COUNCIL REPORT

CITY OF MOUNTAIN VIEW

DATE: February 14, 2017

CATEGORY: New Business

DEPT.: Finance and Administrative Services

TITLE: **Fiscal Year 2016-17 Midyear Budget Status Report, Fiscal Year 2017-18 Preliminary General Operating Fund Forecast, Fiscal Year 2016-17 Performance/Workload Measures, and Fiscal Year 2015-17 Council Major Goals Work Plan Status**

RECOMMENDATION

1. Acknowledge and file the Fiscal Year 2016-17 Midyear Budget Status Report, the Fiscal Year 2017-18 Preliminary General Operating Fund (GOF) Forecast, the six-month status of the Fiscal Year 2016-17 Performance/Workload Measures (Attachment 1 to the Council report), and the Fiscal Year 2015-17 Council Major Goals Work Plan Status (Attachment 2 to the Council Report).

2. Appropriate and transfer from the Shoreline Regional Park Community Bond Proceeds Fund the balance of interest received, approximately $67,000, to the Athletic Field Construction Project, Project 11-33. (Five votes required)

3. Increase appropriations $193,930 in the Athletic Field Construction Project, Project 11-33, for an engineering design reimbursement received. (Five votes required)

4. Increase appropriations $276,475 in the Community Center Design Project (Project 15-43) for Housing Related Program (HRP) grant funds received. (Five votes required)

5. Appropriate and transfer from the General Fund Reserve $64,900 to the General Non-Operating Fund (GNOF), City Clerk's Office budget, for a total of $174,900 for election expenses related to Measures V and W. (Five votes required)

6. Appropriate and transfer from the General Fund Reserve $362,000 to the GOF ($102,000) and GNOF ($260,000), Community Development Department Neighborhoods budgets, for expenditures related to the development and implementation of the Community Stabilization and Fair Rent Act, including approval of an additional 1.0 regular Associate Planner position and 1.0 regular Office Assistant I/II position in the Community Development Department

Neighborhood Preservation Division (funding included in appropriations request). (Five votes required)

7. Appropriate and transfer from the General Fund Reserve $20,000 to the GOF, Public Works Department Facilities budget, for additional expenses associated with purchasing 100 percent renewable energy for City operations April through June 2017. (Five votes required)

8. Increase appropriations $40,000 in the Water Fund, Finance and Administrative Services Department, for utility bill online payment processing costs. (Five votes required)

9. Increase budgeted revenue and appropriations $18,750 in the GOF Community Services Department (CSD) Recreation budget and $3,450 in the Shoreline Community CSD Rengstorff House budget for janitorial services for rental of City facilities. (Five votes required)

10. Authorize the City Manager or designee to amend the salary plan to add four new job classifications of Plan Check Examiner (for purposes of underfilling the Plan Check Engineer position), Fire Engineer/Paramedic/HazMat I, Fire Engineer/Paramedic/HazMat II, and Water Quality Supervisor.

BACKGROUND AND ANALYSIS

This report is intended to provide the City Council, public, and employees with an update of the City's budgetary position at midyear as well as a preliminary GOF forecast for the upcoming fiscal year. The six-month status of Fiscal Year 2016-17 Performance/Workload Measures is also attached to this report (see Attachment 1), as well as a summary of the Fiscal Year 2015-17 Council Major Goals Work Plan Status (see Attachment 2).

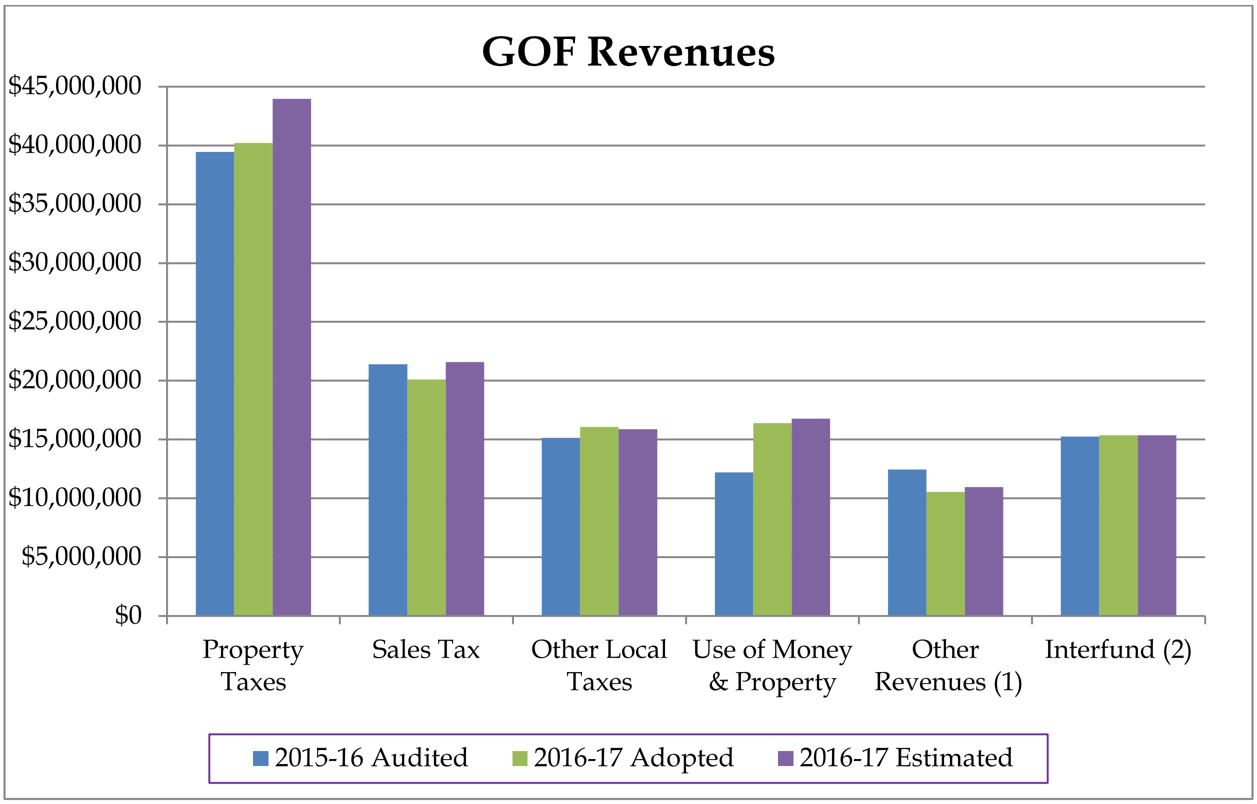
I. FISCAL YEAR 2016-17 MIDYEAR BUDGET STATUS

The Midyear Budget Status Report represents staff's best estimate of the City's budgetary position at this time, taking into consideration data at approximately midway through the fiscal year and certain assumptions regarding revenues and expenditures for the remainder of the fiscal year. This section of the report includes a discussion of Fiscal Year 2016-17 revenue and expenditure estimates compared to budget for major funds. In addition, a summary of Fiscal Year 2016-17 GOF revenues, expenses, and available balance is included in the charts found later in this report in the section discussing the Fiscal Year 2017-18 preliminary GOF forecast.

GENERAL OPERATING FUND

Revenues

The chart below is a comparison of the Fiscal Year 2015-16 Audited, and Fiscal Year 2016-17 Adopted and Estimated for GOF major revenue categories.



(1) Includes: Licenses, Permits, and Fees/Fines and Forfeitures; Intergovernmental; Charges for Services; and Miscellaneous Revenues.

(2) Includes: Interfund Revenues and Transfers.

Most revenue categories are trending essentially at budget or higher than budget. A detailed discussion of major revenue categories is as follows:

Property Taxes for the General Operating Fund are estimated at $44.0 million, $3.8 million (9.4 percent) higher than budget. The Fiscal Year 2016-17 Adopted Budget included projected growth in both secured and unsecured assessed values (AV) compared to the July 1, 2015 tax roll for the General Fund. The growth is based on a positive 1.525 percent California Consumer Price Index (CCPI) applied to the majority of properties, plus increased values related to changes in ownership and new development. The total General Fund AV in the July 1, 2016 tax roll compared to the prior fiscal year tax roll increased 12.0 percent. However, the County continues to process appeals and refunds and the estimated revenue takes into consideration anticipated additional refunds by the end of the current fiscal year.

Sales Tax revenue is currently estimated at $21.6 million, $1.5 million (7.4 percent) higher than budget. Positive one-time audit adjustments and increased sales activity for the most recently remitted quarters are factors in the current higher estimate.

Other Local Taxes is estimated at $15.9 million in total, $194,000 (1.2 percent) lower than budget. Transient Occupancy Tax (TOT) is estimated to be $219,000 (2.9 percent) below budget but, 9.4 percent higher than the prior fiscal year audited. TOT revenue had recovered from the recession by the end of Fiscal Year 2011-12 and has continued to grow through September 2016, the most recent quarter available. Growth is estimated to continue through the remainder of the current fiscal year, but at a lower rate than budgeted. Overall, Utility Users Tax (UUT) revenue is estimated essentially on target with budget.

Use of Money and Property is comprised of Investment Earnings and Rents and Leases and is estimated at $16.8 million, $365,000 (2.2 percent) higher than budget. Investment Earnings and Rents and Leases are $66,000 (4.3 percent) and $299,000 (2.0 percent) higher than budget, respectively. As previously discussed with the City Council, the decennial revaluation for the Amphitheatre Parkway (Googleplex) lease between the City and Google Inc. (Google) was effective April 1, 2016. Fiscal Year 2016-17 is the first full fiscal year at the $5.6 million revalued amount.

In anticipation of the decennial revaluation, effective January 1, 2017, of the Crittenden lease between the City and Google, the Fiscal Year 2016-17 Adopted Budget included an approximate calculation of the projected increase. The Crittenden lease revaluation was completed in December 2016, resulting in an amount $568,000 higher than budgeted and a 105 percent annual increase ($3.0 million). In addition, smaller leases are estimated to generate $55,000 more than budget; however, there is an estimated $324,000 reduction in Moffett Gateway rent resulting from the longer than anticipated development processing time frame.

Licenses, Permits, and Fees/Fines and Forfeitures are estimated at $80,000 (1.4 percent) below budget, but $20,000 (0.4 percent) higher than the prior fiscal year audited.

Depending on the specific revenue, the amount less than budget is related to either position vacancies, a focus on higher priorities, or recent legislation.

Intergovernmental revenue is estimated at $11,000 (1.6 percent) lower than Adjusted Budget.

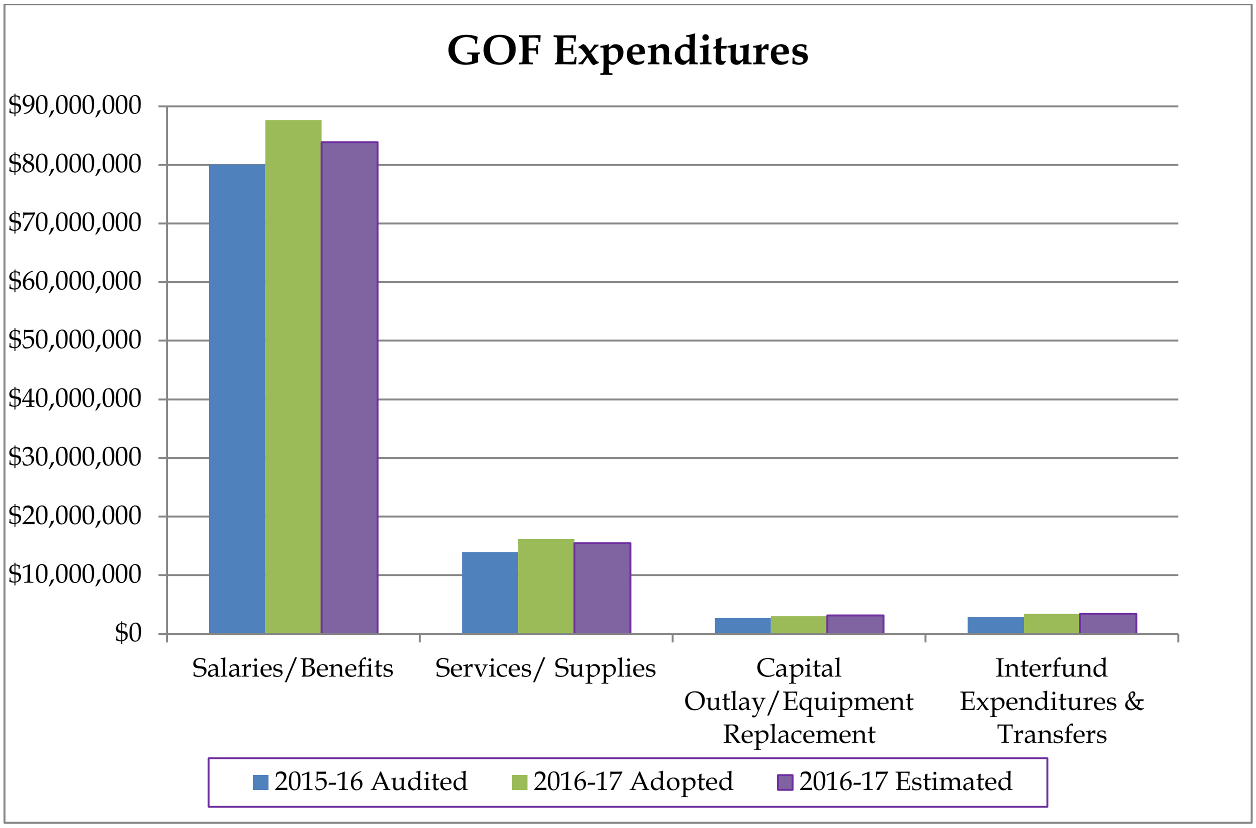
Charges for Services is generated by fees assessed for Recreation and other types of services and is estimated at $29,000 (1.1 percent) higher than budget.

Miscellaneous Revenues is estimated to be $253,000 (14.6 percent) higher than the Adjusted Budget resulting from grants, donations, and expenditure reimbursements received that were not budgeted. The estimate is currently $773,000 (28.0 percent) lower than the prior fiscal year audited, the net result of a lower level of Fire strike team and Police services reimbursements received at this point in the current fiscal year compared to the prior fiscal year total. There will likely be additional reimbursements by the end of the fiscal year, but estimates for the full fiscal year are not prepared as the amounts can vary greatly.

Interfund Revenues and Transfers are estimated to be on target with the budget.

<u>Expenditures</u>

The chart below is a comparison of the Fiscal Year 2015-16 Audited, and Fiscal Year 2016-17 Adopted and Estimated for GOF expenditures.



A brief explanation of the assumptions and changes in expenditures follows:

Salaries and Benefits is estimated at $83.9 million, $3.8 million (4.4 percent) below the Adjusted Budget, the result of vacant positions and some personnel turnover during the first half of the fiscal year. There are currently 66 vacancies and 27 active recruitments to fill 47 current and anticipated vacancies.

Services and Supplies expenditures are estimated at $15.5 million, $2.3 million (13.0 percent) less than the Adjusted Budget.

Capital Outlay/Equipment Replacement is estimated at $3.2 million and includes $2.6 million of annual funding for equipment replacement and $544,000 is currently estimated for new capital purchases.

Interfund Expenditures and Transfers is estimated as budgeted at $3.4 million.

In total, estimated expenditures indicate a $4.4 million favorable variance compared to the Adjusted Budget, and are also estimated lower than the Adopted Budget.

Expenditures by Department

All departments, except for Fire, appear to be trending under budget for the current fiscal year. The Fire Department is currently estimated to be trending over budget by $442,000 related to overtime incurred due to several mutual-aid incidents that have not yet been reimbursed. The department is estimating overtime reimbursements totaling $498,000 to be received in the next few months. The Fire Department will also be managing overtime and discretionary expenditures to ensure to stay within budget. The variance detailed below does not take into consideration encumbrances that may be incurred as of the end of the fiscal year.

A comparison of midyear estimated amounts to budget for the General Operating Fund department expenditures follows (dollars in thousands):

	2016-17 Adopted Budget	2016-17 Adjusted Budget	2016-17 Estimated	Variance of Estimated to Adjusted Budget	Percent Savings of Adjusted Budget
City Council	$ 387	397	325	72	18.1
City Clerk	606	614	600	14	2.3
City Attorney	1,784	1,853	1,832	21	1.1
City Manager	3,676	3,783	3,207	576	15.2
Information Technology	3,748	3,825	3,444	381	10.0
Finance and Administrative Services	6,069	6,417	5,430	987	15.4
Community Development	1,739	1,793	1,629	164	9.1
Public Works	9,037	9,275	8,386	889	9.6
Community Services	15,047	15,285	14,030	1,255	8.2
Library Services	5,574	5,769	5,441	328	5.7
Fire	21,214	21,376	21,818	(442)	(2.1)
Police	35,314	35,641	33,737	1,904	5.3
Nondepartmental(1)	6,038	6,038	6,035	3	0.0
Projected Budget Savings	(1,800)	(1,800)	Included	(1,800)	0.0
Total Operating Expenditures	$108,433	110,266	105,914	4,352	3.9

(1) Nondepartmental expenditures include interfund transfers for equipment replacement, self-insurance and housing.

In summary, revenues are currently estimated at $124.6 million, $5.6 million (4.7 percent), and $5.8 million (4.9 percent) higher than the Adjusted and Adopted Budgets, respectively. Including estimated budget savings, expenditures for the current fiscal year are estimated at $105.9 million, $4.4 million (3.9 percent) less than the Adjusted Budget and $2.5 million (2.3 percent) less than the Adopted Budget. The ending balance is estimated at $12.1 million which will be available to fund limited period expenditures, replenish reserves and contributions toward the City's unfunded liabilities related to pension and OPEB.

DEVELOPMENT SERVICES

Development Services is a General Fund program separated from the GOF in order to facilitate better tracking and accounting. This separation allows for an effective way to match revenues and expenditures related to private development activity and provide support to sustain services throughout the fluctuations of development and economic cycles. Effective with the Fiscal Year 2014-15 Adopted Budget, the Development Services Fund expanded to consolidate all development-related activities; previously, only Building-related services were segregated in the Building Services Fund.

A comparison of midyear estimated amounts to budget for Development Services follows (dollars in thousands):

	2016-17 Adopted Budget	2016-17 Adjusted Budget	**2016-17 Estimated**	Variance of Estimated to Adjusted Budget
Revenues	$11,775	12,203	**12,584**	381
Expenditures	(12,389)	(15,158)	**(12,427)**	2,731
Operating Balance (Deficit)	(614)	(2,955)	**157**	3,112
Land Use Documents	840	840	**615**	(225)
CalPERS Contribution	(239)	(239)	**(239)**	-0-
Transfer to Comp Absences	(66)	(66)	**(66)**	-0-
Retirees' Health UAAL	(1,754)	(1,754)	**(1,754)**	-0-
Capital Projects	(552)	(552)	**(552)**	-0-
Excess (Deficiency) of Revenues	(2,385)	(4,726)	**(1,839)**	2,887
Beginning Balance	13,946	13,946	**13,946**	-0-
Land Use Doc Reserve	(4,519)	(4,519)	**(4,294)**	225
Ending Balance	$ 7,042	4,701	**7,813**	3,112

The level of development activity continues to be very strong and as of midway through the current fiscal year, estimated operating revenues of $12.6 million are $381,000 (3.1 percent) higher than budget. Estimated operating expenditures of $12.4 million are $2.7 million (18.0 percent) below the Adjusted Budget, reflecting salary and benefit savings from vacant positions, plus savings in supplies and contractual services.

It is estimated that operating revenues will exceed operating expenditures by $157,000. Revenue from the Land Use Document Fee is trending $225,000 (26.8 percent) below budget and after total contributions and transfers of $2.6 million, including a $239,000 CalPERS contribution, $66,000 to fund Compensated Absences, $1.8 million toward the Retirees' Health Unfunded Actuarial Accrued Liability (UAAL), and $552,000 for Capital Projects, the ending balance is estimated at $7.8 million. This ending balance, which has dropped over the last 3 years, will be necessary to continue funding operations, during the next slowdown in development activity, including support of long-term existing development projects (estimated to be completed in Fiscal Year 2020-21) which have already paid the required fees.

SHORELINE GOLF LINKS

Shoreline Golf Links 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 scheduled to be open 364 days per year. Paid rounds of golf played in Fiscal Year 2015-16 totaled 70,951, a 9.5 percent decrease from the record high in Fiscal Year 2014-15. The City contracts with Touchstone Golf (Touchstone) to manage and operate the Pro Shop and to maintain the course. The five-year extension with Touchstone commenced this January. Prior to contracting with Touchstone, Shoreline Golf Links had annual operating deficits over a five-year period totaling $2.1 million.

A comparison of midyear estimated amounts to budget for Shoreline Golf Links follows (dollars in thousands):

	2016-17 Adopted Budget	2016-17 Adjusted Budget	**2016-17 Estimated**	Variance of Estimated to Adjusted Budget
Revenues	$2,660	2,660	**2,388**	(272)
Expenditures	(2,504)	(2,506)	**(2,209)**	297
Operating Balance	156	154	**179**	25
CalPERS Contribution	(3)	(3)	**(3)**	-0-
Transfer to GOF	(150)	(150)	**(150)**	-0-
Excess (Deficiency) of Revenues	3	1	**26**	25
Beginning Balance	7	7	**7**	-0-
Ending Balance	$ 10	8	**33**	25

Based on financial information midway through the fiscal year, activity at the course is estimated to generate $2.4 million in revenues, $272,000 (10.2 percent) below budget. After a record July 2016, the greens at the golf course caught a disease in August and September, which reduced their consistency and affected the number of rounds played. The issue was resolved in late September. Furthermore, the majority of the rain in October and November fell on weekends, which affect revenues at the golf course more than weekday rain. Due to the diseased greens, rainy weekends, and the impact of a rainy January, revenues for Shoreline Golf Links are not estimated to achieve the adopted revenues. However, revenues are estimated to be 2.0 percent higher than the prior fiscal year audited. The timing of the December 2016 holiday and the less rainy December weather resulted in a higher number of monthly rounds played and higher green fees compared to December 2015.

In total, expenditures for the current fiscal year are estimated at $2.2 million, $297,000 (11.9 percent) lower than budget. Water costs are trending lower than anticipated in the budget as a result of the increased rainfall and in turn, operational staffing costs are lower due to less staffing needed as a result of less play on the course due to rain. After funding the $3,000 CalPERS contribution, there is an estimated available balance of $176,000, sufficient to fund the $150,000 transfer to the GOF.

The City and Touchstone continue to improve the course and operations with projects such as tee leveling, driving range improvements, bunker refurbishment, cart path improvement/repair, and drainage and irrigation improvements. Staff continues to work with Touchstone and meets quarterly to review the financial status of the course.

SHORELINE REGIONAL PARK COMMUNITY (SHORELINE COMMUNITY)

The Shoreline Community is a separate legal entity that was created by legislation in 1969 to fund a regional park, develop the surrounding North Bayshore Area economically and environmentally, and provide a means of financing the short- and long-term responsibilities of the Shoreline Community. The Shoreline Community is considered a blended component unit of the City and its financial activities are included with the City's.

A comparison of midyear estimated amounts to budget for the Shoreline Community Fund follows (dollars in thousands):

	2016-17 Adopted Budget	2016-17 Adjusted Budget	**2016-17 Estimated**	Variance of Estimated to Adjusted Budget
Revenues	$37,952	37,952	**41,793**	3,841
Expenditures	(27,886)	(28,074)	**(27,483)**	591
Operating Balance	10,066	9,878	**14,310**	4,432
CalPERS Contribution	(112)	(112)	**(112)**	-0-
Transfer to Comp Absences	(52)	(52)	**(52)**	-0-
Retirees' Health UAAL	(924)	(924)	**(924)**	-0-
Capital Projects	(2,762)	(5,062)	**(5,062)**	-0-
Excess (Deficiency) of Revenues	6,216	3,728	**8,160**	4,432
Beginning Balance	46,701	46,701	**46,701**	-0-
Reserve	(4,900)	(4,900)	**(4,900)**	-0-
Landfill Reserve	(5,000)	(5,000)	**(5,000)**	-0-
Dev Impact Fee Reserve	(1,472)	(1,472)	**(1,481)**	(9)
Ending Balance	$41,545	39,057	**43,480**	4,423

Operating revenues, primarily property taxes, for the 2016-17 fiscal year are estimated at $41.8 million, $3.9 million (10.1 percent) higher than budget. The Fiscal Year 2016-17 adopted budget included a net 5.0 percent increase in total AV. Subsequent to adopting the budget, the County provided the summary July 1, 2016 tax roll information that indicated a net 15.8 percent increase in total AV compared to the July 1, 2015 tax roll.

Operating expenditures for Fiscal Year 2016-17 are estimated at $27.5 million, $591,000 (2.1 percent) lower than budget as a result of savings from operations. Included in operating expenditures is $6.5 million of debt service, and $8.6 million for the combined annual interagency payments to the school districts and the County.

It is estimated that operating revenues will exceed operating expenditures by $14.3 million that will fund the contributions of $112,000 to CalPERS and $924,000 toward the Retirees' Health UAAL, the transfer of $52,000 to the Compensated Absences Fund and

$5.1 million of capital projects funding. After reserving $11.4 million for the General Reserve, the Landfill Reserve, and the Development Impact Fee Reserve, the fund is estimated with a $43.5 million ending balance.

ENTERPRISE UTILITY FUNDS

The City's three enterprise utility funds are fully funded by the rates charged to customers; there is no General Fund support to the utility funds. In a July 2006 California Supreme Court decision (*Bighorn*), the Court ruled that utility rates charged by governmental entities for water, sewer, and trash and recycling services are considered property-related fees and are subject to the procedural requirements of Proposition 218, Article XIII, of the California Constitution. The City has complied with Proposition 218 and will be reviewing the revenues and expenditures for each of the utility funds and returning to Council with rate recommendations in the Narrative Budget Report in late April.

WATER FUND

The Water Enterprise Fund is a utility fund accounting for the revenues and expenditures associated with the provision of retail water and recycled water services to Mountain View residents and businesses. The City provides 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. Water for the City's system is obtained primarily from the San Francisco Public Utilities Commission (SFPUC) regional Hetch Hetchy water system (85.0 percent). Water is also purchased from the Santa Clara Valley Water District (SCVWD) (11.0 percent) and 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 major capital replacement and improvement projects. Charges for services are designed to fully fund ongoing annual costs and a base level of annual capital projects as well as to maintain an adequate reserve.

A comparison of the midyear estimated amounts to budget for the Water Fund follows (dollars in thousands):

	2016-17 Adopted Budget	2016-17 Adjusted Budget	**2016-17 Estimated**	Variance of Estimated to Adjusted Budget
Revenues	$28,141	28,141	**30,181**	2,040
Expenditures	(29,451)	(29,594)	**(27,159)**	2,435
Operating Balance	(1,310)	(1,453)	**3,022**	4,475
Capacity/Development Impact Fees	2,369	2,369	**1,534**	(835)
CalPERS Contribution	(217)	(217)	**(217)**	-0-
Retirees' Health UAAL	(635)	(635)	**(635)**	-0-
Capital Projects from Fees	(1,079)	(1,079)	**(1,079)**	-0-
Capital Projects	(2,079)	(2,079)	**(2,079)**	-0-
Excess (Deficiency) of Revenues	(2,951)	(3,094)	**546**	3,640
Beginning Balance	16,896	16,896	**16,896**	-0-
Capacity/Dev Impact Fees Reserves	(1,335)	(1,335)	**(500)**	835
Reserves	(9,946)	(9,946)	(9,946)	-0-
Ending Balance	$ 2,664	2,521	**6,996**	4,475

A 10.0 percent increase for the average cost of water and meter rates, and a 3.0 percent increase for recycled water rates were adopted for Fiscal Year 2016-17. Operating revenues are estimated at $30.2 million, $2.0 million (7.2 percent) higher than budget. For fiscal years 2014-15 and 2015-16, year over year water usage through November was 16.0 percent and 19.0 percent lower, respectively. For Fiscal Year 2016-17, water usage year over year through November is approximately 10.0 percent higher. The increased water usage may be a result of the State relaxing water restrictions in May 2016 that were initiated due to the drought. Recycled water sales are trending lower comparing usage through November in the current fiscal year to last fiscal year.

Operating expenditures are estimated at $27.2 million, $2.4 million (8.2 percent) below budget, primarily as a result of estimated lower water retail costs than budgeted and savings in operations. The budget was based on 90.0 percent of the City's required minimum water purchase, however, the SFPUC notified the City in June the minimum purchase requirement would be waived for Fiscal Year 2016-17 due to their continued call for voluntary 10.0 percent conservation. With the increased rainfall, it is anticipated the SFPUC will not waive the City's minimum water purchase past the current fiscal year, and staff anticipates water costs to increase dramatically as a result of the minimum purchase requirement for Fiscal Year 2017-18. The final decision to waive the requirement will be based on the SFPUC's analysis of their water supply for the coming fiscal year and any State mandates for continued water conservation measures.

The estimated operating balance is $3.0 million which is sufficient to fund the CalPERS contribution of $217,000, Retirees' Health UAAL of $635,000, and the current fiscal year's $2.1 million for capital projects.

Capacity fees were adopted by Council effective July 1, 2015. The Fiscal Year 2016-17 Adopted Budget includes fees of $2.4 million based on building permits to be issued during the fiscal year. The capacity fees are currently estimated at $1.5 million, sufficient to fund the $1.1 million in additional capital projects. The Water Fund is estimated with a $7.0 million ending balance and $10.4 million in reserves.

WASTEWATER FUND

The Wastewater Enterprise Fund is a utility fund that accounts for the costs and revenues associated with the collection, transportation, and treatment of wastewater generated by all residents and businesses in the City. Expenditures in this fund include the construction and maintenance of sanitary sewer lines, stormwater lines, and pump stations; the City's costs associated with the operation of the Palo Alto Regional Water Quality Control Plant (Treatment Plant), in which the City is a partner; and personnel costs for the operation and maintenance of the system.

A comparison of midyear estimated amounts to budget for the Wastewater Fund follows (dollars in thousands):

	2016-17 Adopted Budget	2016-17 Adjusted Budget	**2016-17 Estimated**	Variance of Estimated to Adjusted Budget
Revenues	$19,782	19,782	**19,121**	(661)
Expenditures	(17,759)	(17,919)	**(16,806)**	1,113
Operating Balance	2,023	1,863	**2,315**	452
Capacity/Development Impact Fees	2,054	2,054	**1,782**	(272)
CalPERS Contribution	(128)	(128)	**(128)**	-0-
Retirees' Health UAAL	(387)	(387)	**(387)**	-0-
Capital Projects from Fees	(1,520)	(1,520)	**(1,520)**	-0-
Capital Projects	(1,759)	(1,759)	**(1,759)**	-0-
Excess (Deficiency) of Revenues	283	123	**303**	180
Beginning Balance	7,511	7,511	**7,511**	-0-
Capacity/Dev Impact Fees Reserves	917	917	**1,189**	272
Treatment Plant Reserve	(891)	(891)	**(891)**	-0-
Reserves	(5,597)	(5,597)	**(5,597)**	-0-
Ending Balance	$ 2,223	2,063	**2,515**	452

An overall 19.0 percent rate increase was adopted for Fiscal Year 2016-17. This includes a 17.0 percent rate increase for operations and a 2.0 percent rate increase for future Treatment Plant capital costs. As outlined in the Fiscal Years 2014-15 and 2015-16 Narrative Budget Reports, there are future capital expenditures forecasted for the Treatment Plant as the facility began operations in 1972 and is in need of major renovations. A cumulative rate increase of 20.0 percent is projected and Council approved a gradual phase-in of 2.0 percent annually for 10 years to fund these long-term capital costs, of which Fiscal Year 2016-17 is the third year.

Unforeseen Treatment Plant costs in Fiscal Year 2015-16 caused the fund to be in a distressed financial condition. To fully fund the impact of the increases in Treatment

Plant costs, the rate increase for Fiscal Year 2016-17 would have needed to be 26.0 percent. Council approved staff's recommendation to spread the increase needed to stabilize the financial position of this fund over three years and utilize half of the rate stabilization reserve for Fiscal Years 2016-17 and 2017-18 to balance the fund. To compensate for the increased costs, additional 6.0 percent rate increases were projected for Fiscal Years 2017-18 and 2018-19 to phase in the rate increase needed. Staff will return with the full rate recommendation in the Narrative Budget.

Staff has also previously indicated through the CIP process 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 identified as an option. However, capacity fees were adopted by Council, and as funds are collected, these capacity fees are providing a source of funding and could reduce future rate increases or any debt needed for these additional capital projects. Staff projected capacity fees based on projected building permits to be issued based on development in the pipeline, but due to building permits not being deemed complete and issued for construction as quickly as anticipated, actual and estimated capacity fees are lower than originally projected.

Staff is reviewing the current major sewer capacity upgrades needed due to the increased density allowed in the City in the General Plan Update, Precise Plan adoptions, and Gatekeeper approvals. Staff is also reviewing the condition of existing sewer mains to plan ongoing replacements and will be presenting these to the City Council as part of the Capital Improvement Program discussion for the next five-year cycle (Fiscal Years 2017-18 through 2021-22). Staff will continue to monitor the amount of 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.

Operating revenues are estimated at $19.1 million, approximately $661,000 (3.3 percent) lower than budget. Estimated operating expenditures of $16.8 million are trending $1.1 million (6.2 percent) lower than budget. This is primarily due to Treatment Plant expenditures approximately $560,000 lower than proposed in addition to a $91,000 credit for prior year expenses and savings in operations.

Each fall, an annual reconciliation of the prior fiscal year's actual treatment costs (based on volume) is performed by the Treatment Plant, and an adjustment is provided to each member agency. The City's share of audited expenditures of the Treatment Plant for last fiscal year were $91,000 lower than budgeted, resulting in a credit that is applied towards the current fiscal year's treatment costs. The estimated operating balance of $2.3 million will fund the CalPERS contribution of $128,000, Retirees' Health UAAL of $387,000, and $1.8 million for capital projects.

The fund is estimated with a $2.5 million ending balance and $5.3 million in reserves, which includes the accumulation of the rate increases needed for future Treatment Plant capital expenditures, the borrowing of funds for the additional City capital projects until sufficient capacity fee revenues are received, and using half of the rate stabilization reserve.

SOLID WASTE MANAGEMENT FUND

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

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

A comparison of midyear estimated amounts to budget for the Solid Waste Management Fund follows (dollars in thousands):

	2016-17 Adopted Budget	2016-17 Adjusted Budget	**2016-17 Estimated**	Variance of Estimated to Adjusted Budget
City Revenues	$12,999	12,999	**13,951**	952
Recology Revenues[1]	14,683	14,683	**14,357**	(326)
Total Revenues	27,682	27,682	**28,308**	626
City Expenditures	(12,743)	(13,170)	**(11,907)**	1,263
Recology Payments[1]	(14,683)	(14,683)	**(14,357)**	326
Total Expenditures	(27,426)	(27,853)	**(26,264)**	1,589
Operating Balance (Deficit)	256	(171)	**2,044**	2,215
CalPERS Contribution	(91)	(91)	**(91)**	-0-
Capital Projects	(279)	(279)	**(279)**	-0-
Excess (Deficiency) of Revenues	(114)	(541)	**1,674**	2,215
Beginning Balance	7,301	7,301	**7,301**	-0-
Reserves	(3,186)	(3,186)	**(3,186)**	-0-
Ending Balance	$ 4,001	3,574	**5,789**	2,215

[1] Neither revenues nor expenditures are adopted for Recology.

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

The City's Solid Waste Fund operating revenues are estimated at $14.0 million, $1.0 million (7.3 percent) higher than budgeted. City operating expenditures are estimated at $11.9 million, $1.3 million (9.6 percent) below Adjusted Budget, as a result of savings in operations and lower SMaRT Station costs due to the prior fiscal year SMaRT Station reconciliation. The SMaRT Station performs an annual reconciliation of the prior fiscal year's costs and an adjustment is provided to each member agency. For Fiscal Year 2015-16, the City received a credit of $323,000 which has been applied against payments in the current fiscal year.

In December 2016, Council approved a residential food scraps collection program. Under this program, all residents with curbside (cart) trash services can place all food scraps in their yard trimmings cart for weekly collection. Trash collection will remain weekly and recycling collection will continue on an every-other-week schedule. Trash cart customers who do not currently have a yard trimmings cart (e.g., rowhouses and townhomes) will be provided a 24-gallon cart if they wish to participate in the program. The cost of the program is estimated to have a cart rate impact of 6.0 percent or approximately $1.75 per month for a 32-gallon cart and the program is scheduled to begin in July 2017.

Operating revenues are estimated higher than operating expenditures by $2.0 million. After funding the additional CalPERS contribution of $91,000 and the current fiscal year's $279,000 for capital projects, there is an estimated ending balance of $5.8 million and reserves of $3.2 million.

OTHER RECOMMENDATIONS AND INFORMATION

Shoreline Athletic Field:

The Shoreline Athletic Fields (Project 11-33) was funded with $9.2 million from the Shoreline Community 2011 bond proceeds. As the Shoreline Athletic Fields is the last project funded from these bond proceeds, staff recommends appropriating the remaining interest income of approximately $67,000 to Project 11-33. Upon closure of the project, the remaining funds will be returned to the Shoreline Community.

In addition, the City's reimbursement claim related to design errors associated with the landfill gas system design for the Shoreline Athletic Fields (Project 11-33) has been resolved. The design consultant reimbursed the City in the amount of $193,930 for costs incurred due to the design errors. Staff recommends appropriating these funds into Project 11-33 and upon closure of the project, any remaining funds will be returned to the Shoreline Community.

Community Center Design:

In June 2015, the City of Mountain View was awarded a Housing Related Parks (HRP) Program grant in the amount of $276,475 from the State of California Department of Housing and Community Development for costs associated with project design and architectural costs for the Community Center expansion and rehabilitation project design. The deadline to expend the grant funds is June 30, 2017, and the grant funding will be used to supplement design costs associated with the project. This project is funded with $2.9 million from the Park Land Dedication Fund. With the addition of the grant funds, the project budget will be $3.2 million.

Election Costs for Measure V and Measure W:

The invoice from the Santa Clara County Registrar of Voters included costs for Measures V and W that were not previously budgeted. In addition to the Registrar of Voters fees ($166,145), there were costs for the legally required publications of Measures V and W, routine election notifications, as well as the translation of those publications in four languages for total election costs of $174,900. An additional appropriation of $64,900 is required to pay for the expenses related Measures V and W.

Community Stabilization and Fair Rent Act (CSFRA):

The Community Development Department is requesting funding for the costs related to the implementation of the CSFRA, including two new regular positions. For a more detailed explanation of the budget request see Attachment 3.

Renewable Energy:

Through the adopted Environmental Sustainability Action Plan 3 (ESAP-3), the City Council approved purchasing 100 percent renewable energy for City operations through the City's new electricity supplier (Silicon Valley Clean Energy) beginning in April 2017. Appropriations of $20,000 are needed for the additional cost of sourcing all City operations electricity used from April through June 2017 from 100 percent renewable sources. The total annual amount needed is estimated to be $80,000 and will be requested for the Fiscal Year 2017-18 budget.

Utility Online Payment Processing:

The Finance and Administrative Services Department is requesting increased funding for payment processing costs associated with the continued increase in usage of the payment gateway for utility bill online payments. Usage of online payments for utility bills continues to increase, and the volume of payments using "specialty" credit cards (those cards with consumer rewards), which is the most expensive, increased 49 percent from Fiscal Year 2014-15 to Fiscal Year 2015-16. The current estimated increase of "specialty" credit cards for Fiscal Year 2016-17 is another 59 percent. Total costs continue to increase based on usage: $80,000 in Fiscal Year 2013-14 (the full start-up year), $104,000 in Fiscal Year 2014-15, and $136,000 in Fiscal Year 2015-16. The current budget for Fiscal Year 2016-17 is $145,000. Although each month's cost can vary significantly depending on the volume of payments, the trend of July through December payments is estimated at $185,000 for the current fiscal year. The additional $40,000 would provide for a total budget of $185,000 based on the estimate for Fiscal Year 2016-17.

Janitorial Services for Rental of City Facilities

Subsequent to adoption of the Fiscal Year 2016-17 budget, the process for collecting and reconciling the cleaning fee was streamlined. Instead of netting the security deposit refund with the cleaning fee, the fee is now paid prior to the event date, booked as revenue, and the cleaning service cost recorded as an expenditure, which requires an appropriation.

New Job Classifications:

The Community Development Department has requested to underfill the vacant Plan Check Engineer position with a lower journey-level classification, Plan Check Examiner. This will allow for a more broad pool of candidates when recruiting, while maintaining journey-level work product. The Plan Check Examiner position is recommended as a professional, nonexempt classification represented by the EAGLES labor group. Approval and authorization of this request will have no budgetary impact for the current fiscal year as the Plan Check Engineer position is funded and vacant.

The Fire Department is requesting two new job classifications of Fire Engineer/Paramedic/HazMat I and Fire Engineer/Paramedic/HazMat II. These classifications are recommended as front line, nonexempt classifications represented by the Mountain View Professional Firefighters Union. These new classifications will allow Fire Engineer/Paramedics to serve on the HazMat response team. This is a new classification, but does not change the number of budgeted positions in the Fire Department, the number of employees eligible to serve on the HazMat response team, or the number of authorized paramedics (currently 21). This results in a minimal budget impact for the remainder of the current fiscal year, which can be absorbed in the department's budget. This is consistent with the prior addition of the Firefighter/Paramedics to serve on the HazMat response team in 2007 and provides operational flexibility needed to maintain minimum staffing on the HazMat team.

The Public Works Department is requesting to retitle the current vacant classification of Water Meter Supervisor to Water Quality Supervisor to realign resources to the City's water quality program to ensure a proactive approach in managing the City's water portfolio. There will be no change to the compensation and no budget impact associated with this title change.

II. FISCAL YEAR 2017-18 PRELIMINARY GENERAL OPERATING FUND FORECAST

This section of the report will focus on the preliminary Fiscal Year 2017-18 GOF forecast. This forecast is based on limited data and many assumptions are being made at this time. Departmental requests have not been reviewed or acted on yet. An updated forecast will be incorporated into the Narrative Budget scheduled for a late April City Council meeting.

The preliminary projection for Fiscal Year 2017-18 follows (dollars in thousands):

	2015-16 Audited	2016-17 Adopted Budget	2016-17 Estimated	**2017-18 Preliminary Forecast**	Variance of 2017-18 Forecast to 2016-17 Adopted
Revenues	$115,911	118,718	124,552	**127,394**	8,676
Expenditures	(99,590)	(108,433)	(105,914)	**(115,622)**	(7,189)
Rebudgets[1]	(4,078)	-0-	-0-	**-0-**	-0-
Operating Balance	12,243	10,285	18,638	**11,772**	1,487
Transfer to GNOF	(6,995)	(500)	(500)	**-0-**	500
Transfer to General Fund Reserve	(2,248)	-0-	-0-	**-0-**	-0-
CalPERS Contribution	(2,000)	(2,000)	(2,000)	**(4,000)**	(2,000)
OPEB Contribution	(1,000)	(2,000)	(2,000)	**(2,000)**	-0-
Transfer to SPAR	-0-	(2,000)	(2,000)	**(2,000)**	-0-
Ending Balance	$ -0-	3,785	12,138	**3,772**	(13)

(1) Rebudgets include grant and donation carryovers from the prior fiscal year and changes in encumbrances and assets and liabilities for audited results.

The preliminary forecast projects total GOF revenues of $127.4 million, an increase of $8.7 million (7.3 percent) and $2.8 million (2.3 percent) compared to the current fiscal year Adopted Budget and Estimated, respectively.

Baseline expenditures are anticipated to increase $7.2 million (6.6 percent) to $115.6 million compared to the current fiscal year Adopted. For Fiscal Year 2017-18, there is a preliminary positive operating balance of $11.8 million, $3.8 million after recommended contributions to CalPERS and the OPEB Trust, and transfer to the SPAR. This forecast does not include any Fiscal Year 2017-18 recommendations requested by departments through the budget process. Any recommended expenditure changes will be included with the Narrative Budget Report in late April.

A more detailed discussion of the projected General Operating Fund revenues and expenditures follows.

Revenues

A comparison of the Preliminary Forecast to current fiscal year Estimated and Adopted Budget and prior fiscal year Audited for the General Operating Fund follows (dollars in thousands):

	2015-16 Audited	2016-17 Adopted Budget	2016-17 Estimated	**2017-18 Preliminary Forecast**	Variance of 2017-18 Forecast to 2016-17 Adopted
Property Taxes	$ 39,461	40,208	43,971	**44,387**	4,179
Sales Tax	21,401	20,091	21,587	**20,946**	855
Other Local Taxes	15,137	16,082	15,888	**16,260**	178
Use of Money and Property	12,219	16,403	16,768	**19,615**	3,212
Licenses, Permits, and Fees/Fines and Forfeitures	5,566	5,666	5,586	**5,736**	70
Intergovernmental	1,158	595	696	**593**	(2)
Charges for Service	2,962	2,672	2,701	**2,741**	69
Miscellaneous Revenues	2,757	1,630	1,984	**1,617**	(13)
Interfund Revenues and Transfers	15,250	15,371	15,371	**15,499**	128
Total Operating Revenues	$115,911	118,718	124,552	**127,394**	8,676

A brief explanation of the assumptions and changes for Fiscal Year 2017-18 follows:

Property Taxes are projected at $44.4 million, an increase of $4.2 million and $416,000 compared to the Fiscal Year 2016-17 Adopted and Estimated, respectively. Compared to the July 1, 2016 tax roll, the Fiscal Year 2017-18 AV of secured property generating tax revenues for the General Operating Fund is projected to grow, reflecting the following:

- A 2.0 percent increase in AV for most properties resulting from the annual CCPI inflation factor (October 2015 to October 2016).

- AV increases resulting from changes in ownership which occurred from January 1, 2016 through October 31, 2016 (information currently available).

- Increased AV related to new development anticipated to be included in the July 1, 2017 tax roll.

- Anticipated AV decreases resulting from the resolution of appeals.

Staff will continue to collect data from Santa Clara County and City development/ Planning staff and revise the property tax forecast with updated information pertaining to new development and appeal resolutions.

Sales Tax is projected at $20.9 million for Fiscal Year 2017-18, based on actual sales tax activity for the first half of the current fiscal year, plus estimates for the remaining two quarters, adjusted for the following:

- State Board of Equalization (SBOE) one-time audit adjustments;

- Anticipated new businesses; and

- 2.0 percent growth on the level of current fiscal year sales tax estimated to be received from the remaining sales tax generators.

This results in growth of $855,000 compared to the current fiscal year Adopted Budget and a $641,000 decline compared to the current fiscal year Estimated. The current fiscal year Estimated includes several unusually large payments and one-time adjustments which are not anticipated to occur in the upcoming fiscal year.

Other Local Taxes is projected at $16.3 million, $178,000 (1.1 percent) and $372,000 (2.3 percent) higher than the current fiscal year Adopted and Estimated, respectively. The TOT growth rate has slowed in the current fiscal year and that trend is expected to continue through Fiscal Year 2016-17. Fiscal Year 2017-18 TOT revenue is projected with continued growth at this slower rate, resulting in a small increase compared to the current fiscal year Adopted and Estimated, and exceeding the prior fiscal year Audited. Fiscal Year 2017-18 UUT is projected 1.9 percent and 1.3 percent higher than the current fiscal year Adopted and Estimated, respectively.

Use of Money and Property is projected to increase by $3.2 million and $2.8 million compared to the current fiscal year Adopted and Estimated, respectively. Although existing investments were purchased at low interest rates, more recently, short-term rates have begun to rise. The Federal Reserve benchmark interest rate was increased 25 basis points in both December 2015 and 2016, the first increases since 2006, and if the economy continues to improve, it is expected the Federal Open Market Committee (FOMC) will continue to implement small incremental increases.

As discussed earlier in this report, the first monthly lease payment subsequent to the decennial revaluation for the Crittenden lease was remitted in January 2017 and Fiscal Year 2017-18 reflects a full year of the revaluation of the Googleplex and Crittenden sites, but does not include an increase for the decennial revaluation of the Charleston East property, which will be effective February 2018.

Licenses, Permits, and Fees/Fines and Forfeitures is projected to be $70,000 (1.2 percent) higher than the 2016-17 Fiscal Year Adopted Budget and $150,000 (2.7 percent) higher than the current fiscal year Estimated.

Intergovernmental is projected to be at the same level as the 2016-17 Fiscal Year Adopted and $103,000 (14.8 percent) below the current fiscal year Estimated. The projected budget assumes the City will not receive any mandate reimbursement funding and Public Safety Realignment funding is reduced to the level forecast by the State.

Charges for Services is projected at $69,000 (2.6 percent) and $40,000 (1.5 percent) higher than the current fiscal year Adopted and Estimated, respectively.

Miscellaneous Revenues is projected $367,000 (18.5 percent) less than the current fiscal year Estimated, to essentially the same level as the current fiscal year Adopted, as some grants, donations, and reimbursements cannot be anticipated and, therefore, are not budgeted.

Interfund Revenues and Transfers are projected at essentially the same level as the current fiscal year Adopted and Estimated.

Expenditures

A comparison of the Preliminary Forecast to current fiscal year Estimated and Adopted Budget and prior fiscal year Audited for the General Operating Fund follows (dollars in thousands):

	2015-16 Audited	2016-17 Adopted Budget	2016-17 Estimated	**2017-18 Preliminary Forecast**	Variance of 2017-18 Forecast to 2016-17 Adopted
Salaries and Benefits:					
Salaries and All Pays	$54,024	56,850	54,590	**58,511**	1,661
Retirement	12,575	14,721	14,720	**16,313**	1,592
Health Benefits	8,102	9,780	8,602	**10,233**	453
All Other Benefits	5,372	6,279	5,942	**6,731**	452
	80,073	87,630	83,854	**91,788**	4,158
Services and Supplies	13,969	16,175	15,494	**17,078**	903
Capital Outlay/Equipment Replacement	2,696	3,024	3,162	**3,228**	204
Interfund Expenditures and Transfers	2,852	3,404	3,404	**5,328**	1,924
Budget Savings	Included	(1,800)	Included	**(1,800)**	-0-
Total Operating Expenditures	$99,590	108,433	105,914	**115,622**	7,189

A brief explanation of the assumptions and changes in expenditures follows:

Salaries and Benefits incorporates estimated steps and merits, and a cost-of-living adjustment (COLA) for all bargaining and employee groups as was included in the prior forecast. The forecast also includes an estimated $200,000 for the half-year impact of the minimum wage increase to $15.00 per hour effective January 2018. The cost for retirement benefits is projected with the rates provided by CalPERS and reflects an increase in costs of 10.8 percent compared to the Fiscal Year 2016-17 Adopted Budget. Health benefit costs are projected with increases based on historical trends.

CalPERS Discount Rate Change

On December 21, 2016, the CalPERS Board approved the lowering of the discount rate from 7.5 percent to 7.0. The reduction is to be phased in over three years beginning in Fiscal Year 2018-19 for local governments with the full impact reached in year 7 (Fiscal Year 2024-25) due to the five-year ramp-up and ramp-down methodology previously adopted. The reduction will be phased in as follows:

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

The lowering of the discount rate means the City, as well as other CalPERS agencies, will see increases in our normal costs and unfunded actuarial liabilities (UAL) annual payments. CalPERS has indicated the reduction will result in employer normal costs rate increases between 1 percent to 3 percent for most miscellaneous plans and increases of 2 percent to 5 percent for most safety plans. In addition, CalPERS is estimating an increase of 30 percent to 40 percent in UAL annual payments. A preliminary analysis projects the annual costs to the GOF for Fiscal Year 2018-19 will be approximately $775,000 as the first year of the gradual phase in of the discount rate change. This amount increases annually to a projected increase of $9.8 million by the time the full impact of the discount rate is phased in.

Services and Supplies is projected with a $903,000 increase over the Fiscal Year 2016-17 Adopted Budget, related to projected inflationary increases for each type of service or supply. The licensing for Microsoft Office is changing from a purchase that was included in the Equipment Replacement Fund that was amortized over four years, to an annual subscription service. The annual license fee of $280,000 has been included in addition to a $200,000 increase for potential City water, wastewater and trash rate increases. This forecast does not include any additional appropriations requested by departments to be recommended by the City Manager through the Fiscal Year 2017-18 budget process. Any recommended increases will be included with the Narrative Budget Report in late April.

Capital Outlay/Equipment Replacement includes $500,000 for Capital Outlay, an increase over the current fiscal year Adopted as there has been some pent up demand for capital outlay. The annual equipment replacement funding amount is projected to increase 4.2 percent due to inflation for replacement cost and some adjustments to quantity of items and life expectancy.

Interfund Expenditures and Transfers is projected with a $1.9 million increase. A small portion of this increase is based on an inflationary increase for liability insurance and the cost of the Retirees' Health UAAL amortization based on the actuarial valuation as of July 1, 2015. Also included is a transfer of $1.75 million that represents a placeholder to be used for one-time items such as capital improvement projects funding, additional CalPERS liability funding, additional OPEB funding, or limited-period funding. The $1.75 million is set aside to reduce the dependency on the significant increases that have resulted in the recent revaluation of City leases to Google and represents an estimate of annual lease revenue loss that could result from the potential secured AV decline in the Shoreline Community after a future downturn in the economy. During previous economic slowdown, Shoreline Community experienced approximately 15 percent declines in Secured AV.

The Fiscal Year 2017-18 projection will be updated for the Narrative Budget Report in late April, at which time budget recommendations will be presented to Council.

III. FISCAL YEAR 2016-17 MIDYEAR PERFORMANCE/WORKLOAD MEASURE UPDATE

Departments review and revise their performance measures from time to time to ensure measures provide relevant and clear information about department operations. Attachment 1 includes the Fiscal Year 2015-16 actual results as well as the annual target and mid-year (six month) status of each measure for the current fiscal year.

The final results for Fiscal Year 2016-17 will be reported in the Fiscal Year 2017-18 Adopted Budget.

IV. FISCAL YEAR 2015-17 COUNCIL MAJOR GOALS WORK PLAN STATUS

The City Council set three major goals to attain over the course of two fiscal years (Fiscal Years 2015-16 and 2016-17). They are to:

- Improve the Quantity, Diversity, and Affordability of Housing;
- Enhance Environmental Sustainability Efforts; and
- Improve Transportation by Enhancing Mobility and Connectivity.

Within these overarching goals, staff developed and Council approved 51 specific projects and priorities to achieve these goals. Significant staff resources have been allocated to these projects and an update on their current status can be found in Attachment 2.

Based on the departmental updates to the Council Major Goals Work Plan, the first 18 months of work reflect:

- Thirty-five (35) of the 51 projects are complete or under way and expected to be completed by the end of Fiscal Year 2016-17. Additionally, 3 projects have been eliminated or merged with other projects, reducing the number of total projects to 48. Thus, 35 of 48 projects (73 percent) have been completed or are expected to be completed by June 30, 2017.

- Thirteen (13) projects are scheduled to continue as part of staff's workload beyond Fiscal Year 2016-17. Four (4) of these projects are expected to be completed during fall of 2017; the other 9 projects have anticipated completion dates later in Fiscal Years 2017-18 and 2018-19.

FISCAL IMPACT

The various fiscal impacts are identified and discussed within this report.

CONCLUSION

The midyear budget status of the Fiscal Year 2016-17 General Operating Fund estimates revenues at $124.6 million, $5.8 million (4.9 percent) and $5.6 million (4.7 percent) higher than the Adopted and Adjusted Budgets, respectively. Expenditures are estimated at $105.9 million, $2.5 million (2.3 percent), and $4.4 million (3.9 percent) below the Adopted and Adjusted Budgets, respectively. After the budgeted contributions to CalPERS and the OPEB Trust, and the Transfers to the General Non-Operating and Strategic Property Acquisition Funds, the General Operating Fund is estimated with a $12.1 million ending balance, which would be available to fund limited-period expenditures for Fiscal Year 2017-18, supplement reserves, provide funding for the CIP, or additional contributions to pay down unfunded liabilities.

Development Services Fund revenues are slightly higher than budget, expenditures are trending below budget, and development activity continues to be strong. The revenues and expenditures of the Shoreline Golf Links are below budget. The Shoreline Regional Park Community revenues are trending above budget and expenditures are trending below budget. Revenues for the Water and Solid Waste Funds are currently trending higher than budget and the Wastewater Fund revenues are currently trending lower than budget. All Enterprise Fund expenditures are currently trending lower than budget.

The preliminary Fiscal Year 2017-18 forecast for the General Operating Fund indicates revenues are growing, primarily the result of property values and the decennial revaluations of long-term leases of City-owned land. The revenues are sufficient to meet currently projected expenditures, before additional recommendations, creating a preliminary projected $3.8 million ending available balance after preliminary recommendations for contributions towards unfunded CalPERS and OPEB liabilities, and a transfer to the SPAR. **Expenditure recommendations for Fiscal Year 2017-18 are not included in this preliminary projection and staff will return to Council with recommendations as part of the Narrative Budget Report.**

ALTERNATIVES

1. Do not approve the recommended transfers, appropriations and position changes.

2. Provide other direction.

PUBLIC NOTICING—Agenda posting.

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HA-SN/7/CAM
530-02-14-17CR-E

Attachments:
1. Performance Measures/Workload Measures
2. Fiscal Year 2015-17 Council Major Goals Work Plan Status
3. Implement Community Stabilization and Fair Rent Act