



# COUNCIL REPORT

**DATE:** June 13, 2023

**CATEGORY:** Public Hearing

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

**TITLE:** **Fiscal Year 2023-24 Recommended Budget and Council Strategic Priorities and Work Plan for Fiscal Years 2023-25**

## **RECOMMENDATION**

1. Convene a public hearing, accept public comment, and provide input to staff on the Fiscal Year 2023-24 Recommended Budget (Attachment 1 to the Council report).
2. Approve for inclusion in the Council work plan Project A3, Explore implementing a temporary downtown office cap on new development, and Project B27, Develop comprehensive updates to the Downtown Precise Plan, identified in the Council work plan for Fiscal Years 2023-25 (Attachment 2 to the Council report).
3. Approve the Strategic Priorities and the remainder of the projects identified in the Council work plan for Fiscal Years 2023-25, excluding Project A3, Explore implementing a temporary downtown office cap on new development, and Project B27, Develop comprehensive updates to the Downtown Precise Plan (Attachment 2 to the Council report).
4. Commit \$31,050 in Fiscal Year 2022-23 from one park in-lieu fee in the Park Land Dedication Fund to the acquisition of a portion of property at 711 Calderon Avenue.

## **BACKGROUND**

The Fiscal Year 2023-24 Recommended Budget has been prepared in accordance with Section 1103 of the City Charter, the State Constitutional limit on the proceeds of taxes, and all applicable regulations. It contains the proposed financial plan for the General Operating Fund (GOF) and all other City funds as well as the Shoreline Regional Park Community (Shoreline Community), a separate component unit of the City.

## **INTRODUCTION**

Over the past year, the City has emerged from the COVID-19 pandemic and is back to business and more resilient than ever. Thanks to the leadership of the City Council and through the support and hard work of the Executive Leadership Team and our outstanding City employees,

we have provided an exceptional level of service to our community and maintained fiscal stability. The Fiscal Year 2023-24 Recommended Budget is structurally balanced and allocates resources toward long-term service delivery, increased staffing levels, and innovative programs for Mountain View to thrive in the future.

While we welcome the return to normalcy from these past few transition years, we are cautiously optimistic about fiscal growth. There is still economic uncertainty on the horizon. Although overall unemployment is still relatively low in the Bay Area, there have been significant numbers of corporate layoffs in the region, with more expected. Supply chain issues persist, and the increases in interest rates orchestrated by the Federal Reserve to ward off inflation are starting to achieve the intended economic dampening. Commercial real estate vacancy rates are rising in our region, due in part to businesses grappling with hybrid and remote work force strategies. A continuation of this trend could exacerbate an already stretched financial sector due to recent regional bank failures. All of this, in conjunction with a looming State of California budget deficit, makes a recession a possibility.

The Recommended Budget and General Operating Fund Forecast currently show sufficient financial resources to maintain the Mountain View of today, but building the Mountain View of tomorrow will require that we continue to enhance and diversify the City's revenue streams to maintain ongoing fiscal stability and accomplish the bold initiatives the City is advancing.

This includes exploring additional funding via a revenue measure in 2024 for necessary Citywide enhancements, which may include addressing aging facilities and Citywide infrastructure, building new parks and open spaces, implementing ambitious decarbonization and sustainability programs, and building more affordable housing.

### **Building the Mountain View of Tomorrow**

For more than 20 years, the City has studied and discussed the need for constructing a new Public Safety Administration Building, which houses the Police Department, Fire Department administration, the Emergency Operations Center, and the 9-1-1 emergency dispatch. The current building is antiquated and does not meet current seismic standards. In fact, the very building that we rely on for emergencies could fall victim itself to a seismic event. The current estimate for a new building is approximately \$150.0 million and growing. In addition, the City has two fire stations that are 55 and 61 years old, respectively, that are in need of modernization and repairs. As with most municipalities, repairs, maintenance, and eventual replacement of facilities and infrastructure will continue to be an ongoing need in the future.

The City will also continue to make efforts to meet our open space goal to provide three acres of open space for every 1,000 residents. Based on current data, the City is expected to create, on average, one to two new parks per year through the year 2030. The overall park acreage will be

growing with these future identified parks; however, there are specific planning areas within the City that are not reaching this goal currently and do not have identified funding, and future City growth will impact the gains being made toward increased open space per 1,000 residents. The forthcoming Parks and Recreation Strategic Plan will identify funding strategies to meet the parks and open space needs of the future, which will require a significant financial investment.

As a leader in local climate action and in recognition of the serious threat of climate change, Mountain View is committed to achieving carbon neutrality. In 2020, in response to State, national, and internal action on climate change, the City adopted a goal of carbon neutrality by 2045. We recognize that we must rapidly reduce emissions and that, through ambitious decarbonization strategies, real progress can be made. In the coming fiscal year, the City will develop a decarbonization strategy to achieve significant emissions reductions by 2035. Initial decarbonization work is already under way. To decarbonize our buildings and transition away from natural gas to clean electricity, an electrification program for multi-family residential properties has been developed, and a pilot program will launch in fall 2023. The City will also explore opportunities to enhance capacity of the electrical grid and achieve neighborhood-scale electrification in partnership with Silicon Valley Clean Energy and Pacific Gas and Electric. The City's costs will be upwards of \$10.0 million to implement decarbonization projects and more than \$40.0 million to increase the City's electrical grid capacity.

In the past year, in addition to sea level rise, the City has had glimpses of future climate impacts through extreme heat events in the fall and numerous atmospheric rivers in the winter. For several years, we have witnessed the impacts of wildfires across the State. These climate risks illustrate the need to further the City's work of building a resilient Mountain View for the future. The City will continue to make progress mitigating sea level rise risks. At the end of 2022, the City joined other communities across the country in the ICLEI (Local Governments for Sustainability) Race to Resilience challenge. Work has begun on the development of a Climate Vulnerability Study and Resiliency Plan for Mountain View. The City is also supporting regional climate resilience through participation in the leadership group of the Countywide climate collaborative and co-chairing the sea level rise working group of the collaborative.

With climate change upon us, Mountain View holds to the belief that we can do amazing things together with the community. Through creativity, collaboration, and community action, we are building a sustainable and resilient Mountain View for today and the future. However, a sustainable future with zero carbon emissions will require significant financial investments.

Lastly, the City is and will continue to be a Statewide leader in the development and preservation of affordable housing. The following table shows the current 100% affordable housing pipeline, composed of nine projects and three land dedication sites, totaling approximately 1,310 units.

**Affordable Housing Pipeline**

<b>Five-Year Project Pipeline (100% Affordable)</b>	<b>Units</b>
La Avenida	100
Montecito Avenue	85
Lot 12	120
Terra Bella Avenue	108
Linda Vista Avenue	70
96 West El Camino Real	79
87 Evelyn Avenue (City RFP)	150+
57-67 Evelyn Avenue (Charities site)	~100
Crestview Hotel	48+
1255 Pear Avenue (Sobrato land dedication)	~110
Middlefield Park—Site 1 (Google land dedication)	~160
Middlefield Park—Site 2 (Google land dedication)	~180
<b>TOTAL</b>	<b>~1,310</b>

Additionally, there are 380 Below-Market-Rate (BMR) units in the pipeline across multiple market-rate projects. In sum, the total pipeline of affordable units (100% affordable and BMR) is approximately 1,690 units. This is a significant pipeline that will double the City’s affordable housing supply. At this time, there is an estimated gap of approximately \$50.0 million to fully fund the affordable housing projects in the pipeline.

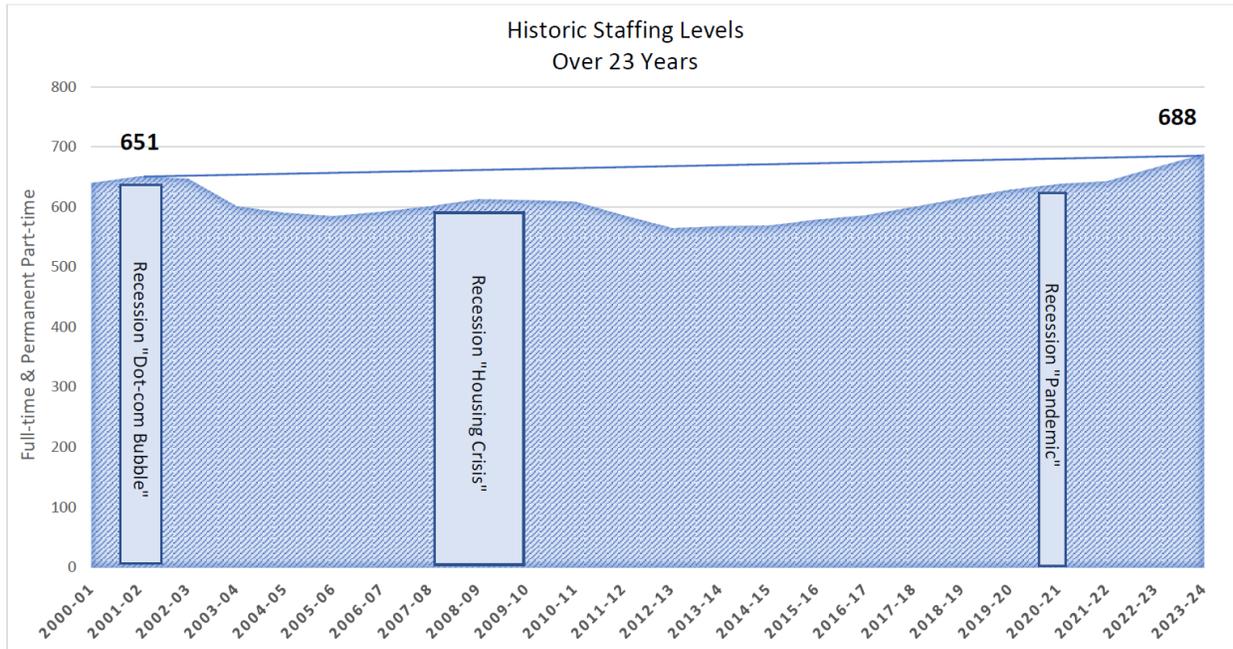
Importantly, creating additional, ongoing revenue is essential to bring the Mountain View of tomorrow to fruition. As such, the City Council has established exploring a potential 2024 revenue measure as a Council work plan priority project. Once Council formally adopts the work plan with the Recommended Budget, staff will bring an item to Council in September 2023 to initiate next steps toward a revenue measure.

**HIGHLIGHTS OF THE RECOMMENDED BUDGET**

**City Staffing Levels**

To accomplish the City’s ambitious goals and carry out essential and routine work, we must continue to build more organizational capacity. As we envision the organization of tomorrow, it is important to understand how the organization has evolved over the decades. The chart below shows the City experienced a significant contraction between 2000 and 2012, necessitated by two recessions within the same decade. Over the past decade, the City has been rebuilding and increasing the number of employees that are necessary to meet the ongoing needs of our residents and address the significant workload. To continue providing the high level of service the Mountain View community deserves, the Recommended Budget includes an increase in

budgeted positions of 22 (compared to the Fiscal Year 2022-23 Adopted Budget) in full-time equivalent employees (FTE) in strategic areas, including 11.6 in the GOF. Notably, with these budget requests, the City organization will have 37 more staff members than it did 23 years ago.



### New Housing Department

The future of Mountain View is highly dependent on the creation and maintenance of a spectrum of affordable housing options. A new Housing Department with increased resources is necessary to implement both existing programs (which have significantly expanded) and new initiatives to continue to be responsive to the wide range of housing needs of the community. As a result, the Recommended Budget includes the recommendation to form a stand-alone Housing Department separate from the Community Development Department.

As previously mentioned, the City currently has nine 100% affordable housing projects and three land dedications in the pipeline, composed of approximately 1,310 units. Additionally, there are 380 BMR units in the pipeline across multiple market-rate projects, resulting in a total of 1,690 units in the pipeline. This is in addition to the existing 1,619 deed-restricted units developed/managed by affordable housing developers (typically referred to as Notice of Funding Availability (NOFA) projects or 100% affordable projects), plus 185 BMR units, for a total of 1,804 affordable units. This is a significant pipeline that will virtually double the City's affordable housing supply in the coming years. Looking beyond the currently programmed pipeline projects, the City anticipates receiving the first phase of Google land dedications (three sites totaling 3.75 acres) as part of the Google North Bayshore Master Plan. Notably, last year, the City and

County executed an \$80.0 million Measure A Memorandum of Understanding to help fund seven of the City's affordable housing pipeline projects.

The new Housing Department will be directly involved in 22 work plan projects related to the implementation of the 2023-31 Housing Element, 18 of which as the lead and four as co-leads. Other significant priorities for the Department will include advancing the displacement response strategy, developing an asset management system/program to monitor and track the City's rapidly expanding affordable housing supply, expanding Housing's legislative efforts in coordination with our legislative team, and further integrating the City's Race, Equity, and Inclusion planning into the Housing Department's work.

The Recommended Budget includes a new 1.0 FTE Senior Housing Officer position to support the increased workload of the existing affordable housing programs, particularly the NOFA affordable housing program, as well as new actions related to the City's displacement response strategy and the 2023-31 Housing Element. Over the next two years, additional positions are expected to be recommended to implement the ambitious projects.

The Housing Department will also continue to build on the enhanced community outreach and customer service that Housing and Rent Stabilization staff has already begun incorporating into their work, including outreach to those with limited English proficiency, to reduce barriers and increase access to housing. This includes different modes of outreach, including in-person meetings with child-care and community groups, virtual meetings, webinars, and the Housing and Eviction Help Center.

The new Housing Department will solidify the City's position as a recognized leader in housing and as a partner of choice for a wide variety of housing initiatives. Recent examples include Mountain View being awarded the 2022-24 Breakthrough Grant through the Partnership for the Bay's Future, including award of a Management Fellow to assist the City with developing its displacement response strategy and, most recently, being asked by Meta/Facebook and the Urban Land Institute (ULI) to partner on conducting a middle-income housing assessment as part of ULI's Technical Assistance Panel (TAP) program. The TAP for the City will be fully funded by Meta.

In addition, the City, with our partner LifeMoves, implemented the first interim housing project in the State through the Project Homekey program. This project has led to a proliferation of other interim housing projects in the Bay Area and throughout California and was recognized by Governor Gavin Newsom as a model project. The project also received the 2022 award for development excellence in North America from the Urban Land Institute.

The proposed Housing Department would include two divisions, Affordable Housing and Rent Stabilization, as described below.

### *Affordable Housing Division*

Nearly three decades ago, the Housing and Neighborhood Services Division was once the Neighborhood Preservation Division. At that time, the Division focused its work on code enforcement, neighborhood studies, working with neighborhood associations, ensuring compliance with City housing and zoning codes, and supporting the Council Neighborhoods Committee (CNC).

Over time, the Division began to include policies and programs specific to affordable housing (such as the BMR housing program, the NOFA program, among others), which the Division continues to implement. Currently, each of these affordable housing programs has significantly increased workloads. The Federal grants program includes new initiatives, such as HOME-ARP and updated fair housing requirements. Additionally, the Division is increasingly leading or supporting the development of complex, major strategies, such as the displacement response strategy and a homelessness response strategy, and implementing new actions associated with the strategies. It is anticipated that the work with the CNC will be transitioned to another department over the next fiscal year so the Division may focus on affordable housing initiatives. Updating this division to be the Affordable Housing Division under a new Housing Department will accurately reflect the scope of this group's work.

### *Rent Stabilization Division*

On November 8, 2016, the residents of Mountain View voted to adopt Measure V, also known as the Community Stabilization and Fair Rent Act (CSFRA), to stabilize rents and provide just-cause eviction protections for certain rental units in Mountain View. Subsequently, in December 2016, the City established the Rent Stabilization Division to implement the CSFRA and the City's Tenant Relocation Assistance Ordinance (TRAO). Subsequently, the Mountain View Mediation Program was implemented as well as the more recent Housing and Eviction Help Center, which was created during the pandemic.

This Division has been expanded through Council's adoption of the Mobile Home Rent Stabilization Ordinance (MHRSO) in September 2021. Currently, the Rent Stabilization Program and Housing and Neighborhood Services Division staff regularly collaborate on outreach, program implementation, and policy development, and formalizing a Rent Stabilization Division as part of a new department clarifies this organizational structure.

### **Development Review Process Improvements**

In 2021, the City audited the effectiveness of the development permit review process with the help of Matrix Consulting Group, Inc. (Matrix). The review included stakeholder interviews and

surveys with developers, applicants, community members, decision-makers, and staff. The study resulted in 53 recommendations for the Community Development, Public Works, Information Technology, Fire, and other City departments involved in the review of development.

The Community Development Department has implemented improvements throughout the development review process in coordination with the help of over 100 staff in the City. The effort has been multi-level and coordinated, resulting in the creation of:

- An *Innovation Team* for timely problem-solving;
- A multi-department *Permit Navigation Team* headed by a newly created Assistant Community Development Director who oversees the permit navigation process; and
- A *Permit Technology Team*, in partnership with the Information Technology Department, that works on implementing interim and new technologies related to development review. These coordinated teams have already assisted with improving planning and building permit reviews since their implementation.

Importantly, the City launched an online permit system, “ePermitsMV,” for building permits in April 2023, and Planning and Public Works online permits are targeted for launch in Fiscal Year 2023-24.

Moreover, we are creating a new development review website for online services focused on an enhanced user experience for obtaining development permits, which is anticipated to launch by fall 2023. The new content will provide clear information on the development review process, permit requirements, fees, and time frames for common permits. This web content will continue to evolve over time to incorporate reporting/performance dashboards and online interactive tools as additional technologies are implemented by the City.

As a result of these efforts, the *Project Coordinating Committee*, which reviews planning permits across seven City departments and over 100 staff, has improved timely review of projects with on-time response rates increasing from 57% in October 2021 to 95% currently.

### **Building Division Reorganization**

The Building Division is responsible for reviewing and issuing building permits through its permit team, conducting inspection services to ensure safe buildings, and providing fire plan checks and inspections to ensure fire and life safety. Workload volumes from 2019 to 2022 for building/fire permits and plan checks have increased beyond pre-pandemic levels, as shown below.

**Building/Fire Permit and Inspection Volumes, 2019 to 2022**

Item	FY 2019-20	FY 2020-21	FY 2021-22	% Increase (2019-2022)
<b>Building and Fire Plan Checks</b>	4,912	4,818	5,067	+3.16%
<b>Total Fire/Building Permits Issued</b>	5,980	6,099	6,446	+7.7%
<b>Building and Fire Inspections</b>	57,009	55,282	59,570	+4.4%

In addition to volume, the nature of development applications has increased in scale (more density and square footage), complexity (State laws, local and regional regulations), and community expectations for quick processing. As a result, building permits require increased attention, specialized knowledge and processing, greater reporting requirements, and a higher level of project management and technical expertise to process. Additionally, new State laws have been enacted that mandate shorter review timelines and same-day, online plan check services, which requires the Building Division to coordinate with over 100 City staff to meet the new timelines and requirements.

Due to the complex requirements of building permit review, new timelines required per State law, and the volume of permits, the Building Division will be reorganized into three teams in Fiscal Year 2023-24. The establishment of these teams will create a sustainable structure that is able to deliver improved customer service and ensure a long-term succession strategy for the Division. The three teams include:

- *Permit Center Team*, which will oversee building administration, all permit services, and public counter operations of the Division;
- *Building Inspection Team*; and
- *Fire Protection Team*, which will conduct fire permit review and inspection services.

The newly created Permit Center Team will implement a new project management approach whereby each permit technician is responsible for a set of projects from initial building permit intake through issuance. This approach allows for consistency for the customer, greater knowledge of the details of a permit, and quicker troubleshooting and resolving of any issues, resulting in improved customer service. Additionally, permits for single-family home improvements and small commercial tenant improvements, which are currently reviewed by consultant plan checkers outside of the City organization, will be handled internally.

The Recommended Budget includes 2.0 new FTE positions, a Plan Check Examiner and a Senior Permit Technician, to help accomplish the goals of the Building Division reorganization to provide improved customer service and a more efficient process.

### **Multicultural Engagement Program Expansion**

The City provides a unique service to meet the needs of our growing and diverse community through the Multicultural Engagement Program (MEP), which advances the Council Strategic Priority of “Community for All.” MEP staff provides information to residents in four languages—English, Spanish, Chinese, and Russian—and attend City meetings and community events, host Citywide multicultural events, provide outreach to schools and nonprofits, and provide translation and interpretation services about City initiatives, programs, and services.

The City has developed a nine-week long Spanish Language Civic Leadership Academy, which encourages civic participation and engagement in Mountain View. In spring 2022, the program expanded to a Chinese Language Civic Leadership Academy. These academies now have over 110 Spanish-speaking graduates and 18 Mandarin-speaking graduates. Based on feedback from several Chinese Language Civic Leadership Academy graduates, the City held its first Lunar New Year Celebration in January 2023, bringing together more than 40 volunteers, including seniors and young adults, and attracting approximately 2,000 people to the celebration.

Building upon this success, a new Citywide Language Access and Multicultural Engagement Policy will be created in Fiscal Year 2023-24, and staff will be conducting even more in-person outreach at community events, neighborhood gatherings, and nonprofit meetings. The Recommended Budget includes a new 1.0 FTE Community Outreach Specialist position to support the continued growth of the MEP Program and increased demand for services.

In addition, the new Housing Department will be working in close collaboration with MEP to provide translation and interpretation for community members to access housing programs and services and to engage in the policy development process. The Recommended Budget includes a recommendation of \$40,000 for enhanced MEP services to support housing programs and initiatives.

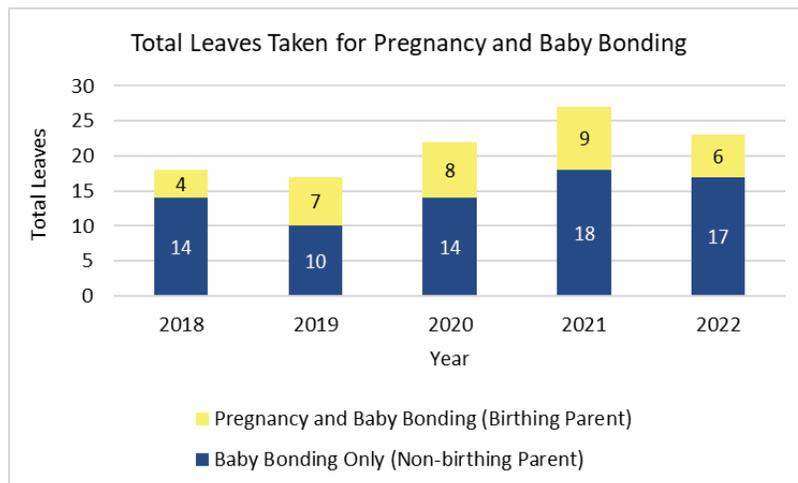
### **New Paid Parental Leave Pilot Program**

One of the major enhancements to City employee benefits in the Recommended Budget is the development of a Paid Parental Leave Pilot Program. This program will provide up to 320 hours, equivalent to eight weeks of paid leave, to all benefitted employees for each qualifying event (birth of a child, adoption, or foster care). Leave hours will be prorated for part-time and converted for Fire Suppression employees who work a 56-hour average workweek so that the leave hours received are equivalent to eight weeks at an employee’s regular work schedule.

This pilot program demonstrates the City’s focus on maintaining Mountain View’s great organizational culture to include supporting work-life harmony and well-being. Offering paid parental leave is mutually beneficial. It supports employees so they may provide care to and focus on their newest family member while still maintaining financial stability. Research indicates that there is improved health and well-being of both the parent(s) and the child. Additionally, this program reflects positively on the City organization, increases employee retention, and attracts new talent into our workforce.

Funding for this program will initially come from the General Non-Operating Fund (GNOF) and will be reviewed annually for replenishment. Based on prior leave data, we expect the program to cost approximately \$500,000 annually to provide up to eight weeks of parental leave. To fund and launch the pilot program, the Recommended Budget includes creation of a \$1.0 million reserve to start.

The below graph shows leave of absences taken from 2018 through 2022 that were specific to leave for pregnancy, the birth of a child, and baby bonding.



The City has a long-standing practice of providing exceptional service and support to employees in need of leave and continuously goes above and beyond statutory leave requirements. This includes leave to care for themselves or a family member due to a serious health condition, those seeking military leave, for pregnancy and baby bonding, and other qualifying events. Programs and policies that have been established include the City’s catastrophic leave program, where employees can donate leave time to another employee, as well as expanding leave time for baby bonding to be up to six months (currently unpaid). The Paid Parental Leave Pilot Program will be a strong enhancement to our benefit package, leave program, and culture of well-being in the workplace.

### **Mental Wellness and Leadership Initiatives**

Emerging from the pandemic, we are working together to develop and deliver programs that will maintain and enhance the City's organizational culture, build strong teams for succession planning and collaboration, and focus on our employees' well-being. Included in the Recommended Budget is approximately \$145,000 toward succession planning efforts and coaching for employees and \$135,000 in employee wellness funds, distributed proportionally within each department, to be used for wellness events, customer service training, team-building events, ergonomic equipment, or facilitation of in-person retreats and team meetings, at the discretion of each department. Each department will provide a written report annually to the City Manager's Office on how the funds were spent each year to enhance employee engagement and wellness. This funding will be examined each year during the budget development process to ensure the objectives and goals of the program are being met. Any enhancements or changes to the program will be included in subsequent Recommended Budgets.

While Mountain View has always placed considerable emphasis on health and wellness initiatives for our employees, the past three years have made the emphasis on wellness paramount. Working closely with the Human Resources team, the City will continue to prioritize employee engagement to address the impacts of workload, productivity, and burnout related to ongoing employee separations and retirements and the requisite filling of vacancies.

### **Castro Street Pedestrian Mall Implementation**

In October 2022, the City Council adopted an ordinance to establish the Castro Street Pedestrian Mall between West Evelyn Avenue and California Street, permanently eliminating vehicular traffic from the 100 to 300 blocks of Castro Street. This action was a major step forward in transforming a temporary solution to keep businesses operational during the COVID-19 pandemic into a new vision for Castro Street to create a vibrant, vehicle-free, walkable downtown area.

In February 2023, the City Council approved midyear budget adjustments that included adding two Parks Maintenance Workers to maintain cleanliness and landscaping and adding a Downtown Business Development Specialist and a Real Property Analyst to enhance economic vitality and administer the outdoor patio program for the Interim Pedestrian Mall. The approved midyear budget adjustments also included limited-term funding to support maintenance and activation/programming of the pedestrian mall for this summer. The Recommended Budget includes an ongoing budget appropriation of \$93,500 for increased pressure washing, maintenance supplies, and continuing programming for the pedestrian mall.

Over the next fiscal year, staff will be working to fully implement the Interim Pedestrian Mall. For the summer season, staff is beautifying Castro Street with enhanced landscaping and flowers

and supporting businesses in decluttering and creating more attractive outdoor dining spaces. A summer weekly music program on Castro Street was started in May, and the Friday Concerts on the Plaza begin in June. After the summer season, Castro Street will be repaved, followed by installation of the new outdoor patios for business use consistent with the design standards/guidelines recommended by Council's Pedestrian Mall Ad Hoc Subcommittee and approved by the City Council. The City will also be providing furnishings and play equipment for the public areas along the pedestrian mall.

The implementation of the Interim Pedestrian Mall will be further supported by City initiatives occurring throughout Fiscal Year 2023-24 to support small businesses, including a program establishing \$5,000 microgrants for the replacement of outdoor furnishings, including tables, chairs, heaters, and umbrellas, and a small business building facade grant program that provides matching grants of up to \$15,000 to improve signs, awnings, add exterior paint, windows, and doors.

#### **40th Anniversary of Shoreline at Mountain View Regional Park**

Shoreline at Mountain View Regional Park (Shoreline) is an approximately 750-acre recreation area and wildlife refuge located in the North Bayshore Area of the City of Mountain View. The park's 40th anniversary will occur in Fiscal Year 2023-24. Shoreline is a unique regional destination offering a wide variety of recreation activities that can be enjoyed alongside protected wildlife species while being located over critical municipal infrastructure, including a closed and regulated landfill. Visitors from Mountain View and the Bay Area visit Shoreline to enjoy an 18-hole golf course (Shoreline Golf Links), 47-acre lake (Shoreline Sailing Lake), two restaurants, a historic home museum (Rengstorff House), kite flying area, and dog park. In addition, guests of Shoreline take advantage of the approximately nine miles of hiking, jogging, and bike trails that are maintained by the City, which includes a segment of the larger Bay Trail system that connects Sunnyvale to Palo Alto.

The Shoreline Community is responsible for preserving and managing the wildlife habitat in Shoreline and other areas in North Bayshore, such as the Charleston Retention Basin and Shorebird Way egret/heron rookery. These areas greatly contribute to the biodiversity of the region and make North Bayshore a place of ecological significance due to the diversity of species, vegetation, and habitats located there.

Shoreline is the ecological crown jewel for Mountain View and the Bay Area, supporting at least 23 special-status species across eight types of habitats. These habitats are found in the various areas of Shoreline, which includes two tidal marshes, Vista Slope and Crittenden Hill, Coast-Casey Forebay, and Charleston Slough. The Charleston Retention Basin is 13 acres of recently restored wetland and riparian habitat that provides a high-quality breeding and foraging environment for many migratory songbirds. The Shorebird Way egret/heron rookery is a unique wildlife area in

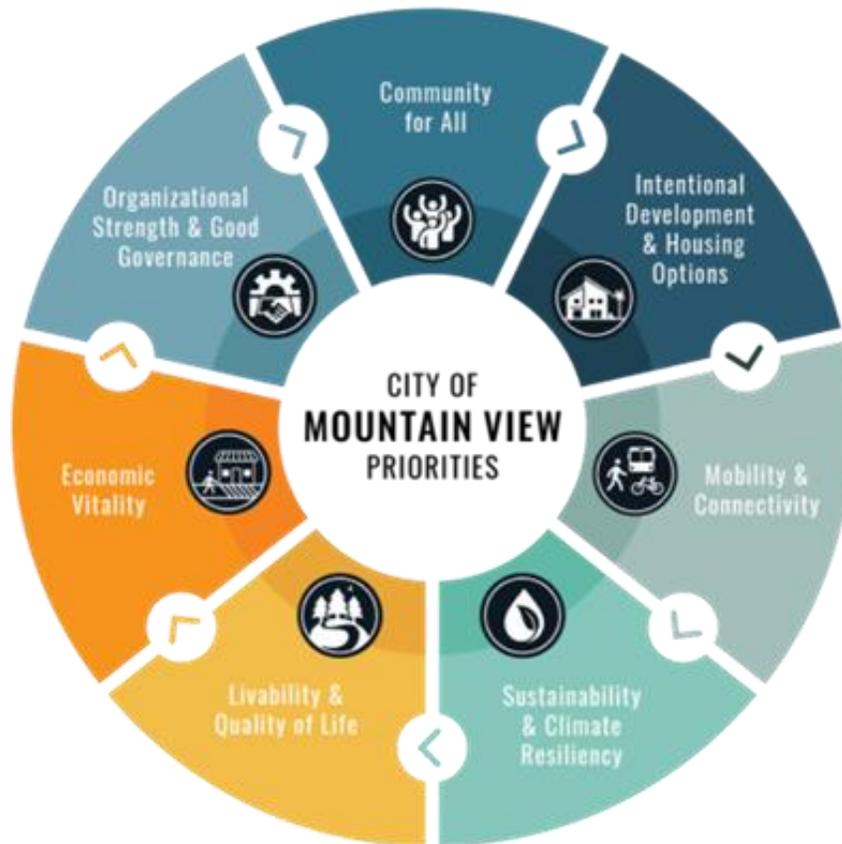
an otherwise urbanized setting, where a cluster of trees creates a regionally significant habitat as one of the largest egret colonies in the South Bay.

The Recommended Budget includes appropriations of \$250,000 in limited-period funding in the GNOF for Shoreline activities, communications, tours, and events that will occur over the course of the fiscal year to recognize and celebrate the 40th anniversary. In addition, the Recommended Budget also includes appropriations of \$75,000 in limited-period funding in the Shoreline Community Fund for permanent park improvements, including signage and displays.

**COUNCIL STRATEGIC WORK PLAN—FISCAL YEAR 2023-24 AND FISCAL YEAR 2024-25**

On June 22, 2021, the City Council adopted seven Strategic Priorities to support the City of Mountain View vision:

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



**Figure 1: Council Strategic Priorities**

In January 2023, the City Council began the process of developing a new two-year Strategic Work Plan spanning Fiscal Year 2023-24 through Fiscal Year 2024-25. Over the past several months, Council has reviewed and reaffirmed the City's seven Strategic Priorities; proposed and approved new and carryover projects for inclusion in the Work Plan to fulfill the seven Strategic Priorities; received feedback on the proposed projects from all Council boards, commissions, and advisory bodies; and prioritized the timing and allocation of resources for the projects.

The Council Strategic Priorities and Fiscal Years 2023-25 Work Plan (Attachment 2) includes the following minor revisions to the Livability and Quality of Life Strategic Priority and changes to the following projects' priority categories in response to Council's feedback:

- Conduct a holistic Citywide review of street parking regulations (moved from Category C to Category A); and
- Explore implementing a temporary downtown office cap on new development (moved from Category B to Category A).

Additionally, staff recommends incorporating the following wording changes to two projects:

1. Conduct a holistic Citywide review of street parking regulations, to provide clarity around the scope of the project; and
2. Explore placing a measure on the ballot to amend the City Charter, to allow for flexibility regarding the process and timing of the potential amendments.

The recommended Council work plan for Fiscal Years 2023-25 is comprised of 41 projects and is organized into priority categories “A,” “B,” and “C,” as follows.

**Council Strategic Work Plan Fiscal Years 2023-24 and 2024-25 Projects**

Priority A		Highest Priority
1. Review and update the Gatekeeper process	11. Develop a Citywide Decarbonization Plan (transitioning from SAP-4)	
2. Conduct a holistic citywide review of street parking regulations	12. Implement strategies for a vibrant downtown, including the Castro Pedestrian Mall	
3. Explore implementing a temporary downtown office cap on new development	13. Complete a Cost Allocation Plan and Master Fee Study	
4. Explore placing a measure on the ballot to amend the City Charter	14. Develop a Homelessness Response Strategy	
5. Explore the feasibility of a potential 2024 revenue measure	15. Negotiate a Community Workforce Agreement	
6. Update the Race, Equity, and Inclusion Action Plan	16. Develop a Moffett Boulevard Precise Plan	
7. Review and update the Shoreline Community Area Plan	17. Adopt a Citywide Transportation Demand Management Ordinance	
8. Implement Displacement Response Strategy actions	18. Develop a City Active Transportation Plan	
9. Adopt the Local Road Safety/Vision Zero Action Plan	19. Develop a Parks and Recreation Strategic Plan	
10. Expand the Safe Routes to School program	20. Implement an online permitting system	
	21. Develop a Biodiversity Strategy	
	22. Update the Community Tree Master Plan to create an Urban Forest Plan	

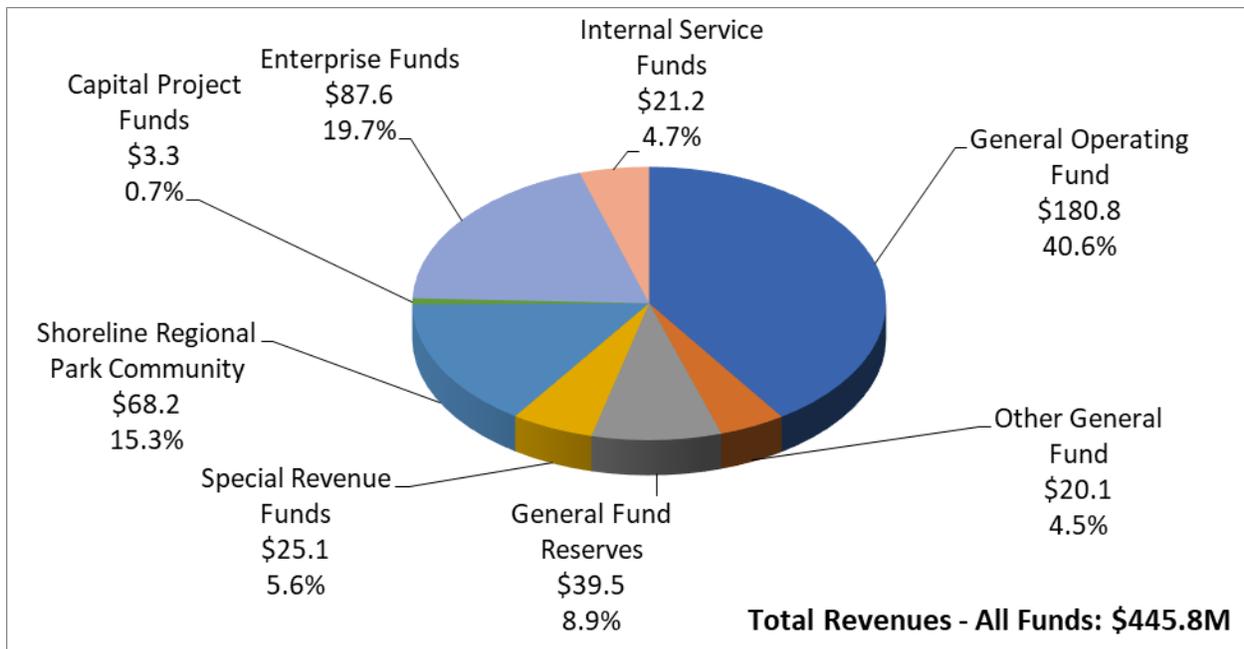
Priority B		High Priority
23. Work on the Stevens Creek Trail extension	31. Propose revisions to R3 zoning standards	
24. Develop a Dark Skies ordinance	32. Develop a strategy to facilitate low- and middle-income home ownership	
25. Develop an ordinance to ban vaping sales citywide	33. Facilitate affordable housing development at the VTA Evelyn Site	
26. Develop a comprehensive citywide storefront activation program	34. Design and construct the Castro Grade Separation	
27. Develop comprehensive updates to the Downtown Precise Plan	35. Review and update the historic preservation ordinance	
28. Complete a Climate Change Vulnerability Assessment	36. Prepare the Citywide Travel Demand update	
29. Implement the Economic Vitality Strategy	37. Conduct a Public Services Study	
30. Explore expanding access to broadband		

Priority C		As time and resources allow
38. Explore strategies for enhancing childcare options		
39. Consider revitalization of Gateway Park		
40. Review and make periodic amendments to the Municipal Code in a phased approach to remove contradictory, unenforceable, or otherwise outdated sections		
41. Develop guidelines for micromobility, including a scooter share pilot		

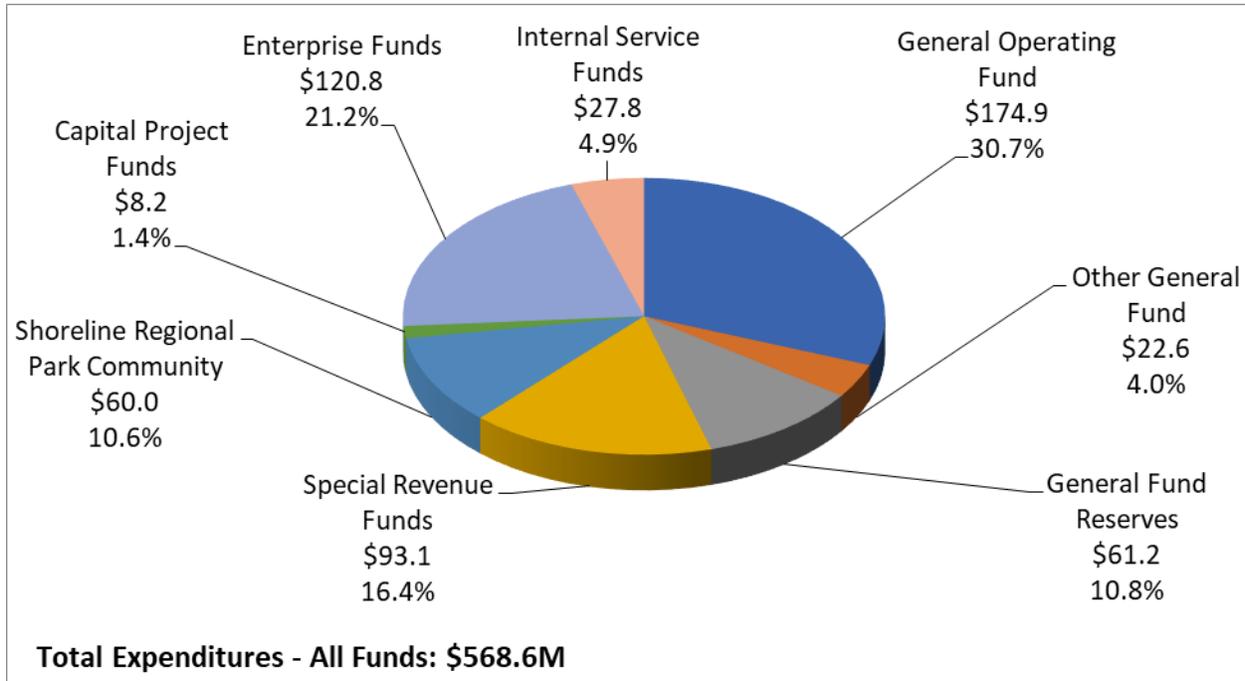
**FISCAL YEAR 2023-24 BUDGET OVERVIEW**

The total Recommended Budget for Fiscal Year 2023-24 is \$445.8 million in revenues and \$568.6 million in expenditures. Expenditures are greater than revenues as some expenditures, such as capital projects, are funded from existing available resources. The Fund Schedules Section of this document presents the City’s financial picture in detail.

**Total Fiscal Year 2023-24 Recommended Revenues—All Funds  
 (dollars in millions)**



**Total Fiscal Year 2023-24 Recommended Expenditures—All Funds  
 (dollars in millions)**



**GENERAL OPERATING FUND**

The GOF is the single largest City fund and provides funding for core services, including Police, Fire, Parks, Recreation, Library, some Planning, Public Works, Sustainability, and all City Administration functions, including City Attorney, City Clerk, City Manager, Human Resources, Finance and Administrative Services, and Information Technology. The GOF’s financial health is shaped in large part by positive and negative economic forces beyond the City’s control. Many GOF revenues are driven by the economic climate of Silicon Valley, the greater Bay Area, and the State. During the Great Recession of 2008, due primarily to declines in Property Taxes, Sales Taxes, and Transient Occupancy Tax (TOT) revenues, the GOF faced structural deficits before corrective actions were taken for four consecutive fiscal years. In strategically and proactively addressing these ongoing structural deficits, the City was able to better position itself for the economic recovery in the ensuing years leading up to today. In addition, the City’s sound fiscal practices and budget discipline have allowed the City to maintain its AAA credit rating for more than 10 years, a status held by only a minority of other California cities.

The local economy continues to experience a rebound from the COVID-19 pandemic, primarily due to higher-than-expected revenues, specifically transient occupancy taxes, sales taxes, and use of money and property (investment and rental income). Staff continually monitors the GOF revenues and expenditures throughout the year. Notably, revenue projections included in this

Recommended Budget were difficult to project due to the uncertainty of the current economic climate. For the Recommended Budget, staff used best estimates based on the latest available information.

The City maintains fiscally prudent budgeting practices of balancing ongoing expenditures with ongoing revenues and adopting structurally balanced operating budgets. In recent years, the City has experienced strong revenue growth with a larger-than-normal net operating balance that allowed the City to address infrastructure needs and unfunded liabilities. This situation has helped the City to weather the revenue losses experienced during the COVID-19 pandemic. Although it is difficult to forecast revenues under this climate of extreme uncertainty, the Recommended GOF budget for Fiscal Year 2023-24 is projected to achieve an operating balance.

A summary of the GOF Recommended Budget is summarized below (dollars in thousands):

Total Revenues	\$180,846
Total Expenditures	(171,847)
Transfer to General Fund Reserve	<u>(3,000)</u>
 Operating Balance	 \$ <u>5,999*</u>

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\* Not included in this operating balance of approximately \$6.0 million is potential clawback of an estimated \$7.0 million of prior-year excess Education Revenue Augmentation Fund (ERAF) monies that may need to be paid back to Santa Clara County due to current litigation brought by advocacy groups against the State of California.

Based on the current available information and assumptions, the GOF is projected to end the fiscal year with an operating balance of approximately \$6.0 million.

In November 2021, Santa Clara County notified cities that the California School Boards Association and its Education Legal Alliance filed a lawsuit against the Controller of the State of California disputing the calculation and disbursement of excess ERAF funds. As a result, Santa Clara County estimates that 20% to 30% of ERAF disbursed to all cities over three years is subject to litigation. The City estimates that 30% of excess ERAF revenue for Fiscal Years 2020-21 through 2022-23 is approximately \$7.0 million. It is expected that the \$6.0 million operating balance will be utilized if there is an unfavorable outcome to this Statewide litigation.

ERAF is the fund used to collect and disburse property taxes that have been shifted from cities, the County, and special districts prior to their reallocation to K-14 school agencies. When the State shifts more local property tax than required, these funds are returned to cities, counties, and special districts and are known as excess ERAF.

In Fiscal Year 2023-24, the Recommended Budget includes \$6.2 million of new ongoing expenditures, including 11.6 new regular and converted limited-period to regular positions in the GOF.

A summary of the Fiscal Year 2023-24 GOF Recommended Budget is provided below. Details of the Recommended GOF revenues and expenditures are included on Page 5-4 and in the General Operating Fund Forecast section of the budget document.

### **General Operating Fund Five-Year Financial Forecast**

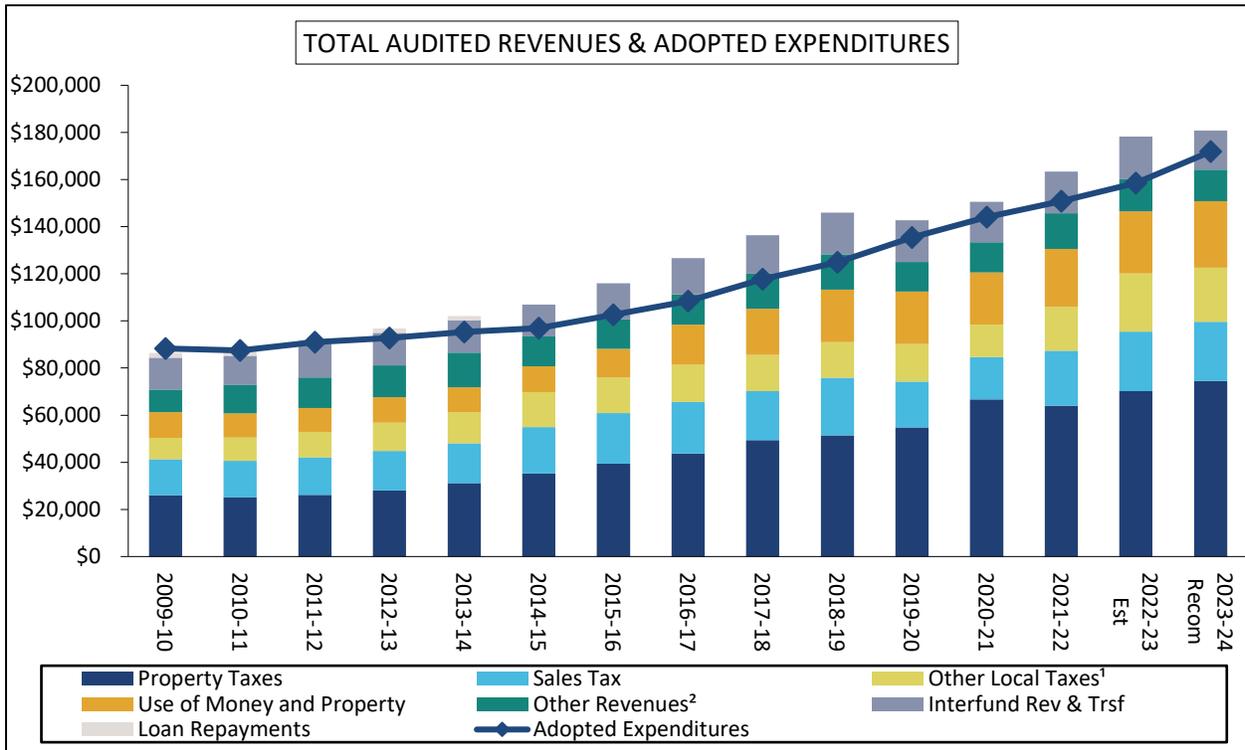
Included in this Recommended Budget document is a detailed Forecast beginning on Page 3-1. The Forecast is designed to enhance the City's ability to identify key drivers and trends in revenues and expenditures and paint a helpful picture of the future economy of the City. While it is challenging to accurately predict local government revenues due to the variable nature of the revenue sources and their connection to regional, State, national, and even international economic conditions, it is generally possible to identify reasonable financial trends and provide a conceptual financial picture for a multi-year period, which is useful to the City Council's decision-making. However, with the degree of uncertainty surrounding the current economic climate, forecasting financial trends is difficult to project. The Forecast includes staff's best estimates for the projected fiscal outlook for the GOF (including the Fiscal Year 2023-24 Recommended Budget).

The Forecast was prepared assuming positive revenue trends for the future years and does not include a recession. For Fiscal Year 2023-24, the General Operating Fund is estimated to end with an estimated \$6.0 million operating balance. The Forecast also projects the fund will end with a smaller balance in the third and fourth year due to higher projected expenditures. The fifth Forecast year is projected to have a healthy operating balance.

### **Fiscal Year 2023-24 General Operating Fund**

#### *Revenues*

For Fiscal Year 2023-24, GOF revenues are projected to grow \$17.0 million (10.4%), compared to the Fiscal Year 2022-23 Adopted Budget, to \$180.8 million. More detail on each revenue source can be found in the Forecast. The City's recent revenue history and estimated revenues for the current fiscal year and projected revenues for Fiscal Year 2023-24 are as follows (dollars in thousands).



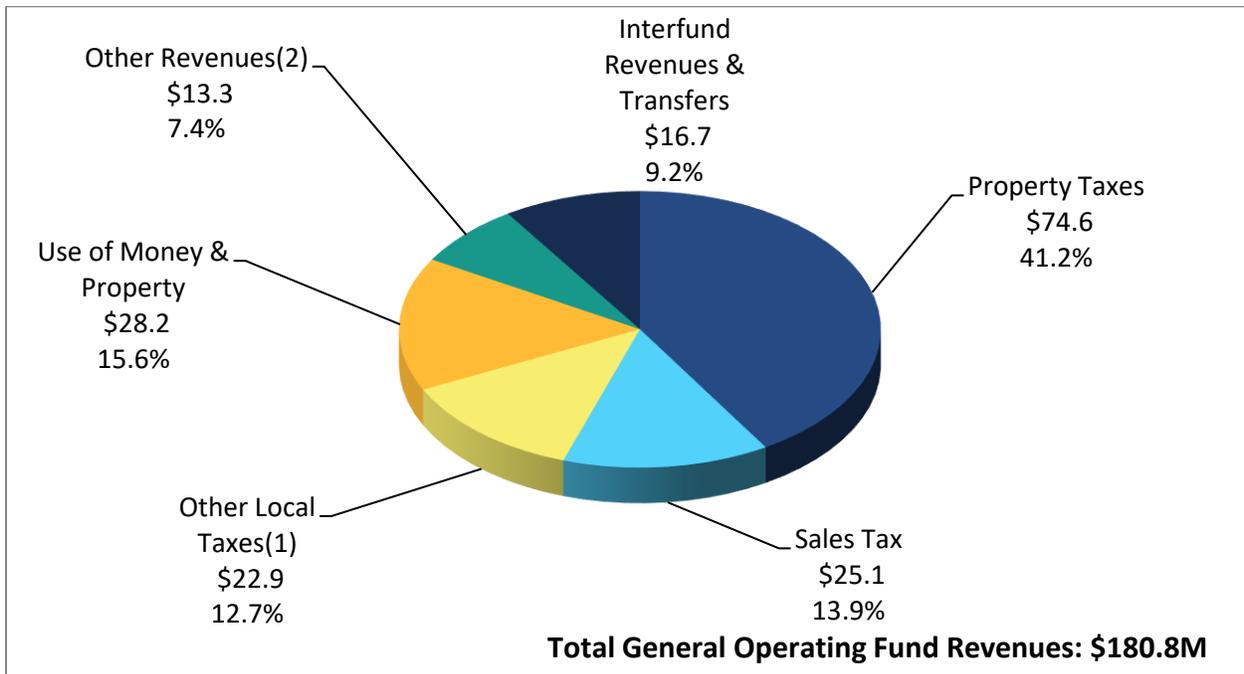
<sup>1</sup> Other Local Taxes consist of Transient Occupancy Tax, Business Licenses, and Utility Users Tax.

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

This chart demonstrates the cyclical nature of the City’s balance between revenues and expenditures. In recessionary years, small margins existed between GOF revenues and expenditures while that gap widens during high-revenue-growth years. The recommended expenditures in the chart include budget savings; however, for Fiscal Years 2008-09 through 2010-11 and again in Fiscal Year 2020-21, 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, in Fiscal Years 2011-12 through 2014-15, actual budget savings declined, but actual revenues were higher than adopted.

A summary of the major categories of GOF Revenues for the Fiscal Year 2023-24 Recommended Budget is as follows.

**Fiscal Year 2023-24 General Operating Fund Recommended Revenues  
 (dollars in millions)**



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

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

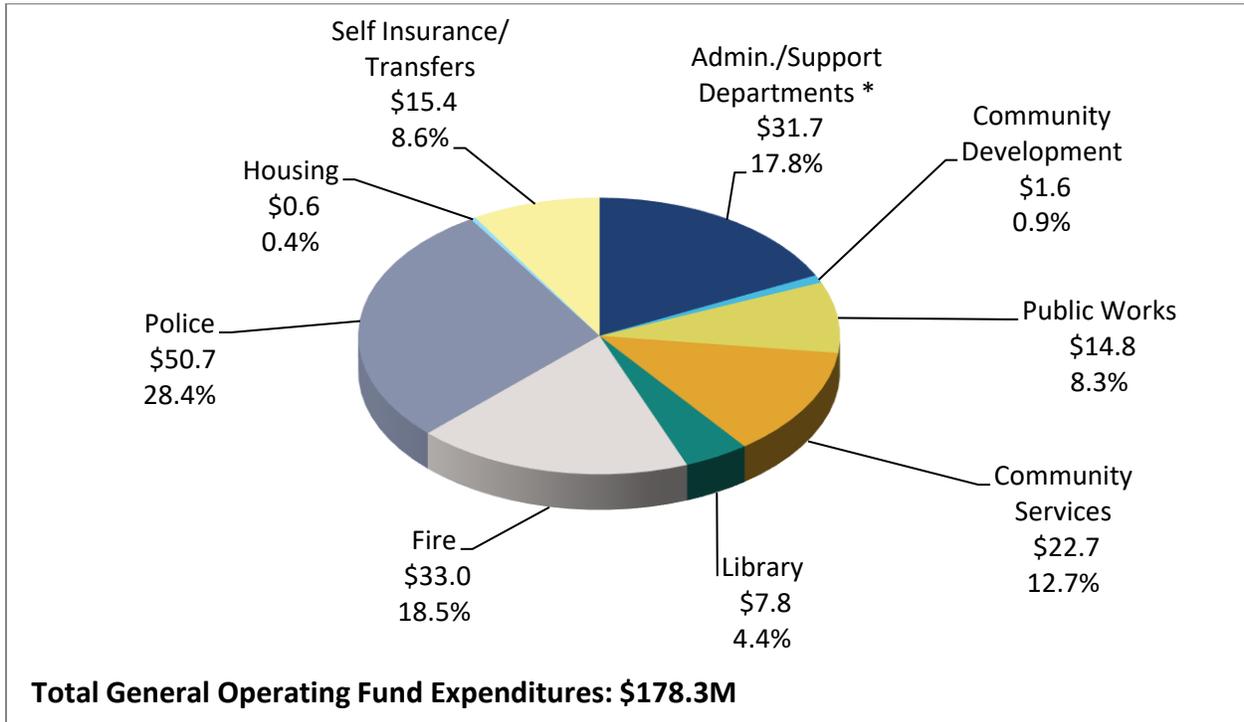
*Expenditures*

The Recommended Budget includes the addition of necessary expenditures. To address heavy workloads, some current demands for resources are being addressed through limited-period funding.

Recommended expenditures for Fiscal Year 2023-24 include the addition of \$1.2 million of net nondiscretionary increases, which preserve current service levels, and \$5.0 million of net discretionary additions for resources to meet demands. In total, including increases for personnel costs, there is an 8.6% increase in expenditures from the Fiscal Year 2022-23 Adopted Budget. The majority of the increase (9.1%) is related to personnel cost increases. Included in Recommended expenditures is an estimated budget savings of \$6.5 million based on average savings over the prior five fiscal years.

The major components of GOF recommended expenditures by department are as follows.

**Fiscal Year 2023-24 General Operating Fund Recommended Expenditures  
 (dollars in millions)**



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

NOTE: Excludes the \$6.5 million estimated budget savings and \$3.0 million transfer to the General Fund Reserve.

**Fiscal Year 2023-24 Recommended Budget Changes**

The following is a discussion of major recommended expenditure changes for Fiscal Year 2023-24.

*Nondiscretionary Increases*

For Fiscal Year 2023-24, a total of \$1.2 million of net nondiscretionary increases are included to fund existing and new required operational costs, such as crossing guard services, utility cost increase, janitorial cost increases, and increases in information technology costs. A listing of all

nondiscretionary items, \$50,000 and over, are as follows (see the complete listing of nondiscretionary items with descriptions under the Miscellaneous Information Section).

- **Information Technology Services, Licenses, and Software Renewals: \$386,200**
- **Gas and Electricity Cost Increase: \$267,500**
- **Crossing Guard Services: \$223,600**
- **Janitorial Cost Increases: \$187,600**
- **Public Safety Systems Support: \$52,000**

#### *Discretionary Expenditures*

Net new expenditures totaling \$5.0 million are included for high-priority ongoing programs; \$2.8 million is related to personnel (fully loaded cost). These are included in the Fiscal Year 2023-24 Recommended Budget and future projections in the Forecast. A listing of all discretionary items, \$50,000 and over, is as follows (see the complete listing of discretionary items with descriptions under the Miscellaneous Information Section).

- **Fire Overtime: \$793,300**
- **Rengstorff Park Aquatics Center: \$383,300**
- **Legal Services: \$350,000**
- **Police Officer Position (1.0 FTE)—Community Outreach: \$332,400**
- **Assistant Community Services Director (1.0 FTE): \$321,600**
- **Senior Information Technology Analyst Position (1.0 FTE): \$ 255,100**
- **Systems Specialist Position (1.0 FTE): \$221,300**
- **Human Resources Analyst I/II Position (1.0 FTE): \$216,300**
- **Open Space Planner Position (0.85 FTE): \$191,900**
- **Paralegal Position (1.0 FTE): \$185,600**
- **Program Assistant (1.0 FTE): \$175,600**
- **Recreation Coordinator Position (1.0 FTE): \$175,300**
- **Community Outreach Specialist Position (1.0 FTE): \$139,500**
- **Employee Wellness and Team Building: \$135,600**
- **Communications Enhancement: \$100,000**
- **Traffic Maintenance and Repairs: \$100,000**
- **Castro Street Pedestrian Mall: \$93,500**
- **Reclassification of Office Assistant to Administrative Assistant (0.5 FTE): \$85,600**
- **Consultant Services—Transportation: \$70,000**
- **Employee Relations Legal Counsel: \$65,000**

### *Limited-Period Expenditures*

Funding of \$7.0 million for limited-period items is included in the Recommended Budget; \$1.1 million is related to personnel, most of which is a continuation of current staffing (notated with an asterisk (\*)). A listing of all limited-period items, \$50,000 and over, is as follows (see the complete listing of limited-period items with descriptions under the Miscellaneous Information Section).

- **Community Services Agency Capital Funding: \$1,000,000**
- **Safe Parking Program: \$625,000**
- **Firefighter Recruit Academy: \$414,100**
- **888 Villa Street Lease: \$389,700**
- **Shoreline Events: \$250,000**
- **Revenue Measure Consulting Services: \$250,000**
- **Website Coordinator Position (1.0 FTE)\*: \$235,100**
- **Personal Protective Equipment Compliance: \$229,300**
- **Federal and State Legislative Advocacy: \$220,000**
- **Library Security Services: \$200,000**
- **Human Resources Technician Position (1.0 FTE): \$188,600**
- **Systems Coordinator Position (1.0 FTE)\*: \$183,600**
- **Management Fellow Position (1.0 FTE)\*: \$182,100**
- **Hourly Staff to Support the Traffic Section: \$180,000**
- **Administrative Assistant Position (1.0 FTE): \$159,400**
- **Employee Relations/Labor Negotiations Attorney Services: \$150,000**
- **Training and Career Development: \$150,000**
- **Winter Holiday Event: \$150,000**
- **Library Security Services Guard (1.0 FTE): \$149,100**
- **Citywide Succession Planning: \$145,000**
- **Employee Relations Consultants: \$140,000**
- **Homelessness Response Funding: \$125,000**
- **Public Services Study: \$125,000**
- **Sustainability Fellow Contract: \$110,000**
- **Fee Study: \$100,000**
- **Broadband (rebudget): \$100,000**
- **Nonprofit Funding for Community Needs (rebudget): \$95,500**
- **Technology Enhancements (rebudget): \$84,000**
- **Program for Sidewalk Ramping, Grinding, and Inspecting: \$75,000**
- **Laserfiche Upgrade: \$65,200**
- **Data Management System Replacement: \$55,000**

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\* Represents a continuing limited-period position.

### **General Fund Carryover Available for Allocation**

The Fiscal Year 2022-23 estimated GOF operating balance carryover of \$6.8 million (subject to changes in assets and liabilities and grant/donations carryover), prior fiscal year unallocated balance of \$14.2 million, and one-time revenue of \$8.7 million provides an available balance of \$29.7 million, which is sufficient to fund the following items included in the Recommended Budget:

- \$6.8 million for limited-period expenditures;
- \$3.0 million for the Capital Improvement Reserve;
- \$2.0 million for the Strategic Property Acquisition Reserve;
- \$2.0 million Budget Contingency Reserve for the Public Safety Building;
- \$2.0 million for the Employee Loan Program Reserve;
- \$1.4 million for the Compensated Absences Reserve;
- \$1.1 million for the Development Services Fund;
- \$1.0 million additional payment to CalPERS;
- \$1.0 million for the Parental Leave Reserve; and
- \$1.0 million for the General Liability Fund.

Staff will return to Council after the conclusion of the fiscal year-end audit with any modifications and final balances available for allocation.

**Descriptions and budget information on other major funds of the City can be found in the Transmittal Letter of the Recommended Budget on Page 1-1.**

### **OTHER RECOMMENDATIONS**

#### **Park In-Lieu Fees in the Park Land Dedication Fund**

The Mountain View City Code requires residential developments to dedicate a certain amount of park land and/or pay an in-lieu fee based on the number of net new market-rate units (affordable units are exempt) in a proposed development to offset the impacts on existing parks and open

space facilities. Chapter 41 sets forth the City's process for calculating, collecting, committing, and allocating in-lieu fees to parks and recreation projects. The Park Land Dedication (PLD) Ordinance was adopted in 1971 as part of the City's Subdivision Ordinance pursuant to California Government Code Section 66477, also known as the Quimby Act. The Quimby Act requires local agencies to commit in-lieu fees within five years of the payment of the fee. Council Policy K-15 determines the City's use of in-lieu fees and prioritizes the use of fees first to land acquisition located within one mile of the residential development generating the fee and then to acquisition within the same planning area as the residential development.

On June 28, 2022, the City Council approved an action to transfer and appropriate \$5.8 million from the Park Land Dedication Fund to the acquisition of a portion of real property at 711 Calderon Avenue. This appropriation included a fee of \$31,050 from the development at 694 Pettis Avenue. Prior to this Council item, the fee at 694 Pettis Avenue was refunded to the developer and was no longer available in the Park Land Dedication Fund. Staff recommends committing the \$31,050 from a different fee in the Central Planning Area, as detailed in Attachment 3.

### **FISCAL IMPACT**

There is no fiscal impact as a result of the public hearing. Budget adoption is scheduled for June 27, 2023. The Recommended Budget provides a fiscal plan for the City for Fiscal Year 2023-24 with a balanced GOF and projected year-end operating balance of \$6.0 million. The Recommended Budget includes a total of \$1.2 million of nondiscretionary increases, \$5.0 million for discretionary expenses, and \$7.0 million for limited-period items in the GOF.

There is no fiscal impact associated with the recommendations related to the Council Strategic Priorities and Fiscal Years 2023-25 Work Plan.

### **SUMMARY AND CONCLUSION**

Although there is economic uncertainty ahead, the City has emerged stronger from the pandemic as key City revenues have surpassed prepandemic levels, which allows the City to continue to improve services and programs for the community and advance Council's Strategic Priorities. The Fiscal Year 2023-24 Recommended Budget complements the City's strong fiscal foundation and includes strategic enhancements necessary to build the Mountain View of tomorrow. Looking toward the future, the City will need additional revenue to tackle critical projects, including addressing our aging facilities and Citywide infrastructure, acquiring more land for parks and open space, implementing ambitious decarbonization and sustainability initiatives, and building affordable housing. We are well-positioned to bring the City and our residents together and work toward these important community needs.

**ALTERNATIVES**

Council may request modifications to the Fiscal Year 2023-24 Recommended Budget as presented or provide other direction prior to finalizing the budget on June 27, 2023.

**PUBLIC NOTICING**

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

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575-06-13-23CR  
202740

- Attachments:
1. [Fiscal Year 2023-24 Recommended Budget](#)
  2. Strategic Priorities and Fiscal Years 2023-25 Work Plan
  3. Park Land Dedication Fund Commitment