

April 26, 2016

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Fiscal Year 2016-17  
Narrative Budget Report  
and  
5-Year Financial Forecast



# Outline

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- General Operating Fund 5-Year Financial Forecast
- General Operating Fund
- Items for Council Discussion
- Other Major Funds and Reserves
- Council Major Goals
- Next Steps



# GOF 5-Year Forecast Introduction

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- Provides longer-term financial trends
- Based on reasonable assumptions
- Confidence levels more uncertain in outer years
- Foundation for Council's budget deliberations



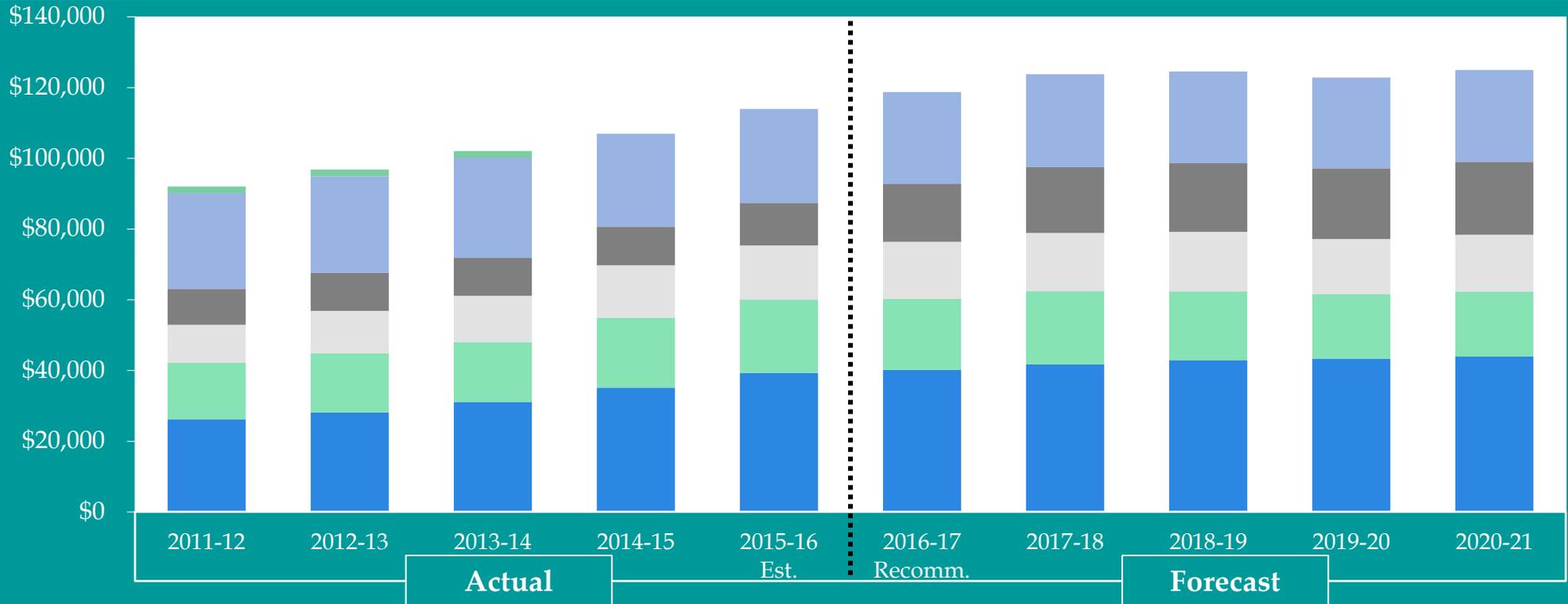
# Background

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- Economic factors
- Volatile revenue base
- Period of strong revenue growth
- Forecast period assumes recession



# Revenue Summary

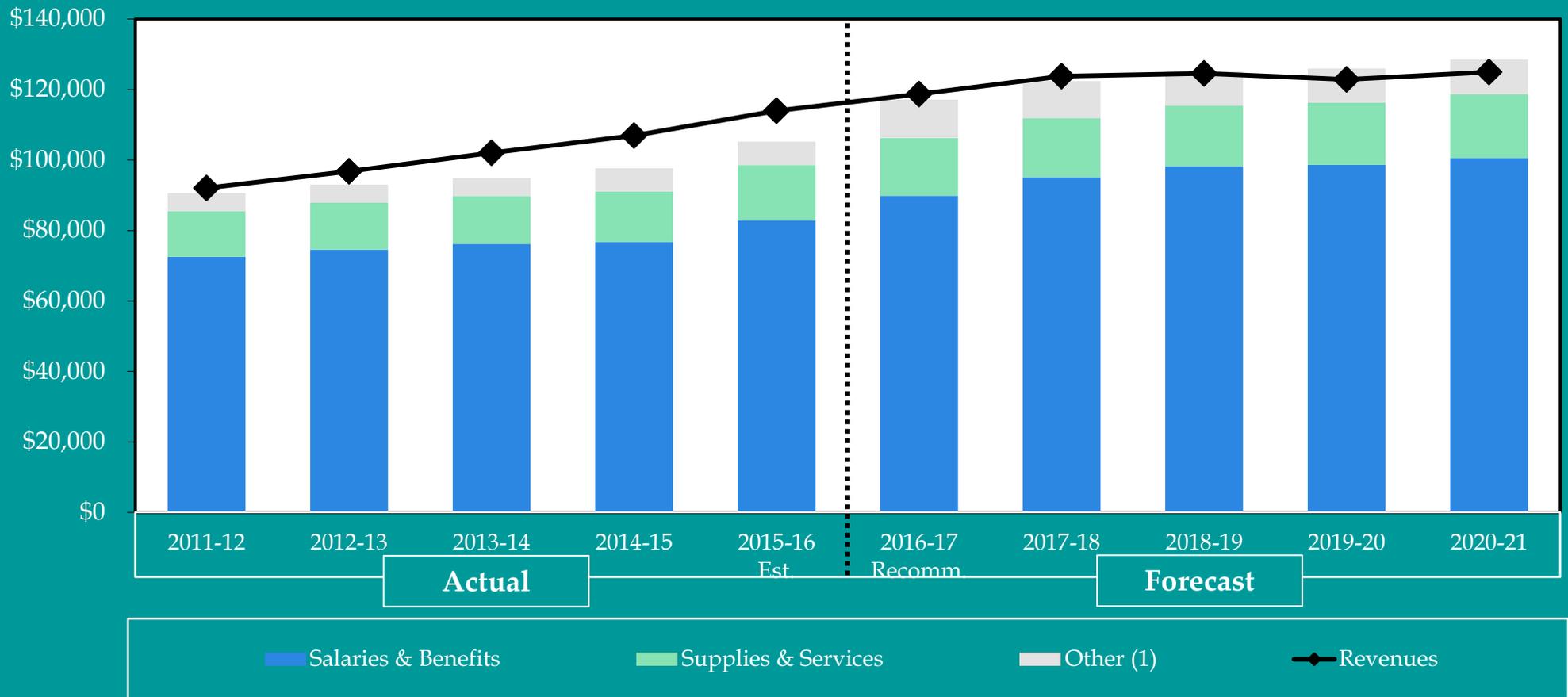


(1) Includes Business Licenses, Transient Occupancy Tax, and Utility Users Tax.

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

(dollars in thousands)

# Expenditure Summary



<sup>(1)</sup> Includes Capital Outlay /Equipment Replacement, Self-Insurance, Debt Service, and Strategic Property Acquisition Reserve (SPAR). The Fiscal Year 2016-17 recommended expenditures includes the \$2.5M transfer to SPAR.

(dollars in thousands)

# Contributions to Unfunded Liabilities

	Unfunded <u>Liability</u>	Actual <u>Cont.</u>	FY16-17 <u>Cont.</u>	Forecast <u>Cont.</u>	<u>Total</u>
PERS Contributions	\$162.5 M	5.2 M	3.9 M	6.2 M	15.3 M
OPEB Contributions <sup>(1)</sup>	<u>33.6 M</u>	<u>3.5 M</u>	<u>3.0 M</u>	<u>1.0 M</u>	<u>7.5 M</u>
Total	<u>\$196.1M</u>	<u>8.7 M</u>	<u>6.9 M</u>	<u>7.2 M</u>	<u>22.8 M</u>

<sup>(1)</sup> General Fund contribution only  
(dollars in millions)



# FY 2015-16 GOF

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

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

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

(dollars in thousands)

# Estimated FY 2015-16 Carryover

Estimated GOF Operating Balance	\$ 11,748
PERS	(2,000)
Retirees' Health OPEB	(1,000)
Shoreline Loan Repayment	1,472
Estimated One-Time Revenues	<u>1,597</u>
<b>Total Estimated Carryover Balance Available</b>	<b>\$ <u>11,817</u></b>

(dollars in thousands)

# Recommended Use of FY 2015-16 Carryover

Total Estimated Carryover Balance Available	\$ 11,817
Recommended Allocations:	
Non-Discretionary:	
Limited-Period Expenditures/Capital Outlay	(2,150)
General Fund Reserve <sup>(1)</sup>	(2,248)
Compensated Absences Reserve	(1,500)
Discretionary:	
Capital Improvement Reserve <sup>(2)</sup>	(2,919)
PERS	(1,000)
Retirees' Health OPEB	(1,000)
Strategic Property Acquisition Reserve	(1,000)
Total Recommended Allocations	<u>(11,817)</u>
Estimated Remaining Balance Available	\$ <u><u>-0-</u></u>

(1) To be determined with the Adopted Budget.

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

(dollars in thousands)



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# General Operating Fund FY2016-17 Recommended Budget



# FY 2016-17 Recommended Budget

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

# Expenditure Changes

## FY 2015-16 Adopted to FY 2016-17 Recommended

### Expenditure Changes:

Compensation Changes	\$ 1,317	
Retirement (PERS)	1,206	
Health and Other Benefits	1,228	
Personnel Recommendations	<u>665</u>	
Total Changes Personnel Costs		4,406
Nonpersonnel Miscellaneous		855
Other Recommendations		<u>973</u>
Total Expenditure Increase		\$ <u><u>6,234</u></u>

(dollars in thousands)

# FY 2016-17 Recommended Budget

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- Non-Discretionary Recommendations: \$416,000
- Discretionary Recommendations: \$1.2 M
- Limited-Period Recommendations: \$2.2 M



# Personnel

- The City reduced approximately 70 positions since Fiscal Year 2001-02.
- The City continues to operate at a very lean staffing level.

## FY 2016-17 Recommendations

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

# Personnel (cont.)

## Summary by Department

<u>Department</u>	<u>Ongoing</u>	<u>LP</u>
City Manager/Human Resources	0.50	2.00
Information Technology	1.00	0.50
Finance and Administrative Services	1.25	1.00
Community Development	1.00	2.00
Public Works	-	7.50
Community Services	0.50	0.50
Library Services	-0.25	-
Police	<u>0.50</u>	<u>2.00</u>
Total	<u>4.50</u>	<u>15.50</u>

# FY 2016-17 Recommendations

## Major Non-Discretionary Recommendations

- City Utility Costs \$ 200,000
- PG&E Cost Increase 100,000
- Contract Services for Civica, KMVT, and Environmental Services 33,700

**Total Non-Discretionary Recommendations: \$416,000**



# FY 2016-17 Recommendations (cont.)

## Major Discretionary Recommendations

• IT Analyst I/II-Applications Support Position	\$ 169,600
• Senior Financial Analyst Position in FASD	169,500
• Rental Housing Dispute Resolution Program (offset by fees)	110,000
• Online Payment Processing	99,000
• Communications Coordinator Position (0.5)	92,700
• Wireless Data/South Bay Information Sharing System/CopLink	71,800
• Office Assistant III Position (0.5) in Police	58,600
• GIS Data Conversion Services (offset by fees)	50,000
• Generator Maintenance	45,000
• Librarian I/II Position (0.25)	40,400
• Library Materials	40,000
• Parks Maintenance Worker I/II Position – South Parks (0.25)	29,200
• Parks Maintenance Worker I/II Position – Roadway Crew (0.25)	29,200

**Total Discretionary Recommendations: \$1.2 million**

# FY 2016-17 Recommendations (cont.)

## Major Limited-Period Recommendations

- Senior Administrative Analyst Position in FASD \$ 169,500
- Public Safety Dispatch Overhire Position 169,300
- Two Police Officer Trainee Positions 155,700
- Human Resources Analyst I/II Position 147,000
- ICMA Fellow in CMO 135,700
- November 2016 Election 110,000
- Fire Department Overtime Training 100,000
- Employee Transportation Program 80,000
- Associate Civil Engineer – Traffic Position (0.45) 78,300
- Legal Services 75,000
- Marketing and Public Relations Manager Position (0.5) 71,000
- Secretary Position (0.5) in IT 66,800

**Total Limited Period Recommendations: \$2.2 million**

# FY 2016-17 Fee Recommendations

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- Parking in-Lieu increase to \$48,000/space
- Majority of remaining fees recommended with inflationary increases
- New Fees
  - Minor Wireless Telecommunications Facilities
  - Data Digitization (pending)



# Items for Council Discussion and Direction

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Council direction requested on the following:

- Housing Boomerang Funds
- Friends of Caltrain Membership
- Council's Budget



# Council Questions

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- General Operating Fund
  - Recommended Expenditures
  - Recommended Use of Operating Balance FY2016-17
- Fees
- Other Council Discussion Items



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# Other Major Funds

## FY2016-17 Recommended Budget



# GF – Development Services Highlights

## Current Fiscal Year

- Development activity remains strong
- Revenues are estimated to be \$1.4 M higher than budget
- Expenditures are estimated to be \$1.1 M higher than budget

## Fiscal Year 2016-17

- Continued strong activity projected
- Land Use Documents Fee and Reserve \$4.4 M
- Total positions recommended 6.05 FTE (5.05 FTE LP)



# GF – Development Services Recommendations

## Major Ongoing Recommendations:

- Office Assistant I/II Position (Community Development Department): \$100,800

**Total Ongoing Recommendations: \$100,800**

## Major Limited-Period Recommendations:

- Consultants to Support Land Development Section: \$250,000
- Associate Civil Engineer – Construction Position: \$174,900
- Assistant Civil Engineer – Construction Position: \$169,500
- Senior Planner Position: \$166,000
- Associate Planner Position: \$153,000
- Web Enabled Mountain View Permitting System (MVPS): \$110,000

**Total Limited-Period Recommendations: \$1.4 M**



# GF – Shoreline Golf Links Highlights

## Current Fiscal Year

- Impacted by “El Nino” conditions
- Revenues and expenditures are below budget
- Operating balance/surplus of \$96,000

## Fiscal Year 2016-17

- Course conditions continue to improve
- Revenues projected at \$2.7 M
- Expenditures projected at \$2.5 M
- Projected \$158,000 operating balance



# GF - Shoreline Golf Links Recommendations

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## Major Ongoing Recommendations:

- Personnel Costs: \$34,800
- Net Miscellaneous: (\$53,560)

**Total Ongoing Recommendations: (\$18,800)**



# Shoreline Regional Park Community Highlights

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## Current Fiscal Year

- Total estimated revenues \$1.3 M less than budget
- Operating expenditures \$563,000 less than budget

## Fiscal Year 2016-17

- Property taxes projected to rise
- Capital Improvement Projects \$2.7 M
- Reserves of \$10.8 M

## Future

- Significant CIPs and anticipated debt service for potential future infrastructure needs



# Shoreline Regional Park Community Recommendations

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## Major Ongoing Recommendations:

- PG&E Cost Increase: \$27,000
- Park Rangers Contract: \$25,000

**Total Ongoing Recommendations: \$71,600**

## Major Limited-Period Recommendations:

- Consultants/Hourly Staff to Support Traffic Engineering Section: \$50,000
- Associate Civil Engineer – Traffic (0.25): \$43,500
- Assistant Civil Engineer – Land Development (0.15): \$33,900

**Total Limited-Period Recommendations: \$127,400**



# Water Fund Highlights

## Current Fiscal Year

- Adopted 14.0 percent overall rate increase
- Revenues \$5.4 M below budget due to reduced water usage
- Expenditures \$3.9 M below budget due to less water purchased and savings in operations

## Fiscal Year 2016-17

- Wholesale costs increases:
  - 9.3 percent SFPUC wholesale water cost increase
  - 21.2 percent (treated water) and 23.6 percent (well water) from SCVWD
- 10.0 percent rate increase for average cost of water and meter rates and 3.0 percent increase for recycled water recommended



# Water Fund Recommendations

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## Major Ongoing Recommendations:

- Generator Maintenance: \$25,000

**Total Ongoing Recommendations: \$49,800**

## Major Limited-Period Recommendations:

- Assistant Civil Engineer – Utilities: \$169,000

**Total Limited-Period Recommendations: \$186,500**



# Wastewater Fund Highlights

## Current Fiscal Year

- 6.0 percent overall rate increase
- Revenues estimated \$290,000 below budgeted
- Expenditures \$767,000 higher than budgeted
  - \$1.3 M Treatment Plant costs offset by operating savings

## Fiscal Year 2016-17

- 19.0 percent overall rate increase recommended
  - Treatment Plant proposed cost increase of 25.9 percent
  - Projected future Treatment Plant capital expenditures



# Wastewater Fund Recommendations

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## Major Ongoing Recommendations:

**Total Ongoing Recommendations: \$36,200**

## Major Limited-Period Recommendations:

**Total Limited-Period Recommendations: \$17,000**



# Solid Waste Management Fund Highlights

## Current Fiscal Year

- 1.5 percent rate increase for bins and compactors, 14.0 percent rate increase for carts; rate restructuring for debris boxes
- Revenues estimated \$1.4 M higher than budget
- Expenditures estimated \$352,000 below budget

## Fiscal Year 2016-17

- 10.0 percent rate increase recommended for carts
  - Recology increase 2.43 percent
  - SMaRT Station increase 2.68 percent
- Potential new programs with rate impacts under consideration



# Solid Waste Fund Recommendations

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## Major Ongoing Recommendations:

- Online Payment Processing: \$57,000
- Commercial Composting Processing: \$50,000

**Total Major Ongoing Recommendations: \$127,000**

## Major Limited-Period Recommendations:

**Total Limited-Period Recommendations: \$8,500**



# Summary of Recommended Residential Utility Rate Increases

- Total average increase for a single-family residential customer is 12.2 percent (\$14.85/month)
- Water
  - \$6.65/month increase for 250 gal/day (10 units)
- Wastewater
  - \$5.50/month increase
- Solid Waste
  - \$2.70/month increase for one 32-gallon cart



# Utility Rate Comparison Single Family Residential

	<u>Mountain View</u>	<u>Palo Alto</u>	<u>Sunnyvale</u>
<u>Water</u> <sup>(1)</sup>			
Current	\$66.08	\$85.13	\$49.66
Recommended	72.73	89.85	Not Avail.
Recommended Increase	10.1%	5.5%	
<u>Sewer</u>			
Current	28.80	31.95	39.71
Recommended	34.30	34.83	Not Avail.
Recommended Increase	19.1%	9.0%	
<u>Trash</u> <sup>(2)</sup>			
Current	26.60	43.75	36.94
Recommended	29.30	47.69	Not Avail.
Recommended Increase	10.2%	9.0%	

<sup>(1)</sup> Based on 10 units of water plus meter charge. Mountain View's meter charge for single family is for both 5/8 and 3/4 inch meter sizes. Sunnyvale, Palo Alto and Cal Water have separate rates. This comparison uses the lower 5/8 inch meter rate.

<sup>(2)</sup> Mountain View and Palo Alto based on 32-gallon, Sunnyvale based on 35-gallon. Mountain View has biweekly recycling pick-up; Palo Alto and Sunnyvale have weekly recycling pick-up.



# Non-Major Funds Recommendations

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- Below-Market-Rate (BMR) Housing Fund
- Housing Impact Fund
- Downtown Benefit Assessments Districts Fund
- Cable Television Fund
- Workers' Compensation Fund



# Reserves

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- Council Policy A-11
- Reserves designated for specific purposes
- Reserves to fund liabilities
- Most at or exceed policy or target level



# GOF Reserve Recommended Actions

## Reserves Supplements Recommended:

General Fund Reserve <sup>(1)</sup>	\$ 2,248
Capital Improvements <sup>(2)</sup>	2,919
Strategic Property Acquisition	3,500
Compensated Absences	<u>1,500</u>
Total	\$ <u>10,167</u>
Retiree's Health <sup>(3)</sup>	\$ <u>3,000</u>

(1) Policy balance is calculated as 25.0 percent of the GOF budget to be determined with the Adopted Budget

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

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



# Council Questions

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- Other Major Funds
- Utility Rates
- Non-Major Funds
- Reserves



# Reaffirm City Council Major Goals

- Improve the quantity, diversity, and affordability of housing
  - 8 Adopted Projects                      3 New Proposed Projects
  - 3 Completed by end of FY2015-16
- Enhance environmental sustainability efforts
  - 16 Adopted Projects                      4 New Proposed Projects
  - 6 Completed by end of FY2015-16
- Improve transportation by enhancing mobility and connectivity
  - 14 Adopted Projects                      4 New Proposed Projects
  - 1 Completed by end of FY2015-16



# City Council Major Goals: Proposed New Projects

- Improve the Quantity, Diversity, and Affordability of Housing
  - Explore a variety of efforts designed to help homeless vehicle dwellers.
  - Develop and implement rent relief ordinances and programs.
  - Continue to provide staff support for the three Notice of Funding Availability (NOFA) affordable housing projects during the funding reservation, design and entitlement process.
- Enhance Environmental Sustainability Efforts
  - Continue to support Palo Alto's feasibility study of recycled water advanced treatment.
  - Manage the recycled water program to improve water quality, maximize water use, expand the City's distribution system and participate in efforts to develop a regional distribution system.
  - Begin design and construction of new community gardens at Shoreline/Latham.
  - Establish the financing for the Silicon Valley Clean Energy JPA.
- Improve Transportation by Enhancing Mobility and Connectivity
  - Consider other bicycle and pedestrian mobility improvements that are low cost and easily implementable.
  - Continue planning and design of utility and transportation infrastructure improvements to support North Bayshore Development.
  - Work with Safe Moves to offer programs during Summer Reading.
  - Pilot remote services like Lawyers in the Library and Social Security appointments to eliminate car trips.

# Council Questions

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- Council Major Goals



# Direction Requested

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- General Operating Fund
  - Recommended Expenditures
  - Recommended Use of Operating Balance FY2016-17
- Fees
- Other Council Discussion Items
- Other Major Funds
- Utility Rates
- Non-Major Funds
- Reserves
- Council Major Goals



# Next Steps

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- June 14 – Proposed Budget Public Hearing
- June 21 – Budget Adoption
  - Utility Rate Hearing (Prop 218)
  - Capital Improvement Program Adoption
  - Proposed Budget Public Hearing

