



COUNCIL REPORT

DATE: June 11, 2024

CATEGORY: Public Hearing

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

TITLE: **Fiscal Year 2024-25 Recommended Budget and Fiscal Years 2023-25 Council Work Plan: 12-Month Project Update**

RECOMMENDATION

1. Convene a public hearing, accept public comment, and provide input to staff on the Fiscal Year 2024-25 Recommended Budget (Attachment 1 to the Council report).
2. Receive and file the Fiscal Years 2023-25 Council Work Plan: 12-Month Project Update (Attachment 2 to the Council report).

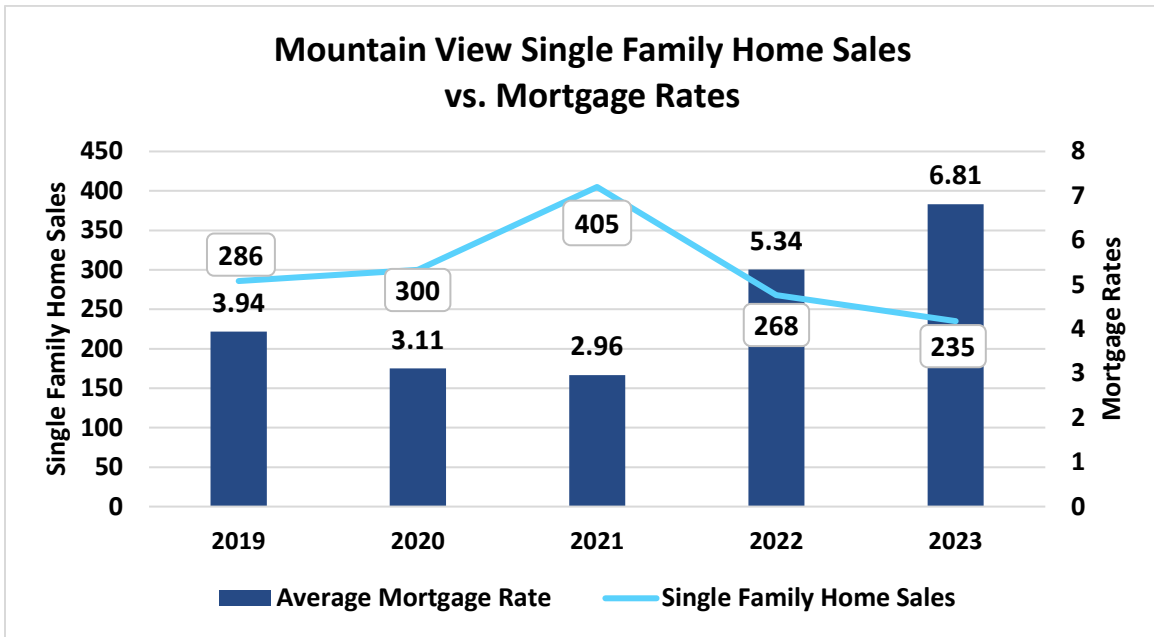
BACKGROUND

The Fiscal Year 2024-25 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 of Mountain View (City) funds as well as the Shoreline Regional Park Community (Shoreline Community), a special government district administered by the City.

INTRODUCTION

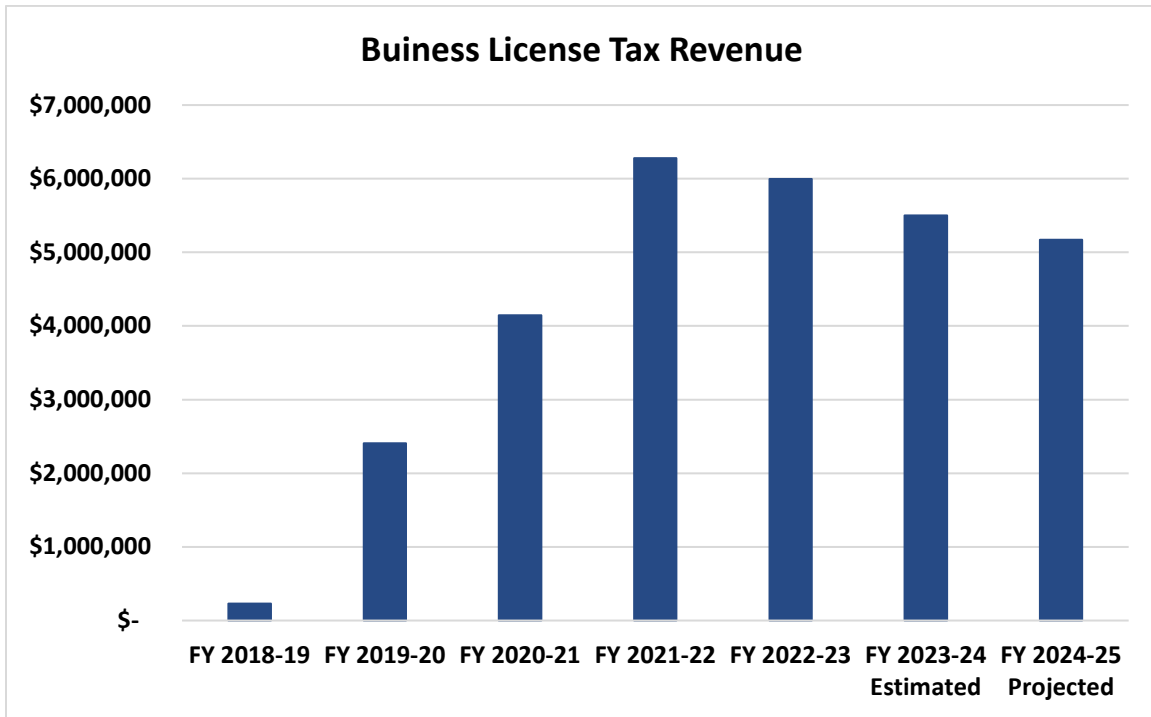
The Fiscal Year 2024-25 Recommended Budget is structurally balanced and allocates resources toward long-term service delivery, Council Strategic Priority areas, continuous organizational improvement efforts, and innovative programs important to our community. Although the budget is stable in Fiscal Year 2024-25, revenues are not growing at the pace the City has experienced in prior years, and there still a remains great deal of economic uncertainty on the horizon.

The continuation of elevated interest rates has significantly slowed both residential and commercial property transaction volume which, in turn, has reduced the City's property tax growth projections.



The City’s Business License Tax (BLT) is assessed annually on all businesses known to be operating in Mountain View. Prior to Measure P, which was approved by Mountain View voters in November 2018, the tax rate was generally \$30 per year for most businesses (73%) but reached \$250 for certain types of businesses. The BLT structure changed effective January 1, 2020, whereby the tax is assessed based on a structure of tiered number of employees, or “headcount.” The change was phased in over a three-year period for businesses with more than 50 employees. The City Council earmarked, by resolution, 80% of additional revenue generated from the restructured tax to transportation, 10% to affordable housing, and 10% to general government services.

The BLT has been declining over the last few years, due primarily to corporate layoffs. It is projected that BLT revenue will further decline this fiscal year due to actual and potential layoffs of employees of Mountain View businesses. Given the City’s per-head tax structure for each employee laid off, there is a corresponding reduction in taxes collected by the City. This will result in reduced funding for transportation and affordable housing and general government services.



In addition to property and business license tax impacts, sales tax receipts are expected to level off as the slow pace of remote-work employees returning to on-site work on a regular basis has reduced the number of customers patronizing our local businesses on a regular basis.

Another revenue source that is poised to decrease is the City’s excess Education Revenue Augmentation Fund (ERAF). In 1992 the state enacted legislation that shifted partial financial responsibility for funding K-14 education to local governments as a way of solving state budget shortfalls. A portion of property tax revenues that belonged to cities, counties, and special districts were shifted to the new ERAF. 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. The City has been receiving excess ERAF revenue since Fiscal Year 2013-14.

Recently, the state has shown an interest in challenging the continued distribution of excess ERAF moneys back to recipient cities like Mountain View. Given the state’s projected budget deficit, any effort to discontinue those remittances would have a significant impact on the City’s finances as this revenue is primarily used to fund limited-period expenditures and the City’s reserves. The City was notified in mid-May that Governor Newsom is proposing to divert a portion of excess ERAF revenue to charter schools. The potential immediate impact to the City’s current excess ERAF revenue is a \$757,000 decline.

While the Recommended Budget and General Operating Fund Forecast project sufficient financial resources to maintain current service levels, we need to enhance and diversify the

City's revenue streams in order to maintain ongoing fiscal stability and accomplish the bold initiatives the City is advancing.

This includes exploring additional funding via a revenue measure in November 2024 for necessary Citywide enhancements, which may include addressing aging facilities, such as the Police/Fire Administration Building and other Citywide infrastructure, tackling active transportation and road improvement projects, implementing ambitious decarbonization and sustainability programs, and building more affordable housing and parks.

Building the Mountain View of Tomorrow

As with most municipalities, repairs, maintenance, and eventual replacement of facilities and infrastructure will continue to be an ongoing need in the future. In addition, new initiatives to address the evolving nature of modern cities will require additional financial resources.

The provision of best-in-class public safety services has been, and will continue to be, of paramount importance for the City. The City's Police/Fire Administration Building and several fire stations will be reaching the end of their useful lives and require replacement or extensive renovations. 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 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 itself fall victim to a seismic event. This building is critical to allowing emergency workers to provide rapid 9-1-1 response to the community during emergencies. The current estimate for a new building is approximately \$200 million and growing.

Another major priority of the City is to improve pedestrian and bicyclist safety and access as well as traffic and railroad operational safety. Mountain View has partnered with the Valley Transportation Authority (VTA) and Caltrain on the design of the Castro Street and Rengstorff Avenue Grade Separation Projects to improve safety, reduce noise, decrease traffic congestion, and enhance traffic movement. Construction of the Rengstorff Grade Separation Project is expected to begin in 2026, with the Castro Street undercrossing to begin once there is sufficient funding.

As a leader in local climate action, Mountain View is committed to achieving carbon neutrality in recognition of the serious threat of climate change. In 2020, in response to state, national, and international 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. **The City of Mountain View was recently one of only 119 cities, states, and regions across the globe to receive an "A" score from the Carbon**

Disclosure Project for our sustainability efforts and commitment to environmental transparency. The City is also exploring 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 will also continue to make progress mitigating sea level rise risks. 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. However, a sustainable future with zero carbon emissions will require a significant funding plan.

In addition, the City is and will continue to be a statewide leader in the development and preservation of affordable housing. **The City was recently designated by the Governor and the State of California Department of Housing and Community Development as a “Pro-Housing Community.” Mountain View is the only city in Santa Clara County to achieve this designation and one of a few across the state, which allows the City to receive additional funding from the state for affordable housing projects.** The City has nine projects and three land dedications in the pipeline, totaling approximately 1,360 units. 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 1,740 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 million and growing to fully fund the affordable housing projects in the pipeline.

Lastly, the forthcoming Parks and Recreation Strategic Plan will identify funding strategies to meet the parks and open space needs of the future and is expected to require ongoing financial investments in the millions of dollars.

The City is embarking on important initiatives to keep Mountain View a premier community for residents, businesses, and visitors to thrive. Creating additional ongoing revenue is essential to bring these bold initiatives to fruition. This includes exploring additional funding via a revenue measure in November 2024 for these necessary enhancements. Council has provided direction to staff to explore a revenue measure that would increase the property transfer tax on commercial and residential property sales of more than \$5.0 million. Council is expected to provide final direction to staff on June 25.

Downtown Mountain View

One of the City’s Strategic Priorities is Economic Vitality, which affirms the City’s commitment to “support a walkable, beautiful, vibrant downtown.” The Council work plan to accomplish its Strategic Priorities includes a project to “implement strategies for a vibrant downtown, including the Castro Street Pedestrian Mall.”

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 along the 100, 200, and 300 blocks of Castro Street. (Cross traffic at the intersections of these blocks remains open to vehicles.) This action was a major step forward toward a long-term vision for downtown Castro Street, building on the temporary strategies the City implemented in collaboration with downtown businesses (known as the “Castro StrEats” program) to help keep businesses open during the COVID-19 pandemic.

The vision for Castro Street has four primary areas of focus to create: (1) a thriving business environment; (2) a welcoming space; (3) opportunities for social engagement; and (4) an area where people feel safe. The City is hard at work on various initiatives for the downtown, which are listed in the illustration below as either ongoing, short-term (planned in the 2024-25 fiscal year), and longer-term (to take place in the next three-plus years). As shown, while a lot of work is under way, there is still much to be done to address the current high levels of vacancy and attract and retain successful downtown businesses.

To help businesses, residents, and visitors stay informed about the details and status of these efforts, the City has created a comprehensive webpage (MountainView.gov/Downtown) with all downtown information in one place. The City is also producing a monthly [Downtown Digest](#) newsletter highlighting the most recent updates, which the community can register to receive on the downtown webpage. Businesses, residents, and visitors can also provide feedback and ask questions at the Downtown@mountainview.gov email address.



Several of the key current and upcoming downtown initiatives are summarized below. Some are funded by existing allocations in the Fiscal Year 2023-24 Budget, and some are proposed to be funded in the Fiscal Year 2024-25 Budget.

Outdoor Patio Program

The Outdoor Patio Program, launched in fall 2023, allows businesses to extend operations into the public right-of-way on Castro Street and/or sidewalks. The City has been working closely with downtown businesses over the last several months to help them establish their outdoor patio areas. This entails a permit process to ensure safety, equitable access among businesses, and an inviting look and feel for the patio areas. It also entails the City providing attractive and consistent patio fencing for each of the patio areas as well as the Castro Street intersections between the 100 and 200 and 200 and 300 blocks. As of March 2024, 27 businesses have outdoor dining, with more on the way.

Small Business Outdoor Furnishings Grant Program

In 2023, the City released the Small Business Outdoor Furnishings Grant Program to help address the lingering impacts of COVID-19 on the Mountain View small business community. The City allocated \$200,000 to the grant program, providing 40 eligible businesses with one-time grants of \$5,000 for the purchase of outdoor furnishings. To date, 25 applications have been approved, and those businesses are currently in the contracting process. The program can accommodate an additional 15 grant recipients, and the City will continue to accept applications until the funds are depleted.

Facade Improvement Program

The City of Mountain View Facade Improvement Grant Program is designed to stimulate investment in commercial retail buildings with first-floor storefront businesses. To encourage economic vitality and commercial viability of storefront businesses, the City will share the costs of improving and enhancing commercial facades with grants of up to \$15,000 for projects that meet the eligibility criteria. Staff is currently finalizing the grant program guidelines and will begin accepting applications soon.

Window Display Grant Program

The City of Mountain View is preparing a Window Display Grant Program to provide financial support to retailers and businesses to design and enhance their window displays. To help create attractive and inviting streetscapes and shopping venues, the City will retain the services of one or more qualified visual merchandisers to provide \$2,500 worth of window display-related

services, including business consultations, display design, installation, and development of a maintenance plan. Staff is currently finalizing the grant program guidelines and will begin accepting applications soon.

Public Safety Strategies

Issues regarding road safety, parking, homelessness, unpermitted food vending, theft, and auto burglaries in downtown are always a top priority for the Police Department. The Police Department has increased its physical presence and is actively utilizing both enforcement and outreach to contribute to community safety and accessibility.

Spring/Summer Events

The Community Services Department (CSD) will be bringing back a number of major events to downtown this spring and summer, including: **Concerts on the Plaza** from June through September, **Music on Castro** on the 200 block of Castro Street with the series anticipated to occur April through October for close to 30 weeks of light live music on Wednesday evenings, and **KidStock**, a kid-friendly music series, on select Saturdays from May through July at the Civic Center Plaza.

Decorative Street Treatments

The City is working to bring decorative street treatments in the central walkway of the 100, 200, and 300 blocks of Castro Street to create a more inviting and unique sense of place in Mountain View's downtown. After presenting three street treatment options to the Visual Arts Committee and the Council Transportation Committee in January 2023, both committees recommended proceeding (with slight modifications) with the "Ribbons" concept and proposed colors. The City will also be bringing more color and art to the barriers at the Castro Street intersections.

In addition to the items above, the 2024-25 Fiscal Year Proposed Budget includes a total requested appropriation of \$745,000 in limited-period funding from the City's General Non-Operating Fund, demonstrating the importance of Mountain View's downtown and the City's commitment to invest in its success. The proposed resources that will benefit downtown are summarized below.

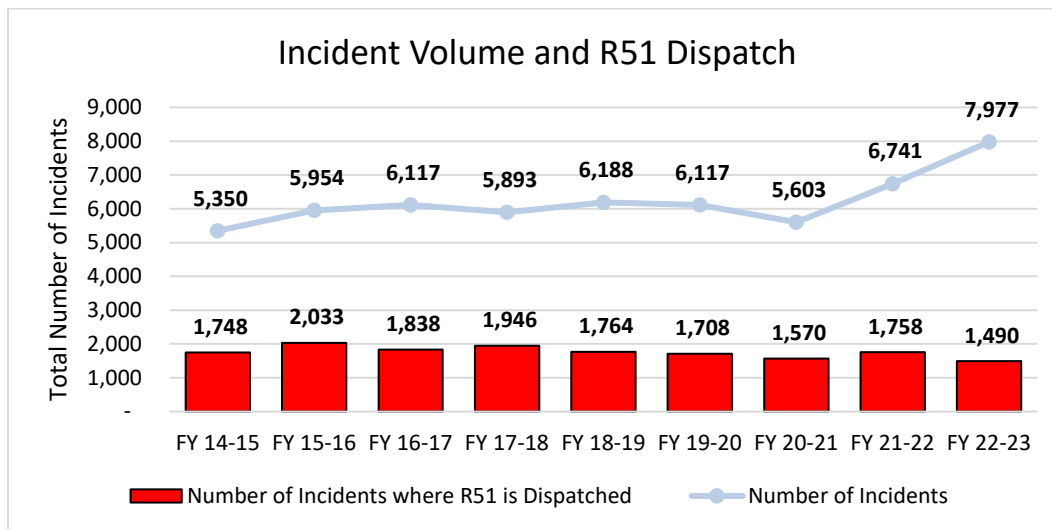
- \$300,000 in contract services for downtown strategy consulting and to create a communications and branding plan to further establish Mountain View's downtown as a unique and compelling destination and attract development and visitors to downtown.
- \$250,000 in contract services to fund land use planning, zoning changes, and code implementation that will support successful development in downtown.

- \$100,000 in contract services to support the implementation of the Economic Vitality Strategy.
- \$75,000 in contract services for retail consulting to work with business operators to fill vacant building spaces.
- \$20,000 in contract services to provide storefront window design services.

Public Safety Enhancements

The Recommended Budget prioritizes critical new public safety positions. A total of 3.0 new full-time equivalent (FTE) Fire Captain positions, one for each of the three shifts, is recommended for Rescue 51 (R51) as it currently operates without supervisors. A Fire Captain is responsible for direct supervision of Firefighters. R51 was placed into service in the late 1950s and has historically been staffed with two Firefighters and no supervisor. It responds Citywide to a significant number of incidents and, over the decades, has consistently been one of the busiest companies in the Fire Department.

As seen in the chart below, during Fiscal Year 2022-23, out of a total of 11,532 total unit responses, R51 responded to 1,490 calls, or 19% of all calls. Over the course of Fiscal Year 2022-23, the response model for R51 was evaluated with an emphasis to make the unit more available for higher-priority events. This resulted in reducing response redundancies by 5% yearly.



While it may have been efficient to have a two-person rescue company in prior years, the level of service the Fire Department is providing has changed significantly, which requires higher

qualifications and supervision of R51. New regulations exist pertaining to incident command supervision, personnel accountability, and patient care, and the Department is experiencing gaps in service for not having a supervisor on each shift or a qualified, well-trained Fire Engineer to drive the fire apparatus. The new Fire Captain positions will provide direction to R51 personnel, assess and report on conditions at the scene, develop an action plan, supervise all firefighting and rescue operations for the company, and be responsible for all of the planning and training for the company.

In addition, a new 1.0 FTE Information Technology (IT) Analyst position is recommended for the Police Department. The Department currently has two IT Analyst positions that have been in the Department since the early 1990s. However, the operational needs and security demands of the Police Department have grown exponentially in 30 years, where 39 additional technology systems have been added during that time without additional resources. The IT positions within the Department monitor and support 44 software programs total. The new position is necessary to support the critical systems and network infrastructure within the Police Department.

Organizational Improvements

For the last several years, 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 associated with providing exceptional service. **Even with these strategic staffing additions over the last four years, the City has only recently surpassed its staffing level from 2001. However, during that same time span, the population of Mountain View increased 18.0%.**

The continued success of our organization during the growth of the last several decades can be directly attributed to the ingenuity and innovation inherent in our employees. The organization of tomorrow will require that we maintain our commitment to identifying and implementing continuous organizational efficiencies and improvements.

Continuous Improvement Efforts

In 2021, the City Council adopted Organizational Strength and Good Governance as one of its seven Strategic Priorities. This priority calls for the City organization to:

- Continue to innovate, collaborate, and continuously improve to deliver a high level of customer service;
- Recruit, develop, and retain top-notch staff;

- Maintain fiscal responsibility and effective intergovernmental partnerships; and
- Communicate and engage regularly and transparently with our multilingual community.

In keeping with this Strategic Priority, staff has sought to improve efficiency and/or effectiveness of City programs, policies, and processes through process streamlining, implementation of new technology, restructuring to better match staff capacity to operational needs, development of new partnerships, assessments to adapt programs and services to evolving community needs, and significant enhancements in programs and services and advancements in policy. A memorandum to provide an update on these efforts is included with the budget document as part of the Budget Transmittal Letter. It is provided in this staff report as Attachment 3.

The memorandum summarizes the most significant initiatives from 2021 to the present, briefly describing the initiative and noting its efficiency outcome. The initiatives are organized by department and then by status (completed, under way, and anticipated) and sorted chronologically, from oldest to most recent.

The approximately 115 initiatives in the memorandum demonstrate that there is a strong commitment to continuous improvement as an integral part of management practice at the City. This commitment is often affirmed as other jurisdictions frequently seek information from us about Mountain View programs and processes, and City staff attending conferences find Mountain View's efforts to be in step with or ahead of the best practices being presented.

Highlights of the recent continuous improvement initiatives include:

- Public Records Act Management System (City Clerk's Office);
- New City website and subsites for Economic Development, Mountain View Public Library, Mountain View Center for the Performing Arts, and Development Review Process (all departments, led by City Manager's Office and Information Technology);
- Organizational restructuring of the Building Division (Community Development);
- Online permitting system (Community Development and Public Works);
- Parks and Recreation Strategic Plan (Community Services);
- Online bidding platform (Finance and Administrative Services);
- Battery extinguishing system technology (Fire);

- Strategic partnerships for external housing funding pool (Housing);
- Employee applicant tracking and onboarding system (Human Resources);
- Cloud-based device management system (Information Technology);
- Electric Bookmobile (Library);
- Live 9-1-1 software (Police); and
- Fleet management system (Public Works).

The initiatives in the memorandum do not cover every recent effort to improve City operations. Dozens of additional initiatives, important but more routine in nature, were identified by department staff but not included in this memorandum in order to keep it focused and more readable.

In addition to the improvements listed in the body of the memorandum, staff has highlighted numerous additional innovations, adaptations, and proactive steps the City quickly undertook during the COVID-19 pandemic in order to keep the City operations running amidst constantly changing public health conditions and regulations, meet existing and new community needs, and keep the public and City staff safe.

In order to continue on this path of continuous improvement, the Recommended Budget includes \$200,000 for contract services for continuous improvement consulting/performance auditing review.

Information Technology Strategic Plan

In addition to the technology-driven continuous improvements previously mentioned, the IT Department recently launched the development of a Five-Year Strategic Plan to ensure technology-driven improvements well into the future. The Recommended Budget includes \$100,000 toward this effort. The results of the assessment will be used to develop the City's software application strategy for the next five years, which will focus on:

- Upgrading or replacing applications that no longer meet users' needs;
- Automating manual processes with technology; and

- Identifying commonly used applications, such as project management and workflow software, and replacing them with enterprise-level applications. Migrating to enterprise applications will allow the organization to be more streamlined and efficient.

Collectively, the Strategic Plan will help the organization to prioritize and identify the technology that will help the City conduct business more efficiently and effectively.

Artificial Intelligence in Local Government

No current discussion of organizational efficiencies is complete without mentioning the impact of artificial intelligence (AI) and its potential for efficiency in the government sector.

In November 2023, the [GovAI Coalition](#) was established “to give local government a voice in shaping the future of AI and ensure that AI development is geared toward the benefit of society.” The City of Mountain View joined this effort and has been working with a group of representatives from over 250 local, county, and state governments across the nation to promote responsible and purposeful AI in the public sector.

The GovAI Coalition is committed to:

- Using AI for social good;
- Ensuring ethical, nondiscriminatory, and responsible AI governance;
- Promoting vendor accountability;
- Improving government services; and
- Fostering cross-agency collaboration and knowledge sharing.

Over the course of the next year, staff will be working to create a City AI Use Policy to guide employees’ use of AI systems, an organization-wide training on the use of AI, use cases, vendor registry, and vendor agreements.

In addition to AI advances in traditional technologies, the use of robotic process automation (RPA) is becoming more adaptable in the public sector. RPA involves the development of computer-coded software to automate tasks that are often repetitive and rules-based. RPA can follow a series of if/then decisions that are frequently associated with repetitive tasks found in financial reporting and forecasting, purchase order creation, and vendor setup. Staff will be exploring the implementation of newer technologies that would enable City staff to focus on high-level priorities rather than repetitive tasks.

Performance Measures Overhaul

In an ongoing effort to be more effective, transparent, and accountable, the City is expanding its work to track more meaningful performance measures in each department. Performance management includes identifying, collecting, analyzing, and reporting on indicators that show how well the City organization performs, both internally and in the delivery of services to the public, and how that performance compares with its targets or with peer organizations. More importantly, as a management tool, performance data is intended not as an end result, but rather as a means to more informed decision-making and a more engaged community.

As part of the Fiscal Year 2024-25 budget development, the City engaged a consultant to collaborate with department staff to review and redesign the Performance Measures to provide meaningful measures with a direct connection to the department functions. Over the course of the past year, City staff worked with the consultant to create new performance measures for inclusion in the Recommended Budget. As a result, new and revised measures have been implemented, with tracking to begin in Fiscal Year 2024-25. The new and revised measures can be found in the Department Budget pages, starting on Page 4-7.

The City will utilize the updated performance and workload measures to demonstrate the effectiveness and efficiency of City operations as well as the staff effort required to provide programs and services to the public. Each department has a series of performance and workload measures that serve to provide City management, the City Council, and the community with timely and relevant information on departmental operations.

In limited cases, staff has identified informational measures. Informational measures are those that are neither a function of workload nor performance but were determined to be important enough to department operations to include with the other measures.

FISCAL YEARS 2023-25 COUNCIL WORK PLAN: 12-MONTH PROJECT UPDATE

On June 13, 2023, the City Council adopted the Fiscal Years 2023-25 (FY 23-25) Council Work Plan. The Fiscal Year 2023-25 Council Work Plan identifies 41 priority projects to advance the Council's Strategic Priorities (below).



Figure 1: Council Strategic Priorities

Recognizing that the 41 projects cannot be implemented simultaneously, the Council assigned each project a priority category to guide the allocation of staff resources. The three priority categories are as follows:

- **Priority A—Highest priority.** These projects will be considered first in resource allocation decisions and are expected to see substantive progress during the work plan period.
- **Priority B—High priority.** Priority B projects will be considered after Priority A projects for staff allocation and phasing and are expected to begin before the end of Fiscal Year 2024-25.
- **Priority C—As time and resources allow.** Projects in this category will be considered after projects in the Priority A and Priority B categories have sufficient staffing. They may or may not progress during Fiscal Year 2023-24 and Fiscal Year 2024-25.

This report provides an update on the status of the Council work plan projects following the first six months of implementation. A summary of the work plan status is provided in Table 1 below.

Table 1: Summary of Work Plan Status

Status	Priority			Total
	A	B	C	
Complete	1	0	0	1
In Progress	19	10	1	30
Not Yet Started	0	3	2	5
Removed/Delayed	3	1	1	5
TOTAL	23	14	4	41

A comprehensive list of each project with status updates is included in Attachment 2. Since the adoption of the Council Work Plan, the following projects have merged into a single scope as noted on the list of status updates:

- The Decarbonization Plan (11) and Climate Change Vulnerability Assessment (28) have been incorporated into a comprehensive Citywide climate change and resilience strategy.
- The Biodiversity Strategy (21) and Urban Forest Plan (22) will be developed as an integrated document.

At the January 23, 2024 meeting, Council directed staff to delay the following two projects:

- Review and update the Gatekeeper process (1).
- Design and construct the Castro Grade Separation (34).

Per Council direction, staff will prioritize accepting and processing Gatekeeper projects in the fall of 2024 and delay developing recommendations for process updates to 2025, and will prioritize advancing the Rengstorff Grade Separation project.

Additionally, per past Council direction, the following projects have been removed from the Council Work Plan:

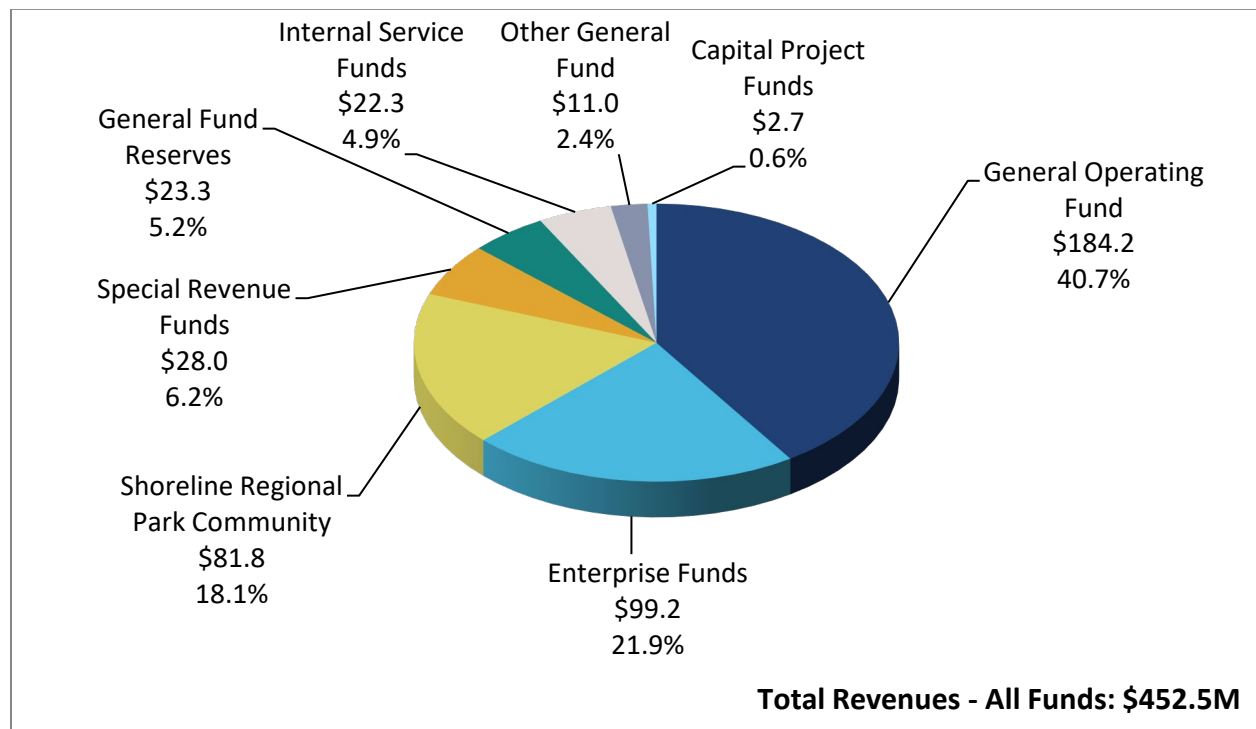
- Explore implementing a temporary downtown office cap on new development (3).
- Explore placing a measure on the ballot to amend the City Charter (4).
- Review and make periodic amendments to the Municipal Code in a phased approach to remove contradictory, unenforceable, or otherwise outdated sections (40).

FISCAL YEAR 2024-25 BUDGET OVERVIEW

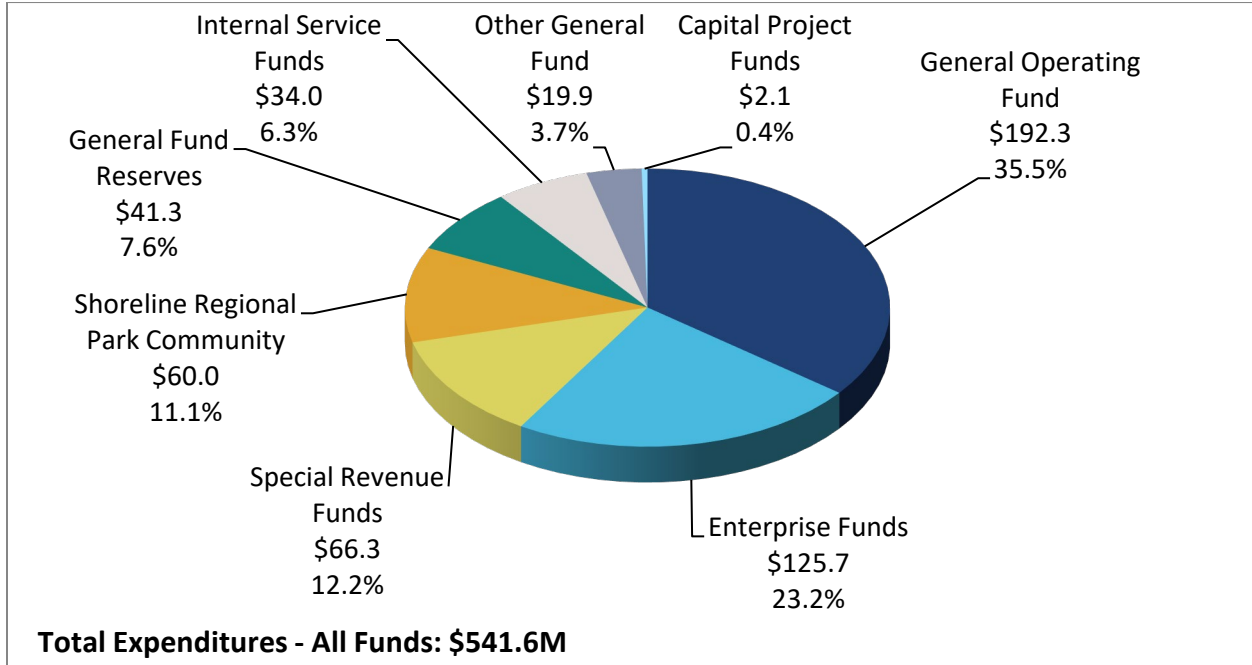
The Fiscal Year 2024-25 Recommended Budget incorporates a slightly positive, yet slowing, economic outlook that stems from fairly stable key economic indicators, offset by slowing or minimal growth in property tax, sales tax, and other local tax revenues.

The total Recommended Budget for Fiscal Year 2024-25 is \$452.5 million in revenues and \$541.6 million in expenditures (excluding \$11.0 million of projected budget savings). Expenditures are greater than revenues as some expenditures, such as capital projects, are funded from existing available resources. The Fund Schedules Section of the Fiscal Year 2024-25 Recommended Budget presents the City’s financial picture in detail.

**Total Fiscal Year 2024-25 Recommended Revenues—All Funds
 (dollars in millions)**



**Total Fiscal Year 2024-25 Recommended Expenditures—All Funds
 (dollars in millions)**



Revenue may be less than expenditures due to the use of fund balance/equity in excess of reserves.

GENERAL OPERATING FUND

The GOF is the single largest City fund and provides funding for core community services, such as public safety (Police and Fire), Parks, Recreation, Library, some Planning, Public Works, Sustainability, and all City Administration support functions, including City Attorney, City Clerk, City Manager, Finance and Administrative Services, Human Resources, and Information Technology. These core community services, paid for in the GOF, are primarily supported by major revenue sources that include property taxes, sales taxes, use of money and property (lease revenue), and other local taxes (business license, transient occupancy, and utility users). These four major GOF revenue sources account for \$156.2 million, or 84.9%, of the GOF revenue in the Fiscal Year 2024-25 Recommended Budget. The remainder of revenues in the GOF are generated by a variety of other resources.

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 has fully recovered to COVID-19 prepandemic levels. The City's major revenues have generally remained strong and have benefited from inflation as well as the increase in interest rates. Staff continually monitors the GOF revenues and expenditures throughout the year. Despite incorporating the most recent available data into the forecasting process, a considerable amount of volatility and uncertainty remains about the future of the economy for various reasons, including the Russia-Ukraine conflict, the Israel-Palestine conflict, escalation of tensions between China and Taiwan, global supply chain disruptions, pace of corporate layoffs, increased commercial property vacancy rates, and continued elevated interest rates. Until the volatility settles down and greater stability returns, the ability to more accurately forecast future revenues and expenditures will continue to be a challenge.

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 a portion of its 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 2024-25 continues in the tradition of balanced budgets and is projected to achieve a nominal operating balance.

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

Total Revenues	\$184,144
Total Expenditures	(183,833)
Operating Balance	\$ 311

Based on the current available information and assumptions, the GOF is projected to end the fiscal year with an operating balance of approximately \$311,000.

As with recent budgets, and as proposed in the Fiscal Year 2024-25 Recommended Budget, the City is able to address a few of the critical staffing needs that have been on hold for several years. In Fiscal Year 2024-25, the Recommended Budget includes \$3.5 million of new ongoing

expenditures, including 4.25 new regular and converted limited-period positions to regular positions in the GOF. These new GOF positions include:

- 3.0 Fire Captain FTEs in the Fire Department.
- 1.0 IT Analyst FTE in the Police Department.
- 0.25 Parks and Open Space Worker II in the Community Services Department.

A summary of the Fiscal Year 2024-25 GOF Recommended Budget is provided below. Details of the Recommended GOF revenues and expenditures are included in the Fund Schedule Section of the budget document.

General Operating Fund Five-Year Financial Forecast

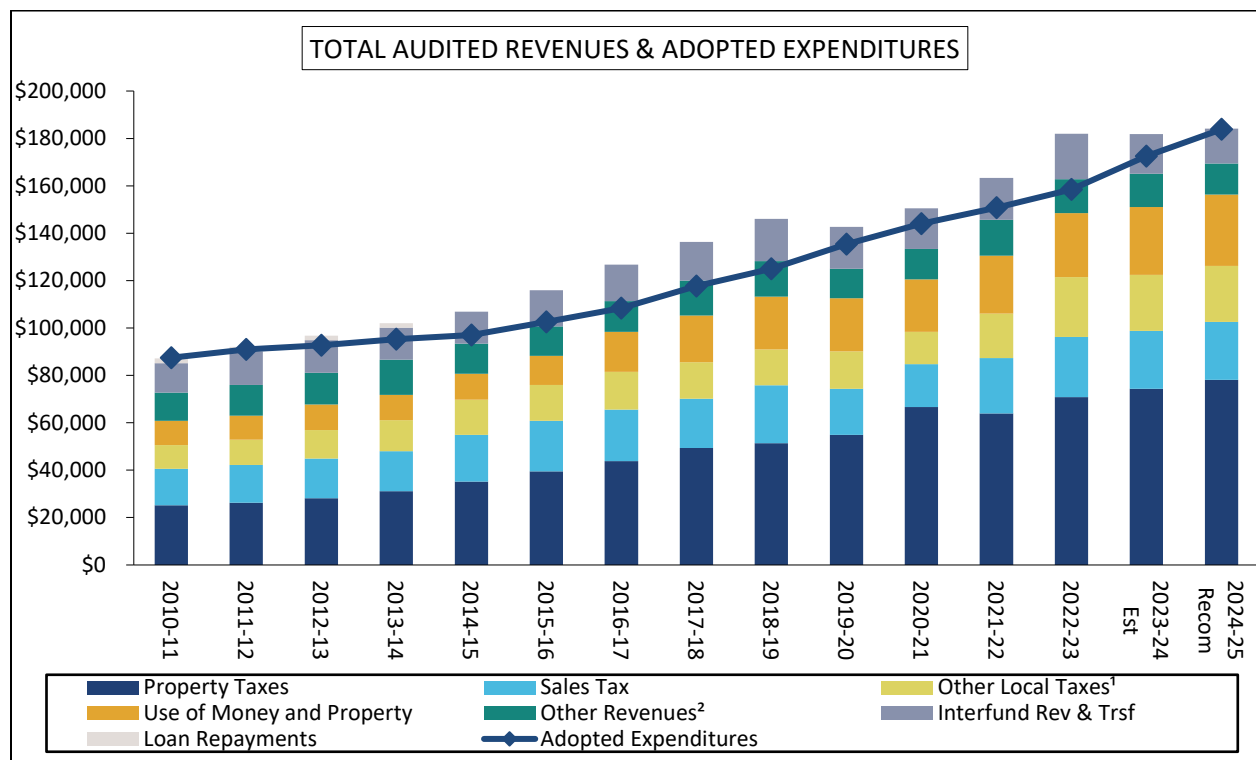
Included in this Recommended Budget document is a detailed Forecast beginning on Page 3-1. Forecasting is a best practice and an important part of a city's financial planning process as it provides an outlook on the City's future financial condition by identifying financial needs and potential budget imbalances. 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 2024-25 Recommended Budget).

The forecast was prepared assuming positive revenue trends for the future years and does not include a potential recession. For Fiscal Year 2024-25, the GOF is estimated to end with an estimated \$311,000 operating balance. The forecast also projects the fund will end with negative balances in the remaining forecast years. Although concerning, the deficits are 2.0% or less of projected revenues. **Based on current projections, balancing the GOF in future years and maintaining a structurally balanced budget may require a pause in adding new staffing positions and foregoing the addition of new programs and/or enhancement of current programs, unless additional dedicated ongoing funding sources are attained.**

Fiscal Year 2024-25 General Operating Fund

Revenues

For Fiscal Year 2024-25, GOF revenues are projected to grow \$3.3 million (1.8%), compared to the Fiscal Year 2023-24 Adopted Budget, to \$184.2 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 2024-25 are as follows (dollars in thousands).



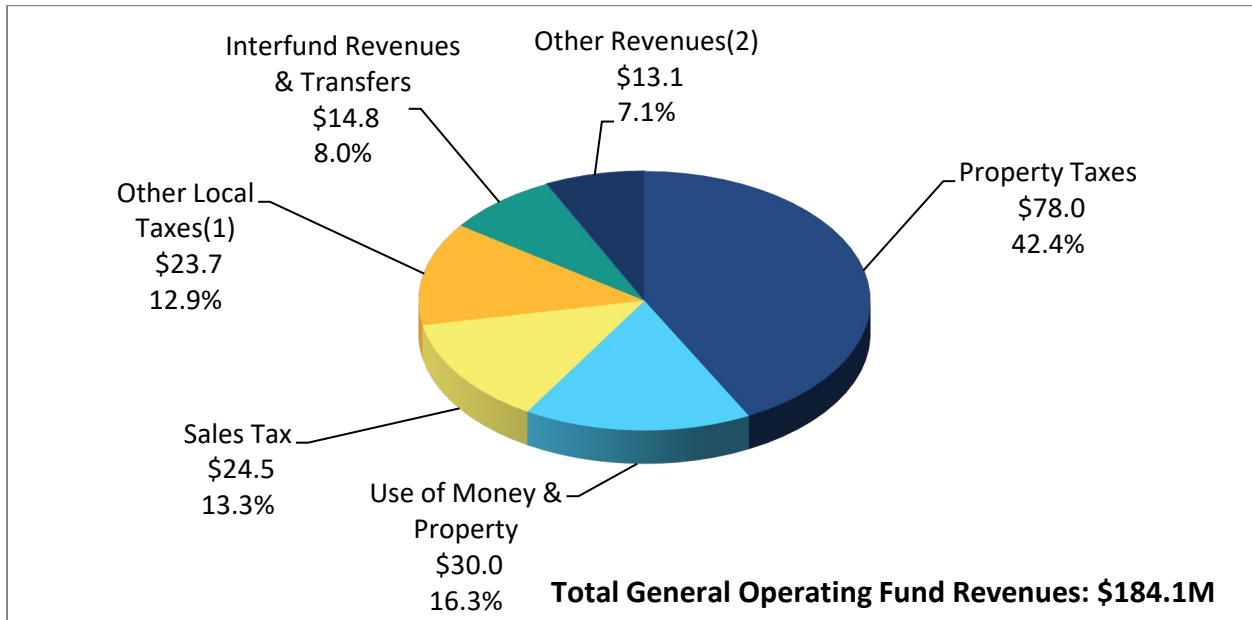
¹ Other Local Taxes consist of Transient Occupancy Tax, Business Licenses, and Utility Users Tax.

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

The chart above 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 Year 2010-11 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.

A summary of the major categories of GOF Revenues for the Fiscal Year 2024-25 Recommended Budget is as follows.

**Fiscal Year 2024-25 General Operating Fund Recommended Revenues
 (dollars in millions)**



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

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

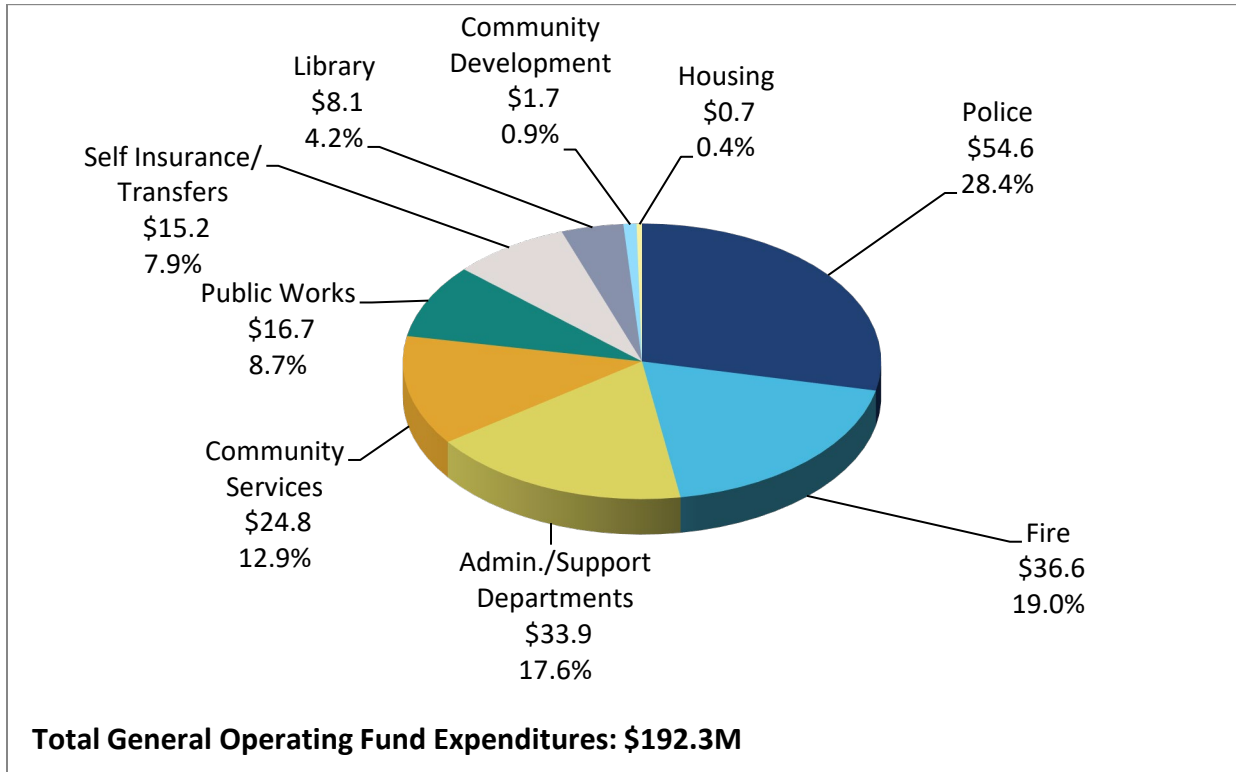
Expenditures

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

Recommended expenditures for Fiscal Year 2024-25 include the addition of \$1.6 million of net nondiscretionary increases, which are necessary to preserve current service levels, and \$1.9 million of net discretionary additions for resources to meet increased demands. In total, including increases for personnel costs, there is a 7.4% increase in expenditures from the Fiscal Year 2023-24 Adopted Budget. The majority of the increase is related to increases in personnel costs. Included in the Recommended Budget expenditures is an estimated budget savings of \$8.5 million based on average expenditure savings over the prior five fiscal years.

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

**Fiscal Year 2024-25 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 \$8.5 million estimated budget savings.

Fiscal Year 2024-25 Recommended Budget Changes

The following is a discussion of major recommended expenditure changes for Fiscal Year 2024-25.

Nondiscretionary Increases

For Fiscal Year 2024-25, a total of \$1.6 million of net nondiscretionary increases are included to fund existing and new required operational costs, such as increases in information technology costs, utility costs, crossing guard service costs, janitorial costs, and employee benefit costs. A

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

- **Information Technology Services, Licenses, and Software Renewals: \$632,300**
- **Gas and Electricity Cost Increase: \$557,000**
- **Recreation Classes and Programs: \$86,000**
- **Janitorial Cost Increases: \$80,400**
- **Professional Development and Tuition Reimbursement Increases: \$75,000**

Discretionary Expenditures

Net new expenditures totaling \$1.9 million are included for high-priority ongoing programs; \$1.6 million is related to personnel (fully loaded cost). These are included in the Fiscal Year 2024-25 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 Captain Positions (3.0 FTE): \$1,197,600**
- **IT Analyst I/II Position (1.0 FTE): \$247,500**
- **Reclassification of three Firefighter/Paramedics to Fire Engineer/Paramedics: \$89,700**

Limited-Period Expenditures

Funding of \$9.1 million for limited-period items is included in the Recommended Budget; \$1.7 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: \$700,000**
- **888 Villa Lease for City operations: \$482,000**
- **Contract Services and Advertisement of the General Municipal Election: \$333,700**
- **Downtown Strategy Consulting: \$300,000**
- **Small Business Grant Program: \$275,000**
- **Federal and State Legislative Advocacy: \$270,000**
- **Police Equipment: \$269,800**
- **Housing Element Implementation: \$250,000**
- **IT Analyst I/II Position (1.0 FTE): \$247,500**
- **Senior Management Analyst Position (1.0 FTE): \$247,500**
- **Website Coordinator Position (1.0 FTE)*: \$246,700**

- **Hourly Staff for Human Resources: \$245,000**
- **Facilities Testing and Monitoring: \$220,000**
- **Succession Planning: \$205,000**
- **Homelessness Response Funding and Consulting: \$200,000**
- **Continuous Improvement Consulting: \$200,000**
- **Consulting Services for IT Projects: \$200,000**
- **Human Resources Technician Position (1.0 FTE)*: \$198,800**
- **Contract Services for Economic Vitality Implementation: \$195,000**
- **Management Fellow Position (1.0 FTE)*: \$191,900**
- **Firefighter Recruit Academy: \$189,900**
- **Hourly Staff to Support the Traffic Section: \$180,000**
- **Administrative Assistant Position (1.0 FTE)*: \$168,100**
- **Lead Security Services Guard (1.0 FTE)*: \$157,200**
- **Contract Services for Sidewalk Ramping, Grinding, and Inspecting: \$150,000**
- **Senior Stagehand Position (1.0 FTE): \$146,400**
- **Traffic Maintenance and Repair: \$132,000**
- **Library Security Services: \$100,200**
- **Community Events: \$100,000**
- **Employee Relations / Labor Negotiations Attorney Services: \$200,000**
- **Information Technology Strategic Plan: \$100,000**
- **Labor Negotiations Attorney: \$100,000**
- **Outreach and Education for Urban Forestry: \$100,000**
- **Porter Services: \$90,000**
- **Consulting Services for Organization Structure: \$75,000**
- **Contract Management Software: \$75,000**
- **Tactical Paramedic EMS Training: \$66,000**
- **Community Services Agency Contract: \$60,000**
- **Nonprofit Funding: \$60,000**
- **Hourly Staff to Support the Transportation Section: \$50,000**

* Represents continuation of limited-period position.

General Fund Carryover Available for Allocation

The Fiscal Year 2023-24 estimated GOF operating balance carryover of \$2.3 million (subject to changes in assets and liabilities and grant/donations carryover), prior fiscal year unallocated balance of \$17.7 million, and one-time revenue of \$10.0 million provides an available balance of \$30.0 million, which is sufficient to fund the following items included in the Recommended Budget:

- \$9.1 million for limited-period expenditures;

- \$5.0 million for the Capital Improvement Reserve;
- \$2.5 million for the General Fund Reserve;
- \$2.0 million for the Development Services Fund;
- \$1.2 million for the Compensated Absences Reserve;
- \$1.2 million set aside for Excess ERAF claw-back;
- \$1.0 million for the Parental Leave Reserve; and
- \$1.0 million for the General Liability Fund.

The resulting available balance, after funding the above priorities, is \$7.0 million. 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.

FISCAL IMPACT

There is no fiscal impact as a result of the public hearing. Budget adoption is scheduled for June 28, 2024. The Recommended Budget provides a fiscal plan for the City for Fiscal Year 2024-25 with a balanced GOF and projected year-end operating balance of \$311,000. The Recommended Budget includes a total of \$1.6 million of nondiscretionary increases, \$1.9 million for discretionary expenses, and \$9.1 million for limited-period items in the GOF.

There is no fiscal impact associated with the recommendations related to the Council Work Plan: 12-month project update.

SUMMARY AND CONCLUSION

Although the Recommended Budget takes a cautious approach to any growth due to weakening revenue streams, I believe the ingenuity and innovation inherent in our organization will continue to drive Mountain View forward. This budget builds on and improves our exceptional services and programs for the community and advances Council's Strategic Priorities. The Fiscal Year 2024-25 Recommended Budget positions the City well to embark on the Mountain View of tomorrow. However, as with most municipalities, repairs, maintenance, and eventual replacement of facilities and infrastructure will continue to be an ongoing need in the future. In addition, new initiatives to address the evolving nature of modern cities will require additional resources. Importantly, creating additional, ongoing revenue is essential to bring the Mountain View of tomorrow to fruition. This includes exploring additional funding via a revenue measure in November 2024 for necessary Citywide enhancements, which may include addressing aging facilities and Citywide infrastructure, maintaining best-in-class public safety services, building

new parks and open spaces, implementing ambitious decarbonization and sustainability programs, and building more affordable housing.

ALTERNATIVES

Council may request modifications to the Fiscal Year 2024-25 Recommended Budget as presented or provide other direction prior to finalizing the budget on June 28, 2024.

PUBLIC NOTICING

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

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- Attachments:
1. [Fiscal Year 2024-25 Recommended Budget](#)
 2. Fiscal Years 2023-25 Council Work Plan: 12-Month Project Update
 3. Continuous Improvement Initiatives