8" to 1" meter	\$33.60	Eliminate		Feb 2016
	35.27	1.5" to 2" meter	\$51.25	Eliminate		Feb 2016
	35.27	3" meter	\$60.25	Eliminate		Feb 2016
	35.27	4" meter	\$71.25	Eliminate		Feb 2016
	35.27	6" meter	\$86.45	Eliminate		Feb 2016
	35.27	8" to 10" meter	\$106.35	Eliminate		Feb 2016
		Consumption:				
	35.26(a)	Commercial/Nonresidential – Uniform	\$5.77	\$6.35	ccf/month	7/1/16
	35.26	Recycled Water	\$2.89	\$2.98	ccf/month	7/1/16
		Residential – Multi-Family				
	35.26(a)	0 to 2 ccf	\$4.33	\$4.76	ccf/month/ dwelling	7/1/16
	35.26(a)	>2 to 7 ccf	\$5.77	\$6.35	ccf/month/ dwelling	7/1/16
	35.26(a)	>7 ccf	\$9.23	\$10.16	ccf/month/ dwelling	7/1/16
		Residential – Single-Family				
	35.26(a)	0 to 3 ccf	\$4.33	\$4.76	ccf/month	7/1/16
	35.26(a)	>3 to 15 ccf	\$5.77	\$6.35	ccf/month	7/1/16
	35.26(a)	>15 ccf	\$9.23	\$10.16	ccf/month	7/1/16
		Consumption-Outside City Limits				
	35.27	Commercial/All Other Uniform	\$7.21	Eliminate		7/1/16
	35.27	Residential				
	35.27	0 to 3 ccf	\$5.41	Eliminate		7/1/16
	35.27	>3 to 15 ccf	\$7.21	Eliminate		7/1/16
	35.27	>15 ccf	\$11.54	Eliminate		7/1/16

FEE SCHEDULE – UTILITY SERVICES

State Code § (if any)	MVCC §§/CP/ Other	Title of Fee	Fiscal Year 2015-16 Adopted Fee	Fiscal Year 2016-17 Recommended	Fee Basis	Effective Date
	35.26(a)	Fire Service: Consumption – Uniform	\$5.77	\$6.35	ccf/month	7/1/16
	35.26(a)	Meter	\$10.79/inch diameter (\$43.16 minimum)	\$11.87/inch diameter (\$47.48 minimum)	Monthly	7/1/16
		Meter:				
		Residential – Single-Family	\$12.70	\$14.00	Monthly	7/1/16
		Residential – Multi-Family/ Commercial/ Recycled Water/All Other:				
	35.26(a)	5/8" and 3/4" meters	\$12.70	\$14.00	Monthly	7/1/16
	35.26(a)	1" meter	\$25.40	\$28.00	Monthly	7/1/16
	35.26(a)	1.5" meter	\$50.80	\$56.00	Monthly	7/1/16
	35.26(a)	2" meter	\$81.30	\$89.60	Monthly	7/1/16
	35.26(a)	3" meter	\$152.40	\$168.00	Monthly	7/1/16
	35.26(a)	4" meter	\$254.00	\$280.00	Monthly	7/1/16
	35.26(a)	6" meter	\$508.00	\$560.00	Monthly	7/1/16
	35.26(a)	8" meter	\$812.80	\$896.00	Monthly	7/1/16
	35.26(a)	10" meter	\$1,219.20	\$1,344.00	Monthly	7/1/16
		Meter – Outside City Limits				
	35.27	5/8" and 3/4" meters	\$15.90	Eliminate		Feb 2016
	35.27	1" meter	\$31.75	Eliminate		Feb 2016
	35.27	1.5" meter	\$63.50	Eliminate		Feb 2016
	35.27	2" meter	\$101.65	Eliminate		Feb 2016
	35.27	3" meter	\$190.50	Eliminate		Feb 2016
	35.27	4" meter	\$317.50	Eliminate		Feb 2016
	35.27	6" meter	\$635.00	Eliminate		Feb 2016
	35.27	8" meter	\$1,016.00	Eliminate		Feb 2016
	35.27	10" meter	\$1,524.00	Eliminate		Feb 2016

¹ Code sections authorizing these fees were eliminated with amendment of Chapters 28 and 35, effective 4/22/14.

Bold items are subject to a Proposition 218 hearing.

FISCAL YEAR 2016-17
 RECOMMENDED NON-DISCRETIONARY ON-GOING CHANGES
GENERAL OPERATING FUND

CITY-WIDE

City Utility Costs: \$ 200,000

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

City-Wide Total **\$ 200,000**

CITY MANAGER'S OFFICE

Contract Services for Civica, KMVT, and Environmental Services: \$ 33,700

Provides increased funding for professional contract services to assist the City with environmental issues, Civica training and website programming, and the renewal and disengagement of PEG (Public, Education and Government) funding to pay for KMVT Community Television agreement.

Pre-Employment Physicals: \$ 5,000

Provides increased funding for pre-employment medical services associated with the increase in the number of applicants.

PERS Replacement Benefits: \$ 4,000

Provides increased funding for certain retiree payments due to the change in the processing of PERS replacement benefits.

City Manager's Office Total **\$ 42,700**

INFORMATION TECHNOLOGY DEPARTMENT

SQL Server Software Assurance Contract: \$ 6,400

Provides funding to purchase Microsoft software assurance contracts for SQL Server Licenses.

Information Technology Department Total **\$ 6,400**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Project Sentinel: \$ 10,000

Provides increased ongoing funding for a total of \$25,000 for Project Sentinel. At the direction of the City Council this program is no longer funded through the CDBG/Non-profit agency funding process. The current fiscal year included \$10,000 limited-period funding. This is for baseline services, not the new rental dispute process.

FISCAL YEAR 2016-17
RECOMMENDED NON-DISCRETIONARY ON-GOING CHANGES

GENERAL OPERATING FUND
(Continued)

Audit Services: \$ 5,000

Provides increased funding for external auditing services. The cost of the City's external auditors' services have increased gradually over time. The City issued a request for proposal for auditing services and the new fees are slightly higher than the City's previous auditors' fees.

PERS Replacement Benefit: \$ 3,500

Provides increased funding for certain retiree payments due to the change in the processing of PERS replacement benefits.

Finance and Administrative Services Department Total **\$ 18,500**

PUBLIC WORKS DEPARTMENT

PG&E Cost Increase: \$ 100,000

Provides increased funding for PG&E's annual rate increase. The total PG&E cost increase citywide is \$143,000.

Janitorial Cost Increases for City Facilities: \$ 15,000

Provides additional funding for contractual increases to janitorial services.

PERS Replacement Benefit: \$ 4,600

Provides increased funding for certain retiree payments due to the change in the processing of PERS replacement benefits.

Public Works Department Total **\$ 119,600**

COMMUNITY SERVICES DEPARTMENT

Ticket Services - Fee Coverage: \$ 17,900 (offset by \$25,000 in fees;)

Provides funding to cover a per ticket fee assessed on all ticket sales by the new ticket software vendor, ShoWare. Funding is also needed to cover the cost of gateway fees assessed on each transaction. In addition, \$7,100 has been transferred from the Information Technology Department for costs associated with the previous system.

Maintenance Contract Increases: \$ 4,200

Provides CPI increased funding for various maintenance contract increases.

Turf Management and Maintenance: \$ 3,000

Provides increased funding to maintain mowers and turf equipment at safe and efficient levels.

FISCAL YEAR 2016-17
RECOMMENDED **NON-DISCRETIONARY** ON-GOING CHANGES

GENERAL OPERATING FUND
(Continued)

Ticket, Technical and Marketing Services: \$ 2,400

Provides CPI increased funding for ticket, technical, and marketing services.

Materials and Supplies for Ongoing Park Maintenance: \$ 1,300

Provides increased funding to purchase operating supplies for ongoing park maintenance.

Community Services Department Total	\$ 28,800
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Total Non-Discretionary On-Going	<u>\$ 416,000</u>
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FISCAL YEAR 2016-17
RECOMMENDED NON-DISCRETIONARY ON-GOING CHANGES

OTHER FUNDS

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Water Fund

Utility On-line Payment Processing: \$ 15,000

Provides increased funding for credit card payment processing costs associated with an increase in usage of on-line Utility Services payments.

Workers' Compensation Fund

Worker's Compensation Excess Insurance: \$ 83,000

Provides increased funding for workers' compensation excess insurance. The increased cost is related to increased overtime, payroll as well as loss experience.

Finance and Administrative Services Department Total **\$ 98,000**

COMMUNITY DEVELOPMENT DEPARTMENT

Downtown Benefit Assessments Districts Fund

PG&E Cost Increase: \$ 10,000

Provides increased funding for PG&E's annual rate increase for the parking structures and lots. The total PG&E cost increase citywide is \$143,000.

Community Development Department Total **\$ 10,000**

PUBLIC WORKS DEPARTMENT

Shoreline Community Fund

PG&E Cost Increase: \$ 6,000

Provides increased funding for PG&E's annual rate increase for the Shoreline Lake. The total PG&E cost increase citywide is \$143,000.

Water Fund

Bay Area Water Supply and Conservation Agency (BAWSCA) Dues: \$ 9,800

Provides funding for the increase in dues to the City's membership in BAWSCA, which represents the interest of 25 agencies and 2 private water companies that purchase wholesale water from the San Francisco regional (Hetch Hetchy) water system operated by the SFPUC.

Solid Waste Fund

Commercial Composting Processing: \$ 50,000

Provides increased funding for the City's Commercial Composting Processing Program. Additional funds are needed to cover the increase in cost due to a 2.85 percent CPI and the continuing expansion of the program.

FISCAL YEAR 2016-17
RECOMMENDED NON-DISCRETIONARY ON-GOING CHANGES

OTHER FUNDS
(Continued)

Public Works Department Total	\$ 65,800
COMMUNITY SERVICES DEPARTMENT	

Shoreline Community Fund

PG&E Cost Increase: \$ 27,000

Provides increased funding for PG&E's annual rate increase and the addition of the Shoreline Athletic Fields. The total PG&E cost increase citywide is \$143,000.

Maintenance Contract Increases: \$ 1,600

Provides CPI increased funding for various maintenance contract increases.

Community Services Department Total	\$ 28,600
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FIRE DEPARTMENT

Wastewater Fund

SCVURPPP and NPDES Permit Fees: \$ 7,000

Provides increased funding for the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP) and National Pollutant Discharge Elimination System (NPDES) permit fees due to increases in trash control, green infrastructure, and Pollutant of Concern (PCB and mercury) requirements that will take effect during the first year of the re-issued permit.

Fire Department Total	\$ 7,000
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Total Non-Discretionary On-Going	<u>\$ 209,400</u>
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FISCAL YEAR 2016-17
RECOMMENDED **DISCRETIONARY ON-GOING CHANGES**
GENERAL OPERATING FUND

CITY COUNCIL

The Council Procedures Committee (CPC) met on February 23, 2016 to discuss the Council's Budget in accordance with Council Policy A-2. Costs associated with Training, Conference, and Travel (TCT) have increased. The CPC recommends the following:

Training, Conference, and Travel: \$ 3,500

The CPC recommends the training, conference, and travel budgets be increased by \$500 for each Councilmember.

City Council Total **\$ 3,500**

CITY ATTORNEY'S OFFICE

Core Logic/MetroScan Annual License Fee: \$ 1,200

Provides increased funding for the MetroScan software annual licensing fee. The software is used to obtain essential information regarding property owners.

City Attorney's Office Total **\$ 1,200**

CITY MANAGER'S OFFICE

Communications Coordinator Position (0.50): \$ 92,700

Converts a limited-term 0.50 FTE Communications Coordinator position to ongoing to support the current and projected workload for the City's Community Information Program.

Minimum Wage Contract: \$ 10,000

Provides funding for contract services with the San Jose Office of Equality Assurance to enforce the City's minimum wage ordinance.

Mountain View Employees' Association (MVEA): \$ 1,000

Provides increased funding to the MVEA to continue the Holiday Luncheon for employees. Costs have increased and the increase is requested to maintain the same level of quality.

CalOpps Annual Fee: \$ 500

Provides increased funding for the CalOpps annual fee. CalOpps is used to advertise for the City's open recruitments.

City Manager's Office Total **\$ 104,200**

FISCAL YEAR 2016-17
RECOMMENDED **DISCRETIONARY ON-GOING CHANGES**

GENERAL OPERATING FUND
(Continued)

INFORMATION TECHNOLOGY DEPARTMENT

IT Analyst I/II - Application Support Position: \$ 169,600

Provides funding for an IT Analyst I/II position. This position will support an increase in technology initiatives, including managing of some technology systems in the Police Department and other departments.

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

Provides funding for contracting services to convert developer's plans to GIS data to maintain the City's GIS up-to-date.

Granicus Votecast System: \$ 15,000

Provides funding for subscription services for the new Granicus Votecast System.

Information Technology Department Total **\$ 234,600**

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Senior Financial Analyst Position: \$ 169,500

Provides funding for a Senior Financial Analyst position. This position will perform a variety of duties to support the increased demand for financial analysis of the department and city-wide.

On-line Payment Processing: \$ 99,000

Provides funding for payment processing costs to implement accepting payments on-line for business licenses, multi-family housing and miscellaneous accounts receivable.

Buyer Position (0.25): \$ 3,800 (\$37,800 offset by \$34,000 from a 0.50 FTE Vacant Copy Center Assistant Position)

Provides funding for 0.25 FTE of a Buyer position, adding to an existing 0.75 FTE position. This increase will provide additional Purchasing resources. Total cost of \$37,800 is offset by the net of the elimination of the 0.50 FTE vacant Copy Center Assistant position and added hourly Copy Center Assistant time.

2-1-1 Santa Clara County United Way Silicon Valley: \$ 2,500

Provides funding to support the 2-1-1 SCC United Way. 2-1-1 is a regional service to provide multi-lingual referrals for a wide range of community services.

Finance and Administrative Services Department Total **\$ 274,800**

FISCAL YEAR 2016-17
RECOMMENDED **DISCRETIONARY** ON-GOING CHANGES

GENERAL OPERATING FUND
(Continued)

COMMUNITY DEVELOPMENT DEPARTMENT

Rental Housing Dispute Resolution Program: \$ 110,000 (offset by \$110,000 in fees)
Provides funding for contracting services to administer the City's Rental Housing Dispute Resolution Program scheduled for the Second Reading on April 26.

Noticing for Housing Projects and Programs: \$ 3,000
Provides increased funding for noticing expenditures for affordable housing policies and the Council Neighborhoods Committee programs.

Community Development Department Total **\$ 113,000**

PUBLIC WORKS DEPARTMENT

Generator Maintenance: \$ 45,000
Provides increased funding for generator maintenance at multiple locations throughout the City. Generator maintenance requires a specialized skill and due to personnel changes and an increased number of generators, the department is unable to adequately perform this crucial function with existing resources. The total cost of \$91,000 is allocated between GOF, Water (\$25,000) and Wastewater (\$21,000) Funds.

Public Works Department Total **\$ 45,000**

COMMUNITY SERVICES DEPARTMENT

Park Maintenance Worker I/II Position - South Parks (0.25): \$ 29,200
Provides funding for a 0.25 FTE Park Maintenance Worker I/II position, adding to an existing 0.75 FTE position. The additional resource will help to address the increased workload from the addition of several City parks in recent years.

Park Maintenance Worker I/II Position - Roadway Crew (0.25): \$ 29,200
Provides funding for a 0.25 FTE Park Maintenance Worker I/II position, adding to an existing 0.75 FTE position. The additional resources will help to maintain the 121 acres of median landscaping and irrigation throughout the City. The Roadway Crew also assists the Permanente and Steven Creek Trails, and special City events (e.g., concerts and Thursday Night Live).

Afterschool Program Wage Increase: \$ 11,900
Provides increased funding to increase the hourly wage rate for the afterschool program staff. Beyond the Bell is a program in collaboration with the Mountain View Whisman School Board. The Board increased their hourly wages and as a result, the City is losing staff.

FISCAL YEAR 2016-17
RECOMMENDED **DISCRETIONARY** ON-GOING CHANGES
GENERAL OPERATING FUND
(Continued)

Recreation Activity Guide: \$ 10,500

Provides increased funding for the redesign and distribution of the Recreation Activity Guide. The guide has been redesigned into a magazine format and will be distributed separately. Previously the guide was distributed together with the City Manager's Office's publication. Therefore, \$17,000 has been transferred from the City Manager's budget to Community Services for the Recreation Activity Guide.

Aquatics Fitness Classes: \$ 10,000 (offset with \$14,500 in revenue)

Provides funding for contract services with a fitness instructor. The funding will allow for various aquatic classes to be offered year-round to adults and seniors.

Aquatics Operations: \$ 10,000

Provides increased funding for the maintenance of the Eagle and Rengstorff Pools. The increase in maintenance costs are primarily related to the increase in the cost of materials and chemicals.

Materials and Supplies for Pesticide Control: \$ 7,000

Provides increased funding for materials and supplies for pesticide control. Staff is transitioning to organic eco-friendly herbicides which reduce the environmental impact but are more costly than conventional herbicides.

Overtime Budget for Furlough and Urban Forest Programs: \$ 6,000

Provides increased funding of \$3,000 to the overtime budget for the Furlough Program and \$3,000 to the Urban Forest Program. Overtime is utilized when additional staff is needed for roadway lane closures or to cover absences. In addition, the recent drought has caused higher mortality rates for trees and has resulted in more after hours and weekend calls.

Senior Center Operations: \$ 6,000

Provides increased funding for janitorial supplies for the Senior Center to accommodate the increased usage of the facility.

Maintenance and Supplies for North Neighborhood Facilities and Rengstorff Park: \$ 5,000

Provides increased funding of \$3,000 to cover the costs of equipment and supplies needed to maintain the North Neighborhoods Parks and Facilities and \$2,000 for Rengstorff Park. Additional funds are needed due to the increase in cost of top soil, grass seed, compost, and to replace old equipment.

Materials and Supplies for Weekend Furlough Program: \$ 2,500

Provides increased funding for materials and supplies needed for the Weekend Furlough Program to maintain Central Expressway along with City owned parcels.

FISCAL YEAR 2016-17
RECOMMENDED **DISCRETIONARY** ON-GOING CHANGES

GENERAL OPERATING FUND
(Continued)

Aquatic Slide Inspection and Permit: \$ 2,400

Provides funding to ensure the water slide at the Rengstorff pool is in compliance with the California Department of Health and Safety Amusement Ride Division. Annual inspections are required to receive the permit to operate the slide.

Qualified Applicators Certificate (QAC) for Pesticides: \$ 1,500

Provides increased funding for six employees to obtain and renew annually a Qualified Applicators Certificate (QAC) for use of pesticides. The QAC is part of the Parks Maintenance Worker's job description and it is required for all Crew Leaders.

Community Services Department Total

\$ 131,200

LIBRARY SERVICES DEPARTMENT

Librarian I/II Position (0.25): \$ 40,400

Provides increased funding for 0.25 FTE of a Librarian I/II position, adding to an existing 0.75 FTE position. The increase in additional staff will support the increased demand for children's programs.

Library Materials: \$ 40,000

Provides increased funding for books and Library materials loaned to the public. The preliminary data indicated that Mountain View is approximately 15.0 percent below certain benchmark libraries.

Reclassification of two Librarian I/II Positions to Librarian III: \$ 20,500

Provides funding for the reclassification of two Librarian I/II positions based on a higher level of duties performed.

Wages for Sunday Hours: \$ 11,800

Provides increased funding for staff to operate on Sundays during a holiday weekend (five Sundays in Fiscal Year 2016-17). About eight years ago the City eliminated Library hours on the Sunday prior to a holiday, this funding would reestablish the hours for those Sundays.

Cartridges and Paper for Poster Printer: \$ 1,600

Provides increased funding for cartridges and paper for the Poster Printer. Support supplies were not previously budgeted because the printer was purchased with a donation from the Friends of the Library.

FISCAL YEAR 2016-17
RECOMMENDED **DISCRETIONARY ON-GOING CHANGES**
GENERAL OPERATING FUND
(Continued)

Conversion of 0.50 FTE Library Assistant III Position to Hours: No Cost
Converts a 0.50 FTE Library Assistant III position to hours to provide additional resources of staff time.

Library Services Department Total **\$ 114,300**

FIRE DEPARTMENT

Firefighter Clothing Laundering Services: \$ 10,000
Provides increased funding for laundering/decontaminating Firefighter's Personal Protective Equipment. These funds will be used to hire an outside vendor to clean, decontaminate, inspect, maintain, and document the condition of the clothing.

Medical Oxygen Charges: \$ 6,000
Provides increased funding for monthly medical oxygen service charges. Medical oxygen is provided on EMS calls when warranted. The budget for this item has not been increased in the last ten years and the cost has significantly increased.

Cellular Data Monthly Services: \$ 5,500
Provides increased funding for monthly cellular data service charges. Additional programs requiring cellular data service have been added to the department.

Emergency Medical Supplies: \$ 3,500
Provides increased funding for emergency medical supplies that are outside of the agreement with Rural Metro.

Fire Department Total **\$ 25,000**

POLICE DEPARTMENT

Wireless Data/South Bay Information Sharing System (SBISSS)/CopLink: \$ 71,800
Provides increased funding for services related to the regional crime information system and wireless data services for Police and Fire Department users. The Santa Clara County Office of the Sherriff is passing the cost of supporting the regional "Coplink" information sharing system to the constituent agencies that use the system.

Office Assistant III (0.50) Position: \$ 58,600
Provides funding for a 0.50 FTE Office Assistant III Position. The position will provide needed clerical support that is currently being performed by the Senior Administrative Analyst.

FISCAL YEAR 2016-17
RECOMMENDED **DISCRETIONARY ON-GOING CHANGES**

GENERAL OPERATING FUND
(Continued)

Officer Worn Camera Data Storage System: \$ 19,000

Provides funding for Officer Worn Camera Data Storage System. All Field Operations Division uniform personnel utilize the Officer Worn Cameras and the program will possibly expand to include Detectives and Reserve Police Officers. Funds are needed for the required increase in storage capacity.

Unmarked Vehicle Leases: \$ 14,400

Provides increased funding for two additional unmarked leased vehicles. Two officer positions will be reassigned to the Investigative Service Division, requiring two additional vehicles.

Police Department Total	\$ 163,800

Total Discretionary On-Going	<u>\$ 1,210,600</u>
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FISCAL YEAR 2016-17
RECOMMENDED **DISCRETIONARY** ON-GOING CHANGES

OTHER FUNDS

CITY-WIDE

Solid Waste Fund**On-line Payment Processing:** \$ 57,000

Provides funding for credit card payment processing costs to implement accepting payments on-line for business licenses, multi-family housing and miscellaneous accounts receivable.

City-Wide Total**\$ 57,000**

COMMUNITY DEVELOPMENT DEPARTMENT

Development Services Fund**Office Assistant I/II Position:** \$ 100,800

Provides funding for an Office Assistant I/II position. This position will help to alleviate the increase in workload and provide essential clerical functions to the department.

Community Development Department Total**\$ 100,800**

PUBLIC WORKS DEPARTMENT

Water Fund**Generator Maintenance:** \$ 25,000

Provides increased funding for generator maintenance as mentioned in the General Operating Fund section above.

Wastewater Fund**Generator Maintenance:** \$ 21,000

Provides increased funding for generator maintenance as mentioned in the General Operating Fund section above.

Solid Waste Fund**The Resource Newsletter:** \$ 20,000

Provides funding for the printing, design, and mailing of The Resource Newsletter. The newsletter was previously packaged with The View and Recreation Guide. It is recommended all three products be produced and mailed separately.

Public Works Department Total**\$ 66,000**

FISCAL YEAR 2016-17
RECOMMENDED **DISCRETIONARY** ON-GOING CHANGES

OTHER FUNDS
(Continued)

COMMUNITY SERVICES DEPARTMENT

Shoreline Golf Links

Personnel Costs: \$ 34,300

Provides increased funding for Touchstone Personnel Costs.

Net Miscellaneous: \$ (53,100)

Provides savings from reductions in Utilities (\$29,300), Materials and Supplies (\$19,200), and other net Maintenance and Operations (\$4,600).

Shoreline Community

Park Rangers Contract: \$ 25,000

Provides increased funding for the California Land Management's (CLM) Ranger and park janitorial services. The City will be going out to bid for Ranger services during Fiscal Year 2016-17 and cost are anticipated to increase by approximately \$25,000.

Shoreline Athletic Field Maintenance: \$ 12,000

Provides funding for the maintenance and operating costs of the new Shoreline Athletic Fields.

Community Services Department Total

\$ 18,200

FIRE DEPARTMENT

Wastewater Fund

Hazardous Materials Electronic Portal: \$ 8,200 (offset with \$4,000 in County reimbursements)

Provides funding for the annual maintenance and license fee for the Hazardous Materials Electronic Portal. Assembly Bill 2286 requires local governments and businesses to electronically report hazardous materials business plan information to the State. The City along with other neighboring agencies, have collaborated over the past two years with the Santa Clara County Department of Environmental Health to develop a web based portal. The funds requested will pay for the annual maintenance and license fee, which will be offset with a reimbursement from the County.

Fire Department Total

\$ 8,200

Total Discretionary On-Going

\$ 250,200

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES

GENERAL FUND
(Funded From Fiscal Year 2015-16 Carryover)

CITY COUNCIL

Newly Elected Council Per-Term Allowance: \$ 15,200

Provides funding per Council Policy A-2, whereby each Councilmember is to receive an allowance of \$3,800 per term for specialized office equipment necessary to allow Councilmembers to perform their official duties and communicate with the public and staff.

Council Team Building: \$ 5,000

Provides funding for Council team building. With the 2016 election and new members joining the Council, the CPC recommends additional funding for a Council team building for 2017, as was done in early 2015.

City Council Total **\$ 20,200**

CITY CLERK'S OFFICE

November 2016 Election: \$ 110,000

Provides funding for the November 8, 2016 General Municipal Election, including four Council seats, the nomination process, candidate statements and ballot title reviews.

Records Retention Schedule: \$ 3,000

Provides funding to update the Records Retention Schedule, including the review and update of the Government Code Citations related to document retention levels and preparation of a revised document for Council approval.

City Clerk's Office Total **\$ 113,000**

CITY ATTORNEY'S OFFICE

Legal Services: \$ 75,000

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

City Attorney's Office Total **\$ 75,000**

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
(Continued)

CITY MANAGER'S OFFICE

Human Resources Analyst I/II Position: \$ 147,000

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

ICMA Fellow: \$ 135,700

Provides funding for a management Fellow position. The objective of this position is to provide an increased level of analytical rigor and effectiveness for important City issues. The position will develop tools and training that promote high quality analysis and will provide direct analytical support in the development of critical department and citywide projects.

Employee Transportation Program: \$ 80,000

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

Labor Negotiations: \$ 60,000

Provides funding for a Labor Negotiations Attorney and other costs to assist with contract negotiations and strategies. All four represented employee groups' current agreements will expire June 30, 2017 and therefore will be bargaining in Fiscal Year 2016-17.

Workplace Investigations: \$ 15,000

Provides funding for the assistance of external investigators. Workplace investigations are unpredictable and Human Resources seeks assistance from an external investigator when the workload prevents them from conducting the investigation internally.

Multilingual Outreach Program: \$ 6,000

Provides increased funding for staff time and supplies to accommodate the increase in demand for translation, interpretation, outreach, and referral assistance.

Telecommunications Attorney: \$ 5,000

Provides funding for outside legal counsel to assist with the statewide cable franchise agreements.

Citizen Leadership Academy: \$ 4,000

Provides funding for staff time and supplies to develop and implement a Spanish-language Citizen Leadership Academy. The intent of the academy is to improve residents' understanding of government and City services, increase civic engagement, leadership, and volunteerism in the City.

City Manager's Office Total**\$ 452,700**

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
(Continued)

INFORMATION TECHNOLOGY DEPARTMENT

Secretary Position (0.50): \$ 66,800

Provides funding for a half-time Secretary position to provide administrative support to the IT Department. Currently, IT and the Purchasing Division in the Finance and Administrative Services Department share a Secretary position. This position will assume administrative functions from other IT Analyst staff that currently is not accommodated by the shared Secretary position.

SQL Server Licensing: \$ 22,400

Provides funding for additional SQL Server Licensing. The City has purchased six licenses but has forty licenses in production to support various applications.

Information Technology Department Total

\$ 89,200

FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

Senior Administrative Analyst Position: \$ 169,500

Provides continuation funding for a Senior Administrative Analyst position in the Purchasing Division. This position will assist with the monitoring of prevailing wage compliance, implementation of purchasing process improvements and workload.

Housing Trust Boomerang Funds: \$ 51,000

Provides funding for the 20.0 percent of the net ongoing Boomerang Funds (former Revitalization Authority funds that are new in the GOF). These funds are appropriated for low and moderate-income housing but are not designated for a specific project or program. Staff is seeking direction from Council on whether additional funds should be annually transferred to the Housing Fund in the future.

Safety Training Study: \$ 40,000

Provides funding to perform a City-wide Safety Training Study. The study would provide for information on best practices, review resources available and recommend a safety program appropriate for the City.

Transient Occupancy Tax Compliance Audit: \$ 35,000

Provides funding for an audit of the City's hotels and motels to ensure compliance with the City's Transient Occupancy Tax ordinance.

Customer Service Representative (Hourly): \$ 30,000

Provides funding for an hourly position to assist with the coverage at the front counter. The hourly help will provide coverage for the regular Customer Service Representative position during the morning break and lunch hour in order to minimize disruption to other staff and the public.

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
(Continued)

Purchase Card Transaction Review: \$ 20,000

Provides funding for an outside consultant to review departments' compliance with purchasing card policies.

Finance and Administrative Services Department Total **\$ 345,500**

COMMUNITY DEVELOPMENT DEPARTMENT

Environmental Sustainability Analyst (Hourly): \$ 40,000

Provides funding for assistance with the implementation of the City's Climate Protection Roadmap (CPR), the Municipal Operations Climate Action Plan (MOCAP), Environmental Sustainability Action Plan, as well as assistance with on-going projects and grant opportunities.

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

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

2015 Greenhouse Gas (GHG) Inventory: \$ 35,000

Provides funding of \$20,000 for consultant services to conduct the 2015 municipal operations and \$15,000 for community-wide GHG inventory in order to report on the GHG reduction targets.

Community Development Department Total **\$ 115,000**

PUBLIC WORKS DEPARTMENT

Associate Civil Engineer-Traffic Position (0.45): \$ 78,300

Provides funding for an Associate Civil Engineer position (the other 0.55 FTE is funded from the Development Services and the Shoreline Community Funds). The position will support the increased workload in the Traffic Engineering Section due to high levels of development activity, inquiries from the Ask Mountain View system, and an increased emphasis on improving the pedestrian and bicycle environment in the City.

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

Provides funding for a pilot program to hire two hourly seasonal workers to perform sidewalk ramping and grinding operations. These additional resources will allow the Streets Division to complete an additional 1,000 locations and dedicate more resources to maintain the City's Pavement Condition Index.

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
(Continued)

Program Assistant - Engineering Position (0.25): \$ 30,500

Provides funding for a 0.50 FTE Program Assistant position (the other 0.25 FTE is funded from the Development Services Fund). The position will support the Engineering Division with organization of paper and electronic files, plans and specifications, AutoCAD files, reports and other work products from Capital Improvements Projects and Land Development projects, and report on various program activities.

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

Provides funding for hourly staff to support the Capital Projects Section. The increase in workload is mainly attributable to the high level of development activity and the existing approved Capital Improvement Program.

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

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

Associate Civil Engineer-Capital Projects Position (1.00): \$ 18,300 (\$156,600 offset by charges to CIPs)

Provides funding for an Associate Civil Engineer position and \$900 for office equipment. The position will provide project management and design services for small and large capital projects.

Assistant Civil Engineer-Capital Projects Position (1.00): \$ 16,900 (\$152,600 offset by charges to CIPs)

Provides continuation funding for an Assistant Civil Engineer position. The position will support the increased workload in development and the existing approved Capital Improvement Program.

Assistant Civil Engineer-Land Development Position (0.05): \$ 8,500

Provides continuation funding for an Assistant Civil Engineer position (the other 0.95 FTE is funded from the Development Services, Shoreline Community, Water, Wastewater, and Solid Waste Funds). The position will support the increase in workload mainly attributable to the high level of development activity.

Public Works Department Total

\$ 258,500

COMMUNITY SERVICES DEPARTMENT

Marketing and Public Relations Manager Position (0.50): \$ 71,000

Provides increased funding for 0.50 FTE of a Marketing and Public Relations Manager position to add to an existing half-time position. The additional resources will help to maximize ticket sales and revenue at the Center for the Performing Arts.

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
(Continued)

Homeless Encampment Cleanups: \$ 20,000

Provides funding to establish a contract with an organization to manage cleanups of homeless encampments within the City. Homeless encampments have increased significantly and the City workcrews and work furlough participants are not trained to manage the potentially dangerous situations these cleanups require. In addition, the cleanup of encampments has resulted in time taken away from performing their regular assignments.

Milk Room/Goat Barn Remodel: \$ 18,400

Provides funding for the materials to remodel Deer Hollow Farm's Milk Room and attached Goat Barn. The demolition and installation will be completed by the Midpeninsula Regional Open Space District maintenance staff.

Maintenance and Supplies for Roadway Landscaping: \$ 10,000

Provides increased funding for the maintenance and supplies for Roadway Landscaping, specifically in the Downtown area. Approximately 1,000 light strands are now kept up year-round and they require ongoing replacement due to vandalisms and wear and tear.

Tennis Equipment and Maintenance: \$ 5,000

Provides increased funding to maintain the equipment at the City's 35 tennis courts. Additional funding is needed to keep the equipment at the courts in proper working condition.

Senior Center Ten Year Anniversary: \$ 3,000 (offset by \$1,500 in sponsorship revenue)

Provides funding for the 10 year anniversary celebration of the Senior Center's inauguration.

Community Services Department Total**\$ 127,400**

LIBRARY SERVICES DEPARTMENT

eBooks: \$ 10,000

Provides funding to expand the Library's eBook collection. eBooks typically cost two to five times more than print format.

Library Services Department Total**\$ 10,000**

FIRE DEPARTMENT

Overtime Training: \$ 100,000

Provides increased funding for overtime related to attending training or completing required certified courses.

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
(Continued)

Training and Education: \$ 30,000

Provides increased funding for Training and Education. Additional funds are needed to meet the changes in state and national training standards. There is also a significant number of expected retirements and promotions over the next couple of years that will increase the demand for education and other specialized training.

Multi-Purpose Devices (MPD): \$ 8,700

Provides funding for the purchase of 11 MPDs. One for each engine and two each for the truck and rescue. The MPD is a NFPA compliant pulley, descent control device, and belay device built in to one. These devices will simplify the rigging of the main lien and also increase the safety of the belay line.

Fire Department Total**\$ 138,700**

POLICE DEPARTMENT

Public Safety Dispatch Overhire Position: \$ 169,300

Provides funding for a Public Safety Dispatch Overhire position. The position is requested due to anticipated vacancies and a lengthy selection and training process.

Two Police Officer Trainee Positions: \$ 155,700

Provides funding for two Police Officer Trainee positions at 50 percent funding. Police Officer Trainees provide flexibility for current and anticipated vacancies. There are currently two vacant Police Officer positions and four to seven additional vacancies anticipated in the next 12 months. Includes \$10,000 for hiring background, training and uniform costs.

Public Safety Network Design: \$ 60,000

Provides funding for third party consulting and technical services related to public safety computer network design, implementation of all-IP 9-1-1 and radio networks, and industry expertise with respect to federal information security policies and standards compliance.

Technology Training: \$ 20,000

Provides funding for formal training courses for Police staff responsible for the ongoing configuration, troubleshooting and management of the City's public safety systems.

Police Department Total**\$ 405,000****Total General Fund Limited-Period Expenditures****\$ 2,150,200**

FISCAL YEAR 2016-17
 RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
 (Continued)
OTHER FUNDS

CITY MANAGER'S OFFICE

Cable Television Fund**Cable TV Broadcasting Equipment:** \$ 42,500

Provides funding to purchase an HD Live TV unit for mobile broadcasts (including data services), update radio equipment, and two portable HD Digital Switchers. The total cost is \$85,000; half of the cost will be negotiated with KMVT as part of the contract renewal during Fiscal Year 2016-17.

City Manager's Office Total **\$ 42,500**

COMMUNITY DEVELOPMENT DEPARTMENT

Development Services Fund**Senior Planner Position:** \$ 166,000

Provides continuation funding for a Senior Planner position. The position will support the current high level of development activity.

Associate Planner Position: \$ 153,000

Provides continuation funding for an Associate Planner position. This position improves customer service at the counter and will support the current high level of development activity.

Web Enable Mountain View Permitting System (MVPS): \$ 110,000

Provides funding for the web enabling of the current building database. This will allow inspectors to log inspections on a smart phone or other mobile device while in the field and update the database as their day progresses. Other departments and divisions will also have access to information on existing building and fire permits, and plan checks.

SB 743 - Transit Oriented Infill Projects: \$ 50,000

Provides funding for consultant services to assist the City with developing thresholds of significance related to the implementation of CEQA's new vehicle miles travelled (VMT) standards. SB 743 requires CEQA analysis of transportation impacts to move from LOS (level of service) to VMT standards.

New Code Adoption Materials: \$ 17,000

Provides funding to purchase new sets of code books for staff and a set for the City Library. On a tri-annual basis, the State of California adopts a new series of codes that the Building Division is required to learn and apply during plan check and inspections. Additional funds are needed to purchase both the hardcopy and

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
(Continued)

electronic versions of the new code books. Electronic versions are needed to enable access via smart phones or other mobile devices.

Below Market Rate (BMR) Housing Fund

Rent Assistance Program: \$ 200,000

Provides funding for a rent increase gap assistance program to be administered by the Community Services Agency (CSA). On December 1, 2015, Council approved an appropriation of \$150,000 to fund this program for the current fiscal year. The City currently funds \$70,000 annually for a volunteer mediation program. The additional funding being requested will allow CSA to provide a higher level of service and assistance to Mountain View renters who are having difficulties due to high rent increases over the past few years.

Homeless Census Count: \$ 6,000

Provides funding for a County-wide homeless census count. Every other year the City contributes funds towards the homeless census count performed by the County.

Housing Impact Fund

Notice of Funding Availability (NOFA) Administration: \$ 40,000

Provides funding for a variety of tasks associated with affordable housing projects, including facilitators at neighborhood meetings, financial consultants for a budget analysis of NOFA proposals, and studies on unique site issues.

Downtown Benefit Assessments Districts Fund

Parking Technology Enhancements: \$ 75,000

Provides funding for the third phase of the Downtown Parking Technology Study. The funding will be used to expand the real-time wayfinding signs to parking lots and parking enforcement technology to assist with the Police Department's parking enforcement efforts.

Parking Coordinator Consultant: \$ 50,000

Provides funding for consultation services on parking programs and policies associated with the Parking District. The consultant will assist with designing and implementing programs that increase parking availability and convenience by managing the different parking user groups more efficiently. In addition, consultant support is needed for the possible expansion of the Parking District and changes to the Parking in-lieu Fee.

Community Development Department Total

\$ 867,000

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
(Continued)

PUBLIC WORKS DEPARTMENT

Development Services Fund

Consultants to Support Land Development Section: \$ 250,000

Provides funding for consultants to support the Land Development Section. Additional resources are needed to process the additional workload created by the high level of development activity.

Associate Civil Engineer-Construction Position: \$ 174,900

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

Assistant Civil Engineer-Construction Position: \$ 169,500

Provides continuation funding for an Assistant Civil Engineer position. The position will support the increased workload in the Construction Section due to the high level of private development activity.

Assistant Civil Engineer-Land Development Position (0.50): \$ 84,700

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

Associate Civil Engineer-Traffic Position (0.30): \$ 52,200

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

Consultants to Support Traffic Engineering Section: \$ 50,000

Provides continuation funding for consultants and hourly staff to support the Traffic Engineer Section. The increase in activity is mainly attributable to the approval of the three Precise Plans. The total cost of \$100,000 is shared between the Development Services and Shoreline Community Funds.

Program Assistant - Engineering Position (0.25): \$ 30,500

Provides funding for the allocation to the Development Services Fund for this 0.50 FTE position as mentioned in the General Fund section above.

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

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

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

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

FISCAL YEAR 2016-17
RECOMMENDED **LIMITED-PERIOD** EXPENDITURES
(Continued)

Shoreline Community Fund

Consultants/Hourly Staff to Support Traffic Engineering Section: \$ 50,000

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

Associate Civil Engineer-Traffic Position (0.25): \$ 43,500

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

Assistant Civil Engineer-Land Development Position (0.20): \$ 33,900

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

Water Fund

Assistant Civil Engineer-Utilities Position: \$ 169,500

Provides continuation funding for an Assistant Civil Engineer position. Additional staff resources are needed to comply with recycled water regulations and the increase in recycled water usage.

Assistant Civil Engineer-Land Development Position (0.10): \$ 17,000

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

Wastewater Fund

Assistant Civil Engineer-Land Development Position (0.10): \$ 17,000

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

Solid Waste Fund

Assistant Civil Engineer-Land Development Position (0.05): \$ 8,500

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

Public Works Department Total **\$ 1,211,200**

Total Other Funds Limited-Period Expenditures **\$ 2,120,700**

**FISCAL YEAR 2016-17
RECOMMENDED CAPITAL OUTLAY**

General Operating Fund

Information Technology Department:	<u>5,200</u>
Portable GPS Device (shared with Water Fund)	3,700
Computer (Tied to new IT Analyst I/II Position)	1,500
Finance and Administrative Services Department:	<u>27,600</u>
Mailing Processing System Machine (shared with Water Fund)	26,100
Computer (Tied to new Senior Financial Analyst Position)	1,500
Community Services Department:	<u>135,100</u>
Trash Cans for Downtown (68)	116,000
Treadmills for the Senior Center (3)	12,000
Trailer for Special Events	7,100
Library Services Department:	<u>14,800</u>
Technology Upgrade for Community Room	9,700
Technology Upgrade for Training Room	5,100
Fire Department:	<u>116,400</u>
Hand-line Nozzles (55)	60,000
SCBA Replacement (10% Grant Match)	33,900
Washer-Extractor for Personal Protective Equipment	12,000
Live Fire Training System	10,500
Police Department:	<u>106,100</u>
Fitness Center Equipment Improvements	37,600
Web RMS Evidence Integration Software and Licenses	28,000
Motorcycle Mobile Radar (6)	27,000
Radar Trailer (3)	12,000
Computer (Tied to new Office Assistant III Position)	1,500
General Operating Fund Total	\$ <u>405,200</u>

**FISCAL YEAR 2016-17
RECOMMENDED CAPITAL OUTLAY
(Continued)**

Other Funds

Information Technology Department:

<u>Water Fund:</u>	<u>\$ 1,300</u>
Portable GPS Device (shared with General Operating Fund)	1,300

Finance and Administrative Services Department:

<u>Water Fund:</u>	<u>18,900</u>
Mailing Processing System Machine (shared with General Operating Fund)	18,900

Community Development Department:

<u>Development Services Fund:</u>	<u>5,800</u>
HP Dual or 24' Monitors (23)	5,800

Public Works Department:

<u>General Non-Operating Fund:</u>	<u>3,000</u>
Computer (2) (Tied to two new limited-period Associate Civil Engineer Positions)	3,000

<u>Development Services Fund:</u>	<u>38,000</u>
Vehicle for Construction Engineer	35,000
Computer (2) (Tied to a new limited-period Associate Civil Engineer Position and a Program Assistant)	3,000

<u>Water Fund:</u>	<u>100,000</u>
Upgrade to Gate Valve Truck (\$30,000 in Equipment Replacement Fund)	100,000

Total Other Funds	<u>\$ 167,000</u>
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Total Capital Outlay	<u>\$ 572,200</u>
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**FISCAL YEAR 2016-17
RECOMMENDED EQUIPMENT REPLACEMENT**

COMPUTERS: \$ 1,199,800

40	Switches (Rebudget)	428,400
1	Software Licenses (Windows/Office, Rebudget)	250,400
151	Computers	249,500
8	Servers	68,000
5	UPS for Switches (Rebudget)	75,000
30	Printers	70,000
1	SAN Disk Head/Controller	30,000
2	Blades for Switches (Rebudget)	12,000
1	Plotter	12,000
3	Portable Projectors	4,500

COMPUTER AIDED DISPATCH/RECORDS MANAGEMENT SYSTEM: 217,000

31	Mobile Data Computers (Rebudget)	217,000
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COMMUNICATIONS CENTER: 230,000

5	Console Furniture	60,000
6	Bases (Rebudget)	56,000
5	Console PC	42,000
1	Antenna FD St 4 (Rebudget)	20,000
1	Voter/Comparators (Rebudget)	16,000
1	UPS (Rebudget)	15,000
2	Voting Receivers (Rebudget)	12,000
3	UPS Batteries	9,000

**FISCAL YEAR 2016-17
RECOMMENDED EQUIPMENT REPLACEMENT
(Continued)**

FLEET:	\$ <u>2,917,000</u>
1 PD Command Vehicle	500,000
2 Street Sweeper	400,000
7 Hybrid SUV	263,000
5 Patrol Cars and Upfitting	250,000
3 2-Ton Truck	228,000
1 Water Tanker	190,000
5 Van-SUV	162,000
4 Sedan/Wagon	156,000
1 Backhoe (Large)	135,000
4 Hybrid Sedans	120,000
1 3-Ton Truck	100,000
1 Utility Patch Truck	100,000
1 Safety SUV and Upfitting	65,000
1 ¾ Ton (Rebudget)	50,000
1 ¾ Ton 4WD	50,000
1 Chipper (Small)	38,000
1 Scooter	35,000
1 Sweeper (Medium)	30,000
5 Undesignated Equipment	25,000
1 Fuel Truck Upfitting (Rebudget Balance)	20,000
GOLF EQUIPMENT:	<u>57,000</u>
1 Mower - Rotary Rough	29,000
1 Tractor (2WD)	28,000
TOTAL EQUIPMENT REPLACEMENT	\$ <u>4,620,800</u>



CITY OF MOUNTAIN VIEW

MEMORANDUM

Public Works Department

DATE: April 26, 2016

TO: Daniel H. Rich, City Manager

FROM: Gregg A. Hosfeldt, Assistant Public Works Director
Michael A. Fuller, Public Works Director

SUBJECT: Water and Wastewater Cost Increases

INTRODUCTION

The purpose of this memorandum is to provide information regarding the City's increased costs for potable water and wastewater treatment services.

POTABLE WATER COSTS

The largest Water Fund expense, approximately 65.0 percent of the Operating Budget, is the cost of water purchased from the San Francisco Public Utilities Commission (SFPUC) and the Santa Clara Valley Water District (SCVWD).

SFPUC Wholesale Water

The City receives approximately 86.0 percent of its potable water supply from SFPUC's Hetch Hetchy system. The SFPUC has informed the City of a 9.3 percent rate increase for Fiscal Year 2016-17, due primarily to SFPUC's declining water sales. The SFPUC's hearing to approve the final rate is set for mid-May.

SFPUC Minimum Water Purchase Requirement

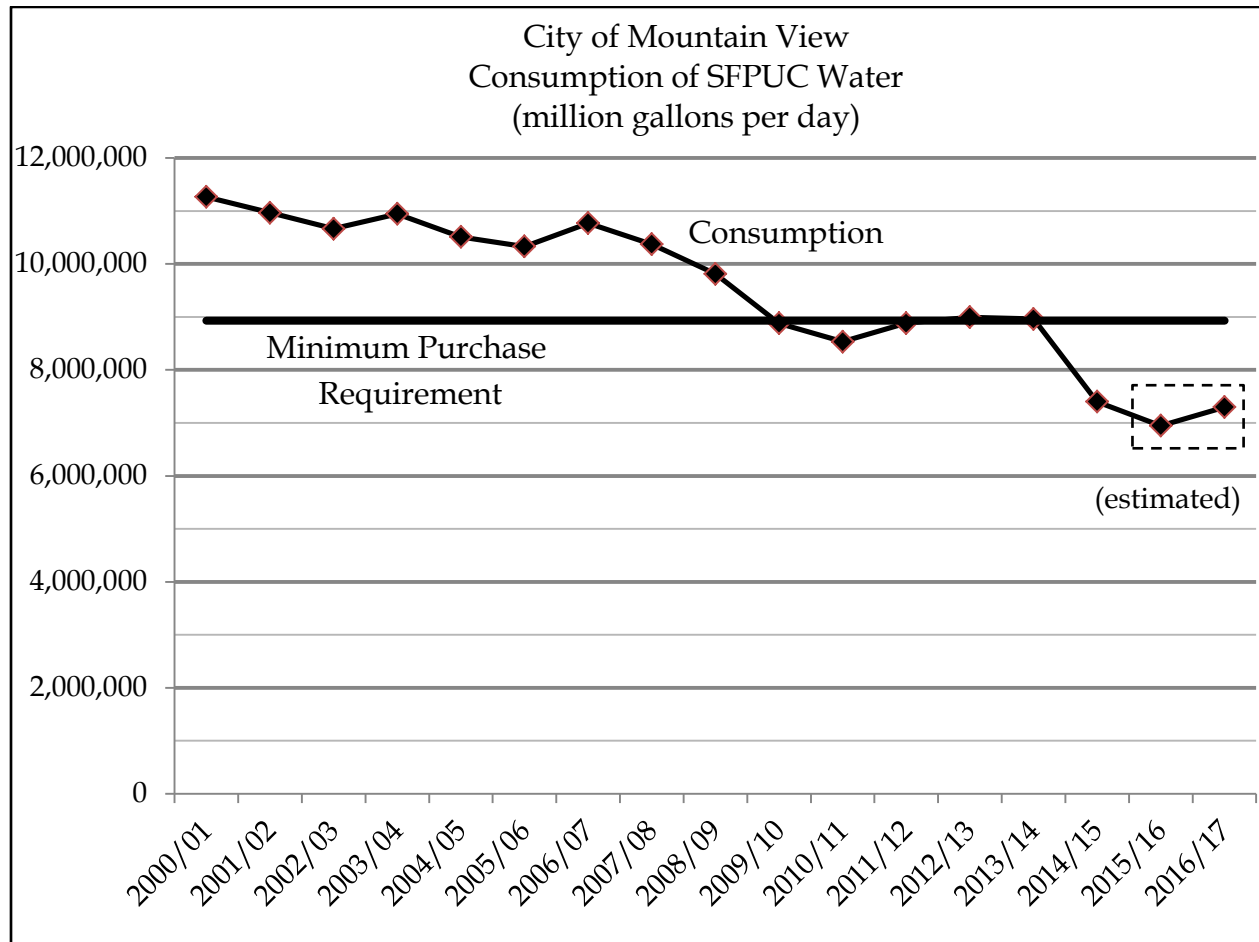
The City purchases potable water from the SFPUC through a water supply agreement (WSA) with the City and County of San Francisco. The WSA expires on June 30, 2034 and specifies the maximum water available to the City as well as the City's minimum required annual purchases in million gallons per day (MGD).

Maximum water supply available	13.46 MGD
Minimum purchase required	8.93 MGD

Of the 26 wholesale customers that purchase water from the SFPUC, only Mountain View, Sunnyvale, Milpitas, and the Alameda County Water District have contract minimum purchase requirements. These agencies have the ability to purchase water from other wholesalers (Mountain View also purchases potable water from the SCVWD), and the minimum purchase requirement was included to protect the SFPUC from revenue loss due to agencies shifting demand to less-costly alternative sources.

Water Purchase History

The City’s purchases of SFPUC water have decreased since Fiscal Year 2000-01 (Figure 1 below). The City did not meet the minimum purchase requirements in Fiscal Years 2009-10, 2010-11, and 2011-12 and was charged for unused water in Fiscal Years 2010-11 and 2011-12. The SFPUC chose not to charge the City in Fiscal Year 2009-10, presumably because of the relatively small percentage of underuse, but levied a charge the following year as water use continued to decline.



Due to the ongoing drought, the City's conservation programs, and water supplier and State mandates for water conservation, the City's consumption has decreased significantly since early 2014. In recognition of the need to conserve water, in 2014 the SFPUC temporarily waived the minimum purchase requirement as long as the City did not shift demand to other suppliers (e.g., as long as the City's combined water purchases from all suppliers also decreased). The SFPUC did not levy charges for unused water in Fiscal Year 2014-15 and has noticed the City there will be no charges for Fiscal Year 2015-16 as the State continues to impose conservation requirements.

Recent rains have improved water supply conditions, and staff anticipates the State and the SFPUC will, in the coming months, consider altering or rescinding conservation requirements. The potential financial impact of the SFPUC eliminating the minimum purchase waiver is substantial. Based on projected Fiscal Year 2016-17 SFPUC water use of approximately 7.31 MGD (estimated Fiscal Year 2015-16 consumption +5 percent) and a SFPUC rate of \$4.10 per unit (100 cubic feet), the preliminary estimated cost to the City for unused water is \$3.5 million. This liability will be more if there is not an anticipated 5.0 percent increase in water usage and will increase if water consumption continues to decline or SFPUC rates continue to rise as anticipated in future years; the SFPUC is estimating wholesale water rates will increase by 5.7 percent, 9.3 percent, and 13.9 percent in Fiscal Years 2017-18, 2018-19, and 2019-20, respectively. Additionally, because many of the conservation measures implemented in recent years will have long-term impacts and recycled water use is anticipated to gradually increase, the financial exposure from this situation will continue. To provide a scale of these potential costs, in calendar year 2015, the City's total cost for SFPUC water and related charges was \$13.4 million.

Staff is reviewing several options to minimize or eliminate minimum purchasing penalties and will provide updates to Council as warranted.

Water Costs – Santa Clara Valley Water District

The City receives approximately 14.0 percent of its potable water supply (treated water, 10.0 percent; groundwater, 4.0 percent) from the SCVWD. SCVWD treated water rates will increase by an estimated 21.2 percent and groundwater rates will increase by an estimated 23.6 percent for Fiscal Year 2016-17; final rates will be approved in late April. The rate increases are primarily the result of decreasing water use and the SCVWD's increased cost of water. The SCVWD's budget also includes small increases for minor capital expenses. The magnitude of the increase is being reduced by a decrease in spending on drought response activities in light of the excellent response to area conservation programs.

WASTEWATER TREATMENT COSTS

The Palo Alto Regional Water Quality Control Plant (Treatment Plant) provides wastewater treatment services to the City. The City's current fiscal year costs are \$1.3 million higher than budgeted, of which \$943,000 is related to Fiscal Year 2014-15 and \$367,000 to Fiscal Year 2015-16. Each fall, an annual reconciliation of the prior fiscal year's actual treatment costs (based on volume) is performed by the Treatment Plant, and an adjustment is provided to each member agency. The adjustment for Fiscal Year 2014-15 resulted in an additional charge of \$943,000 due to the following: (1) additional chemicals (\$226,000) were needed to reduce ammonia in the wastewater stream – ammonia levels have been increasing as wastewater flows have decreased due to water conservation; (2) there were small capital improvement project cost increases (\$515,000) due to numerous unanticipated projects to maintain plant operations, including replacing back-up power diesel generators, replacing backwash equipment at the filtration facility, replacing miscellaneous failing structural components, repainting corroded steel, and adding an alkalinity addition system for pH control; and (3) permitting and enforcement costs (\$379,000) were not included in the Fiscal Year 2014-15 Treatment Plant budget provided to the City due to an oversight by Palo Alto. These increases were partially offset by \$177,000 savings in other operational areas. In addition, the Treatment Plant budget for Fiscal Year 2015-16 provided to the City included the same oversight as noted above, which results in additional Treatment Plant costs of \$367,000 for the current fiscal year.

The City's Fiscal Year 2016-17 costs for treatment are increasing due to numerous expense increases. Treatment Plant labor costs are increasing significantly due to salary and benefit adjustments as the Treatment Plant addresses staffing and retention issues. Because of water conservation and the impact of reduced flows, the Treatment Plant is using additional chemicals to reduce ammonia in the wastewater effluent, increasing the cost of the treatment process. Operational costs are also increasing due to capital expenditures to repair and replace aging plant infrastructure and equipment and maintain plant operations. The Treatment Plant's Fiscal Year 2016-17 budget includes new engineering and administrative positions to provide support for the upcoming Treatment Plant capital projects as well as ongoing operational issues. Finally, as all agencies using the Treatment Plant are reducing wastewater generation, the City's share of the treatment expenses (determined by the quantity and composition of wastewater flows), is gradually increasing, resulting in an increase in the City's allocation of treatment expenses.

Comparison of Current and Proposed Utility Rates

Single Family	15-16	16-17	Difference	% Change *
Water (10 units)	\$ 66.08	72.73	6.65	10.1%
Sewer	28.80	34.30	5.50	19.1%
Trash (1 32-gal cart)	<u>26.60</u>	<u>29.30</u>	<u>2.70</u>	10.2%
Total monthly bill:	\$ 121.48	136.33	14.85	12.2%

Multi-Family (4-plex)	15-16	16-17	Difference	% Change *
Water (30 units)	\$ 181.20	199.40	18.20	10.0%
Sewer	115.20	137.20	22.00	19.1%
Trash (4 32-gal carts)	<u>106.40</u>	<u>117.20</u>	<u>10.80</u>	10.2%
Total monthly bill:	\$ 402.80	453.80	51.00	12.7%

Apartment Complex (120 units)	15-16	16-17	Difference	% Change *
Water (830 units)	\$ 4,754.50	5,231.60	477.10	10.0%
Sewer	3,456.00	4,116.00	660.00	19.1%
Trash (ten 3 Yd Bins)	<u>3,780.90</u>	<u>3,780.90</u>	<u>0.00</u>	0.0%
Total monthly bill:	\$ 11,991.40	13,128.50	1,137.10	9.5%

Commercial	15-16	16-17	Difference	% Change *
Water (60 units)	\$ 427.50	470.60	43.10	10.1%
Sewer	226.20	269.40	43.20	19.1%
Trash (one 3 Yd Bin)	<u>345.55</u>	<u>345.55</u>	<u>0.00</u>	0.0%
Total monthly bill:	\$ 999.25	1,085.55	86.30	8.6%

*Note: Due to rounding to the next penny or nickle, actual increase may be slightly higher. These are samples, actual effect is dependant on customer's service level.

Residential Services - Single Family					
	Water (1)	Sewer	Trash (2)		Sample Monthly Bill
Mountain View					
Current	\$ 66.08	28.80	26.60		121.48
Proposed	\$ 72.73	34.30	29.30		136.33
% Increase	10.1%	19.1%	10.2%		
Palo Alto					
Current	\$ 85.13	31.95	43.75		160.83
Proposed	\$ 89.85	34.83	47.69		172.37
% Increase	5.5%	9.0%	9.0%		
Sunnyvale					
Current	\$ 49.66	39.71	36.94		126.31
Proposed	Not available				
% Increase					
Cal Water Rate					
FY 2014-15	\$ 53.10	(3)			
FY 2015-16	\$ 55.87	(4)			
% Increase	5.2%				

- (1) Based on 10 units of water plus meter charge. Mountain View's meter charge for single family is for both 5/8 and 3/4 inch meter sizes. Sunnyvale, Palo Alto and Cal Water have separate rates. This comparison uses the lower 5/8 inch meter rate.
- (2) Mountain View and Palo Alto based on 32-gallon, Sunnyvale based on 35-gallon. Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.
- (3) Rate in effect as of 4/15/14.
- (4) Rate in effect as of 1/1/16.

Residential Services - Multi-Family (4-plex)

	Water (1)	Sewer	Trash (2)	Sample Monthly Bill
Mountain View				
Current	\$ 181.20	115.20	106.40	402.80
Proposed	\$ 199.40	137.20	117.20	453.80
% Increase	10.0%	19.1%	10.2%	
Palo Alto				
Current	\$ 256.72	127.80	175.00	559.52
Proposed	\$ 271.20	139.32	190.76	601.28
% Increase	5.6%	9.0%	9.0%	
Sunnyvale				
Current	\$ 212.83	102.52	142.56	457.91
Proposed	Not available			
% Increase				

(1) Based on 30 units of water plus meter charge.

(2) Mountain View and Palo Alto based on 32-gallon, Sunnyvale based on 35-gallon.
Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.

Residential Services - Apartment Complex (120 units)

	Water (1)	Sewer	Trash (2)	Sample Monthly Bill
Mountain View				
Current	\$ 4,754.50	3,456.00	3,780.90	11,991.40
Proposed	\$ 5,231.60	4,116.00	3,780.90	13,128.50
% Increase	10.0%	19.1%	0.0%	
Palo Alto				
Current	\$ 6,093.60	3,834.00	5,257.24	15,447.71
Proposed	\$ 6,447.91	4,179.60	5,520.11	15,884.75
% Increase	5.8%	9.0%	5.0%	
Sunnyvale				
Current	\$ 7,611.88	3,075.60	4,276.31	14,963.79
Proposed	Not available			
% Increase				

(1) Based on 830 units of water plus 4" meter charge.

(2) Based on nine 3-yard 1x/week and one 3-yard 2x/week. Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.

Commercial Services

	Water (1)	Sewer	Trash (2)	Sample Monthly Bill
Mountain View				
Current	\$ 427.50	226.20	345.55	999.25
Proposed	\$ 470.60	269.40	345.55	1,085.55
% Increase	10.1%	19.1%	0.0%	
Palo Alto				
Current	\$ 507.87	369.60	480.38	1,357.85
Proposed	\$ 537.57	402.60	504.40	1,444.57
% Increase	5.8%	8.9%	5.0%	
Sunnyvale				
Current	\$ 336.80	235.22	390.43	962.45
Proposed	Not available			
% Increase				

(1) Based on 60 units of water plus 2" meter charge.

(2) Based on one 3-yard 1x/week. Mountain View has biweekly recycling pick-up;
Palo Alto and Sunnyvale have weekly recycling pick-up.