

APRIL 25, 2019

Fiscal Year 2019-20
Narrative Budget Report
and
5-Year Financial Forecast

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Outline

- General Operating Fund 5-Year Financial Forecast
- FY 2018-19 Update and Estimated Carryover
- FY 2019-20 General Operating Fund
- FY 2019-20 Other Major Funds and Reserves
- Items for City Council Discussion and Direction
- Next Steps

GOF 5-Year Forecast

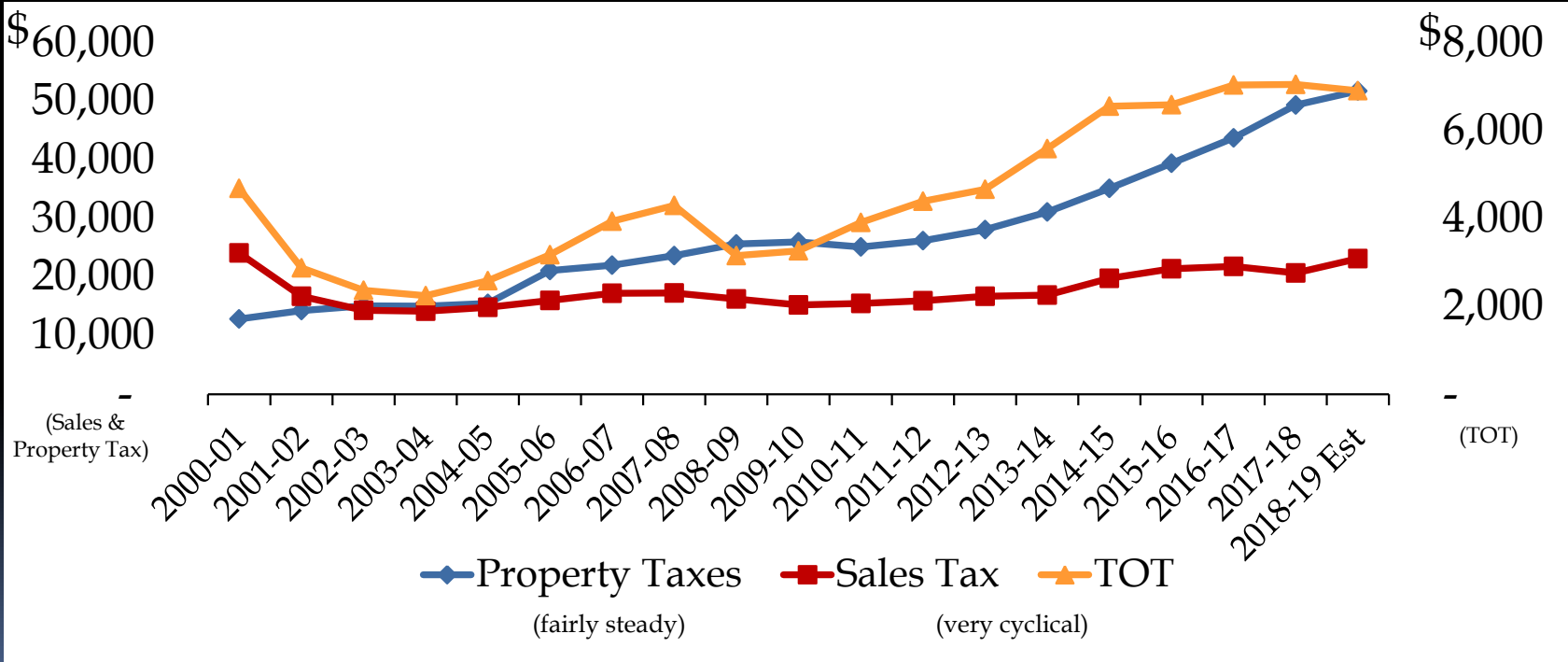
- GOF provides funding for majority of City services
- Financial Forecast provides foundation for City Council's budget deliberations
- Provides financial trends, future challenges, and opportunities

Background

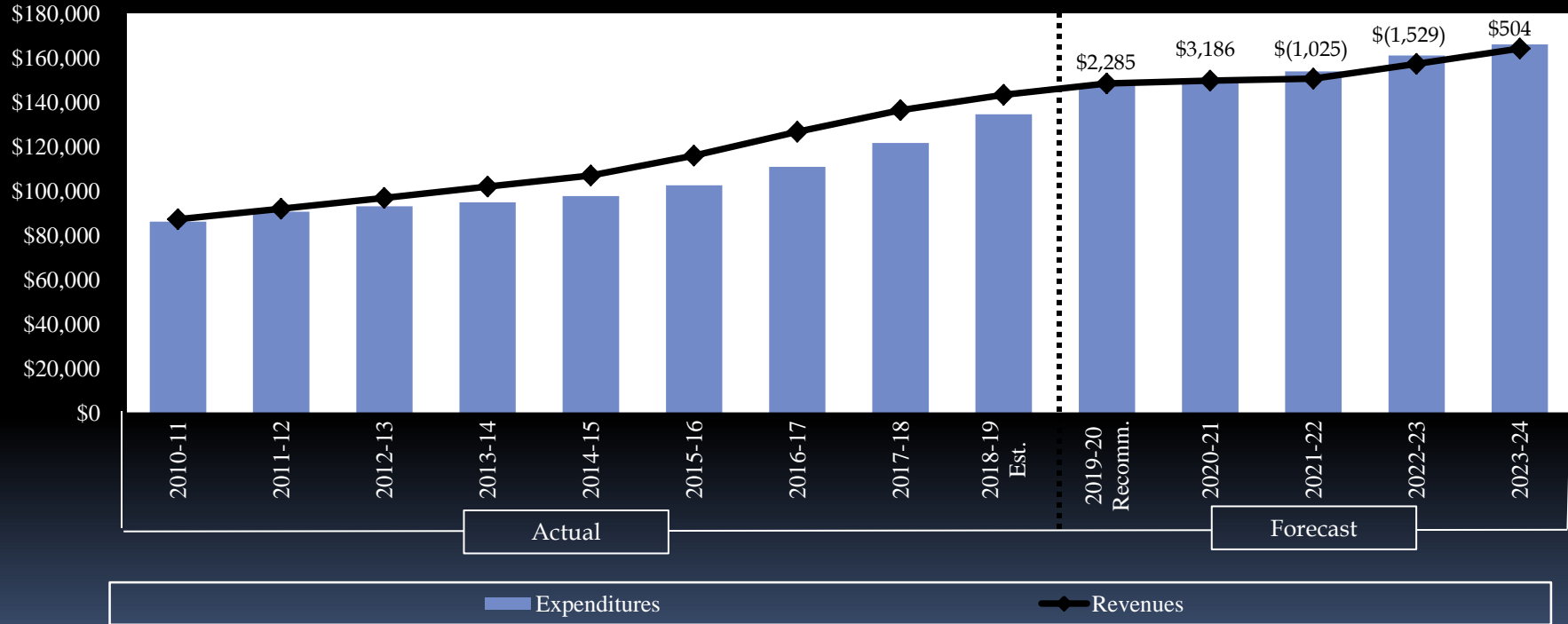


- Based on reasonable assumptions
- Economic factors, historic trends, and factors specific to the city
- Continuing period of strong revenue growth, positive annual ending balance projected for the next two fiscal years
- Confidence levels more uncertain in outer years
- Cyclical revenue base
- Forecast period assumes an economic downturn in Fiscal Years 2020-21 and 2021-22

GOF Historical Revenue Comparison

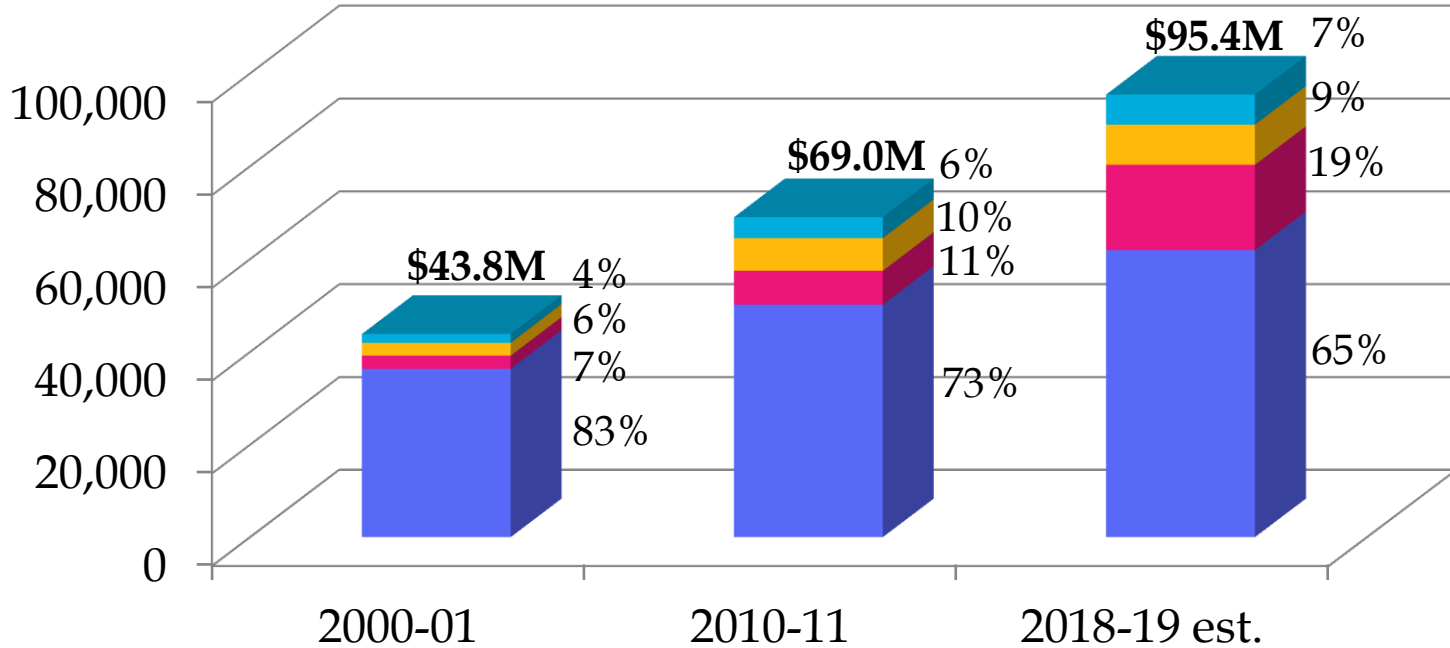


Revenue & Expenditure Summary



The Fiscal Year 2019-20 recommended expenditures and all forecast years do not include the projected operating budget savings of \$2.3M. (dollars in thousands)

GOF Salaries & Benefits Comparison




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

Fiscal Year 2018-19 General Operating Fund



	2018-19 Adopted <u>Budget</u>	2018-19 <u>Estimated</u>
Revenues	\$ 137,682	\$ 143,374
Expenditures	<u>(124,939)</u>	<u>(122,604)</u>
Operating Balance	12,743	20,770
Transfer to GF Reserve	(1,000)	(1,000)
Transfer to Transp Reserve	(2,000)	(2,000)
Transfer to Cap Imp Reserve	(2,000)	(2,000)
Transfer to SPAR	-0-	(2,000)
CalPERS Contribution	(4,000)	(4,000)
OPEB Contribution	<u>-0-</u>	<u>(1,000)</u>
Ending Balance	\$ <u>3,743</u>	\$ <u>8,770</u>

(dollars in thousands)



Estimated FY 2018-19 GOF Carryover and Recommended Allocations

Estimated Available Carryover Balance	\$ 8,770
Remaining Available Balance from FY 2017-18	5,827
Allocations:	
Limited-Period Expenditures	(3,676)
General Fund Reserve	(1,800)
Capital Improvement Reserve	TBD ⁽¹⁾
Compensated Absences Reserve	(2,000)
Potential New Sustainability Reserve	TBD
CalPERS Contribution	<u>(2,000)</u>
Total Allocations	<u>(9,476)</u>
Estimated Remaining Balance Available	\$ <u>5,121</u>

⁽¹⁾ 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)



FY 2019-20
General Operating Fund
Recommended Budget

Summary FY 2019-20 Recommended Budget



Total Revenues	\$ 148,144
Total Net Expenditures	(133,671)
Recommendations:	
Non-Discretionary	(781)
Discretionary	(1,664)
Revenue Changes	<u>257</u>
Operating Balance	12,285
Transfer to GF Reserve	(2,000)
Transfer to Capital Improvement Reserve	(3,000)
Transfer to SPAR	(1,000)
CalPERS Contribution	<u>(4,000)</u>
Net Balance	\$ <u>2,285</u>

(dollars in thousands)

Limited-Period Recommendations: Net \$3.7 million

Expenditure Changes FY 2018-19 Adopted to FY 2019-20 Recommended



Expenditure Changes:

Compensation Changes	\$ 4,011	
Retirement (CalPERS)	2,135	
Health and Other Benefits	337	
New Personnel Recommendations	<u>1,499</u>	
Total Changes Personnel Costs		7,982
Nonpersonnel Recommendations, net		947
Transfers		2,005
Other Recommendations, net		<u>243</u>
Total Expenditure Increase		\$ <u><u>11,177</u></u>

(dollars in thousands)

Personnel



- The City reduced approximately 78.5 positions (approximately 70.0 from GOF) during past two downturns.
- The City has added 27.5 net new regular positions and 22.5 limited-period positions over the last 2 fiscal years.
- Fiscal Year 2019-20 Recommendations:

	GF	Other Funds	Total Positions
New Ongoing Regular	4.85	3.65	8.50
Limited-Period to Regular	3.95	0.55	4.50
Continuing Limited-Period	8.65	6.35	15.00 ⁽¹⁾
New Limited-Period	1.75	0.00	1.75
Total	19.20	10.55	29.75⁽¹⁾

⁽¹⁾ Does not include 2.0 FTE limited-period positions reimbursed by Google per the agreement that expires June 30, 2019.

- Still 8.25 positions below 2001 high of 651.25 positions.

FY 2019-20 Recommendations



Major Non-Discretionary Increases

- Shared Public Safety System Maintenance (offset by revenue) \$ 155,000
- Information Tech Licenses and Maintenance 146,200
- City Utility Cost Increase (placeholder) 100,000
- Janitorial Cost Increases for City Facilities 91,900
- School Crossing Guard Services 65,300

Total Non-Discretionary Increases: \$781,000

FY 2019-20 Recommendations (cont.)

Major Discretionary Recommendations

- Positions (net 8.8 FTE) (\$1.8M offset by reductions & charges to CIP)
 - Senior Deputy City Attorney \$ 240,700
 - Assistant Communications Operations Supervisor 227,200
 - Senior Human Resources Analyst 200,500
 - Analyst I/II- Environmental Sustainability 186,200
 - CMO Office Assistant III 135,900
 - IT Office Assistant III 135,900
 - Conversion to Librarian I/II to 1.0 Analyst I/II 102,200
 - Associate Civil Engineer- Traffic Section (0.45 FTE) 96,300

Total Positions: \$1,367,700



FY 2019-20 Recommendations (cont.)

Major Discretionary Recommendations (cont.)

- | | |
|---|-----------|
| • Short-Term Rental Compliance Contract | \$ 80,000 |
| • Library Books, eBooks, and Electronic Resources | 51,800 |
| • Fire Special Operations Overtime for Training | 51,000 |

Total Discretionary Recommendations: \$1.7 million



FY 2019-20 Recommendations (cont.)

Major Limited-Period Recommendations

• Positions (10.4 FTE) (\$1.4M offset by charges to CIP)	
• Police Officer- Community Outreach	\$ 264,000
• Two Public Safety Dispatcher Overhire (50% funded)	199,000
• Human Resources Analyst I/II	160,000
• Management Fellow	145,000
• CMO/CSD Communications Coordinator (0.50 FTE)	105,400
• Two Police Office Trainee (25% funded)	91,000
• Community Services Officer (CSO) (0.50 FTE)	87,000
• Senior System Specialist Overhire (3 months funding)	57,000
Total Positions:	\$ 1,187,200



FY 2019-20 Recommendations (cont.)

Major Limited-Period Recommendations (cont.)

• Contract Services	\$ 514,100
• Firefighter Recruit Academy	497,000
• Hourly Wages	365,000
• HazMat Training/Fire Training & Education	229,800
• Smart City Innovation	150,000
• Programs	133,000
• Employee wellness, sustainability, fire recruitment	
• Citywide Succession Planning	125,000
• Visual Arts Committee	60,000
• Peninsula Bikeway Phase II/Bike Racks	54,700

Total Limited Period Recommendations:

Net \$3.7 million



FY 2019-20 Fee Recommendations

- Majority of fees recommended with inflationary increases.
- New or Modified Fees
 - CPA Rental & Technical Services
 - Aquatics Programs and Classes
 - Recreation Swim Season Passes
 - Red Cross (lifeguard) Training Classes
 - CSD Facility Rental Hours
 - SGL Fees
 - Business License Replacement
 - Taxi Permits
 - Parking Citations
 - Vehicle Repossession
 - Utility Rates
- Several Fees Recommended for Elimination

Contributions to Unfunded Liabilities



	<u>Unfunded Liability</u> ⁽¹⁾	<u>Prior Add'l Contrib.</u>	<u>FY 19-20 Annual Required Contrib.</u>	<u>Recom Add'l FY19-20 Contrib.</u>
CalPERS	\$ 224.3 M	28.98 M	26.4 M	7.59 M
OPEB	<u>59.8 M</u>	<u>11.50 M</u> ⁽²⁾	<u>6.1 M</u>	<u>-0-</u>
Total	\$ <u>284.1M</u>	<u>40.48 M</u>	<u>32.5 M</u>	<u>7.59 M</u>

⁽¹⁾ CalPERS estimated as of 6/30/17 and OPEB estimated as of 7/1/19

⁽²⁾ General Fund contributions only

(dollars in millions)

Items for City Council Discussion and Direction

- Library Fee Modification
- Council's Budget
- CHAC
- Drones

Items to be Brought Back with the FY 2019-20 Proposed Budget



- Environmental Sustainability
- Homeless and Enforcement
- Public Safety and Public Works Succession Planning
- Fire and Environmental Protection Division Staffing
- Potential Additional Management Fellow for CDD and PWD
- Homeless Census Count (BMR Housing Fund)



Other Major Funds
FY 2019-20
Recommended Budget



Development Services Highlights

- **Fiscal Year 2019-20**
 - Continued strong level of activity projected
 - Land Use Documents Fee Reserve \$9.8 M
 - Total positions recommended 5.55 FTE (3.25 FTE LP)

Development Services Recommendations



Major Ongoing Recommendations:

- Positions: \$201,600 (\$451,600 offset by reduction in contracts)

Total Net Ongoing Recommendations: \$241,600

Major Limited-Period Recommendations:

- Consultant Support: \$950,000
- Positions: \$671,400
- Hourly Staff: \$120,000
- TDM Ordinance: \$100,000

Total Limited-Period Recommendations: \$1.9 million



Shoreline Golf Links/Restaurant

Fiscal Year 2019-20

- Revenues projected at \$4.5 M and expenditures projected at \$4.2 M
- Projected \$275,000 combined transfer to GOF
- Recommended increases to some fees



Shoreline Regional Park Community Highlights

Fiscal Year 2019-20

- Property taxes projected to increase
- Capital Improvement Projects \$87.9M (\$69.3M funded by Debt Proceeds)
- Reserves of \$19.8M
- Total positions recommended 2.25 FTE (0.35 FTE LP)

Shoreline Regional Park Community Recommendations



Major Ongoing Recommendations:

- City Utility Cost Increase (placeholder): \$125,000
- Positions: \$53,500 (\$270,800 offset by reduction in wages & contracts)

Total Ongoing Recommendations: \$193,000

Major Limited-Period Recommendations:

- Positions: \$69,200
- Consultant Support: \$50,000
- Community Risk Assessment: \$50,000

Total Limited-Period Recommendations: \$179,200



Water Fund

Fiscal Year 2019-20

- 1.0 percent increase for average cost of water and meter rates recommended
- 20.0 percent increase for recycled water rate recommended
 - Second year of a three-year phase-in of increased rates to cover cost of program

Major Limited-Period Recommendations:

- Positions: \$267,500
- GIS Contract: \$100,000
- Hourly Utility Locating: \$66,000

Total Limited-Period Recommendations: \$433,500



Wastewater Fund

- **Fiscal Year 2019-20**
 - 3.0 percent overall rate increase recommended
 - 1.0 percent operating cost increase
 - 2.0 percent sixth year phase-in of planned Treatment Plant capital costs
 - Capital Improvement Projects \$10.0M (\$6.9M funded by loan proceeds)

- Major Ongoing Recommendations:

- Hourly staff to review sewer video: \$50,000

Total Ongoing Recommendations: \$50,000

- Major Limited-Period Recommendations:

- Positions: \$53,500

Total Limited-Period Recommendations: \$53,500



Solid Waste Management Fund

- **Fiscal Year 2019-20**
 - 3.0 percent overall increase
 - Cost at SMaRT increasing due to increased tonnage attributed to debris box construction activity which has associated revenue.
- Major Ongoing Recommendations:
Total Major Ongoing Recommendations: \$96,200
- Major Limited-Period Recommendations:
 - Position: \$159,800**Total Limited-Period Recommendations: \$159,800**

Summary of Recommended Residential Utility Rate Increases



- Prop 218 hearing not required- all recommended rate increases within prescribed limits
- 2.1 percent total average increase for a single-family residential customer
 - Water
 - \$0.87/month increase for 250 gal/day (10 units)
 - Wastewater
 - \$1.25/month increase
 - Solid Waste
 - \$1.05/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> ⁽¹⁾			
Current	\$ 78.69	\$ 96.03	\$ 62.80
Recommended	79.56	100.49	62.80
Recommended Increase	1.1%	4.6%	0.0%
<u>Sewer</u>			
Current	40.80	38.66	49.36
Recommended	42.05	41.37	52.82
Recommended Increase	3.1%	7.0%	7.0%
<u>Trash</u> ⁽²⁾			
Current	33.90	50.07	41.65
Recommended	34.95	50.07	42.07
Recommended Increase	3.1%	0.0%	1.0%

⁽¹⁾ 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.

⁽²⁾ 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)
- Measure B Fund: \$184,900 (ongoing)
- Certified Access Specialist (CASp) and Training Fund: \$50,300 (limited-period)
- BMR Housing Fund: \$5,000 (ongoing), \$147,000 (limited-period)
- Downtown Benefit Assess. Districts Fund: \$12,000 (ongoing), \$359,600 (limited-period)
- General Liability Self-Insurance Fund: \$181,300 (ongoing)
- Equipment Maint. and Replacement Fund: \$130,000 (ongoing), \$25,000 (limited-period)
- Retirees' Health Fund: \$30,000 (limited-period)

Reserves



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

Reserve Recommendations



- General Fund Reserve
 - Estimated allocation of \$1.8 million from the GF carryover
 - \$2.0 million additional in Fiscal Year 2019-20
- General Fund Capital Improvement Reserve
 - Up to \$3.0 million from General Fund carryover (subject to actual results)
 - \$3.0 million additional in Fiscal Year 2019-20
- Compensated Absences Reserve
 - \$2.0 million from GF carryover and \$170,000 from other funds
- SPAR
 - \$1.0 million in Fiscal Year 2019-20

Next Steps



- June 11 – Proposed Budget Public Hearing:
 - Capital Improvement Program Adoption
- June 18 –Public Hearings:
 - Budget Adoption
 - Capital Improvement Program Funding 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**
 - Library Services Dept Potential Fee Modification
 - City Council's Budget
 - CHAC
 - Drones
 - Other?