

May 1, 2018

# Fiscal Year 2018-19 Narrative Budget Report and 10-Year Financial Forecast

Presenters: Dan H. Rich, City Manager

Patty J. Kong, Finance and Administrative Services Director

Suzy Niederhofer, Assistant Finance and Administrative Services Director



# Outline

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- General Operating Fund 10-Year Financial Forecast
- FY 2017-18 Update and Estimated Carryover
- General Operating Fund Recommendations
- Items for City Council Discussion and Direction
- Other Major Funds and Reserves
- Next Steps



# GOF 10-Year Forecast Introduction

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- GOF provides funding for majority of City services
- Long Range Forecast provides foundation for Council's budget deliberations
- Provides financial trends, challenges, and opportunities

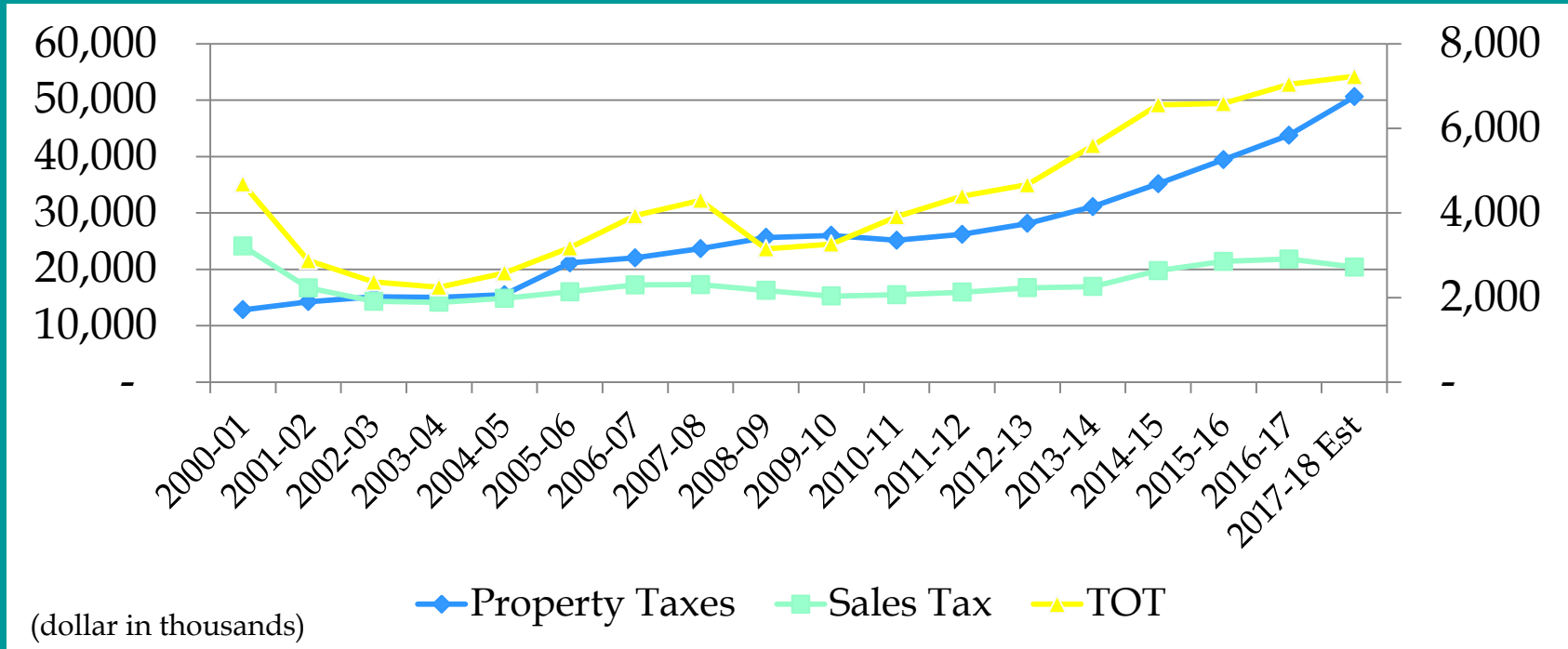


# Background

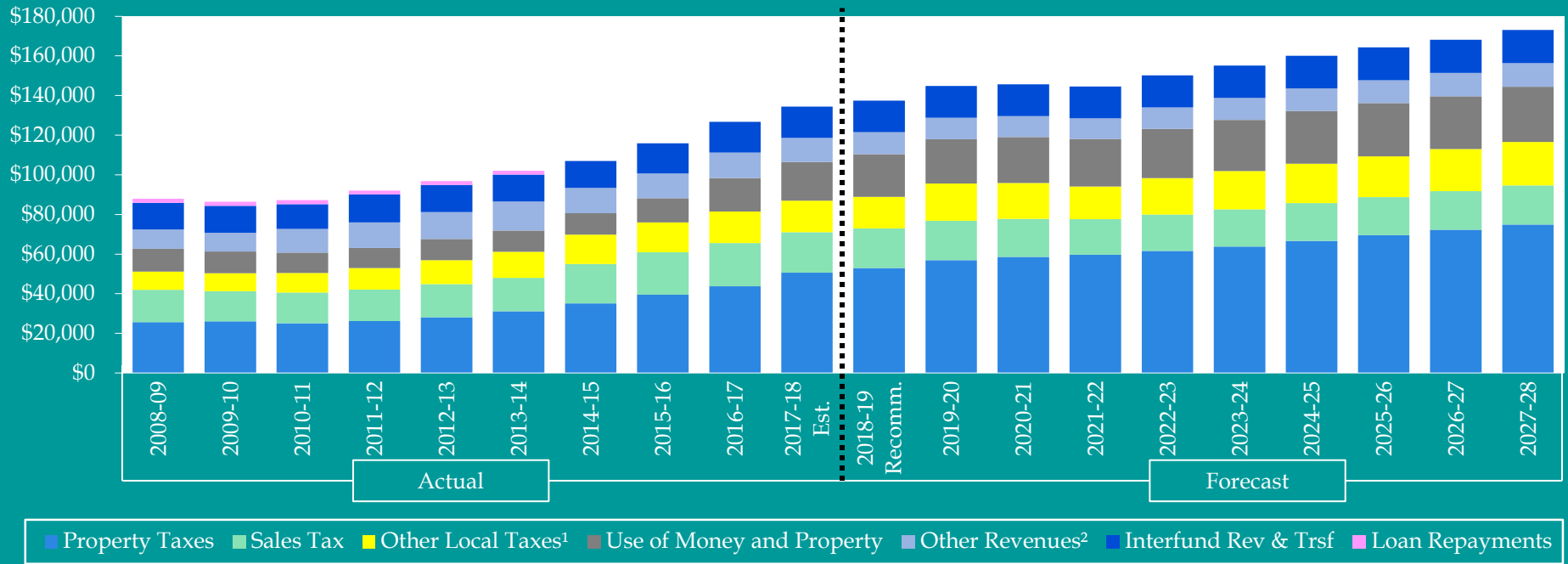
- Based on reasonable assumptions
- Economic factors
- Continuing period of strong revenue growth, positive annual ending balance projected for the next few fiscal years
- Confidence levels more uncertain in outer years
- Cyclical revenue base
- Forecast period assumes a recession in Fiscal Years 2020-21 and 2021-22, previously included in Fiscal Year 2018-19



# GOF Historical Revenue Comparison



# Revenue Summary



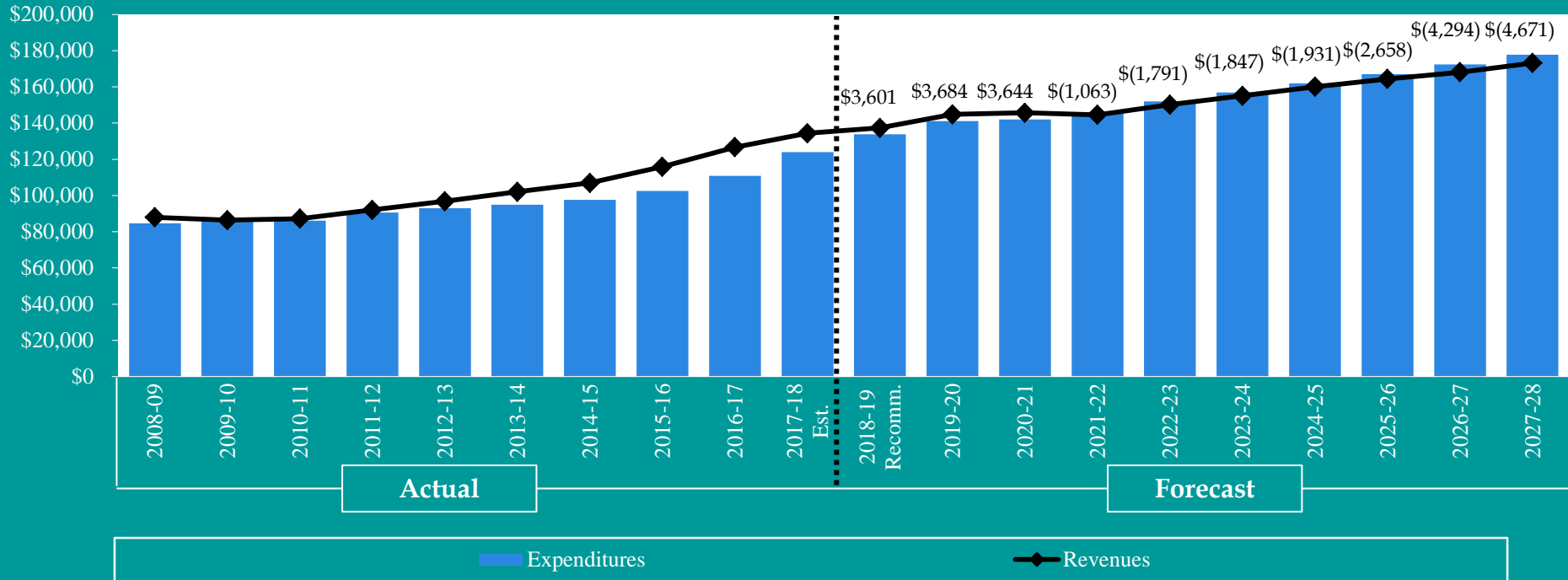
(1) Other Local Taxes includes Transient Occupancy Tax, Business Licenses, and Utility Users Tax.

(2) Other Revenues includes Licenses, Permits & Franchise Fees, Fines & Forfeitures, Intergovernmental, Charges for Services, and Miscellaneous Revenues.

(dollars in thousands)

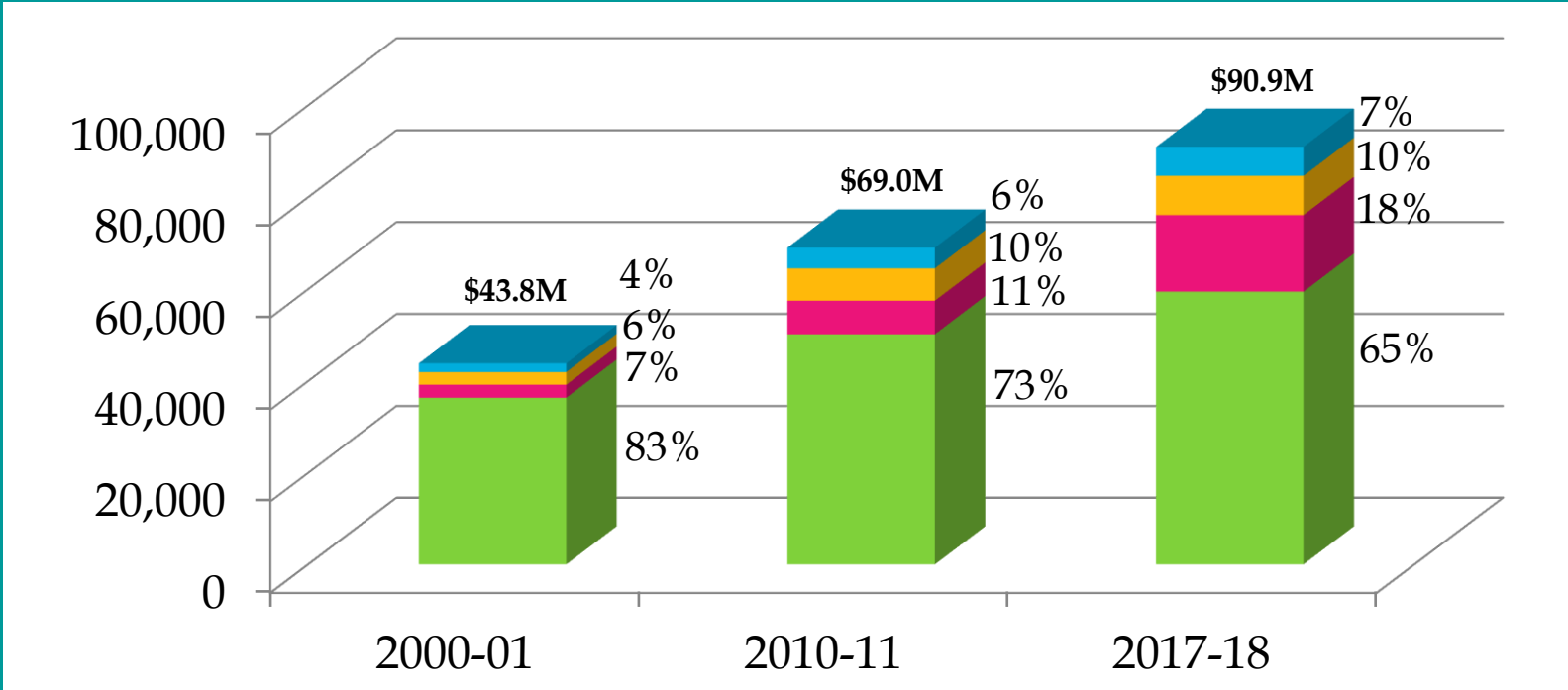


# Revenue & Expenditure Summary



Forecast includes \$2.3M in budget savings.  
(dollars in thousands)

# GOF Salaries & Benefits Comparison



■ Salaries & All Pays   
 ■ Pension   
 ■ Health   
 ■ Other Benefits



# Fiscal Year 2017-18

## General Operating Fund

	2017-18 Adopted <u>Budget</u>	2017-18 <u>Estimated</u>
Revenues	\$ 128,022	134,388
Expenditures	(117,687)	(115,975)
Operating Balance	10,335	18,413
CalPERS Contribution	(4,000)	(4,000)
OPEB Contribution	(2,000)	(2,000)
Transfer to SPAR	<u>(2,000)</u>	<u>(2,000)</u>
Ending Balance	\$ <u>2,335</u>	<u>10,413</u>

(dollars in thousands)



# Estimated FY 2017-18 Carryover and Recommended Allocations

Estimated Available Carryover Balance	\$ 10,413
Remaining Available Balance from FY 2016-17	2,027
Allocations:	
Limited-Period Expenditures	(3,808)
General Fund Reserve	(1,800)
Transportation Reserve	(2,000) <sup>(1)</sup>
Capital Improvement Reserve	(1,732) <sup>(2)</sup>
Compensated Absences Reserve	(1,100)
CalPERS Contribution	<u>(2,000)</u>
Total Allocations	<u>(12,440)</u>
Estimated Remaining Balance Available	\$ <u><u>-0-</u></u>

(1) New in recommended budget

(2) Recommend any balance remaining be allocated to the CIP Reserve up to \$3.0 million based on the actual balance available after the fiscal year-end close.

(dollars in thousands)

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FY 2018-19  
General Operating Fund  
Recommended Budget



# Summary

## FY 2018-19 Recommended Budget

Total Revenues	\$ 137,222
Total Net Expenditures	(123,208)
Recommendations:	
Non-Discretionary	(339)
Discretionary	(1,231)
Revenue Changes	<u>157</u>
Operating Balance	12,601
Transfer to General Fund Reserve	(1,000)
Transfer to Transportation Reserve	(2,000)
Transfer to Capital Improvement Reserve	(4,000)
CalPERS Contribution	<u>(2,000)</u>
Net Balance	<u>\$ 3,601</u>

(dollars in thousands)

Limited-Period Recommendations: Net \$3.8 million

# Expenditure Changes

## FY 2017-18 Adopted to FY 2018-19 Recommended

### Expenditure Changes:

Compensation Changes	\$ 2,462	
Retirement (CalPERS)	2,708	
Health and Other Benefits	268	
New Personnel Recommendations	<u>1,328</u>	
Total Changes Personnel Costs		6,766
Nonpersonnel Recommendations, net		242
Other Recommendations, net		<u>83</u>
Total Expenditure Increase		\$ <u><u>7,091</u></u>

(dollars in thousands)

# Personnel

- The City reduced approximately 70 positions (GOF Fiscal Year 2001-02 through Fiscal Year 2012-13).
- Over the past 5 years, the City has added 36.0 net new regular positions and 19.0 limited-period positions (All Funds).
- **Fiscal Year 2018-19 Recommendations:**

	<b>GF</b>	<b>Other Funds</b>	<b>Total Positions</b>
New Ongoing Regular	4.50	6.00	10.50
Limited-Period to Regular	1.50	0.50	2.00
Continuing Limited-Period	10.45	4.55	15.00
New Limited-Period	2.65	1.35	4.00
<b>Total</b>	<b>19.10</b>	<b>12.40</b>	<b>31.50</b>

# FY 2018-19 Recommendations

## Major Non-Discretionary Increases

- Minimum Wage Impact One-Half-Year \$ 200,000
- Parks Trash and Recycling Services (80,000)
- Gas and Electricity Cost 73,000
- Information Technology Costs 66,400
- Janitorial Costs 32,400
- CalPERS Replacement Benefit 31,500

**Total Non-Discretionary Increases: \$338,800**



# FY 2018-19 Recommendations (cont.)

## Major Discretionary Recommendations

- |                                       |            |
|---------------------------------------|------------|
| • Positions (5.8 FTE)                 | \$ 798,600 |
| • CSD Succession Plan                 | 242,400    |
| • Contract Services                   | 183,000    |
| • Rental Housing Dispute Program      | (110,000)  |
| • Employee Programs/Benefits          | 85,000     |
| • Personal Protective Equipment (PPE) | 37,200     |

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





# FY 2018-19 Recommendations (cont.)

## Major Limited-Period Recommendations

• Positions (10.95 FTE)	\$ 1,900,100
• Firefighter Recruit Academy	450,000
• Hourly Wages	295,500
• Contract Services	281,100
• Programs	233,800
• Citywide Succession Planning	160,000
• November 2018 Election	100,000
• Regional Bike Route	75,000
• Labor Negotiations	50,000
• Nonprofit Agency Funding	49,600
• Regional Airplane Noise Round Table	25,000

**Total Limited Period Recommendations: Net \$3.8 million**



# Council Questions

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# FY 2018-19 Fee Recommendations

- Majority of fees recommended with inflationary increases.
- New or modified fees
  - Zero Net Energy
  - Sidewalk Cafe
  - CC&R Amendment Review
  - Development Review Permits
  - Gatekeeper
  - Recreation Swim Day Pass
  - Security Deposits Standardization
  - CSD Building Rentals
  - SGL Fees
  - HazMat Fees
  - Mobile Fueling
  - Fire Inspections
  - Library Fees
  - Utility Rates



# Contributions to Unfunded Liabilities

	Unfunded <u>Liability</u> <sup>(1)</sup>	Prior Add'l <u>Contrib.</u>	FY 18-19 Annual Normal <u>Contrib.</u>	Recomm. Add'l FY18-19 <u>Contrib.</u>
CalPERS	\$ 234.0 M	21.39 M	23.8 M	5.06 M
OPEB	<u>26.5 M</u>	<u>10.50 M</u> <sup>(2)</sup>	<u>5.3 M</u>	<u>-0-</u>
Total	\$ <u>260.5M</u>	<u>31.89 M</u>	<u>29.1 M</u>	<u>5.06 M</u>

(1) CalPERS and OPEB estimated as of 6/30/17

(2) General Fund contributions only

(dollars in millions)



# Follow Up Information and Items for Council Discussion

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- Recycled Water
- Homeless Initiatives
- **N.O.I.S.E Membership**
- Environmental Sustainability
- Police/Fire Building Remodel Debt Service
- Transportation Reserve
- **Council's Budget**
- Shorebreeze Affordable Project\*

\* Not discussed in the Fiscal Year 2018-19 Narrative Budget Report



# Council Questions

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# Other Major Funds FY 2018-19 Recommended Budget



# GF – Development Services Highlights

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## Fiscal Year 2018-19

- Continued strong activity projected
- Land Use Documents Fee and Reserve \$7.3 M
- Total positions recommended 5.5 FTE (2.5 FTE LP)





# GF – Development Services Recommendations

## Major Ongoing Recommendations:

- Positions: \$139,100
- Digital Imaging of Building and Fire Permits: \$30,000 (offset by revenues)
- Certified Access Specialist (CAsp) Training: \$28,000 (offset by revenues)

**Total Ongoing Recommendations: \$155,700**

## Major Limited-Period Recommendations:

- Consultant Support: \$750,000
- Positions: \$470,600
- East Whisman PP & Envir Impact Report (EIR): \$270,000
- Hourly Wages: \$120,000
- SB 743 – Transit-Oriented Infill Projects: \$50,000

**Total Limited-Period Recommendations: \$1.7 million**



# GF – Shoreline Golf Links Highlights

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## Fiscal Year 2018-19

- Revenues projected at \$2.5 M and expenditures projected at \$2.4 M
- Projected \$125,000 transfer to GOF
- Recommended increases to some fees



# GF – Shoreline Golf Links Recommendations

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## Major Ongoing Recommendations:

- Water Cost Increases: \$75,800
- Net Miscellaneous: (\$79,000)

**Total Ongoing Recommendations: (\$3,200)**



# Shoreline Regional Park Community Highlights

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## Fiscal Year 2018-19

- Property taxes projected to increase
- Capital Improvement Projects \$13.2 M
- Reserves of \$16.0 M (includes the new Sea Level Rise Reserve)



# Shoreline Regional Park Community Recommendations

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## Major Ongoing Recommendations:

- Employee-Staffed Ranger Program: \$215,500
- CSD Succession Plan: \$57,800
- District Sustainability Performance Monitoring: \$50,000

**Total Ongoing Recommendations: \$329,500**

## Major Limited-Period Recommendations:

- Positions: \$86,000
- Consultant Support: \$50,000

**Total Limited-Period Recommendations: \$151,100**

## Future CIPs:

- Significant CIPs and anticipated debt service for future infrastructure needs



# Water Fund Highlights

## Fiscal Year 2018-19

- 1.0 percent increase for average cost of water and meter rates recommended:
  - SFPUC proposes no increase, budget reflects minimum water purchase
  - 8.8 percent (treated water) and 9.6 percent (groundwater) from SCVWD
- 22.0 percent increase for recycled water rate recommended
  - Recommend phasing rate increase needed over three years



# Water Fund Recommendations

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## Major Ongoing Recommendations:

**Total Ongoing Recommendations: \$28,200**

## Major Limited-Period Recommendations:

- Positions: \$229,400
- Contract Services: \$50,000

**Total Limited-Period Recommendations: \$279,400**



# Wastewater Fund Highlights

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## Fiscal Year 2018-19

- 8.0 percent overall rate increase recommended
  - 4.0 percent Treatment Plant cost increase
  - 2.0 percent fifth year phase-in of planned Treatment Plant capital costs
  - 2.0 percent increase for unanticipated Treatment Plant costs in FY2015-16 (reduced from 6.0 percent)





# Wastewater Fund Recommendations

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Major Ongoing Recommendations:

**Total Ongoing Recommendations: \$14,200**

Major Limited-Period Recommendations:

**Total Limited-Period Recommendations: \$38,200**

Future CIPs

- Staff recommends issuing debt for the City's additional capital projects



# Solid Waste Management Fund Highlights

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## Fiscal Year 2018-19

- 5.0 percent increase for carts only for the new food scraps program
- New debt reserve recommended



# Solid Waste Management Fund Recommendations

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## Major Ongoing Recommendations:

**Total Major Ongoing Recommendations: \$37,000**

## Major Limited-Period Recommendations:

- Positions: \$218,400

**Total Limited-Period Recommendations: \$218,400**



# Summary of Recommended Residential Utility Rate Increases

- Prop 218 notice required for the cart rate increase
- 3.7 percent total average increase for a single-family residential customer
  - Water
    - \$0.79/month increase for 250 gal/day (10 units)
  - Wastewater
    - \$3.05/month increase
  - Solid Waste
    - \$1.65/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	\$ 77.90	\$ 93.45	\$ 60.36
Recommended	78.69	96.59	62.77
Recommended Increase	1.0%	3.4%	4.0%
<u>Sewer</u>			
Current	37.75	34.83	47.18
Recommended	40.80	38.66	51.90
Recommended Increase	8.1%	11.0%	10.0%
<u>Trash</u> <sup>(2)</sup>			
Current	32.25	50.07	39.38
Recommended	33.90	50.07	40.17
Recommended Increase	5.1%	0.0%	2.0%

<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 and Palo Alto 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

- Child-Care Commitment Reserve: \$100,000 (limited-period)
- BMR Housing Fund: \$30,000 (ongoing)
- Housing Impact Fund: \$31,600 (ongoing)
- Downtown Benefit Assess. Districts Fund: \$37,900 (limited-period)
- Community Development Block Grant Fund: \$35,000 (ongoing)
- Equipment Maintenance and Replacement Fund: \$50,000 (limited-period)



# Reserves

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- In accordance with Council Policy A-11
- Reserves designated for specific purposes
- Reserves to fund liabilities
- Majority at or exceed policy or target level with recommendations



# Reserve Recommendations

- General Fund Reserve
  - Estimated allocation \$1.8 million from the GF carryover and \$1.0 million from the GOF.
- General Fund Capital Improvement Reserve
  - Up to \$3.0 million from General Fund carryover (subject to actual results).
  - Additional \$4.0 million from the GOF in Fiscal Years 2018-19 and 2019-20.
- Compensated Absences Reserve
  - \$1.2 million of additional funding to bring the funding level to policy level.
- General Fund Transportation
  - New reserve with initial funding of \$2.0 million from GF carryover, \$2.0 million from the GOF in Fiscal Years 2018-19 and 2019-20, and \$1.0 million in Fiscal Year 2020-21.





# Council Questions

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



# Next Steps

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- June 12 – Proposed Budget Public Hearing
- June 19 – Public Hearings:
  - Proposition 218 Utility Rates
  - Capital Improvement Program Adoption
  - Budget Adoption



# Direction Requested

- General Operating Fund
  - Recommended Actions
    - Non-Discretionary
    - Discretionary
    - Limited-Period
- Fees
- Other Major Funds
- Utility Rates
- Non-Major Funds
- Reserves
- Council Discussion Items
  - N.O.I.S.E Membership
  - Council's Budget
- Other?

