

FISCAL YEAR 2017



PROPOSED

OPERATING BUDGET

PUBLIC TRUST

FUTURE

PARTNERSHIP

IMAGINE

ENTERPRISE

HISTORY

PEOPLE

ENGAGE

PUBLIC SQUARE



CITY OF
PALO
ALTO

LIVABLE

DIVERSITY

DEMOCRACY

COMMUNITY

SUSTAINABLE

INCLUSIVE



CITY OF
**PALO
ALTO**



Fiscal Year 2017 Proposed Operating Budget

City Council

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City of Palo Alto

The government of the City of Palo Alto exists to promote and sustain a superior quality of life in Palo Alto. In partnership with our community, our goal is to deliver cost-effective services in a personal, responsive and innovative manner.

Our Values

Quality

Superior delivery of services

Courtesy

Providing service with respect and concern

Efficiency

Productive, effective use of resources

Integrity

Straight-forward, honest and fair relations

Innovation

Excellence in creative thought and implementation



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CITY OF
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INTRODUCTION



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TRANSMITTAL LETTER

April 25, 2016

To the Honorable Mayor and City Council:
2017 Fiscal Year Proposed Operating Budget Transmittal

Dear Mayor and Council Members:

In accordance with the City Charter, I am submitting the City of Palo Alto's Fiscal Year 2017 Proposed Operating Budget. This budget reflects a strong local economy that has led to stable revenues which support a wide array of programs and initiatives. The proposed budget will maintain the high quality of services and facilities the community values and addresses the priorities identified by the City Council. In addition, it includes competitive wages for City employees that will assist in the challenge of our time and location in attracting and retaining a well-qualified workforce needed to meet the high expectations of our community.

With such prosperity, we are experiencing many challenges associated with the growing job demand and appeal of Silicon Valley. These challenges include: increased traffic and congestion, expensive housing, increasing demand for services, and conflicting views of the nature and pace of change. And despite a positive revenue picture, we have had to include one-time funding strategies in order to address demands for policy interventions due to the impacts of growth and several ill-timed mandated funding shifts. These are temporary fixes that will require resolution in the Fiscal Year 2018 budget process.

In advance of preparing the Budget, staff presented the 2017-2026 General Fund Long Term Financial Forecast (LTFF). The Forecast is used to help inform the preparation of the base budget for the upcoming budget cycle; determine potential fiscal challenges the City may face in the future; and project the impact of salary and benefit increases, new programs, and changing economic conditions.

The FY 2017 Forecast showed emerging challenges for Fiscal Years 2017 and 2018 as well as borderline outcomes in the following three years when increasing salary and pension contributions are taken into account. The City will have to be prudent as we consider responding to an ambitious community policy agenda and maintenance of our high quality services and the need to attract and retain a well-qualified workforce to provide these services. Understandably, our community has been reluctant to support any significant reductions in scope of what we do as a local government. In fact, the demands and conflicts emerging from our vibrant economy have heightened the intensity of the "Palo Alto Process," with new analyses and data generation demands, and deep dives into complex problem solving within an engaged public process across a wide range of issues.

Economic Outlook and Revenues

The backdrop for the LRFF and this FY 2017 Proposed Budget are robust Bay Area and State economies. Job growth and its inverse, unemployment, are moving in positive directions. As Steve Levy reported in a February Jobs Newsletter, “California added 451,600 jobs in the past 12 months” and “saw a decline in the State unemployment rate to 5.5%, the lowest since August 2007.” As proof of a vibrant, local recovery, “Bay Area job levels are now 12.5% above pre-recession peaks.” Although economic headwinds are appearing at the national level –evidenced by factors such as stock market volatility, plunging oil prices, a weaker Chinese economy, and historic gaps between rich and poor- the local tech economy is flourishing.

The thriving recovery, however, has acted to intensify “longstanding challenges” such as transportation, housing, and infrastructure needs. The City of Palo Alto is acutely familiar with these challenges, and is acting, reflected in the Council’s proactive funding of our \$128 million Infrastructure Plan and a range of initiatives to combat burgeoning traffic and transportation problems. The perennial problem of sufficient and affordable housing continues to challenge our community and Silicon Valley in general, amid a heated residential property market. Ironically, the recovery that brought significant relief from the Great Recession has intensified longstanding issues.

REVENUES

Citywide revenues of \$544.4 million and the use of reserves and fund balances of \$81.8 million are recommended to fund the FY 2017 citywide expenses budget of \$626.1. Use of reserves and fund balances does include the carryover of funds anticipated to be reappropriated from FY 2016 to FY2017, for example, approximately \$28.1 million is anticipated to be reappropriated in the General Capital Improvement Fund.

Citywide revenues of \$544.4 million reflect a \$57.1 million increase (11.7 percent) over the FY 2016 Adopted Budget of \$487.3 million. The three drivers in revenues this year are: Revenues from other agencies (\$23.5 million), of which \$21.3 million comes from State Revolving Fund proceeds for various capital improvement projects in the Wastewater Treatment Fund; Net sales of utility commodities (\$19.8 million); and Tax revenues (\$8.7 million).

In total, General Fund revenues are anticipated to account for \$9.2 million of the city-wide change in revenues, increasing from \$183.9 million in the FY 2016 Adopted Budget to \$193.1 million in the FY 2017 Proposed Budget. Major tax revenues in the General Fund account for over 56 percent of the total revenues and are increasing \$8.7 million to \$108.4 million – accounting for over 90 percent of the year over year change in General Fund revenues. When the FY 2017 Proposed Budget is compared to the FY 2016 Adjusted Budget, year over year growth of 2.0 percent is seen. Below are a few of the major assumptions:

- Transient Occupancy and Property tax revenues are expected to increase by \$4.3 million or 23 percent and \$2.8 million or 8 percent, respectively, over last year’s Adopted Budget. The emergence of new hotels (FY 2017 will be the first full year of operations for all), a TOT rate increase of 2 percent, business driven demand for rooms, and a stout residential and commercial property market have propelled these key revenue sources upward.

- Sales and Documentary Transfer Tax sources remain strong, although the former may experience softness in future years as consumers steadily migrate to on-line purchasing. Documentary transfer taxes are expected to match FY
- 2016 levels of \$6-7 million after an especially strong \$10 million performance in FY 2015.
- Revenues such as charges for services, permits and licenses, rental income, revenue from other agencies, interest income are growing less rapidly and are further dampened due to:
- 1) the assumed closure of the City's Golf Course for the full fiscal year and 2) the negative implications associated with the anticipated loss of rental income with Foothill College's departure from Cubberley Community Center as a tenant.

Citywide Budget Highlights

The Citywide expenditure budget of \$626.1 million has increased 11.1 percent or \$62.6 million in comparison to the FY 2016 Adopted Budget of \$563.6 million.

This is chiefly due to:

- A growing Capital Improvement Program increasing year over year by \$43.1 million or 37.5 percent with a FY 2017 Proposed Capital Budget of \$170.5 million. Additional details on this can be found in the FY 2017 Proposed Capital Improvement Program Plan;
- Utility commodity costs continue to rise with a significant driver being the ongoing drought (\$7.3 million); and
- Salary and benefit costs of \$6.9 million, a 4.3 percent increase, begin to adjust employees' salaries to the median of the market over the next few years as the City

The FY 2017 Proposed General Fund Operating Expenditure Budget of \$198.1 million has increased by \$12.3 million, or 6.7 percent in comparison to the Fiscal Year 2016 Adopted Budget of \$185.7 million. The change is primarily a result of:

- City Streetlights and Traffic Signals (\$2.3 million): As a result of the recent Electric Fund Cost of Services Study (COSA), it was found that a reallocation of electricity costs associated with City streetlights and traffic signals are more appropriately aligned with the General Fund per Proposition 26 regulations. Although Proposition 26 does not itself necessitate this transfer, the proposed change in Electric Utility rates this year necessitates this transfer in order to ensure the new rate structure is in compliance with Proposition 26.
- Transfer to Infrastructure (\$1.9 million): A net increase in the transfer to infrastructure of \$1.9 million reflects an increase of \$3.3 million due to rising Transient Occupancy Tax receipts and an annual cost of living increase in the base General Fund transfer, offset by a recommended decrease in the base transfer allocation of \$1.4 million. The FY2017 total transfer is recommended at \$22.8 million (\$21.0 million to the Infrastructure Reserve and \$1.8 million for Cubberley).
- Salary and Benefits (\$4.22 million): Due to increases needed to keep our compensation levels at the median of the comparable local government agency market.
- "Budget Uncertainty" Reserve (\$2.0 million): There are a number of capital and operating budgets still in flux at this time but which may require additional funding during the Fiscal

year. This reserve is proposed for FY 2017 to provide needed flexibility to respond during the year.

Citywide, full-time equivalent (FTE) benefitted positions are increasing by a net 12.0 positions or 1.2 percent from 1,040.10 FTEs in the FY 2016 Adopted Budget to 1,052.10 in the FY 2017 Proposed Budget. This year-over-year increase is attributed to an increase of 2.0 FTEs during FY 2016 and an increase of 10.0 FTEs recommended in this budget. In December 2015, the City Council added 1.0 Project Manager to manage the Infrastructure Management System and in February 2016 1.0 Management Analyst was approved to manage the Business Registry Program.

The overall objective in this Proposed Budget is to deliver a high level of service to the community, tackle the most immediate and difficult issues facing our City, move forward on the Council's priorities, while maintaining the City's solid financial standing. A key component of achieving these aims is to attract and retain talented employees. Since the Great Recession in 2008 and its accompanying personnel reductions, we have asked employees to work harder and become more efficient. This has occurred, but with a thriving labor market, we are now experiencing recruitment and retention challenges which are further exacerbated by high housing costs, lengthy commutes to work and competitive wage and benefit packages offered in other jurisdictions or by other employers. Adding critical positions in areas experiencing significant increases in demand and wage increases included in recently adopted labor agreements will help the City maintain the workforce needed to serve the community's needs. While I understand the desire to reduce the supply of employees, this is impossible to achieve without a reduction in services, staff work and engagement, and impact on Council priorities.

Council Priorities

On January 30, 2016, the City Council adopted the following priorities:

- The Built Environment: Housing, Parking, Livability, Mobility, with a particular emphasis on Mobility
- Infrastructure
- Healthy City, Healthy Community
- Completion of the Comprehensive Plan 2015-2030 Update with increased focus from Council

With a few modifications, the FY 2016 priorities continue and reemphasize those adopted in January 2015. Significant additional resources are included in the Proposed Operating and Capital Budgets to further advance Council's agenda and community concerns.

THE BUILT ENVIRONMENT

The FY 2017-2021 Proposed Capital Improvement Project Plan invests heavily in the critical areas of mobility, parking, and traffic. In the first two years of the five year Capital Improvement Plan over \$20.0 million is allocated. Major CIP projects during FY 2017 and FY 2018 include:

- Bicycle and Pedestrian Plan - Implementation Project (\$3.4 million FY2017; \$3.7 million FY 2018);

- Maximizing downtown garage parking via parking Downtown Automated Parking Guidance Systems (\$2.0 million), Parking Management Study Implementation (\$1.7 million), Downtown Mobility and Safety Improvements (\$1.4 million)
- Corridor and road improvements such as at Embarcadero Road and El Camino (\$1.8 million) and Churchill Ave Enhanced Bikeway (\$1.1 million);
- Railroad grade separation studies and initiatives (\$1.9 million)
- Mobility improvements via traffic signal and intelligent system upgrades (\$0.8 million)

As Council is aware, efforts to mitigate parking and traffic problems, especially in the downtown, have been ongoing and are being addressed on multiple fronts. In addition to the projects detailed previously, the City has implemented transportation demand management strategies such as: creation of a Transportation Management Association, and short-term and long-term parking supply strategies that includes valet parking. In addition, the City continues to try to reduce City employee traffic and parking impacts by providing Cal Train Go Pass opportunities for employees, supporting the Scoop application for carpooling and participating in other commute incentive programs. In last year's budget the City added an additional 2.0 positions in the Planning and Community Environment Department to support efforts in this arena.

Additional resources recommended in this FY 2017 Proposed Operating Budget include maintaining the current service level for the Palo Alto Shuttle, additional funding for the newly established Transportation Management Association (\$100,000), funding for infrastructure, and the addition of staffing resources: a Program Assistant dedicated to support transportation initiatives through the collection and analysis of data and a Coordinator Transportation Systems Management to assist with transportation CIP projects.

In addition to existing resources identified for transportation and infrastructure projects, the possibility of additional funding for local transportation infrastructure projects may be available if additional tax resources are approved in upcoming elections. The Valley Transportation Agency and County of Santa Clara are considering placing a proposed ½ cent County-wide sales tax increase on the November ballot.

In addition, we are studying a possible tax measure on business related to transportation. The Council asked staff to provide preliminary poll information results on the feasibility and options related to a future ballot measure. Staff expects to return to Council in early May to with those results.

INFRASTRUCTURE

Council's Infrastructure Plan is being implemented in the FY 2017-2021 Proposed Capital Improvement Project Plan. Based on initial plan estimates, the total cost of the Infrastructure Plan is \$128.8 million (\$158.8 million when including the \$30 million reserve for anticipated cost increases). Infrastructure projects include:

- A new Public Safety Building (\$57.0 million)
- Bicycle Pedestrian Transportation Plan (\$20.0 million)
- A new Downtown parking garage (\$13.0 million)

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- A new California Avenue area parking garage (\$9.6 million)
- Replacement of Fire Station 4 (\$7.5 million)
- Charleston/Arastradero Corridor Improvements (\$7.5 million)
- Replacement of Fire Station 3 (\$6.7 million)
- Byxbee Park Completion (\$2.8 million)
- Highway 101 Bicycle/Pedestrian Bridge Gap Funding (\$4.7 million)
- Infrastructure Contingency Reserve (\$30.0 million)

In the Operating Budget, 1.0 Project Manager for Infrastructure was approved in December 2015 who will oversee the new Infrastructure Management System, a key recommendation from the Infrastructure Commission.

Additional resources are recommended in this budget for Tree Trimming Services (increase of \$569,000 for a total cost of \$1.0 million annually for a 15 year cycle) as well as the Urban Forest Master Plan (\$200,000) in the Public Works Department.

HEALTHY CITY, HEALTHY COMMUNITY

In addition to the infrastructure projects that will promote the general safety and health of our community, programs and projects spearheaded by various departments in the City will further contribute to the recreational and health needs of our City.

The 2017-2021 CIP includes funding totaling \$30.7 million for Parks and Open Space for parks amenities, open space, trails, levee, tennis and basketball courts, and soccer field improvements of which \$17.5 million is allocated in FY 2017. The majority of the FY 2017 resources are programmed for the City Golf Course Reconfiguration (\$10.3 million).

Departments continue to work to ensure the health of the City and Community through programs such as our Police Department participated in regional and statewide initiatives designed to ensure vehicle occupant safety and combat drunk driving and the offering of two Adult English as a Second Language conversation groups (beginning and advanced) with volunteer support as part of the New Americans program. Weekly, non-native speakers meet to learn and practice English language learning.

This budget includes a recommendation to continue funding of \$125,000 to the Santa Clara County, leveraging a matching contribution, to be dedicated for the Homeless Program.

COMPREHENSIVE PLAN

The FY 2017 budget will continue to support the Comprehensive Plan Update. Efforts this fiscal year will focus on completing the work of the Citizens' Advisory Committee (CAC) and bringing a full suite of recommended policies and programs forward for review and consideration by the Planning and Transportation Commission and the City Council. At the same time, staff will be working with the Comp Plan consultants to analyze a Fifth "Quality of Life" Scenario as part of the Environmental Impact Report (EIR), and to prepare a Final EIR consisting of responses to comments received on the Draft EIR (published in February 2016) and the supplemental analysis of the Fifth Scenario (planned for publication and public comment later this year). Staff will also be working with a subcommittee of the CAC to ensure that principles of sustainability are

incorporated into elements of the Comprehensive Plan, consistent with the draft Sustainability and Climate Action Plan (SCAP).

This budget includes a recommendation for a \$250,000 contingency for potential use for sustainability activities including but not limited to engagement and implementation of the SCAP.

Additional Budget Highlights

- **Project Safety Net (\$1.0 million General Fund):** This assumes little to no Stanford Funding is available for this purpose in FY 2017. Staff is working to implement an Intrusion Detection System (IDS) pilot which may be able to reduce the use of contract safety guards in the future.
- **Budget Uncertainty Reserve (\$2.0 million General Fund):** A \$2.0 million Reserve to address looming potentially costly projects such as the negotiations with Stanford for Fire Response Services, the Junior Museum and Zoo rebuild, the City Golf Course renovation and reconfiguration, and uncertainty over Animal Services costs for the Shelter.
- This budget assumes the closing of the City's Golf Course beginning in FY 2017 for the renovation and reconfiguration of the course resulting in a net savings to the General Fund of \$0.2 million.
- Contract increases in the Refuse Fund, contributing to recommended rate structure modification estimated to generating additional revenues of \$743,000 - GreenWaste (\$473,000), SmartStation (\$410,000).

Salary and Benefits Expenditures

The most significant asset the City has in serving our community is our employees. Local government services are primarily delivered by employees whether they are police officers, utility linemen, librarians, or planners. It should not be surprising, therefore, that 59 percent of the Fiscal Year 2017 General Fund Proposed Budget is attributable to salaries and benefits. As a result of recent labor negotiations, the City will be increasing employee salaries reflecting cost of living and market driven increases aimed at placing Palo Alto employee compensation at the median of comparable California jurisdictions.

This budget proposed the addition of 10 FTEs across all funds, a one percent increase in staffing. The level of FTEs in FY 2017 would be 1,052.10. (The net year over year increase of 12.0 FTEs is attributed to an increase of 2.0 FTEs approved by Council during Fiscal Year 2016 and an increase of 10.0 FTEs recommended in this budget.) The table below summarizes the changes in positions from the FY 2016 Adopted Budget to this FY 2017 Proposed Budget. This budget recommends the following net position additions by funding source: 3.23 in the General Fund, 2.52 in Enterprise funds, and 4.25 in Other Funds.

Position Changes

FY 2016 Adopted to FY 2017 Proposed Budget

	General Fund	Enterprise Funds	Other Funds*	Total
Fiscal Year 2016 Adopted Budget	599.31	351.09	89.70	1,040.10
Fiscal Year 2016 Approved Adjustments**	1.40	-	0.60	2.00
Fiscal Year 2016 Modified Budget	600.71	351.09	90.30	1,042.10
Fiscal Year 2017 Net Increase	2.85	4.00	3.15	10.00
Fiscal Year 2017 Reallocation	0.38	(1.48)	1.10	0.00
Subtotal FY 2017 Recommended Adjustments	3.23	2.52	4.25	10.00
Fiscal Year 2017 Adopted Budget	603.94	353.61	94.55	1,052.10

* Other Funds include Internal Service Funds, Special Revenue Funds, and the Capital Improvement Fund

**Project Manager for Infrastructure Management System, and Management Analyst for Business Registry Program

A summary of the 10.0 FTE recommended positions additions in FY 2017 are outlined below and additional details can be found in the respective departments:

- 1.0 Building/Planning Technician to cover the front counter and intake planning entitlement applications (Planning/Development Services);
- 1.0 Program Assistant II to support transportation systems and programs (0.65 FTE in Other Funds and 0.35 in General Fund). (Planning)
- 0.50 Coordinator Transportation System Management to assist with bicycle capital improvement projects (increases a current 0.50 Coordinator Transportation System Management to a 1.00 full time position). (Planning)
- 1.0 Senior Engineer for the \$200 million for a major renovation at the Regional Water Quality Control Plant and for which our partners will pay their fair share. (Public Works)
- 1.0 Senior Engineer for the Recycled Water Program to meet City and State goals for reducing use of potable water. (Public Works)
- 1.0 Management Analyst in the Environmental Services Division for analytical support for Refuse and Wastewater Treatment. (Public Works)
- 1.0 Street Maintenance Assistant for post closure maintenance of the landfill offset by a reduction of 0.86 FTE hourly positions. (Public Works)

- 1.0 Program Assistant I for the Bryant Street Garage Teen Program offset by a reduction of 0.71 FTE hourly positions. (Community Services)
- 0.50 Senior Librarian to legitimize current staffing levels and increase a 0.50 Senior Librarian to a 1.00 FTE full time position. This is offset by the elimination of equivalent of 1.00 FTE hourly position reductions. (Library)
- 1.0 Senior Human Resources Administrator to manage Citywide Workers' Compensation activities. (Human Resources)
- 1.0 Desktop Technician supporting HelpDesk requests citywide offset by a reduction of 1.00 FTE hourly positions. (Information Technology)

SALARY & BENEFITS

To lower the trajectory of benefit expense growth, the City Council has implemented, through negotiations with its labor groups, a number of important changes. These include:

- New labor agreements finalized in FY 2016 with Police Officers Association, Police Management Association, International Association of Firefighters, and Service Employees' international Union employees to pay part of the City's or employer's share of pension contributions, increasing employee contributions between 12.5 and 33% over the next three years and slowing the growth in the City's cost. Even with these changes, the City's pension costs rise.
- Continued employees payment of the CalPERS employee contribution (between 6 percent to 9 percent of salary) except for the members of the Fire Chiefs' Association
- Employees sharing the cost of health plans and adoption of City fixed payments toward premiums that will further reduce costs.
- Creating a less costly second pension tier with the state implementing a third tier effective January 1, 2013). Increasing numbers of employees are included in lower pension formula tiers as existing employees retire and new employees are hired.

The table below depicts citywide pension rates from the FY 2017-2026 LRFF. The rates shown for FY 2016 were incorporated into the budget and carried forward to FY 2017 with a few adjustments. As a reminder, staff did include CalPERS latest 5-year pension projections as well as the City's Actuary's 5-year projection for the remaining years.

Pension Rates By Plan (Fiscal Year)

Pension Plans	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Miscellaneous	27.7%	28.9%	31.0%	33.1%	35.2%	35.9%	36.4%	36.2%	36.0%	35.8%	32.6%
Safety	41.9%	45.4%	48.8%	52.1%	55.5%	56.4%	57.3%	56.9%	56.5%	56.0%	55.7%

The City is facing substantial pension rate increases over time, especially for public safety personnel. In comparison to the Fiscal Year 2016 Adopted Budget, citywide pension costs are increasing by approximately \$3.6 million, or 11.7 percent, from \$30.6 million to \$34.2 million in this budget. In the Fiscal Year 2017 Proposed Budget, pension rates for miscellaneous groups

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are increasing by 1.2 percentage points (from 27.7 percent to 28.9 percent) and pension rates for safety groups are increasing by a significant 3.5 percentage points (from 41.9 percent to 45.4 percent). These increases continue into the future, presenting high budget hurdles. Such looming cost increases indicate that further pension cost sharing with employees will be necessary.

**10 Year Trend - Citywide Pension Expense
(\$Millions)**



One of the primary reasons for the continuously increasing pension costs is an unfunded liability of \$295.6 million in the City's pension plan (for all funds). Furthermore, the City's Retiree Healthcare Trust Fund carries an unfunded liability of \$143.6 million which is in the process of being updated. Continuing with past practice, this budget assumes the full payment of the Annual Required Contribution (ARC) for retiree pension and healthcare costs. With the payment of the ARC, it is assumed, all things being equal, that within 30 years the City will pay off its obligations and unfunded liabilities for pension and retiree healthcare costs.

There are factors, however, that could tip the scales toward even higher annual costs and liabilities. These include:

- The assumed interest earnings in the trust funds currently at 7.5% is not achieved over time
- Demographic assumptions pertaining to employees and retirees may change (e.g.: retirees living longer)
- Healthcare costs rising faster than assumed

Any of the above changes in future years can increase the unfunded liability for pension and healthcare benefits. On April 4, 2016 staff presented to the Finance Committee a "Poor PERS Return" scenario which assumed returns of between 0.2 and 4.1 percent. The impact from lower returns dropped what was a cumulative surplus of \$31.8 million over ten years in the base scenario (based on a 7.5 percent rate of return) to a surplus of \$7.3 million in the "Poor PERS

Return” scenario (between 0.2 to 4.1 percent), a dramatic \$24.5 million or 77 percent decline. This demonstrates how sensitive the General Fund budget is to potential fluctuations in returns on trust funds.

The City of Palo Alto is not alone in struggling with pension and health care costs and liabilities. We were proactive in implementing a Tier 2 pension plan in 2010 and welcomed the State Tier 3 pension plan in 2013. Although these new tiers have reduced expense growth in the long-term (one third of the employees are in Tiers 2 and 3), other strategies are needed to cope with pension expense, especially in terms of market volatility.

Along with the City’s Actuary (Bartel Associates), staff has presented to the Finance Committee the idea of funding a Section 115 Trust that is separate from PERS. This trust would act as a mitigation reserve if the City were unable to meet its annual ARC contribution or if PERS rates spiked due to lower investment returns. The Finance Committee approved of this concept and it will come to the full Council for consideration shortly. Building this reserve over time would cushion the General Fund from budget or service reductions. I recommended to the Council a \$1.3 million funding start from the FY 2015 surplus and have asked staff to explore additional funding options and policies to present the Council for consideration in the coming months.

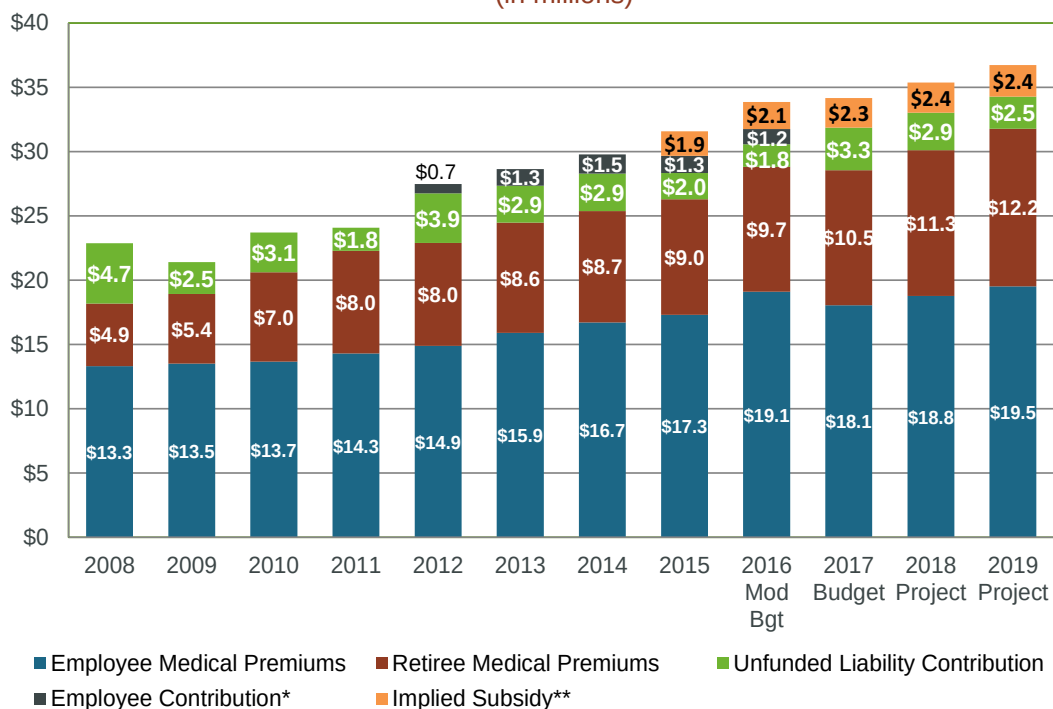
The table below from the Long Range Financial Forecast depicts the rising retiree health care costs between Fiscal Year 2016 and Fiscal Year 2026.

Retiree Healthcare Annual Required Contributions (by Fiscal Year)

Fund	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
General Fund	\$10.0	\$10.9	\$11.2	\$11.6	\$12.0	\$12.4	\$12.8	\$13.2	\$13.6	\$14.0	\$14.5
Non-General Funds	\$4.8	\$5.2	\$5.4	\$5.6	\$5.8	\$5.9	\$6.1	\$6.3	\$6.6	\$6.8	\$7.0
TOTAL	\$14.8	\$16.1	\$16.6	\$17.2	\$17.8	\$18.3	\$18.9	\$19.5	\$20.2	\$20.8	\$21.5

Citywide Healthcare Costs

(in millions)



* Employee contribution represents employees' contributions towards future retiree medical costs and the current retiree medical liability.

** Medical costs invariably increase with age; however, the City's medical premiums are calculated as a blended rate between retirees and active employees. The implied subsidy identifies the employer cost for allowing retirees to participate in the City's healthcare plan at the active employee rates.

The table above depicts the rising per employee health care costs between Fiscal Year 2008 and Fiscal Year 2019. Between Fiscal Year 2008, when the City's healthcare expense was at \$22.9 million and this budget, the City's healthcare expense more than doubled to \$37.2 million. As can be seen from the chart below, the primary reason for the increase in cost is the retiree healthcare benefit. In Fiscal Year 2008, the City paid \$4.9 million while in Fiscal Year 2017, the total benefit cost, including the contributions from employees, amounts to \$16.1 million. During the same period, the healthcare premium costs increased due to increased healthcare costs and the increase in number of retirees. With Fiscal Year 2008, the City started to pay the annual required contribution (ARC) for retiree healthcare. With the payment of the ARC, all things being equal, the City will pay off the unfunded liability within 30 years.

Fiscal Year 2017 Funding Challenges

With the short and long-term challenges facing the City in the next ten years, it becomes essential to determine funding priorities. Here are some of the short and long-term challenges we face, a number of which are outlined further in the Long Range Financial Forecast:

SHORT-TERM FUNDING CHALLENGES

- This proposed budget includes a reallocation of \$2.3 million in annual streetlight and traffic signal costs from the Electric to General Fund as a consequence of State Proposition 26. One-time funding solutions identified for FY 2017 will offset this expense in FY 2017, but the City will be required to identify ongoing funding options in FY 2018. In order to absorb part of this expense, \$1.4 million is being reduced from the General Fund transfer to Infrastructure.
- The City and Stanford are currently exploring a new service level agreement for Fire Services.
- This proposed budget includes additional funding of \$0.7 million in loans to the Palo Alto Airport (total to date is \$2.3 through Fiscal Year 2016). Re-payment of these loans is anticipated to begin in FY 2018 at the earliest.
- Parks and Recreation Master Plan anticipated to be presented to the City Council this calendar year.
- Capital costs related to City assets managed by non-profits such as the Avenidas Senior Center, the Palo Alto History Museum, and the Ventura Child Care Center.
- The Animal Shelter operations and escalating costs; the City is currently exploring a possible partnership and alternative service delivery model that could mitigate future increases and enhance services provided at the Shelter.

LONG-TERM FUNDING CHALLENGES

- Rising annual pension and health care costs.
- Unfunded long-term pension and retiree healthcare liabilities currently estimated at \$439 million for all funds.
- Infrastructure Plan projects whose costs are rising above the original \$126 million projection and which will be subject to prevailing wage requirements and new operating costs.
- Improvements/amenities for 7.7 acres owned by City in foothills.
- Operating funds to support new City assets: Public Safety Building, parking garages, and possible Post Office acquisition.
- Animal Shelter and potential Golf Course subsidies.
- Cubberley Community Center Master Plan expenses in excess of the dedicated Cubberley infrastructure funding as agreed to between the School District and the City. These include long term capital and operating costs associated with potentially enhanced community services at Cubberley, pending the outcome of our revived master planning effort.
- The Cadillac Healthcare Federal Excise Tax with an expected impact in calendar year 2020.
- Upward pressure on salaries to stay competitive in the high cost Bay Area and maintain a work force equal to the demands of our community.
- Costs associated with adaptation to climate change, including sea level rise, for example.

Such long-term challenges will further pressure our resources and require tough decisions. Sooner than later, this will require permanent solutions to the one-time adjustments made in this Proposed Budget.

One-Time Budget Balancing Solutions

General Fund staffing is still below the 2009 level; however, work demands as a result of community needs continue to increase. The General Fund is experiencing significant expense increases due to State propositions requiring the transfer of street lights and traffic signal costs from the Electric Fund to the General Fund. Furthermore, Stanford is requesting a lower cost for fire and paramedic services, as well as budget increases addressing Council priorities and increases to salaries and benefits. To accommodate these changes, we have been forced to balance the Proposed FY 2017 General Fund Budget with several one-time solutions including:

- Allocated charges to other City departments and funds, which is the revenue source for these funds, will be reduced or eliminated in the General Benefits, General Liabilities, and Workers' Compensation funds. As a result, citywide savings of \$5.0 million are anticipated in all funds, of which \$3.1 million is realized in the General Fund. It has been determined that each of these funds have sufficient fund balance to draw down and overall balances are anticipated to remain above \$0.3 million despite this action.
- Proceeds from the sale of the property co-owned with former City Manager Frank Benest yielded approximately \$2 million into the General Fund. Staff recommends \$1 million be used to offset costs associated with Council priorities the FY17 operating budget and that the remaining funds be transferred to the Infrastructure Reserve. (This recommendation is reflected in the Budget Stabilization Reserve figures below.)
- Temporarily lowering of the Budget Stabilization Reserve target of 18.5% to 17.96 percent to allow the use of \$4.9 million.
- The Budget Stabilization Reserve is anticipated to end FY 2016 at approximately \$40.5 million. With the one time use of \$4.9 million, the reserve will drop to \$35.6 million.

While making one-time adjustments is not the ideal solution and having the BSR around 18% is below the previous Council target of 18.5%, (although within the established 15-20% range), it is important that we buy some time to allow the Council to make informed decisions that may require service reductions or new revenues, both of which require community and stakeholder involvement. It will be important to have recommendations providing structural fixes going forward and it will be part of the FY 2018 Proposed Budget process. The goal will be to reset the BSR back to the 18.5% target level.

Utility Rate Changes

Unfortunately, a perfect storm, or lack thereof, has hit utility rates for FY 2017. The drought, water conservation efforts, warm weather, Hetch Hetchy system capital costs, required treatment plant rehabilitation work, and enhanced recycling efforts through our refuse collection service have caused rates to increase across all of the City's utilities. This is the first year in

recent memory that rate increases across service areas have been necessary in the same year. For example, electric rates have not risen since FY 2009.

As a consequence of the proposed rate changes, the average residential utility bill is expected to rise by 8.7 percent or \$22.42 monthly. Rates are projected to rise in the next few years as well. The increases for FY 2017 are as follows:

Recommended Rate Changes

Utility	Percentage Change
Electric	11%
Gas	8%
Wastewater	9%
Water Utility	6%
Refuse	9%
Storm Drain	3.2%

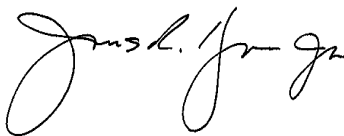
Acknowledgments

As we look forward to solving the challenges before us, we should be proud of our many achievements to date. In a region where change is swift and expectations high, it is important to celebrate our many accomplishments as we move into the future.

I would like to thank City Council for your leadership and our Executive Leadership Team and the entire staff for providing outstanding services to our community. Special thanks to Lalo Perez, our Chief Financial Officer, Kiely Nose, Budget Manager who recently jumped into the budget fray, and her stellar team – Michael Bruckner, Paul Harper, Steve Guagliardo, and Sean O'Shea – who have worked countless hours during evenings and on weekends to construct and produce this budget. Additional thanks to Joe Saccio and Tarun Narayan. Finally, I must praise staff across all departments who contributed greatly to this budget.

We are pleased to work with a dedicated Council, a professional City workforce, and a highly engaged community. Staff and I stand ready to discuss issues and respond to and to respond to Council questions on the Proposed FY 2017 Budget.

Respectfully Submitted,



James Keene
City Manager



CITY OF
**PALO
ALTO**

Budget Acknowledgments

Department Budget Coordinators

Administrative Services

Mary Figone

City Attorney

Stacy Lavelle

City Auditor

Deniz Tunc

City Clerk

Beth Minor

City Manager

Khashayar Alaei

Community Services

Keri Russell

Development Services

Jessie Deschamps

Fire

Amber Cameron

Human Resources

Khashayar Alaei

Information Technology

Sherrie Wong

Library

Evelyn Cheng

Planning & Community Environment

Sherry Nikzat

Police/Office of Emergency Services

Ian Hagerman

Public Works

Gina Magliocco

Utilities

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Image Credits

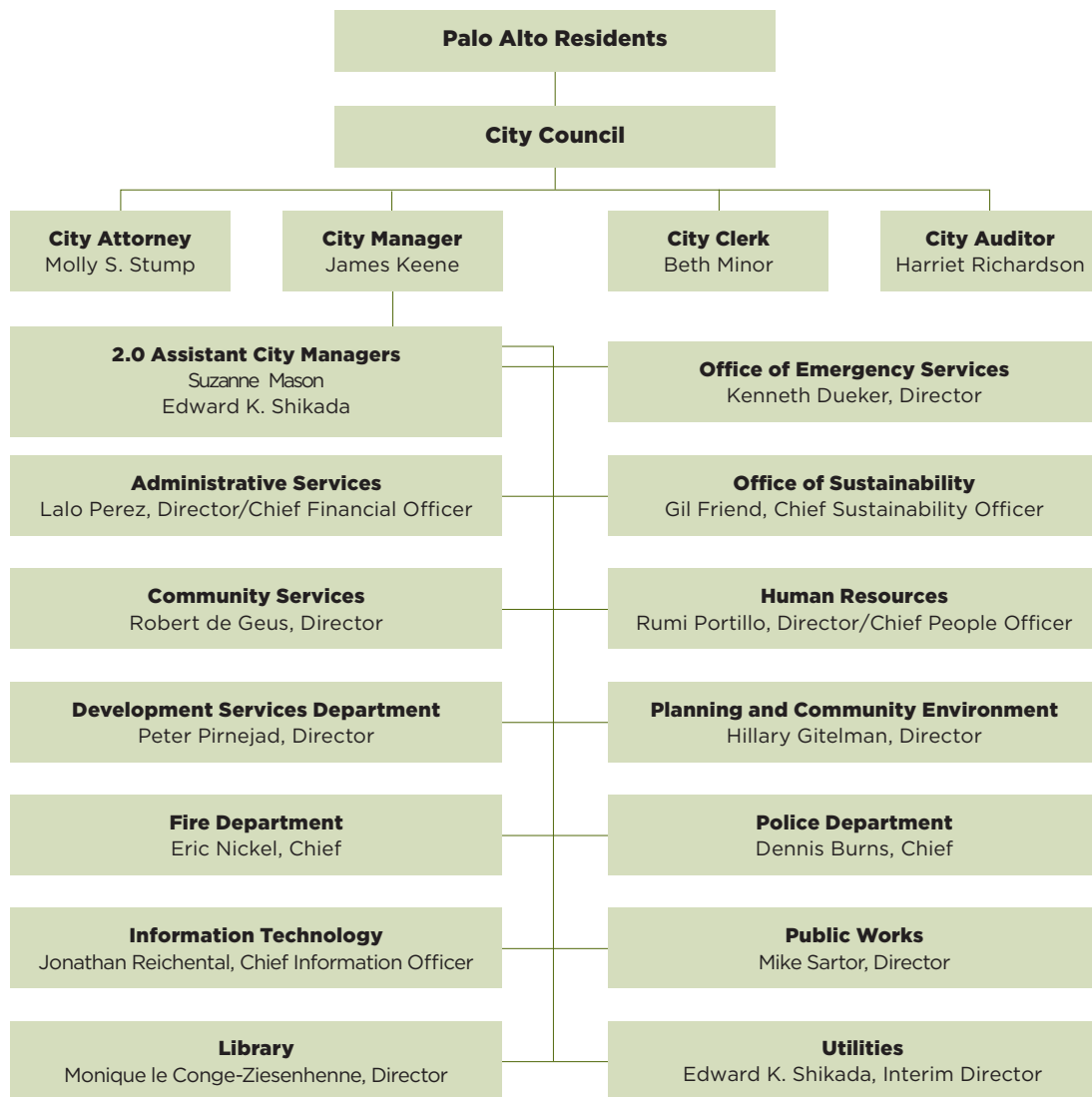
All artwork produced by children enrolled in Palo Alto Art Center Children's Fine Art camps and classes offered by the Community Services Department. For more information, please visit

www.cityofpaloalto.org/gov/depts/csd/artcenter.



CITY OF
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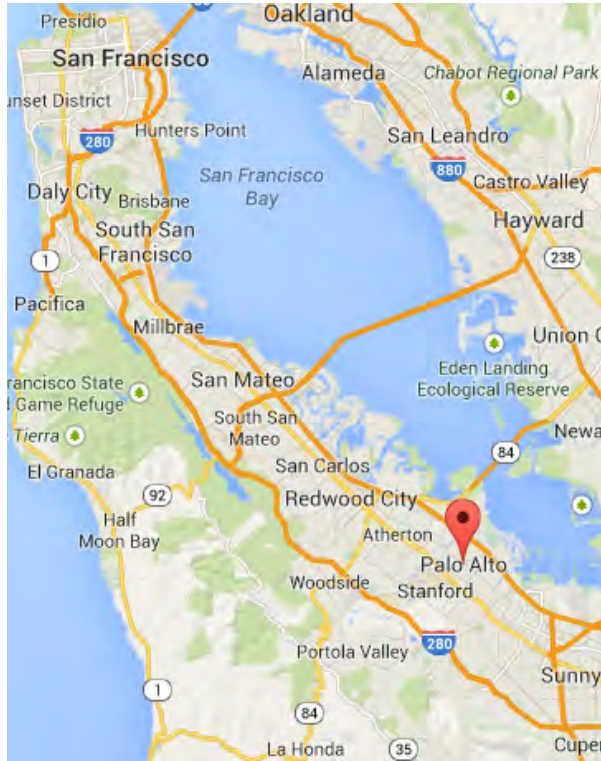
City of Palo Alto Organizational Chart





CITY OF
**PALO
ALTO**

Palo Alto at a Glance



INCORPORATION

April 23, 1894

GOVERNMENT

Palo Alto is a charter city operating under the Council-Manager form of government

COUNTY

Santa Clara County

www.sccsgov.org

SCHOOL DISTRICT

Palo Alto Unified School District

www.pausd.org

LOCATION

33 miles south of San Francisco; 17 miles north of San Jose; and 356 miles north of Los Angeles

CLIMATE

Mediterranean climate with cool, wet winters and warm, dry summers

AREA

25.85 square miles

ELEVATION

30 feet above sea level

PARKS, PRESERVES AND OPEN SPACE

8,410 acres

CREDIT RATING

AAA

PALO ALTO AT A GLANCE

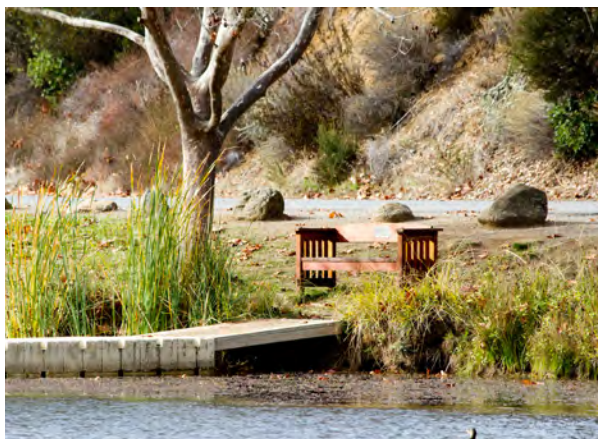
POPULATION

Palo Alto's population was 66,968 in 2015. This represents a 1.4 percent increase over the previous year and a 14 percent increase since 2000. Approximately 24.2 percent of the population is under the age of 18, and the median age is 41.3. Approximately 48.7 percent of the population is female, and 51.3 percent of the population is male.



EDUCATION

Palo Alto has one of the most outstanding educational systems in the nation. In a recent survey, Palo Alto was named one of California's most educated cities. Over 98.1 percent of Palo Alto residents aged 25 or over have received a high school diploma. Close to 80.4 percent have obtained a bachelor's degree and nearly 52.1 percent have earned a post-graduate or professional degree.



School enrollments in Palo Alto increased to 12,532, or 19.1 percent, between 2005 and 2015. In school-year 2013-14, Palo Alto and Gunn high schools had a combined average SAT score of 1,932. The average scores for the United, California, and Santa Clara County were 1,490, 1,487, and 1,673, respectively.

INCOME

Palo Alto's median household income on average for 2014 was \$151,370 and the per capita income in 2014 was \$83,387. As of 2014, 66.2 percent of all households in Palo Alto had an annual income of greater than \$100,000.

PERSONS PER HOUSEHOLD

The average number of persons per household in Palo Alto owner-occupied and renter-occupied homes was 2.50 in 2014, compared to 2.26 per household in 2000.



HOUSING UNITS

In 2014, 57.6 percent of the 27,963 housing units were owner-occupied and 42.4 percent were renter-occupied. In 2000, there were 26,048 housing units – 55.4 percent owner occupied, 41.4 percent renter-occupied, and 3.2 percent were vacant. There were 7.4 percent more total housing units from 2000 to 2014.

DEVELOPMENT

The City issued approximately 2,599 residential and 1,245 commercial building permits in Fiscal Year 2015. The combined valuation for all permits was \$479.8 million.

OFFICE AND INDUSTRIAL RENTAL ACTIVITY

Palo Alto's net rentable office space totaled approximately 7.0 million square feet as of the fourth quarter of 2015. The vacancy rate during this same time period was 2.2 percent compared to 6.2 percent for the Silicon Valley market. Average asking rents in Palo Alto and the Silicon Valley were, respectively, \$8.35 and \$4.41 per square foot, as of the fourth quarter of 2015.

Net rentable square footage for industrial facilities in Palo Alto was 1.6 million, with a vacancy rate of 0.3 percent and average asking rent of \$2.68 per square foot for manufacturing and \$1.84 per square foot for warehouse. The Silicon Valley market had an average vacancy rate of 3.9 percent and asking rent averaged \$0.85 per square foot for manufacturing and \$0.71 for warehouse.

Net rentable space for Research and Development (R&D) facilities in Palo Alto totaled 10.6 million square

feet with a vacancy factor of 1.2 percent and average asking rent of \$5.80 per square foot. The vacancy rate for the Silicon Valley market was 7.5 percent with an average asking rent of \$2.15 per square foot.



Top 25 Major Sales/Use Tax Contributors, FY 2015

Anderson Honda	Integrated Archive Systems	Tesla Lease Trust
Apple Stores	Loral Space Systems	Tesla Motors
Audi Palo Alto	Macy's Department Store	Tiffany & Company
Bloomingdales	Magnussen's Toyota	Urban Outfitters
Critchfield Mechanical	Neiman Marcus Department Store	Valero Service Stations
CVS/Pharmacy	Nordstrom Department Stores	Varian Medical Systems
Eat Club	Pottery Barn Kids	Wilkes Bashford
Fry's Electronics	Shell Service Stations	
Hewlett-Packard	Stanford University Hospital	

RETAIL SALES AND SALES TAX REVENUE

Palo Alto sales and use tax revenue totaled \$29.7 million in Fiscal Year 2015, an increase of \$0.3 million, or 0.9 percent. Due to a one-time accounting reporting change, this represents 14 months of sales tax receipt instead of 12 months. The prior year's (Fiscal Year 2014) sales tax

receipt was also higher than normal due to large one-time receipts from a single business.

The City's largest segment, general retail sales, totaled \$839 million or 0.5 percent over Fiscal Year 2014. Retail sales, which represent 32.3 percent of sales tax receipts, have been steadily eroding due to on-line sales. Restaurants and food products sales totaled \$432.1 million or 9.0 percent growth over Fiscal Year 2014.

Principal Property Taxpayers, FY 2015

Rank	Taxpayer	Taxable Assessed Value
1	Leland Stanford Jr. University	\$3,783,665
2	Loral Space and Communications	\$214,151
3	EOSII Palo Alto Technology Center LLC	\$119,308
4	Whisman Ventures, LLC	\$109,807
5	Google Inc	\$103,834
6	SI 43 LLC	\$75,318
7	BVK Hamilton Ave LLC	\$67,933
8	Ronald & Ann Williams Charitable Foundation	\$61,457
9	PPC Forest Towers, LLC	\$55,558
10	Blackhawk Parent ,LLC	\$52,461
Total		\$4,643,492

PALO ALTO BUSINESSES

As the birthplace of the Silicon Valley, Palo Alto is the home to Stanford University and thousands of innovative companies including Hewlett-Packard, IDEO, Tesla, Flipboard, Palantir Technologies, Xerox Palo Alto Research Center, Wilson Sonsini Goodrich & Rosati, Manatt Phelps Phillips, Accel Ventures, Survey Monkey, Theranos, Genencor, Tencent, Skype, Nest, the Institute for the Future and many other leading technology and business services firms.

Palo Alto was named the 2015 most livable U.S. city and again named among the top 6 livable U.S. cities in 2016 due to its economy, climate and natural beauty, parks

and recreational activities, excellent public school system, university presence, proximity to three major airports (Oakland, San Jose and San Francisco) and rail service, world-class medical facilities, excellent retail centers and restaurants and its highly acclaimed city services.

Businesses are drawn to Palo Alto not only because of its great location, workforce, and entrepreneurial culture, but also because of incentives including: great local utilities (including dark fiber), no payroll tax and no business license tax. Also, the City's Development Center is a "one-stop" service center staffed by the Planning, Building, Public Works, Utilities and Fire departments.



EMPLOYMENT

The City had 34,428 employed residents in 2016. Due to its location on the Peninsula and the presence of Stanford University, the City is a job importer versus exporter, and the number of jobs in the City is nearly 95,742. Palo Alto's unemployment rate was 2.7 percent in 2015, which was considerably lower than the nation (5.3 percent), state (6.2 percent), and county (4.2 percent), during the same period.

LARGEST EMPLOYERS

Palo Alto's top ten employers reflect jobs ranging from education and healthcare to technology and schools, as of June 30, 2015.



Principal Employers, FY 2015

Rank	Employer	Number of Employees
1	Stanford University	11,300
2	Stanford Healthcare	5,900
3	Lucille Packard Children's Hospital	4,200
4	Veteran's Affairs Palo Alto Healthcare System	3,900
5	VMWare, Inc	3,500
6	SAP	3,500
7	Space Systems/Loral	2,800
8	Hewlett-Packard Company	2,500
9	Palo Alto Medical Foundation	2,200
10	Colubris Networks, Inc	1,400
Total		41,200

Parks, Recreation & Community Centers

Item (FY 2015)	Number
Parks	36
Parks Acreage	162 acres
Playgrounds	29
Community Centers	4
Zoo	1
Golf Courses	1
Gymnasiums/Fitness Rooms	6
Youth Centers	1
Walking/Biking Trails	41.19 miles



Libraries

Item (FY 2015)	Number
Library Branches	5
Items Checked Out (Circulation)	1,499,406
Books (Inventory)	247,088
eBooks & eMusic (Inventory)	73,793
Audio/Visual - DVD/CDs (Inventory)	51,178
Reference Questions	73,580

Public Safety

Item (FY 2015)	Number
Police	
Police Stations	1
Sworn Police Personnel (FY 2015)	93
Police Vehicles	28
Motorcycles	5
Canine Units	2
Number of Calls for Service	58,243
Item (FY 2015)	Number
Fire	
Fire Stations	7
Sworn Fire Personnel (FY 2015)	107
Fire Engines	10
Fire Trucks	1
Ambulances	3
Number of Calls for Service	8,548



Infrastructure, Maintenance & Development Activity

Item (FY 2015)	Number
Street Miles	471 miles
Street Miles Resurfaced Annually	30.7 miles
Building Permits Issued Annually	3,844 permits
Number of Fire Inspections	1,981 permits
Active Capital Improvement Projects	207 projects
Capital Improvement Projects Exp.	\$58.0 million
Miles of Water Municipal Mains	236 miles
Gallons of Water Delivered (Daily)	9.5 million
Miles of Municipal Wastewater Mains	216 miles
Gallons of Wastewater Treated	2.3 billion
Miles of Gas Mains	210 miles
Overhead Electrical Line Miles	117 miles
Underground Electrical Line Miles	175 miles
Fiber Optic Backbone Miles	42 miles



Sustainability

Item (FY 2015)	Number
Total Tons of Material Recycled or Composted	50,546 tons
Total Megawatt-hours Purchased from Eligible Renewable Sources*	221,023 hours
Percent of Electric Portfolio Purchased from Eligible Renewable Sources	22.88%
Percent of Electric Portfolio Purchased from Carbon Neutral Sources**	100%

* Calendar year 2015. "Eligible Renewable Sources" are wind, solar, small hydroelectric, and biogas generators whose output is directly purchased by the City under a power purchase agreement.

* Calendar year 2015. "Carbon Neutral Sources" include eligible renewable (24%), hydroelectric power (10%), and power from unspecified sources matched with renewable energy credits (50%). The City's goal is to purchase all energy from eligible renewable sources starting in 2017.

SOURCES:

POPULATION:

U.S. Census Bureau, 2014 American Community Survey, Demographic and Housing Estimates, 1-Year Estimates, Table DP05.

EDUCATION:

U.S. Census Bureau, 2014 American Community Survey, Educational Attainment, 1-Year Estimates, Table S1501

California Department of Education, Data Reporting Office

California Department of Education, SAT District Level Scores, Data and Statistics, Dataquest by State, County or District.

www.collegeboard.org for national level SAT scores.

INCOME:

2014 American Community Survey 1-Year Estimates, Selected Economic Characteristics, Table DP03

PERSONS PER HOUSEHOLD AND HOUSING UNITS:

2014 American Community Survey 1-Year Estimates, Selected Housing Characteristics, Tables, DP04, DP05

DEVELOPMENT:

City of Palo Alto Planning and Development Department

OFFICE AND INDUSTRIAL RENTAL ACTIVITY:

CBRE Silicon Valley Office MarketView Q4 2015

CBRE Silicon Valley Industrial MarketView Q4 2014/5

CBRE Silicon Valley R&D MarketView Q4 2015

RETAIL SALES AND SALES TAX REVENUE:

City of Palo Alto Sales Tax Digest Summary 2014 (Office of the City Auditor)

City of Palo Alto 2014-2015 Comprehensive Annual Financial Report (CAFR)

TOP 25 MAJOR SALES/USE TAX CONTRIBUTORS:

City of Palo Alto Sales Tax Digest Summary Third Quarter Sales (July-September- 2015), Top 25 Major Sales/ Use Tax Contributors, Year-Ended 3th Quarter 2014/5

PRINCIPAL PROPERTY TAXPAYERS:

City of Palo Alto 2014-2015 Comprehensive Annual Financial Report (CAFR)

EMPLOYMENT:

2014 American Community Survey, 1-Year Estimates, Table B08501 and DP03.

PALO ALTO BUSINESSES:

Livability, Top 100 Best Places to Live

City of Palo Alto Economic Development

LARGEST EMPLOYERS:

City of Palo Alto 2014-2015 Comprehensive Annual Financial Report (CAFR)

The Budget Process and Document

Basis for Budget Development

The budget is the City's financial plan for delivering effective services and efficiently managing the revenues which support those services. The City's charter and municipal code provide broad governance for preparation of the operating and capital budgets. The budget is also developed based on the following:

- The City Council's top priorities and other City Council directives
- The City's Long Range Financial Forecast, which is updated annually and presented to the Finance Committee and the City Council prior to the release of the proposed budget
- Service level prioritization as identified by the City Manager
- Availability and sustainability of revenues
- Legal mandates
- Prioritization criteria outlined in the capital budget
- The City's policies regarding land use and community design, transportation, housing, natural environment, business and economics as outlined in the Comprehensive Plan

The review of the operating and capital budgets is structured around public hearings conducted by the Finance Committee and prior to Council adoption of the budget in order to incorporate community input into the decision making process.

City Council Top Four Priorities

On an ongoing basis, the City is committed to providing high quality, cost effective services that reflect the City's core values and strategic goals. In addition, each year the City Council establishes top priorities, which are topics or service areas that will receive particular, unusual, and significant attention during the year. The top priorities guide both budget development and department priority-setting. The following are the City Council's top priorities for 2016:

- The Built Environment: Housing, Parking and Livability, and Mobility
- Infrastructure Strategy and Implementation
- Healthy City, Healthy Community
- Completion of the Comprehensive Plan update with increased focus from Council

Operating and Capital Budgets - Calendar of Activities

September - November: Operating budget preparation begins with determination of the base budget for the upcoming year. The base budget establishes the current year adopted budget service levels with updated costs, removes one-time revenue and expenses, and adds ongoing

THE BUDGET PROCESS AND DOCUMENT

expenditures as approved by the City Council. The capital budget preparation process begins with department staff and appointed committees meeting to review and discuss potential modifications to the five-year capital plan.

November - December: Budget guidelines and timeframes for development of the operating and capital budgets as well as the annual municipal fee schedule are developed and distributed.

January: Departments submit requests to reallocate staffing and non-salary resources for the upcoming year to meet changing operational needs. The reallocation process results in no net change to the level of resources allocated to the department overall. The General Fund CIP Committee, consisting of senior managers in the Public Works, Community Services, Administrative Services, and Planning and Community Environment Departments, reviews requests for General Fund capital projects.

February: Departmental requests for changes and/or augmentations to the base budget are submitted to the Office of Management and Budget (OMB) for analysis. Departments provide targeted outcomes and performance measures associated with requests for resource or service level augmentations. Departments also submit updates to the budget document regarding goals and objectives, significant accomplishments, and key performance and workload measures. OMB staff begins review of operating and capital budget requests.

March: Internal budget hearings are held with the City Manager to discuss department budget requests and OMB's budget recommendations.

April: OMB staff complete preparation of the proposed operating and capital budget documents based on the City Manager's direction.

May: The City Manager releases and presents the proposed operating and capital budgets to the City Council and posts the budget document on the City's Open Budget website. The Finance Committee conducts a series of public hearings and recommends the budget with or without amendments to the City Council.

June: Final adoption by the City Council occurs after a public hearing in June. All changes made during the public process are incorporated into the adopted budget documents which are distributed to City libraries as well as posted on the City's website and Open Budget website by early August.

THE BUDGET PROCESS AND DOCUMENT

BUDGET HEARINGS With City Council and Finance Committee FY 2017 Proposed Budget			
Date	Description	Time/Location	Departments Attending
Monday, April 25	City Council	6:00 PM Council Chambers	Transmittal of proposed capital and operating budgets to Council and forward to Finance Committee for discussion
Tuesday, May 3	Finance Committee	6:00 PM Council Chambers	Budget Kickoff; Departments/Funds: - Council Appointed Officials & Council - Office of Sustainability - General Liability Fund - Human Resources, Employee Benefits Funds - Information Technology (capital & operating) - Administrative Services, Print & Mail Funds - Non-Departmental
Thursday, May 5	Finance Committee Special Meeting	6:00 PM Council Chambers	- Fire - Police - Office of Emergency Services - Community Services - Library
Tuesday, May 10	Finance Committee Special Meeting	6:00 PM Council Chambers	- Retiree Health Benefits Fund - Planning & Community Environment - Special Revenue Funds (including Parking District & Stanford Development Agreement Fund) - Development Services
Thursday, May 12	Finance Committee Special Meeting	6:00 PM Council Chambers	- Municipal Fee Schedule - Public Works: General Fund, Storm Drain, Refuse, Wastewater Treatment, Vehicle Replacement, related capital
Tuesday, May 17	Finance Committee	7:00 PM Council Chambers	- Utilities (Capital & Operating) - General Fund Capital
Monday, May 23	Finance Committee Special Meeting	1:00 PM Mitchell Park Library	- Wrap-up with Finance Committee
Monday, June 13	City Council	6:00 PM Council Chambers	Public Hearing - Budget Approval & Adoption

Understanding the Budget Document

The operating budget document includes city-wide information as well as information specific to each fund and each department. The City receives revenue from numerous different sources, many of which have restrictions on how they can be used. Separate funds are established to account for the different types of revenues and allowable uses of those revenues. The annual budget information is available after the publication of the annual Adopted Budget, which occurs in August. In August, the annual budget will also be available on the City's Open Budget website, discussed below.

General Fund: This is the primary fund used to account for all general revenues of the City (e.g. property, sales, transient occupancy and utility user taxes). In general, these funds are allocated at the discretion of the City Council. This revenue is used to support citywide services such as public safety, community services, planning and community environment, and administrative support services.

Enterprise Funds: These funds are established to function as self-supporting operations wherein expenditures are entirely offset by fees or charges for services. For example, the City of Palo Alto provides a variety of utility services (electric, gas, water, etc.) for the community. Revenues from fees or charges are accounted for in separate enterprise funds and can only be used to pay for expenses related to those services.

Internal Service Funds: These funds are established to account for a variety of business services provided by one City department (or division) to other City departments. Information technology, fleet maintenance, printing and mailing, general employee benefits, liability and workers' compensation services are provided to all City departments through internal service funds. Departments are charged for these services based on their respective utilization.

Capital Fund: Revenues and expenses for capital projects are also accounted for in a separate fund. Capital projects are those that have a minimum cost of \$50,000 for each standalone or combined project. Additionally, the project must have a useful life of at least five to seven years and/or extend the life of an existing asset or provide a new use for an existing asset for at least five years. The City produces a standalone budget document for capital projects that includes detailed information about each project.

Special Revenue Funds: These funds are used to account for the proceeds of revenues that are designated for specific or restricted uses. These funds include gas tax funds from the state, in-lieu housing fees assessed for the City's Below Market Rate housing projects, and transportation mitigation fees paid by developers. Other special revenue funds include assessments for parking lot bond payments, parking permit revenues, Community Development Block Grants (CDBG) funds from the federal government, and development impact fees related to libraries, parks, and community centers.

Debt Service Fund: Debt financing is occasionally undertaken for the purchase, replacement, or rehabilitation of capital assets. A separate fund is established to account for these non-operating expenses.

Open Budget

In order to facilitate understanding and transparency of the budget document, the City provides budget information through OpenGov, an online tool that provides users with different views of the City's budget data by fund, department, revenues, and expenditures. The tool can be accessed by visiting www.paloalto.opengov.com. The City invites you to use the online tool to:

- Search seven years of budget and financial data
- View trends in revenues and expenditures over time
- Drill down into expenses by department or account type
- Display the data as graphs or charts
- Download into Excel
- Share with friends using email or social media
- Send comments directly to the City online

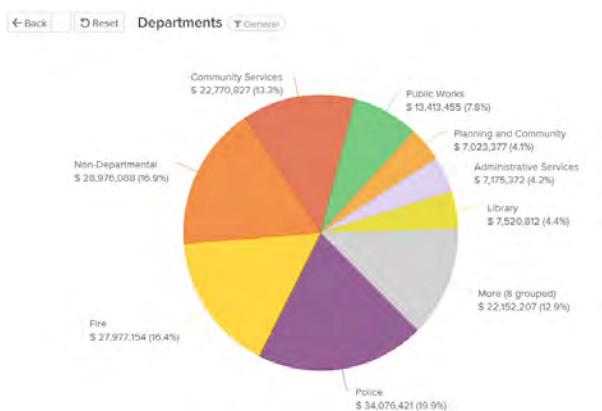
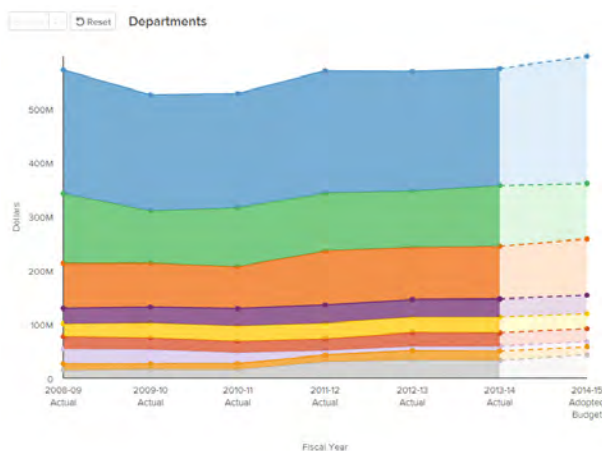
HOW DOES IT WORK?

Governmental budgets are composed of funds, departments, and accounts. Using a pull-down filter you can choose the combination you want to explore.

By clicking on one these icons, you can choose whether you want to display graphs showing changes over the years, a pie chart for a single year, or download portions into Excel.



For example, you can also cut and paste any illustration into another document, send it to friends using email or Twitter, or post it on Facebook.



Department and Enterprise Fund Information

The budget document includes the following information for each department and enterprise fund:

Mission Statement, Purpose, and Description: introduces the department.

Organizational Chart: depicts full-time equivalent (FTE) positions, which report to a department director. The total FTE count in the organizational chart may not match the total FTE count in a department section, if positions are budgeted in a fund not included in the particular department section. For example, the Administrative Services Assistant Director oversees the SAP functional team and the positions are budgeted in the Technology Fund.

Accomplishments: identifies the department's noteworthy accomplishments over the past one or two fiscal years.

Initiatives: highlights the major work plan items for the department for the upcoming Fiscal Year.

Goals and Objectives: identifies major goals as well as activities that support achievement of those goals.

Key Performance Measures: lists key department performance measures related to some goals and objectives. Performance Measures are grouped by its intended outcome such as Quality, Cost, Cycle Time, Customer Satisfaction, and Sustainability identified with icons as follows:



Quality



Cost



Cycle Time



Customer Satisfaction



Sustainability

Workload Measures: identifies key quantifiable department outputs.

Budget Summary: summarizes key expenditure, revenue, and position data for the department and/or fund for several fiscal years (FY 2014 Actuals, FY 2015 Actuals, FY 2016 Adopted, and FY 2017 Budget). Revenues are shown as either internal or external depending on their source.

External revenues include grant funds as well as fees collected when providing certain services such as inspections, plan checks and recreational programs. Internal revenues are those that are received from another City department. For example, the Utilities Department reimburses the Attorney's Office for legal services.

Staffing: lists all full-time equivalent (FTE) positions and their respective salary in a department based on their actual level of compensation.

Budget Reconciliation: outlines the major base budget and adopted budget expenditure and revenue changes from the previously adopted budget to the newly presented proposed or

adopted budget. Base budget reconciliation changes include updated salary and benefits cost in accordance with the salary and benefits structure approved the City Council, deletion of one-time expenditures, or addition of ongoing expenditures as approved by the City Council. The budget change table itemizes expenditure and revenue recommendations and the net impact on the fund.

Budget Changes: describes service level changes compared to the prior fiscal year as well as the anticipated performance impact as it relates to Quality, Cost, Cycle Time, Customer Satisfaction, and Sustainability.

BUDGETARY BASIS

The budget is prepared in accordance with Generally Accepted Accounting Principles. The budget for governmental funds has been prepared on a modified accrual basis. The modified accrual basis recognizes expenditures when the related fund liability is incurred. Revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

FUND STRUCTURE AND ACCOUNTING BASIS

The accounts of the City are made up of funds that help organize and account for restricted resources. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts (comprised of assets, liabilities, fund equity, revenues, and expenditures), which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with regulatory requirements. The City has the following fund type categories:

Governmental Fund Types

The governmental funds include the General, Special Revenue, Debt Service, and Capital Project Funds. Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Fund Types

The proprietary funds, which include the Enterprise and Internal Service Funds, are used to account for the City’s business-type activities. Proprietary funds are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Fiduciary Fund Types

The Fiduciary Funds track assets held by the City in trust or as an agent for various assessment and community facilities districts. These funds are not included in the budget process.

Agency Fund Types

The Agency Funds are custodial in nature and do not involve measurement of results of operations. The City maintains three agency funds, which are not included in the budget process.

Budget Awards





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Palo Alto
California**

For the Fiscal Year Beginning

July 1, 2015

Executive Director



**The Government Finance Officers Association
of the United States and Canada**

presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

to

**Office of Management & Budget
City of Palo Alto, California**



The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards.

Executive Director

Date

January 06, 2016



CITY OF
**PALO
ALTO**

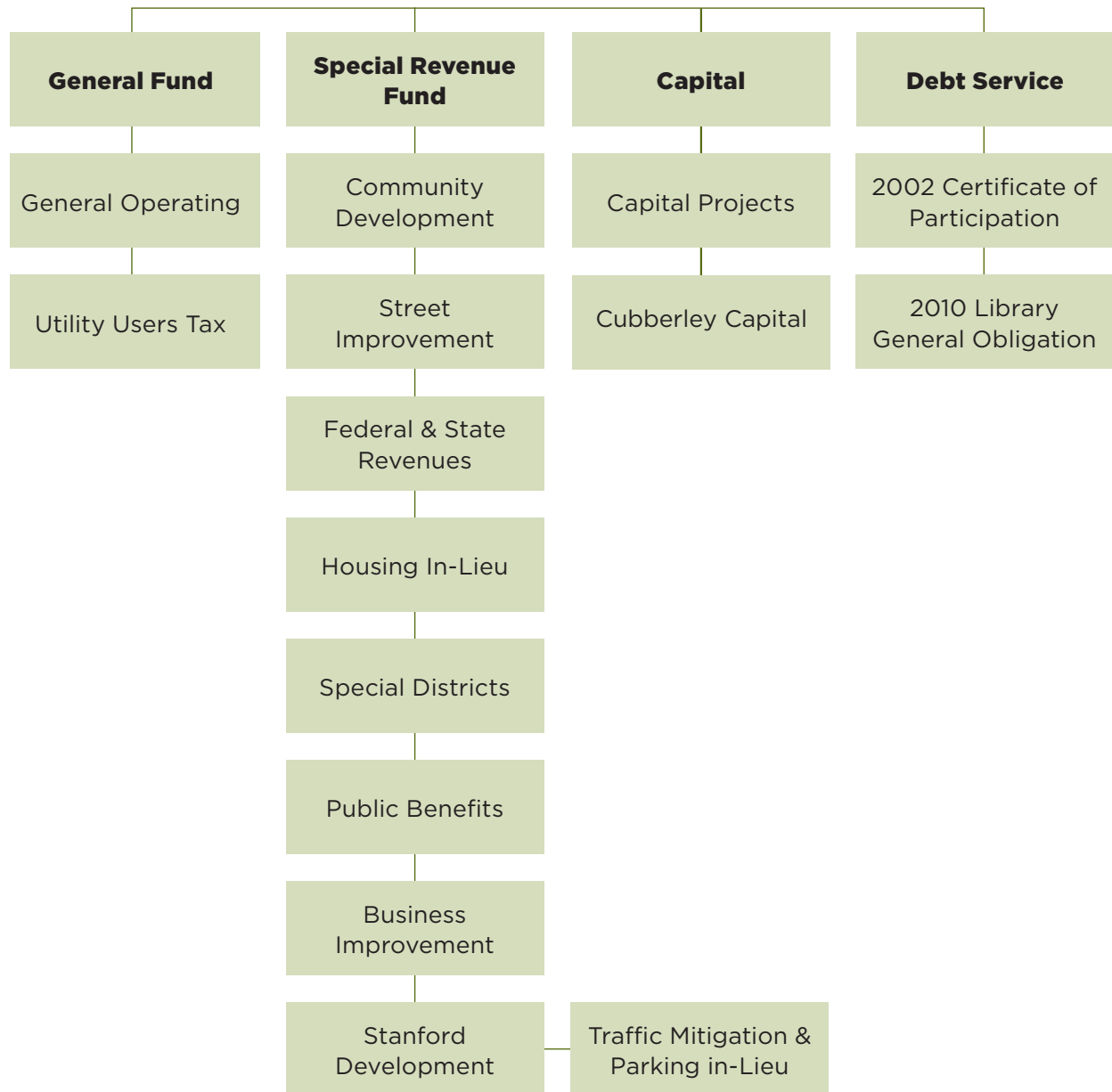


CITYWIDE FUNDS

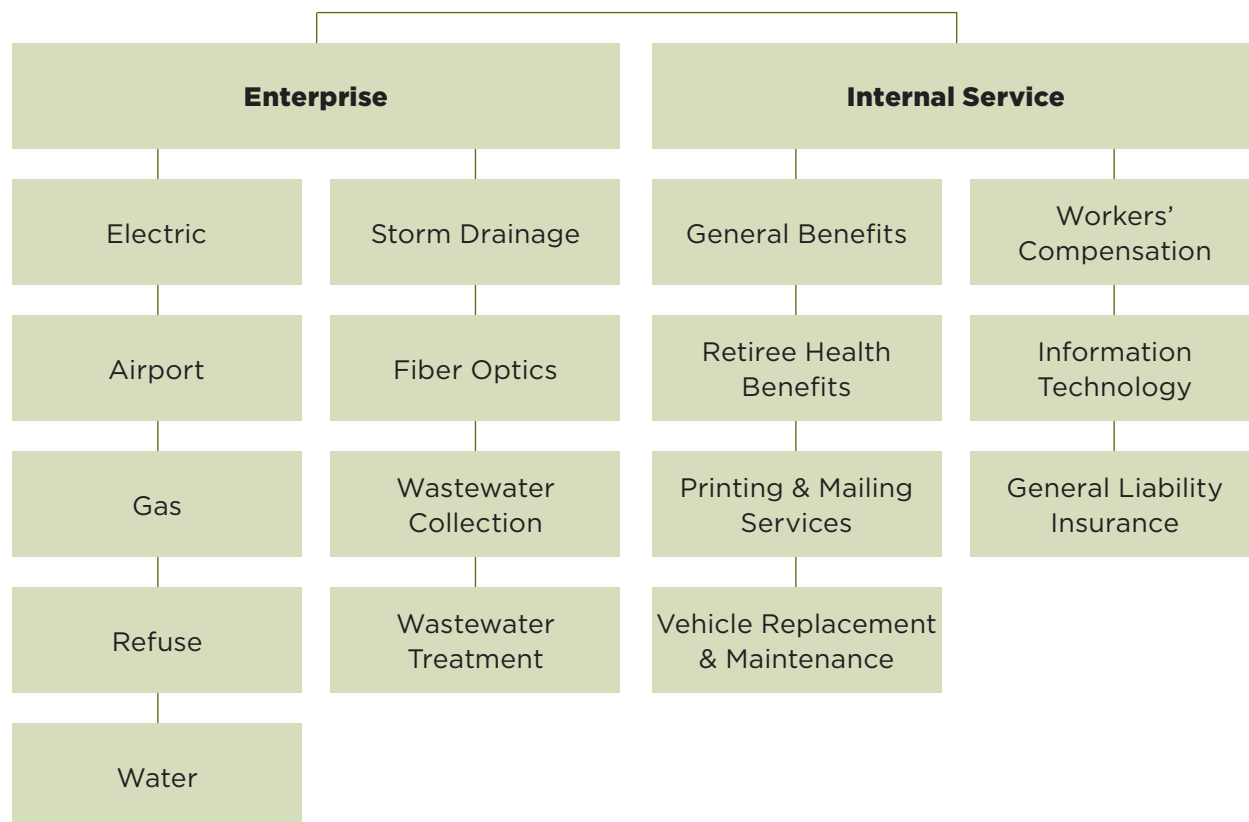


CITY OF
**PALO
ALTO**

Fund Structure



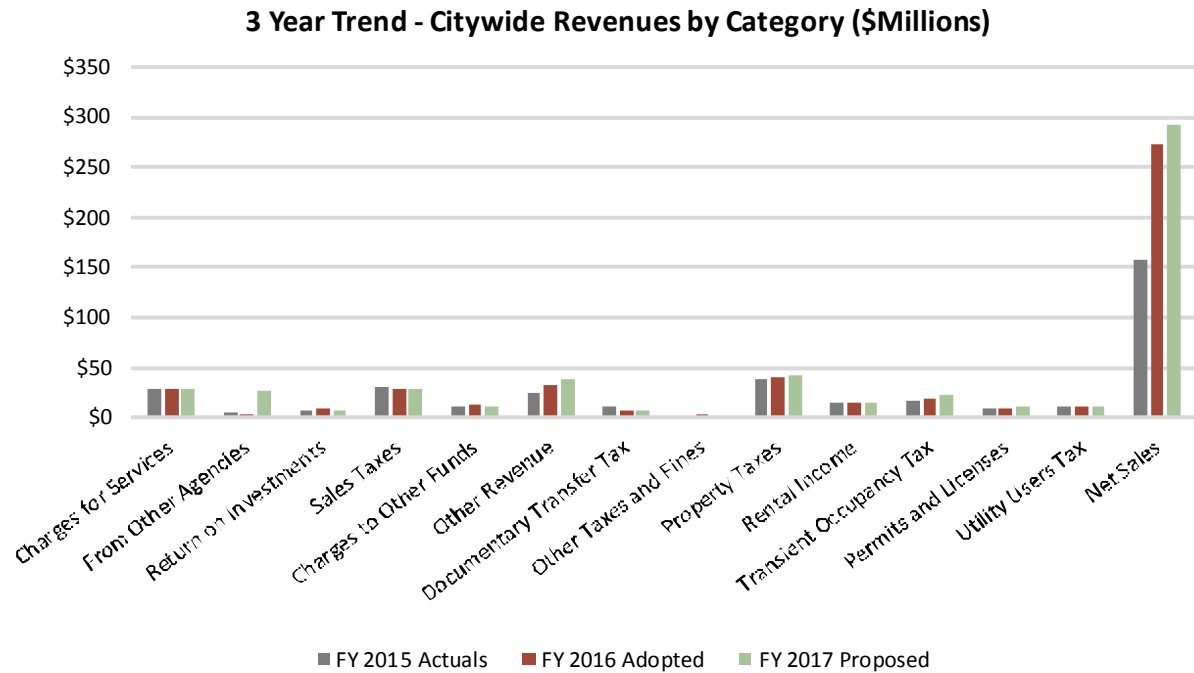
CITYWIDE FUNDS OVERVIEW



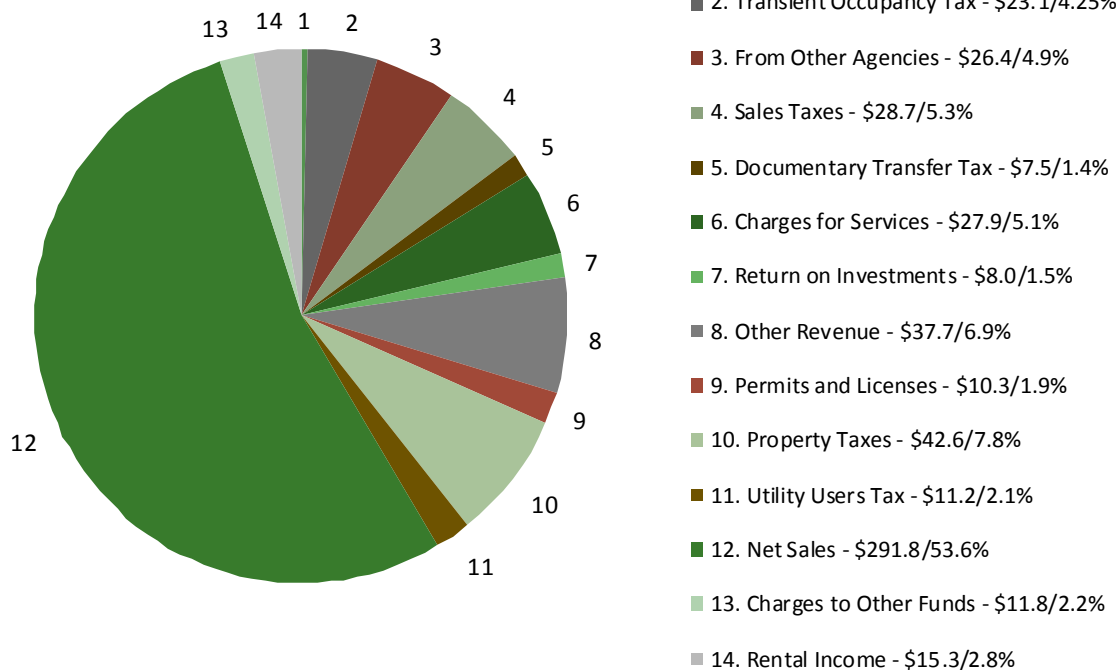
Citywide Revenues by Category

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Charges for Services	26,422	27,794	28,022	27,867	(155)	(.055)
From Other Agencies	4,536	5,102	2,934	26,396	23,462	799.66
Return on Investments	9,612	6,320	8,143	8,027	(116)	(1.42)
Sales Taxes	29,424	29,675	27,630	28,668	1,038	3.76%
Charges to Other Funds	12,029	11,197	12,919	11,775	(1,144)	(8.86)
Other Revenue	24,263	25,479	31,534	37,676	6,142	19.48
Documentary Transfer Tax	8,143	10,051	6,852	7,532	680	9.92
Other Taxes and Fines	2,155	1,945	2,229	2,071	(158)	(7.09)
Property Taxes	35,555	38,836	39,862	42,648	2,786	6.99
Rental Income	14,221	15,431	15,469	15,340	(129)	(0.83)
Transient Occupancy Tax	12,255	16,669	18,791	23,134	4,343	23.11
Permits and Licenses	8,957	9,076	9,719	10,264	545	5.61
Utility Users Tax	11,008	10,861	11,189	11,209	20	0.18
Net Sales	260,201	157,218	272,002	291,761	19,759	7.26
Total	458,780	365,655	487,295	544,368	57,073	11.71

Citywide Revenue by Category



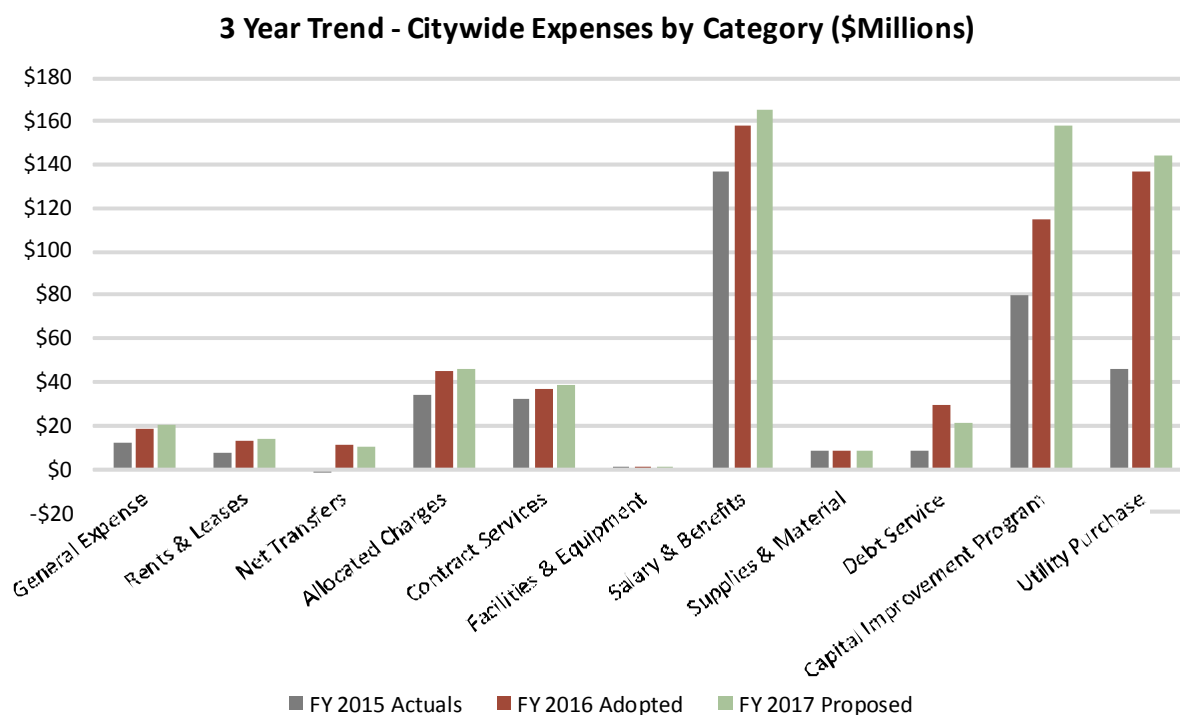
\$544.4 Million/FY 2017 Proposed



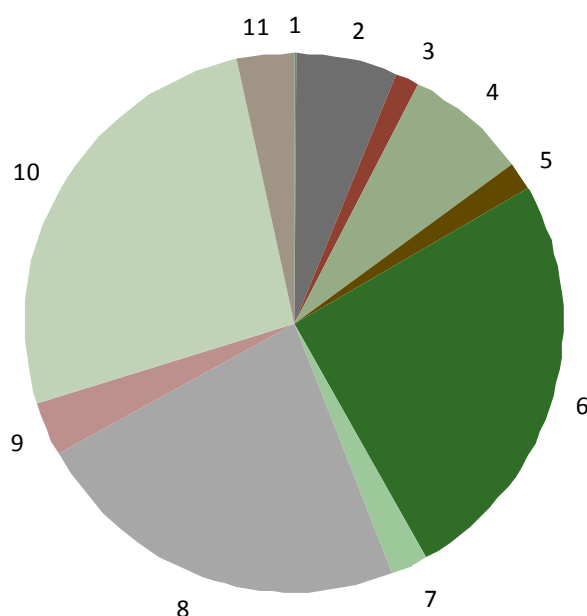
Citywide Expenses by Category

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
General Expense	20,296	12,303	18,124	19,995	1,871	10.32
Rents & Leases	11,114	7,139	13,275	13,626	351	2.64
Net Transfers	(299)	(1,755)	10,824	10,021	(803)	(7.42)
Allocated Charges	41,600	34,040	45,332	46,388	1,056	2.33
Contract Services	26,856	32,561	36,314	38,383	2,069	5.7
Facilities & Equipment	947	506	676	613	(63)	(9.32)
Salary & Benefits	140,204	136,433	158,392	165,254	6,862	4.33
Supplies & Material	6,594	8,269	8,215	8,610	395	4.81
Debt Service	18,090	8,577	20,957	21,424	467	2.23
Capital Improvement Program	71,194	79,715	114,962	158,032	43,070	37.46
Utility Purchase	119,622	46,317	136,488	143,786	7,298	5.35
Total	456,219	364,105	563,559	626,132	62,573	11.10

Citywide Expense by Category



\$626.1 Million/FY 2017 Proposed



1. Facilities & Equipment - \$0.6/0.1%
2. Contract Services - \$38.4/6.1%
3. Supplies & Material - \$8.6/1.4%
4. Allocated Charges - \$46.4/7.4%
5. Net Transfers - \$10.0/1.6%
6. Capital Improvement Program - \$158/25.2%
7. Rents & Leases - \$13.6/2.18%
8. Utility Purchase - \$143.8/23.0%
9. General Expense - \$20.0/3.2%
10. Salary & Benefits - \$165.3/26.4%
11. Debt Service - \$21.4/3.4%

Citywide Projected Operating Fund Balance

FUND	PROJECTED ENDING BALANCE 06/30/2016	ESTIMATED REVENUES	NET FUND TRANSFERS	ESTIMATED EXPENDITURES	PROJECTED ENDING BALANCE 06/30/17
GENERAL FUND	\$ 40,512	\$ 173,081	\$ (7,672)	\$ 170,353	\$ 35,567

CAPITAL FUND	\$ 53,143	\$ 10,244	\$ 40,383	\$ 74,433	\$ 29,337

DEBT SERVICE					
Parking 2002 COPS (Taxable) Debt	251	0	243	243	251
Library Bonds	6,640	4,655	0	4,655	6,640
Total Debt Service	6,891	4,655	243	4,898	6,891

ENTERPRISE					
Electric Fund	\$ 97,014	\$ 150,242	\$ (9,322)	\$ 158,204	\$ 79,730
Fiber Optics Fund	20,991	5,253	(104)	3,889	22,251
Gas Fund	11,545	36,182	(7,002)	33,078	7,647
Wastewater Collection Fund	6,874	19,270	(256)	21,387	4,501
Water Fund	27,935	41,586	75	47,226	22,370
Refuse Fund	454	31,176	(44)	30,677	909
Storm Drain Fund	11,370	6,827	(12)	12,038	6,147
Wastewater Treatment Fund	13,331	48,444	(320)	52,072	9,383
Airport Fund	(1,690)	3,712	(704)	2,911	(1,593)
Total Enterprise	\$ 187,824	\$ 342,692	\$ 17,689	\$ 361,482	\$ 151,345

CITYWIDE FUNDS OVERVIEW

Citywide Projected Operating Fund Balance

FUND	PROJECTED ENDING BALANCE 06/30/2016	ESTIMATED REVENUES	NET FUND TRANSFERS	ESTIMATED EXPENDITURES	PROJECTED ENDING BALANCE 06/30/17
INTERNAL SERVICE					
General Benefits Fund	\$ 2,186	\$ 4	\$ 52,252	\$ 53,581	\$ 861
Retiree Health Benefit Fund	3,264	58	16,100	16,160	3,262
Workers' Compensation Fund	1,985	366	1,871	3,922	300
Liability Insurance Fund	2,258	126	40	2,122	302
Printing and Mailing Fund	0	0	1,297	1,297	0
Technology Fund	7,828	474	15,850	18,921	5,231
Vehicle Replacement and Maintenance Fund	18,708	333	8,720	11,509	16,252
Total Internal Service	\$ 36,229	\$ 1,361	\$ 96,130	\$ 107,512	\$ 26,208
SPECIAL REVENUE					
Community Development Fund	\$ 14,418	\$ 1,921	\$ (381)	\$ —	\$ 15,958
Street Improvement Fund	1,249	1,430	(1,764)	—	915
Federal and State Revenue Funds	4,140	580	—	550	4,170
Housing In-Lieu and BMR Fund	36,622	3,713	—	404	39,931
Special Districts Fund	1,995	2,468	(611)	3,051	801
Traffic Mitigation & Parking In-Lieu Fund	12,239	1,660	—	—	13,899
Public Benefits Fund	1,164	48	—	28	1,184
Downtown Business Improvement District	9	142	—	148	3
Stanford Development Agreement (SUMC)	26,657	663	(1,235)	85	26,000
Public Art Funds	179	92	69	145	195
Total Special Revenue	\$ 98,672	\$ 12,717	\$ (3,922)	\$ 4,411	\$ 103,056
TOTAL OPERATING FUNDS	\$ 423,271	\$ 544,750	\$ 107,473	\$ 723,089	\$ 352,404

Citywide Average Salary

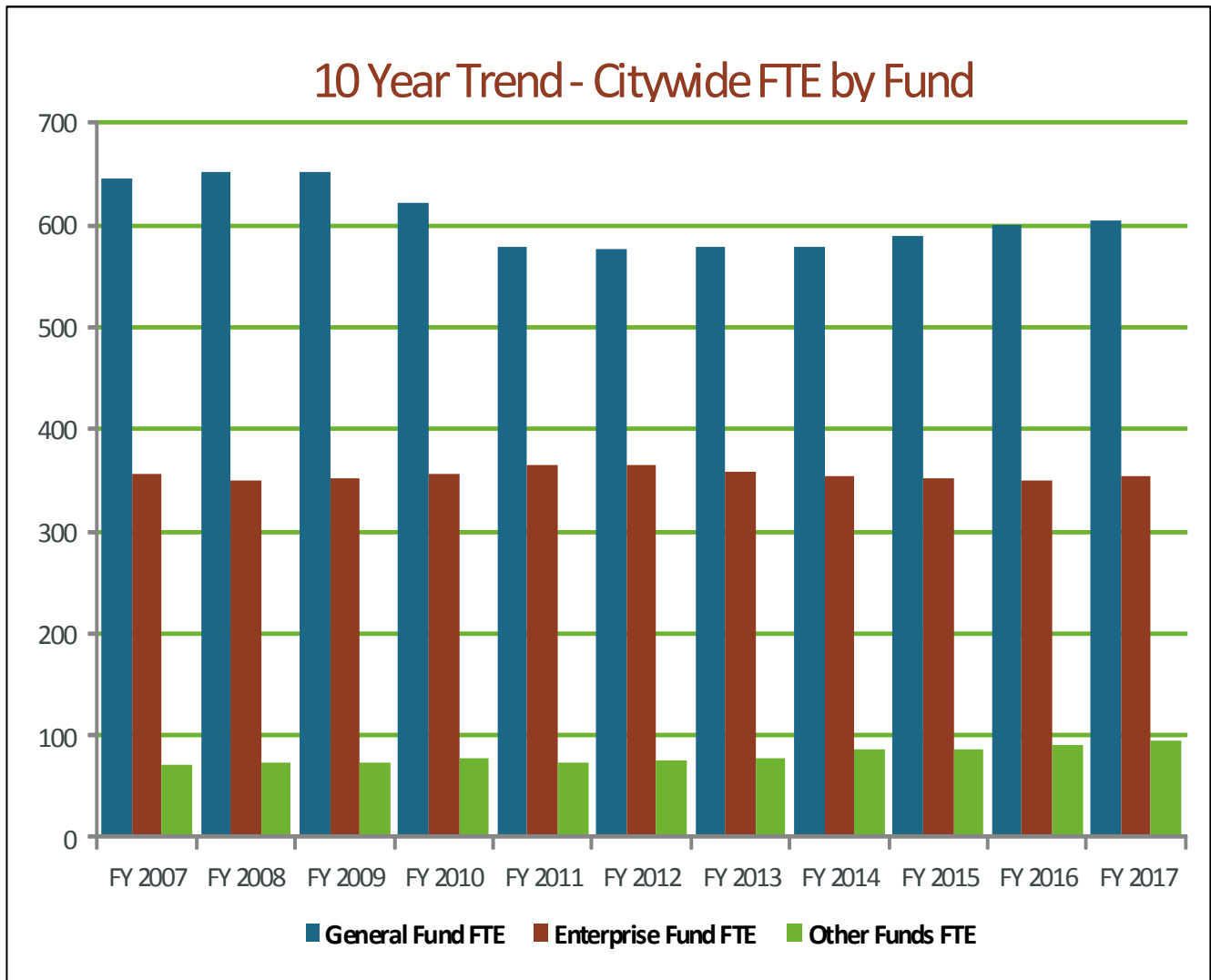
CATEGORY	Mgmt/ Professional	Utilities Mgmt/ Professional	Fire Chief Association	IAFF	Police Mgmt Association	PAPOA	SEIU	Weighted Average
Citywide Average Salary & Benefits								
Full-Time Equivalent (FTE)	224.35	48.00	5.00	99.00	7.00	83.00	585.75	1,052.10
Percent of City	21.3%	4.6%	0.5%	9.4%	0.7%	7.9%	55.7%	100%
Salary (1)	\$132,796	\$155,920	\$175,005	\$119,381	\$190,906	\$123,945	\$84,435	\$105,553
In-Lieu Holiday	n/a	n/a	n/a	\$4,829	n/a	\$2,420	\$177	\$744
Incentive Pay (2)	n/a	n/a	n/a	\$776	n/a	\$1,154	\$357	\$363
Overtime	n/a	n/a	n/a	\$14,280	n/a	\$13,012	\$4,334	\$4,783
Management Leave (80 Hours)	\$5,108	\$5,997	\$6,731	n/a	\$7,343	n/a	n/a	\$11,772
Pension Employer Portion Misc 28.390%; Safety 43.426%	\$37,701	\$44,266	\$75,998	\$54,276	\$82,903	\$55,377	\$24,123	\$33,878
Pension Employee Portion Paid by City FCA 3.9% (3)	n/a	n/a	\$6,825	n/a	n/a	n/a	n/a	\$32
Medicare	\$1,926	\$2,261	\$2,538	\$1,731	\$2,768	\$1,797	\$1,224	\$1,531
Medical	\$16,416	\$19,602	\$18,675	\$17,398	\$20,317	\$16,642	\$17,091	\$17,084
Dental/Vision	\$2,142	\$2,349	\$2,219	\$2,371	\$2,508	\$2,165	\$2,097	\$2,152
Retiree Medical (4)	\$5,474	\$7,063	\$8,200	\$7,556	\$11,714	\$9,530	\$1,566	\$5,842
Workers' Compensation	\$1,901	\$1,454	n/a	\$3,421	n/a	\$3,603	\$1,258	\$1,778
Life Insurance/LTD/SUI	\$672	\$672	\$672	\$672	\$672	\$672	\$672	\$672
Non-salary Benefits (5)	\$3,567	\$3,210	\$2,647	\$147	\$2,647	\$3,493	\$157	\$1,309
Average Salary and Benefits	\$207,702	\$242,791	\$299,509	\$266,838	\$321,778	\$233,811	\$137,149	\$187,793

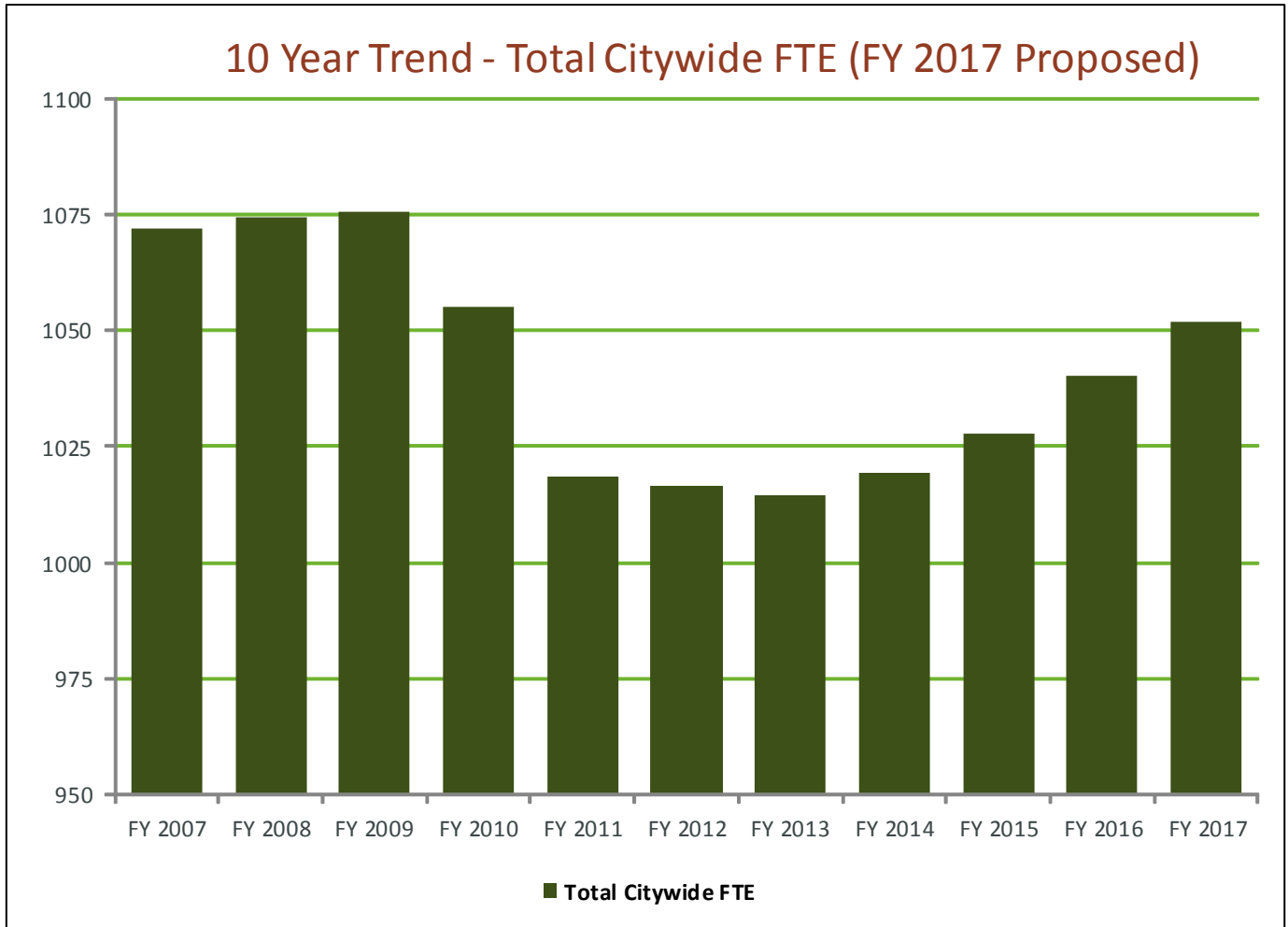
Isolate Holiday Pay from Salary Category

Salary, includes holidays	\$132,796	\$155,920	\$175,005	\$119,381	\$190,906	\$123,945	\$84,435	\$105,553
Holidays (assumes 11 9-hour days)	\$6,321	\$7,421	\$8,330	\$5,682	\$9,086	\$5,899	\$4,019	\$5,024
Salary, excludes holidays	\$126,476	\$148,499	\$166,675	\$113,699	\$118,820	\$118,046	\$80,416	\$100,529

- 1) Salary is calculated at actual pay rate (base pay and special pays, as applicable) as of February 2016 adjusted for step increases in accordance with applicable Memoranda of Understanding with the City's bargaining groups or pay for performance increases for Management and Professional employees.
- 2) Incentive pay includes: Fair Labor and Standards Act Charges and Night Shift Differential pay.
- 3) The City will pay 3.9% of FCA employee pension contributions in accordance with the Memorandum of Understanding.
- 4) Annual amount incurred for active employees (normal cost only).
- 5) Non-salary Benefits include professional development for Management, Utilities Management, FCA and PMA; tuition reimbursement for FCA and PMA; and management excess benefit for Management, Utilities Management, FCA and PMA. Does not include administrative fees for General Benefits and Workers' Compensation Funds.

CITYWIDE FUNDS OVERVIEW







GENERAL FUND



CITY OF
**PALO
ALTO**

General Fund Overview

FISCAL YEAR 2017-2026 GENERAL FUND LONG RANGE FINANCIAL FORECAST

The Fiscal Year (FY) 2017-2026 General Fund Long Range Financial Forecast (LRFF) was presented to the Finance Committee in December 2015 and to the City Council in April 2016. As of the April 2016 City Council report, the LRFF projected a deficit of \$0.6 million in FY 2017. Solid tax revenues and a strong local economy show a rebounding from the Great Recession. While these results are welcome, rising benefit and other costs diminish a more positive outlook over the next 10 years. Since the December forecast, which cited upbeat economic indicators, several clouds have been hovering over the local, state, national and world economies making less clear what direction they will take. These include: a severe drop in world stock markets, a stronger dollar weakening U.S. exports, further evidence of a slowing Chinese economy, sharply declining oil prices, and increased uncertainty about global growth. Economists appear to be evenly divided over the course of the economy with some citing strong employment data and rising wages while others are concerned about weaker corporate profits, lower exports, and looming interest rate hikes. Worried about the economy faltering, the Federal Reserve recently postponed two expected rate increases in 2016. Staff does understand the difficulty of forecasting a recession, but historical trends show that a downturn will occur during the term of this Forecast, especially since the country is nearly seven years into a recovery. By virtue of a recession's unpredictability, local jurisdictions tend to react late to a downturn, so fiscal discipline and a focus on priorities is a recommended, proactive strategy.

The revised, base Fiscal Year (FY) 2017 to 2026 General Fund Long Range Financial Forecast (Forecast) projects a General Fund (GF) deficit of \$0.64 million in FY 2017, a \$0.20 million deficit in FY 2018, and a \$0.08 million surplus in FY 2020. This projection reflected a financial shift downward as the City began the FY 2017 budget process.

	Adopted										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Revenue	\$185,672	\$193,953	\$202,919	\$211,814	\$218,393	\$225,361	\$232,916	\$241,044	\$249,421	\$256,757	\$265,564
		4.5%	4.6%	4.2%	3.6%	3.4%	3.3%	3.4%	3.5%	3.5%	3.5%
Total Expenditures	\$185,672	\$194,594	\$203,116	\$211,035	\$218,469	\$225,124	\$231,522	\$237,091	\$242,852	\$249,079	\$253,506
		4.8%	4.4%	3.9%	3.5%	3.0%	2.8%	2.4%	2.4%	2.6%	1.8%
Net One-Time Surplus/(Shortfall)	\$0	(\$641)	(\$198)	\$779	(\$76)	\$238	\$1,395	\$3,953	\$6,569	\$7,678	\$12,058
Cumulative Net Operating Margin (One-Time)											\$31,755
Net Operating Margin		\$0	(\$198)	\$779	(\$854)	\$313	\$1,157	\$2,558	\$2,616	\$1,109	\$4,381
Cumulative Net Operating Margin											\$11,861

Assumes that the annual shortfalls are solved with ongoing solutions and annual surpluses are spent for ongoing expenditures.

The table includes a calculation for the net operating margin which reflects the year over year change of surpluses and shortfalls. With the net operating margin, it is assumed that each shortfall is addressed completely with ongoing solutions in the year it appears, and that each surplus is completely expended with ongoing expenditures. Based on these assumptions, the

GENERAL FUND OVERVIEW

cumulative net operating margin, or ongoing surplus, during the forecast period is approximately \$11.9 million.

A continuously improving economic climate is noted by the majority of national, state, regional, and local economic indicators. This Forecast assumes a continued, gradual growth of the national economy with positive impacts to the local economy, which is reflected in the estimates of economically sensitive revenues. Consistent with previous forecasts, the methodology for calculating changes for out-years of the Forecast (FY 2017 to FY 2026) are based on a historical analysis of increases using the Compounded Annual Growth Rate (CAGR) with adjustments factored in for known items. By using the historical average growth rate that incorporates the up and down cycles over the past 10 or 20 years, there is no single year in which a downturn is depicted. Instead, past downturns (e.g. dot.com bust and Great Recession) have been factored into the compound growth rate used to forecast future revenue streams. Staff performed a reasonableness test of the results and made appropriate changes to the CAGR analysis.

Since the Great Recession, the City Council has approved various strategies to reduce the costs of salaries and benefits. These strategies include: (1) employees paying their own CalPERS contribution (between 6 percent to 9 percent of salary) except for the members of the Fire Chiefs' Association; (2) sharing the cost of health plan costs at 90/10; (3) creating a second pension tier (and the state implemented a third tier effective January 1, 2013); (4) reducing professional development expenses; (5) cost of living freezes for four years; and (6) terminating the Variable Management Compensation Plan. Continuing with previous actions to curtail the growth of benefits costs, the City has pursued cost sharing models such as sharing the cost of future health plan costs beginning in 2014 and continuing through current negotiations. However, in comparison to market studies to comparable agencies, the salaries of our employees, primarily safety employees, have fallen behind. The City has recently reached agreement with four bargaining groups – Palo Alto Police Officers' Association (PAPOA), International Association of Firefighters Union Local 1319 (IAFF), Services Employees' International Union (SEIU), and Palo Alto Police Management Association (PAPMA) – which were approved by the City Council April 11, 2016 in City Managers' Report # 6789 Adoption of MOA for PMA, POA, SEIU, IAFF, and continues negotiations with its remaining bargaining groups. It is the City's desire to retain and attract a talented workforce. Therefore, this Forecast includes salary and benefits increases to adjust employees' salaries to the median of the market over the next few years.

As of March 2016, 34 percent of employees received Tier 2 and Tier 3 pension benefits. The impact of employees hired during the last five years has had little impact on unfunded pension plan liabilities, the benefits of the lower pensions will be a long-term cost reduction. Per the latest CalPERS valuations for the Miscellaneous and Safety employees, the combined unfunded pension liability amounts to \$294.7 million for all funds. The General Fund portion totals \$193 million. Adding on the unfunded liability for the retiree healthcare plan in the amount of \$143.6 million of which \$99.7 million is the General Fund share. The total unfunded liability for the two benefits totals \$438.3 citywide with the General Fund share totaling \$292.7 million. The recently approved labor agreements include employees increasing their share of the pension contribution: safety labor by 28 to 33 percent and miscellaneous employees by 12.5 to 16 percent, which will help partially offset increases in pension costs.

In June 2014, the City Council approved the Infrastructure Plan. The plan provides funding for a new Public Safety building, replacement of two Fire Stations, the Bicycle Pedestrian Transporta-

tion Plan, two parking garages, and other projects. For detail regarding the projects and funding plan, please refer to the Fiscal Year 2017 Proposed Capital Budget. At time of approval of the \$126 million projected plan, the plan had a funding gap of \$7.5 million; however, through additional transfers from the General Fund, the earmarked additional TOT receipts, and the anticipation of issuing additional Certificates of Participation (COPs), the plan is funded at \$128.8 million (\$158.8 million including a \$30.0 million contingency reserve funded by COPs accommodated by higher than anticipated TOT revenues).

Despite improving revenue receipts as projected forward, the City continues to face challenges related to the increasing costs of infrastructure, rising benefits costs, and unfunded long-term liabilities. This fiscal outlook which reflects a need for caution still does not include a number of both known and unknown impacts with both short and long term implications, some of which are addressed in the FY 2017 Proposed Budget. Below is a list of a few of the known/unknowns that are not included in the LRFF:

- New staffing and program requests;
- One-time expenditures of \$3.0 million approved in the FY 2016 Adopted Budget;
- Cost implications that may arise such as current negotiations with Stanford University for Fire services, support for the Parks Master Plan, and loans to the Palo Alto airport;
- Potential costs in excess of the Council approved \$126 million Infrastructure Plan after full design; prevailing wage requirements; construction costs; and operating budget impacts from new facilities;
- A shift in annual streetlight and traffic signal costs from the Electric Fund to the General Fund as a consequence of State propositions;
- Potential acquisition of the downtown Palo Alto Post Office with associated operating expenses;
- Parks Master Plan expenditures to be determined in FY 2016;
- Operating and capital costs related to a new Junior Museum and Zoo facility;
- Capital costs related to City assets managed by non-profits such as Avenidas Senior Center, the Palo Alto History Museum, and the Ventura Child Care Center;
- Funding long-term pension and retiree healthcare liabilities (\$438 million citywide; \$293 million General Fund).

FISCAL YEAR 2017 GENERAL FUND BUDGET

As part of the development of the Fiscal Year 2017 Proposed Budget, the General Fund revenues and expenditures are updated from the release of the Fiscal Year 2017-2026 General Fund Long Range Financial Forecast. The FY 2017 Proposed Budget estimated revenues of \$193.1 million reflects growth of 8.9% over the FY 2016 Adopted Budget level of \$183.9 million. However, once adjusted for the FY 2016 approved adjustments, the FY 2016 Adjusted Budget is approximately \$189.4 million from which the FY 2017 Proposed Budget reflects growth of 2.0%. However, General Fund expenditures of \$198.1 million reflect growth of 6.7% from the FY 2016 Adopted Budget level of \$185.7 million, or a \$12.4 million increase.

GENERAL FUND OVERVIEW

At this time, staff projects the FY 2016 Budget Stabilization Reserve to end the year at approximately \$40.5 million, or 21.8 percent above the FY 2016 Adopted Budget expenditure levels which includes the anticipated recognition of \$2.0 million in proceeds from the sale of property co-owned with the previous City Manager, as well as additional excess revenues and expenditure savings based on current tracking levels. This additional balance is primarily attributed to major tax revenues and departmental vacancy savings. This is an excess of \$6.2 million when compared to the target level of 18.5% and FY 2016 Adopted Budget expenses. However, FY 2017 Proposed expenditures of \$198.1 million automatically require use of \$2.3 million of this excess just to maintain the 18.5% funding level at FY 2017 expense levels.

REVENUES

Based on a continued, gradual growth of the regional economy and Fiscal Year 2016 year-to-date major tax revenue receipts, this budget assumes further growth in Sales Tax, Property Tax, and Transient Occupancy Tax in comparison to the Fiscal Year 2016 Adopted Budget. This Fiscal Year 2017 Proposed Budget assumes major tax revenue receipts of approximately \$8.9 million, or 8.9 percent, from \$99.5 million to \$108.4 million when compared to the FY 2016 Adopted Budget. Growth in major tax revenues reflect more than 90 percent of the change from the FY 2016 Adopted Budget for all General Fund revenues.

It is important to note that nearly 50 percent of the growth in tax revenue (\$4.3 million) is due to increases in the Transient Occupancy Tax which just saw a rate increase from 12.0 percent to 14.0 percent as approved by the voters in November 2014. Of this increase, all the revenue associated with this 2.0 percent increase and revenues associated with new hotels has been earmarked for the City Council Infrastructure Plan (originally \$125.8 million). Revenues such as charges for services, permits and licenses, rental income, revenue from other agencies, interest income are growing less rapidly and are further dampened due to: 1) the assumed closure of the City's Golf Course for the full fiscal year and 2) the negative implications associated with the anticipated loss of rental income association with Foothill College's departure from Cubberley Community Center as a tenant..

The following sections discuss the City's major revenue sources and their projected levels as well as major expenditure categories for Fiscal Year 2016 and 2017.

SALES TAX

Sales taxes have risen reasonably well from the Great Recession. Since a low of \$17.9 million in FY 2010 they are projected to grow to \$28.7 million in FY 2017. Sectors showing growth that is expected to continue into FY 2017 are restaurants, food markets, and furniture/appliance. The latter includes, for example, the Apple and Microsoft stores and Fry's. Areas experiencing weak sales include department and apparel stores, electronic equipment, and business services. Auto sales, a key component of sales tax receipts, showed modest growth in FY 2016 and is expected to turn in a stronger performance in FY 2017.

As reported in the recent ten year forecast, there are concerns over future growth in this revenue category. Internet retail sales are steadily eroding brick and mortar receipts at a steady pace. Each critical fourth quarter that includes the all-important holiday season brings negative news that more and more Black Friday and Cyber Monday business have moved on-line. The City's sales tax consultant believes that on-line sales may reduce future retail sales growth by 1

percent annually. This trend will be monitored carefully since sales tax represents 15 percent of General Fund revenue. Other sales tax concerns being monitored are the effects of Hewlett Packard's breakup into two companies and the amount of Stanford Hospital construction use tax dissipating as the projects wind down.

PROPERTY TAX

Property tax from residential and commercial parcels continues to surge. Defying gravity, revenues are anticipated to rise to \$37.9 million in FY 2017, nearly \$1.3 million above that in the adjusted budget for FY 2016 and \$12.1 million above the Great Recession low of \$25.8 million. Contributing factors to this upswing are: single family home sales that well-exceed asking prices and have multiple bids; a robust commercial property market; and the unleashing of latent property values from the sale of long held homes that were 'shielded' from assessed value appreciation by Proposition 13.

The following chart is taken from a realtor (JeffandSteve.com) web site. It shows the ascent in median home prices, especially since the 2009 recession year. Although the median home price shows a decline from 2015 to 2016, it is apparent from property tax receipts in FY 2016 that this dip has not affected the City's property tax revenues.



City property tax estimates are based on information received from quarterly meetings with the Santa Clara County Assessor's Office. The estimate includes appeals on record with the Assessor's Office, additions to the roll, and movements in assessed values. This FY 2017 Proposed Budget uses historical growth rates and information on any extraordinary transactions available to staff.

In a recent fiscal study for the updated Comprehensive Plan, consultants projected annual property growth to equal 7 percent. This is higher than the growth rate used in the City's ten year forecast and this higher growth rate appears to be materializing in FY 2016 receipts. This may result in higher revenues than expected for FY 2016.

GENERAL FUND OVERVIEW

TRANSIENT OCCUPANCY TAX (TOT)

As with property taxes, TOT is performing exceptionally well. The advent of several new hotels, a proposed expansion of one, and the potential addition of two new hotels on San Antonio Road shows that Palo Alto is a destination point for travelers and a most desirable market. A recent news article indicating an hotelier intends to charge nearly \$800 per day (includes food, drink, and concierge services) validates the high demand for hotel rooms in Palo Alto.

Occupancy and room rate data indicate that at the end of FY 2016 around 78 to 79 percent of the rooms available will have been occupied and that the average daily room rate will hover around \$250. The addition of rooms due to the new hotels has somewhat constrained occupancy levels hitting the 80 to 85 percent rates representing full occupancy, but room rates have risen dramatically and exceed those in prior years. The addition of higher end hotels has enhanced this revenue source both for the General Fund and for the Infrastructure Management Plan project funding.

The budget of \$23.1 million for FY 2017 includes a full operational year for the new hotels coming on line in FY 2016 and before as well as the TOT increase from 12 to 14 percent. This is compared to the FY 2016 Adopted Budget level of \$18.8 million and a FY 2016 year-end estimate of \$22.6 million. As approved by the City Council the revenues from a voter approved 2 percent Transient Occupancy Tax (TOT) increase plus revenue from new hotels to infrastructure beginning in January 2015 have been earmarked for transfer to the General Capital Improvement Fund, specifically for the City Council Infrastructure Plan.

UTILITY USERS TAX

The Utility Users Tax revenue budget for FY 2017 fully includes the two changes approved by voters in November 2014: the telephone UUT rate reduction from 5.0 percent to 4.75 percent and the elimination of the large utility user discount. Staff expected that telephone revenues would decline annually by an estimated \$0.16 million. Instead, revenues from this source in FY 2016 have exceeded those in FY 2015. Unfortunately, the City does not receive detailed information from service providers that would help explain trends in this revenue source. The city receives a ‘lump-sum’ check from telephone companies on a monthly basis. Revenues in FY 2017 are budgeted at \$3.4 million.

Utility receipts from the UUT are based on the Utilities Department’s five-year revenue projections. Rates for FY 2017 are increasing substantially. Electric rates will increase by an average of 11 percent; gas by 8 percent; and water by 6 percent. These steep increases are a consequence of the severe drought conditions, lower customer usage, capital expenses passed through for the Hetch Hetchy projects, and the City’s need to cover its fixed costs. Although increasing rates should result in higher UUT revenues, customers have been reducing usage, particularly in water as a response to drought conditions. Warm weather conditions can result in less gas usage and UUT revenue as well. For FY 2017 the General Fund is expected to realize \$7.8 million from utility sales.

Combined, telephone and utility UUT revenues for the FY 2017 Proposed Budget are estimated at \$11.2 million, flat compared to the FY 2016 Adopted Budget and current year end estimates.

DOCUMENTARY TRANSFER TAX (DTT)

After an exceptional year in FY 2015 with receipts reaching \$10.1 million, the DTT is returning to more ‘normal’ levels. In fact, it is expected that year end FY 2016 receipts will fall below the current FY 2016 Adjusted Budget of \$7.1 million by approximately \$600,000. Through mid-April, revenues are running 15 percent below the same prior year period. Several major commercial transactions along Page Mill road occurred in FY 2015 with a remittance of \$3.6 million in late April. At this time, it is anticipated that the City will realize \$7.5 million in FY 2017.

As stated in prior analyses, this revenue source can be unpredictable given that the volume and mix of commercial and residential transactions can vary significantly from year to year. A comparison of FY 2015 receipts to expected FY 2016 revenues will validate this observation.

OTHER TAXES AND FINES

Staff anticipates that revenues in this category will decrease slightly in Fiscal Year 2017 to \$2.0 million when compared to the FY 2016 Adopted Budget of \$2.2 million. The largest source of revenue in this category is derived from parking violations revenue, which staff estimates will also hold flat in Fiscal Year 2016 at \$1.6 million, a slight decline from prior year levels of \$1.7 million based on current tracking levels.

CHARGES FOR SERVICES

This revenue category consists of charges to Stanford for fire services, paramedic services, golf-related fees, arts and science classes, and plan check fees. In comparison to the Fiscal Year 2016 Adopted Budget revenue estimate of \$25.4 million, the Fiscal Year 2017 Proposed Budget estimate remains flat. The primary reasons for this reflects the net impact of: increase reimbursements for Stanford Fire Services and paramedic services (\$0.8 million); increased Planning fees implementing the recently approved Planning Fee Study (\$0.4 million); offset by a realignment of Development Services revenues (\$0.7 million) and assumed closure of the City’s Golf Course for the full fiscal year (\$0.5 million).

On October 8, 2013, the City received a Notice of Termination letter from Stanford with the intention to terminate the contract with the City no sooner than one year and no later than two years from the date of the notice. During the termination period as well as in the past few months, the City continued to negotiate with Stanford to settle on a service level and cost. As outlined in CMR #6505 Stanford Fire Agreement 3rd Amendment, the Third Amendment provides for continuation of fire services for one year at a fixed fee of \$6.5 million, while allowing the time needed to facilitate negotiation of financial terms for a new long term agreement. This budget assumes a Stanford reimbursement of \$8.3 million for Office of Emergency Services and fire services (excluding both Capital and vehicle reimbursements) and \$0.7 million for Public Safety Dispatch Services a net reimbursement of \$9.0 million. The \$8.3 million reimbursement assumes the previous contract calculation, of 30.3%. Stanford and the City are in a mediation process to determine appropriate reimbursement for City fire services. Depending on the outcome of mediation significant adjustments to the assumed reimbursement level of fire services in the General Fund will most likely be necessary.

GENERAL FUND OVERVIEW

PERMITS AND LICENSES

Permits and Licenses consist of payments to the City for issuance of Building Permits, Fire Permits, and miscellaneous health and safety-related licenses. In comparison to the Fiscal Year 2016 Adopted Budget revenue estimate of \$8.2 million, the Fiscal Year 2017 Proposed Budget estimate of \$8.8 million represents an increase of \$0.5 million, or 6.6 percent, primarily due to an increase in Planning and Community Environment Fees as a result of the Planning Fee Study (\$0.2 million), a realignment of building permit fee estimates (\$0.2 million), and a slight general increase in Public Works fees (\$0.1 million).

RETURN ON INVESTMENT

Despite a recent and modest increase by the Federal Reserve Board in interest rates, yields on the City's investment portfolio remain stubbornly low. At its peak in FY 2002, the General Fund earned \$4.2 million in interest income. For FY 2017, earnings of \$0.84 million are expected. This is marginally higher than the \$0.82 million budgeted in FY 2016.

RENTAL INCOME

The largest source of rental income comes from the City's Enterprise Funds and the Cubberley Community Center. Compared to the Fiscal Year 2016 Adopted Budget, rental income will decline \$0.3 million, or 1.8 percent, from \$15.3 million to \$15.0 million for the Fiscal Year 2017 Proposed Budget. This decrease is due to an assessment of all General Fund properties that was conducted in Fiscal Year 2015. The decrease includes a projected loss of \$0.5 million in rental income due to Foothill College's departure from Cubberley. It is anticipated that the departure timeline will be slightly accelerated compared to these assumptions and therefore additional loss in revenues could be seen. Staff will pursue and recommend replacement tenants to offset this significant loss.

CHARGES TO OTHER FUNDS

This revenue category is the reimbursement received by the General Fund for the provision of administrative and other services to Enterprise and Internal Service Funds. The General Fund charges these funds for legal, human resources, finance, and general administration services based on cost allocations from the last completed fiscal year. Total administrative cost plan charges decreased by \$1.2 million or 9.8 percent from the Fiscal Year 2016 Adopted Budget level of \$11.9 million to the Fiscal Year 2017 Budget of \$10.8 million due to a refinement of the cost allocation plan to more accurately align direct funded versus indirect funded services and lower internal service fund allocated costs offset by higher salaries and benefits costs.

OTHER REVENUES

This revenue category is mainly comprised of Animal Services revenue from neighboring cities; the Palo Alto Unified School District's (PAUSD) share of maintenance for athletic fields; and other one-time revenue sources such as grants. Compared to the Fiscal Year 2016 Adopted Budget of \$1.6 million, other revenues are \$0.2 million lower in the Fiscal Year 2017 Budget at \$1.4 million mainly due to one-time grant from the Valley Transit Authority in the amount of \$0.3 million for the Fry's site Master Plan in the Planning, and Community Environment Department.

OPERATING TRANSFERS-IN

In comparison to the Fiscal Year 2016 Adopted Budget transfer-in amount of \$18.6 million, the Fiscal Year 2017 Budget amount of \$20.0 million represents an increase of \$1.5 million 7.8 percent due to a correction in the calculation for the equity transfer from the Enterprise Funds of \$1.5 million as approved in the FY 2016 MidYear Budget Review. The largest component of this revenue category is the \$18.8 million equity transfer from the Enterprise Funds. The equity transfer represents the return on the initial investment the City made when the Utility Department was created more than 100 years ago. In accordance with a methodology approved by Council in June 2009, the equity transfer is calculated by applying a rate of return to the capital asset base of the Electric and Gas Funds. The rate of return is based on PG&E's rate of return on equity as approved by the California Public Utilities Commission (CPUC).

EXPENSES

Fiscal Year 2017 Proposed Budget expenditures amounts to \$198.1 million for the General Fund, an increase of approximately \$12.3 million, or 6.7 percent, compared to the Fiscal Year 2016 Adopted Budget of \$185.7 million. Details of major expenditure categories are discussed below.

SALARY AND BENEFITS

Salary and benefit costs in the Fiscal Year 2017 Proposed Budget total \$116.8 million, a \$4.2 million or 3.7 percent increase compared to the Fiscal Year 2016 Adopted Budget of \$112.6 million. The main reasons for the increase in salary and benefits costs are increased salaries and City CalPERS contributions for pensions and increased healthcare costs.

After a number of years of cost containment strategies, the City has found that in comparison to market studies to comparable agencies, the salaries of our employees, primarily safety employees, have fallen behind. The City has recently reached agreement with four bargaining groups – Palo Alto Police Officers' Association (PAPOA), International Association of Firefighters Union Local 1319 (IAFF), Services Employees' International Union (SEIU), and Palo Alto Police Management Association (PAPMA) – which were approved by the City Council on April 11, 2016 in City Managers' Report # 6789 Adoption of MOA for PMA, POA, SEIU, IAFF, and continues negotiations with its remaining bargaining groups. It is the City's desire to retain and attract a talented workforce. Therefore, this budget includes significant salary and benefits increases to adjust employees' salaries to the median of the market over the next few years. Salaries of \$71 million in FY 2017 Proposed Budget reflect a 5.5 percent increase from FY2016 Adopted Budget levels of \$67.3 million, or a \$3.7 million increase.

In addition, the Miscellaneous pension rate rose 1.2 percent from 27.7 percent to 28.9 percent while Safety rose 3.5 percent from 41.9 percent to 45.5 percent. When these rate increases are compounded with the growth in salaries, pension costs are increasing 10.0 percent from the FY 2016 Adopted Budget (from \$19.2 million to 21.2 million). This FY 2017 figure does assume the recently approved labor agreements which include employees increasing their share of the pension contribution: safety labor by 28 to 33 percent and miscellaneous employees by 12.5 to 16 percent, which will help partially offset increases in pension costs. Lastly, health care expenditures are increasing 6.8 percent (\$0.8 million) from FY 2016 Adopted Budget levels of 12.5 million.

GENERAL FUND OVERVIEW

This FY 2017 Proposed Budget reflects a change in the methodology of budgeting salaries and benefits. The Fiscal Year 2016 Adopted Budget, included a salary reserve that has been intended to be used to fund potential employee salary increases pending final contract terms to be reached prior to the distribution of funding. With the recent City Council approved labor agreements, the agreed upon terms have been implemented and are reflected as part of this FY 2017 budget, resulting in these increased costs being budgeted directly in departmental budgets. Therefore, when comparing salary and benefit increases in departmental budget summaries in this document, significant increases (potentially above this average increase of 5.5 percent) may be seen reflecting the essentially two year jump in salary levels beginning June 30, 2015 to July 1, 2016 as well as a reflection of actual employee compensation levels.

Offsetting these increased costs is a reduction in other benefit costs and retiree health of \$1.9 million and \$0.3 million respectively. The significant reduction in Other Benefits reflects a one-time reduction in Worker's Compensation expenses in departmental allocations of \$1.7 million. This budget includes a recommended one-time budget balancing strategy to freeze the allocated charges budgeted in City departments and funds and the corresponding transfer in to various internal services funds including the Workers' Compensation Fund. Sufficient fund balance remains in these funds to continue to fund the programmed FY 2017 expenditure activities for workers compensation claims. It is anticipated that this freeze on allocated charges will result in a \$0.3 million fund balance. This change to the allocated charges for workers' compensation is reflected in each of the department sections "Budget Summary" and "Budget Reconciliation," most notably in the "Dollars by Category" section you will see significant year over year variances when compared to the FY 2016 Adopted Budget. It is anticipated that as part of the Fiscal Year 2018 base budget process, these allocations will be reinstated to the levels necessary to fund the ongoing expenditure activities.

It is important to note, that with this budget, anticipated General Fund vacancy savings totaling \$2.2 million are spread across departmental appropriations based on a historical vacancy trend analysis.

NON-DEPARTMENTAL EXPENSES

Non-departmental appropriations include expenses that are not directly related to the operation of a particular department such as payments to the Palo Alto Unified School District (PAUSD) as part of the Cubberley Community Center lease or debt service. As a result of negotiations with PAUSD, \$1.9 million will be transferred annually from the General Fund to the Cubberley Infrastructure Fund for infrastructure improvements.

A transfer from the General Fund to reimburse the Electric Fund for electricity costs associated with City streetlight and traffic signal costs in the amount of \$2.3 million is recommended. As part of the Electric Fund Cost of Services Analysis (COSA), these costs were identified as more appropriately aligned with the General Fund. This transfer will be evaluated over the next year and the long term implications on staffing and workload impacts will be revisited in the development of the Fiscal Year 2018 budget process.

This section of the budget includes a recommended program uncertainty reserve of \$2.0 million for unanticipated program financial implications that may arise during Fiscal Year 2017. During the development of the FY 2017 Proposed Budget, a number of significant initiatives are underway such as the renovation of the City's Golf Course, the Parks Master Plan, the Junior Museum

and Zoo new site build and partnership, and negotiations with Stanford University for fire services. Each of these projects are too early in the planning phases to identify concrete financial implications at this time as analysis and discussions need to continue. Therefore, staff recommends setting this reserve aside for planning purposes only to proactively plan for these major initiatives and any variations in financial implications from those assumed in the FY 2017 budget.

CONTINGENCY ACCOUNTS

Contingency accounts are budgeted appropriations that are used at the discretion of the City Council, City Manager, City Attorney, or Chief People Officer to fund unanticipated expenses. The City Council approves any use of the City Council contingency and the City Manager has to approve any use of any other contingency. The Fiscal Year 2017 Adopted Budget includes \$0.7 million in these accounts.

OPERATING TRANSFERS OUT

Funds are transferred to the Capital Infrastructure, Cubberley Infrastructure, Debt Service, and Technology Internal Service Funds on an annual basis. In Fiscal Year 2017, \$27.7 million is transferred to these funds. This represents a \$5.0 million, or 22.0 percent, increase compared to the Fiscal Year 2016 Adopted Budget of \$22.7 million. This year over year change of \$5.0 million reflects the net implications of a new transfer to the Electric Fund to reimburse for costs associated with the electricity costs for streetlights and traffic signals (\$2.3 million), significantly higher TOT receipts resulting in a higher transfer to the Capital Improvement Fund (\$3.0 million) and a need for a higher General Fund subsidy to the Airport Fund increasing the transfer \$0.4 million (from \$0.3 million to \$0.7 million). These increases are partially offset by a recommended reduction in the base General Fund transfer amount to the Capital Improvement Fund in the amount of \$1.4 million in recognition of the fact that the Capital Improvement Fund has adequate resources to address its 'catch-up' and 'keep-up' needs and the increased funding needs in the General Fund and to partially offset the (cost) transfer of the streetlights and traffic signals from the Electric Fund. This would budget a \$21.0 million transfer from the General Fund of which \$13.0 million base transfer and an additional \$8.0 million in Transient Occupancy Tax (TOT) revenues.

RESERVES

The City's general reserve is referred to as the Budget Stabilization Reserve, or BSR. By policy, the City maintains a reserve level of 15-20 percent of the General Fund operating budget, with a targeted goal of 18.5 percent. City Council approval is required prior to setting reserves lower than 15 percent. The City Manager is authorized, at his/her discretion, to transfer any amount in excess of 18.5 percent to the Capital Projects Infrastructure Reserve. The Fiscal Year 2017 Proposed Budget is projected to have a \$35.6 million BSR balance, or 17.96 percent of the Fiscal Year 2017 Proposed General Fund expenditure budget. This reflects a lower figure than in previous years due both the significant increase in total General Fund costs of 6.7% compared to the FY 2016 Adopted Budget as well as the recommended use of this reserve as a one-time balancing strategy in FY 2017 to provide a bridge to staff to complete a more thorough review of services and service delivery to bring forward ongoing recommended changes to how the City of

GENERAL FUND OVERVIEW

Palo Alto conducts business and remain fiscally prudent. The goal will be to reset the BSR back to the 18.5 percent target level.

General Fund Reserves

	FY 2015 Actual	FY 2016 Adopted Changes	FY 2016 Net Adjustments	Projected 06/30/ 2016	FY 2017 Projected Changes	Projected 06/30/ 2017
Budget Stabilization Reserve (BSR) Activity:						
BSR	48,198	(2,123)	(9,105)	40,511	(4,944)	35,567
Other Reserve Activity:						
Human Services Resource Allocation Process (HSRAP) Reserve	—	—	—	50	—	50
Encumbrance & Reappropriation	7,305	—	—	7,305	—	7,305
Inventory of Materials & Supplies	3,667	—	—	3,667	—	3,667
Notes Receivable, Prepaid Items, Interfund Advances, & Unrealized Gains and Losses	3,300	—	—	3,300	—	3,300
Total Reserves	62,470	(2,123)	(9,105)	54,833	(4,944)	49,889

- 1) The BSR is projected to be 17.96 percent of the FY 2017 Proposed Expense Budget at the end of FY 2017.
- 2) City reserve policy indicates a 15-20 percent range, with an 18.5 percent target.
- 3) Minimum FY 2017 BSR \$29.7 million (15 percent); Maximum FY 2017 BSR \$39.6 million (20 percent); Target FY 2017 BSR \$36.6 million (18.5 percent)
- 4) Projected FY 2016 Net Adjustments assumes year-to-date City Council approved budget adjustments, midyear adjustments, additional tax revenue and expenditure savings, and forthcoming adjustments. This adjustment includes the earmarked \$1.3 million for a potential Pension Trust Fund although this funding remains in the BSR account.
- 5) Projected FY 2016 Budget Surplus of approximately \$4.9 million will be carried forward to FY 2017 for FY 2017 expenditures.
- 6) The Human Services Resource Allocation Process Reserve will be recommended to be carried forward to FY 2017 as part of the annual reappropriation process.

General Fund Revenue Descriptions

PROPERTY TAX

Under current law, all taxable real and personal property is subject to a basic tax rate of one percent of assessed value collected by local jurisdictions and school districts for general service purposes. There are other taxes and levies on a typical property tax bill such as parcel, General Obligation bond, and special assessments.

On June 6, 1978, California voters approved Proposition 13, a seminal change in property tax levies. The proposition, which added Article XIII A to the state constitution, placed limits on

increases in the valuation of real property. The major change was that the assessed value of real property could only be adjusted upward annually by the change in the California Consumer Price Index (CCPI) up to a maximum of two percent per year. One exception to this rule, however, is that when property changes ownership and/or is substantially altered or newly-constructed, it would be reassessed at full market value in the first year and then subject to the CCPI or two percent cap thereafter.

Another important exception to the formula for increasing assessed valuations and taxes is that during periods of declining property values (e.g., recessions), the County Assessor has the flexibility to decrease assessments whether through appeal by property owners or through the Assessor's analysis of value declines. In effect, this reduces the property valuation and tax. As market conditions improve, however, and values return or increase, the Assessor can then increase assessed values and taxes.

In following years, another amendment to the constitution was passed that allows local governments and school districts to raise property taxes above one percent to finance general obligation (GO) bond sales. This change has to be approved by two-thirds of those voting in a local GO bond election. For school districts, however, the voting threshold for approving GO bonds was subsequently lowered to fifty-five percent.

Dating back to the early 1990s, the state has made numerous and complex adjustments to local jurisdiction property tax revenues to solve its budget shortfalls. In one such action in 1992, which is known as the 'Educational Revenue Augmentation Funds (ERAF), the state shifted millions of dollars in local government funds to school districts. As a consequence of this action the City of Palo Alto has foregone a cumulative \$86 million through Fiscal Year 2014 limiting its ability to meet its infrastructure needs.

The County of Santa Clara administers and collects property taxes and remits the appropriate amounts (based on law and a complex formula) to local jurisdictions. Contrary to commonly held views, the City receives a relatively small portion of the basic one percent property tax. In fact, the City receives 9 percent or 9 cents for every property tax dollar a property owner pays to the county. The majority of the tax dollar paid or 57 percent goes to the school district, 15 percent goes to the county, and the remaining goes to special districts and to the State.

SALES AND USE TAX

The Sales Tax is a tax imposed on retailers for the privilege of selling tangible personal property such as clothing, automobiles, and computers. Currently, and according to State law, sales tax is not applied to personal services such as legal, dental, or consultant services. The Use Tax is a form of sales tax and is applied, for example, on the sale of tangible goods from an out-of-state vendor.

The City receives a specific portion or percentage of the sales tax paid by a consumer. Of the current 8.75 percent tax rate paid for goods sold within Palo Alto, the City receives 1.0 percent point of the purchase price or 11.4 percent for each tax dollar paid. The remaining sales tax dollars are distributed as follows: State of California (5.75 percentage points), Santa Clara County (0.885 percentage point), Santa Clara Valley Transportation Authority (0.625 percentage point), and the Public Safety Fund (0.5 percentage point).

GENERAL FUND OVERVIEW

Sales tax rates may differ across jurisdictions since local jurisdictions have some flexibility on a countywide level (e.g. county or city) to increase the local portion of the sales tax with voter approval. The local Sales and Use Tax is collected and administered by the State Board of Equalization.

TRANSIENT OCCUPANCY TAX

The Transient Occupancy Tax rate in Palo Alto is 14 percent and is applied to the daily rate charged by a hotel, motel, and lodging establishment. The rate only applies to stays of 30 days or less. In November 2014, Palo Alto voters approved increasing the tax rate from 12 percent to 14 percent. The rate increase was effective as of January 1, 2015.

DOCUMENTARY TRANSFER TAX

This tax is applied to the sale of real property within Palo Alto at the time property ownership is transferred. The current rate is \$3.30 per thousand dollars of sale value. A house that sells for \$1.5 million, for example, would result in the City collecting \$4,950. This tax is collected by Santa Clara County and then remitted to the City. The county also levies a transfer tax of \$1.10 per thousand dollars of sales value that is in addition to Palo Alto's tax.

UTILITY USERS TAX

The Utility Users Tax is charged to all users of electricity, gas, water, and telephone services. The current tax rate is for electricity, gas, and water is 5 percent and for telephone is 4.75 percent. This general tax was passed by voters in 1987 and has not changed since that time. In November 2014, Palo Alto voters approved decreasing the telephone utility user tax rate from 5 percent to 4.75 percent. This tax decrease became effective on April 1, 2015 due to Public Utility Commission advance noticing requirements.

OTHER TAXES AND FINES

The largest source of revenue in this category is derived from parking violations revenue. Other revenue items in this category include traffic violations, administrative citations, and library fines and fees.

CHARGES FOR SERVICES

Departmental charges are comprised of fees charged for services which are primarily provided by the following departments: Community Services, Development Services, Planning and Community, Police, and Public Works. Charges for Services from departments are approved annually by the City Council through the adoption of the Municipal Fee Schedule.

The City has two separate agreements with Stanford University to provide Fire Response services and Dispatch services. As part of these agreements to reimburse the City for Stanford's proportional share of these services, Stanford is charged 30.3 percent of the Fire Department's net cost and 16 percent of the Police Department's Communication and Dispatch Division. On October 8, 2013, the City received a Notice of Termination letter from Stanford with the intention to terminate the contract with the City no sooner than one year and no later than two years from the date of the notice. During the termination period as well as in the past few months, the City continued to negotiate with Stanford to settle on a service level and cost. As outlined in CMR #6505 Stanford Fire Agreement 3rd Amendment, the Third Amendment provides for

continuation of fire services for one year at a fixed fee of \$6.5 million, while allowing the time needed to facilitate negotiation of financial terms for a new long term agreement. Stanford and the City are in a mediation process to determine appropriate reimbursement for City fire services. Depending on the outcome of mediation significant adjustments to the assumed reimbursement level of fire services in the General Fund may be necessary.

PERMITS AND LICENSES

The City requires payment for the issuance of Building Permits, Fire Permits, and miscellaneous health and safety-related licenses and permits as approved annually by the City Council through the adoption of the Municipal Fee Schedule.

RETURN ON INVESTMENT

The City invests idle funds in order to earn interest. The total income varies with the market rates of interest and the funds available to invest. The basic principles underlying Palo Alto's investment philosophy is to ensure the safety of public funds; provide that sufficient money is always available to meet current expenditures; and achieve a reasonable rate of return on its investments.

RENTAL INCOME

The General Fund charges rent to internal and external entities. The majority of rental income is derived from the Enterprise Funds and the Cubberley Community Center.

REVENUE FROM OTHER AGENCIES

This revenue category includes revenue received from a variety of other local government agencies, the state, and the federal government usually due to grants or contracts for services.

CHARGES TO OTHER FUNDS

The General Fund recuperates the cost for services provided by internal services departments such as Administrative Services, Council Appointees, and People Strategy and Operations to Enterprise, Internal, and Special Revenue funds through allocated charges.

OTHER REVENUE

Major revenue sources in this category are Animal Services charges to Los Altos and Los Altos Hills, reimbursements from PAUSD for its share of Cubberley and athletic field maintenance, donations from non-profits for City libraries, and miscellaneous revenues.

OPERATING TRANSFERS-IN

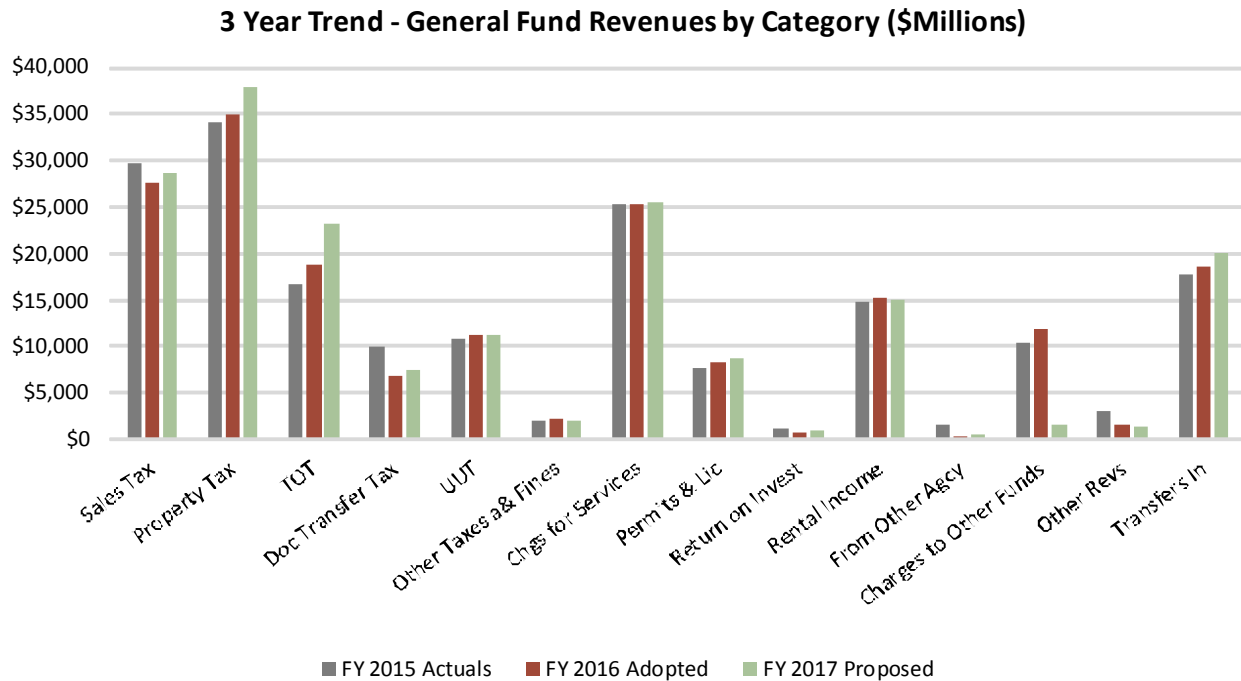
Operating Transfers include the equity transfer from the Electric and Gas Funds as well as transfers from the University Ave Parking Permit Fund. In accordance with a methodology approved by Council in June 2009, the equity transfer is calculated by applying a rate of return to the capital asset base of the Electric and Gas Funds. This rate of return is based on PG&E's rate of return on equity as approved by the California Public Utilities Commission (CPUC). In addition, the Fiscal Year 2017 Proposed Budget recommends a transfer to the Electric Fund for costs associated with City streetlight and traffic signal electric costs.

GENERAL FUND OVERVIEW

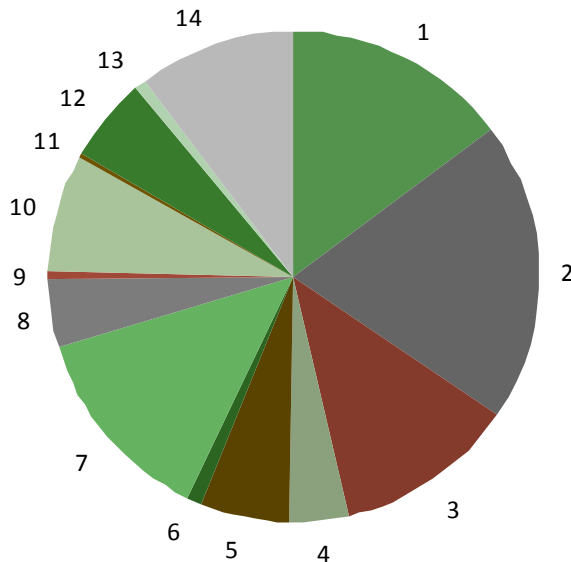
Total General Fund Revenue by Category

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Sales Taxes	29,424	29,675	27,630	28,668	1,038	3.8%
Property Taxes	30,587	34,117	35,067	37,853	2,786	7.9%
Transient Occupancy Tax	12,255	16,699	18,791	23,134	4,343	23.1%
Documentary Transfer Tax	8,143	10,051	6,852	7,532	680	9.9%
Utility Users Tax	11,008	10,861	11,189	11,209	20	0.2%
Other Taxes and Fines	2,136	1,899	2,180	2,022	(158)	(7.2)%
Charges for Services	23,393	25,409	25,399	25,433	34	0.1%
Permits and Licenses	7,546	7,621	8,211	8,756	545	6.6%
Return on Investments	1,226	1,118	824	840	16	1.9%
Rental Income	14,215	14,911	15,296	15,021	(275)	(1.8)%
From Other Agencies	236	1,555	373	441	68	18.2%
Charges to Other Funds	10,947	10,416	11,929	10,766	(1,163)	(9.7)%
Other Revenue	2,025	3,095	1,609	1,406	(203)	(12.6)%
Total Revenues	153,140	167,427	165,351	173,081	7,731	4.7%
Operating Transfers-In	17,912	17,796	18,589	20,046	1,457	7.8%
Total Source of Funds	171,052	185,223	183,940	193,127	9,188	5.0%

General Fund Revenue by Category

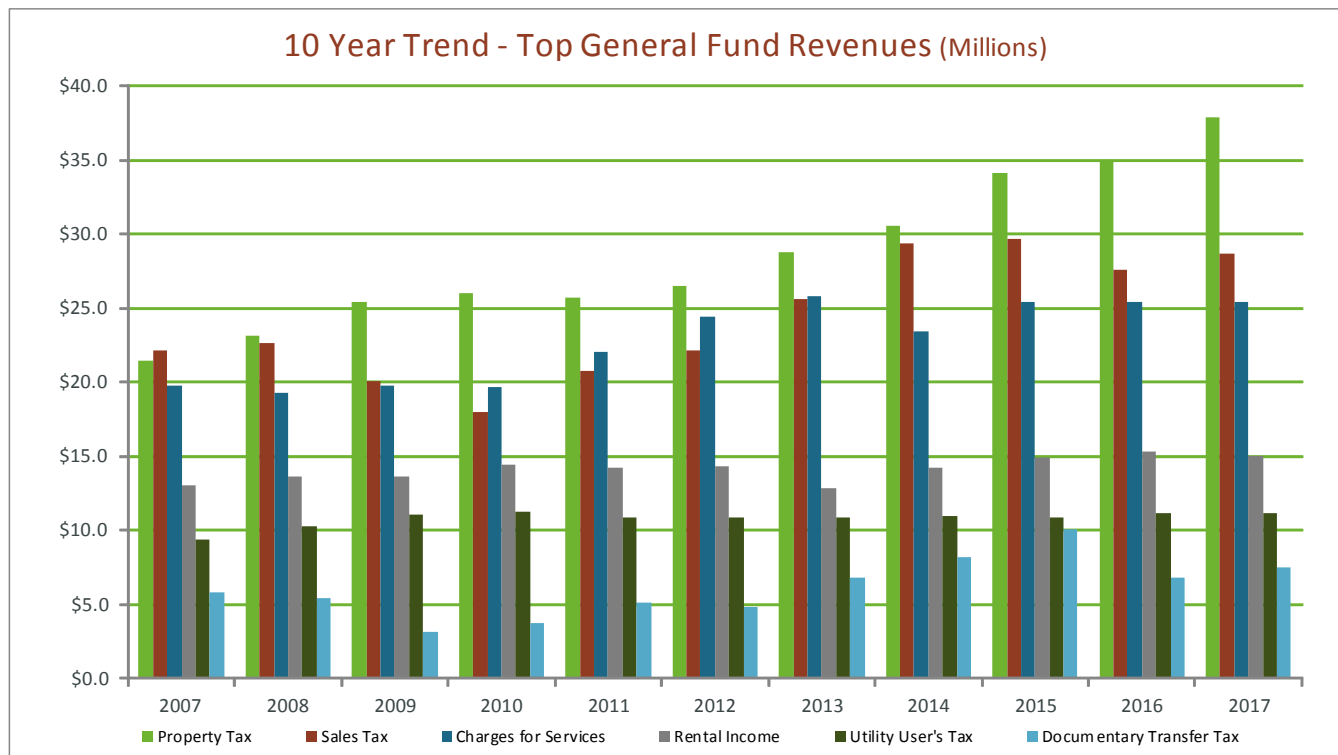


\$193.1 Million/FY 2017 Proposed



- 1. Sales Tax - \$28.7/14.8%
- 2. Property Tax - \$37.8/19.6%
- 3. Transient Occupancy Tax - \$23.1/12.0%
- 4. Documentary Transfer Tax - \$7.5/3.9%
- 5. Utility Users Tax - \$11.2/5.8%
- 6. Other Taxes and Fines - \$2.0/1.0%
- 7. Charges for Services - \$25.4/13.2%
- 8. Permits and Licenses - \$8.7/4.5%
- 9. Return on Investments - \$0.8/0.4%
- 10. Rental Income - \$15.0/7.8%
- 11. From Other Agencies - \$0.4/0.2%
- 12. Charges to Other Funds - \$10.8/5.6%
- 13. Other Revenues - \$1.4/0.7%
- 14. Operating Transfers In - \$20.0/10.4%

GENERAL FUND OVERVIEW



Total General Fund Expenditures by Department

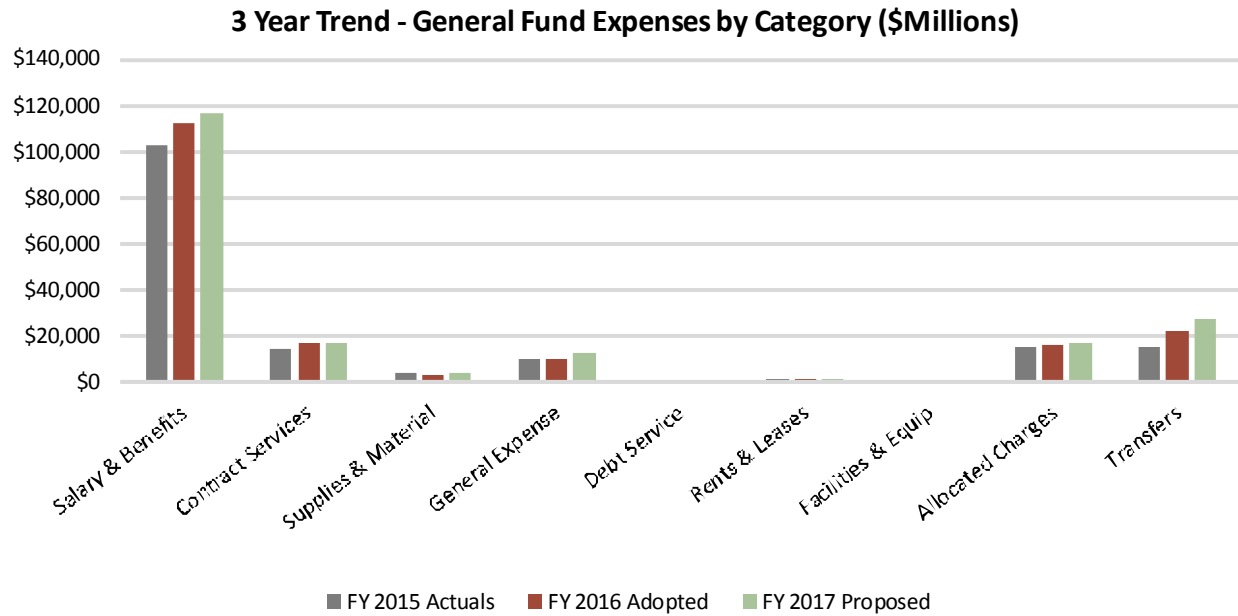
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Administrative Services	7,093	7,133	7,635	7,798	163	2.1%
City Attorney	2,560	2,586	3,101	3,179	77	2.5%
City Auditor	1,016	1,100	1,175	1,221	46	3.9%
City Clerk	1,113	1,079	1,328	1,370	43	3.2%
City Council	494	361	455	501	47	10.1%
City Manager	2,770	2,365	3,008	2,882	(126)	(4.2)%
Community Services	22,542	23,042	24,804	25,390	585	2.4%
Development Services	—	9,893	11,901	12,169	268	2.3%
Fire	28,194	26,191	26,532	29,401	2,869	10.8%
Human Resources	3,129	3,263	3,555	3,357	(197)	(5.6)%
Library	7,340	7,980	8,555	8,992	437	5.1%
Non-Departmental	8,350	7,296	8,662	9,589	960	10.7%
Office of Emergency Services	928	1,169	1,051	971	(56)	(7.6)%
Office of Sustainability	93	496	423	499	76	17.9%
Planning and Community Environment	13,264	7,434	8,900	8,843	(56)	(0.6)%
Police	33,314	34,560	36,859	38,137	1,278	3.5%
Public Works	13,183	13,274	15,017	16,054	1,037	6.9%
Sub-Total Departments	145,382	149,221	162,959	170,353	7,392	4.5%
Transfer to Infrastructure	17,234	19,678	20,877	22,813	1,936	9.3%
Operating Transfers-Out	1,580	2,606	1,834	4,906	3,072	167.5%
Total	164,197	171,505	185,672	198,072	12,400	6.7%

GENERAL FUND OVERVIEW

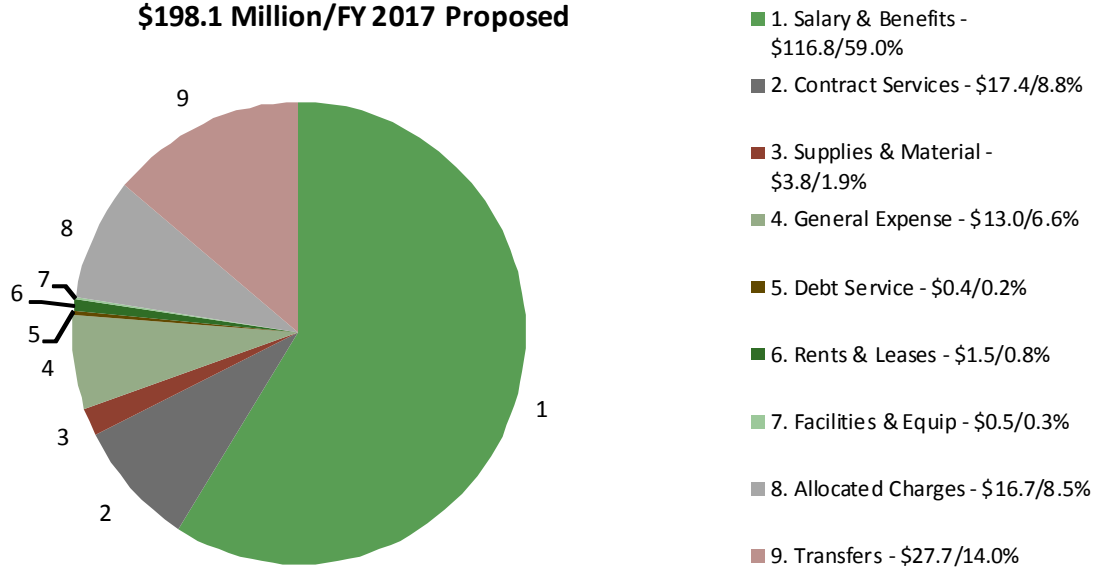
Total General Fund Expense by Category

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Salary & Benefits	98,925	102,531	112,648	116,848	4,200	3.7%
Contract Services	14,340	14,919	17,360	17,444	84	0.5%
Supplies & Material	3,510	3,844	3,665	3,835	170	4.6%
General Expense	11,138	10,314	10,308	13,002	2,694	26.1%
Debt Service	429	428	431	432	1	0.3%
Rents & Leases	1,303	1,319	1,492	1,530	38	2.6%
Facilities & Equipment	452	414	622	511	(111)	(17.9)%
Allocated Charges	15,285	15,452	16,433	16,752	319	1.9%
Total Expenses	145,383	149,221	162,959	170,353	7,393	4.5%
Transfer to Infrastructure	17,234	19,678	20,877	22,813	1,935	9.3%
Operating Transfers-Out	1,580	2,606	1,834	4,906	3,072	167.4%
Total Use of Funds	164, 197	171,505	185,672	198,072	12,400	6.7%

General Fund Expense by Category



\$198.1 Million/FY 2017 Proposed





ENTERPRISE FUNDS



CITY OF
**PALO
ALTO**

Enterprise Funds Overview

The City of Palo Alto's utility and public works operations are comprised of the Electric, Fiber Optics, Gas, Water, Wastewater Collection, Refuse, Wastewater Treatment, Storm Drainage, and Airport Funds. A financial summary of the funds follows this overview followed by discussion and pertinent information in each fund section.

REVENUES

The total combined budgeted revenues of the Enterprise Funds for Fiscal Year 2017 is \$347.2 million, which is \$56 million, or 19 percent, higher than the previous fiscal year. The collective increase is partially attributable to: a increase of \$15.2 million in utility fees for electric sales; a \$9.5 million increase in Operating Transfers-In due to capital projects funding adjustments and new projects. The revenue increase is also driven by net sales in several Enterprise funds due to planned rate increases. Water Fund rates are increasing 6.0 percent but revenues are flat due to water usage declining, while the Wastewater Collection and Refuse funds are both planning 9.0 percent increases which will result in net sales revenue increases of \$0.9 million and \$0.5 million, respectively.

EXPENDITURES

Aggregated budgeted expenditures of the Enterprise Funds are \$382.8 million in Fiscal Year 2017, compared to \$351.2 million in Fiscal Year 2016. This represents an increase of \$31.6 million. The increase is partially attributable to a \$16.7 increase in Capital Improvement Program (CIP) costs, including \$13.9 million increase in Wastewater Treatment Fund capital expenditures and a \$5.3 million in Electric Fund projects. Of the net \$16.7 million increase in CIP costs, this reflects \$27.9 million for the continuation of projects previously approved and appropriated by the City Council in prior fiscal years. Commodity purchase costs also increased by \$5.1 million for Enterprise Funds. Electric supply costs increased by \$10.1 million and the Refuse fund by \$0.5 million, while Gas supply costs decreased by \$3.2 million, and Water supply costs by \$1.3 million.

Other significant increases consist of increases in salaries and benefits of \$2.3 million, for medical contributions and other benefits adjustments; and an increase of \$0.8 million for facilities rental and equipment.

UTILITY RATE CHANGES

This Fiscal Year 2017 Budget includes utility rate adjustments for fiber optics, refuse, storm drain, water, and wastewater charges. The average monthly residential Utilities bill is expected to increase by \$22.42 from \$256.28 to \$278.70. The City's fiber optics rate will adjust according to a contractual 3.2 percent Consumer Price Index increase.

In general, the size and timing of rate adjustments takes into account current and future revenue requirements and reserve levels. They may also cushion the impacts on customer bills by spreading rate adjustments during consecutive or alternate years.

- Electric Fund - 11.0 percent rate increase to replenish reserves that were depleted over the past few years to offset the low hydro output and recover operational costs.

ENTERPRISE FUNDS OVERVIEW

- Gas Fund - 8.0 percent rate increase to recover increased local transportation costs and major capital investments by PG&E to increase the safety and reliability of the backbone pipeline and local transmission system.
- Water Fund - 6.0 percent rate increase to match increasing water supply costs, particularly the cost of water supplied by the San Francisco Public Utilities Commission (SFPUC), which is issuing debt to fund major improvements to the Hetch Hetchy transmission system as well as increased local operation costs.
- Wastewater Collection Fund - 9.0 percent rate increase based on capital project cost increases, and continuing increases in treatment and operations costs.
- Fiber Optics Fund - A contractual 3.2 percent Consumer Price Index (CPI) increase.
- Storm Drainage Fund - A rate increase of 3.2 percent, increasing the monthly charge for the fee per Equivalent Residential Unit to adjust for a Consumer Price Index increase, as approved by voters.
- Refuse Fund - A residential and commercial rate increase of 9.0 percent and 5.0 percent respectively, the second year of increases in a three year plan to balance refuse revenues with costs, and the implementation of a new residential food scrap collection program.

RENT

Enterprise Funds pay market-based rental fees for the sites needed to conduct their business operations. The rent paid for City-owned sites was adjusted due to an independent appraisal of all sites, and as appropriate, an annual CPI increase of 2.6 percent. The rent for Fiscal Year 2017 represents a \$0.3 million increase from Fiscal Year 2016.

EQUITY TRANSFERS

In Fiscal Year 2010, the Council adopted a change to the methodology used to calculate the equity transfer from Utilities Funds to General Fund. Under the Utilities Enterprise Methodology, the equity transfers are based on a rate of return on the asset base in the Electric and Gas Funds. This rate of return is based on Pacific Gas and Electric's (PG&E) rate of return on equity as approved by the California Public Utilities Commission (CPUC). The equity transfer from the Electric and Gas Funds is projected to increase by \$891,000 from \$17.9 million in Fiscal Year 2016 to \$18.8 million in Fiscal Year 2017.

RESERVES

The financial revenue and expense forecasts are estimates at a single point in time; some Utilities Reserves serve as "balancing accounts" which mitigate the risk of commodity price swings and insure against default by our wholesale suppliers. Other Reserves are used to provide cash for replacement parts during an emergency infrastructure failure, or serve as temporary "parking" for planned expenditures. Reserve levels that are above guidelines are returned to customers in the form of lower future rates, or used to pay for expenses, which also result in lower future rates.

Continuing a new practice established in Fiscal Year 2016, the reappropriation of Capital project budgets for the continuation of projects previously approved and appropriated by the City Council in prior fiscal years is shown as expenditures in the the operating budget for each

Enterprise Fund. The inclusion of these costs impacts the fund balance of the respective Enterprise funds. To highlight the difference between the use operating reserves and capital reappropriations, the capital reappropriations and their impact on fund reserves are reflected in the Capital Improvement Program Reserve line of the Enterprise Funds Reserve table.

The total Enterprise Fund Reserve Balances decreased by \$35.6 million from Fiscal Year 2016 to Fiscal Year 2017.

UTILITIES ENTERPRISE FUNDS

Utilities' projected rate adjustments included in their Financial Plans will increase rates for Electric (11.0%), Gas (8.0%), Water (6.0%) and Wastewater Collection (9.0%) in Fiscal Year 2017, in addition to a contractual 3.2% Consumer Price Index increase to the City's Fiber Optics customers. The City has drawn down reserves over the past few years to offset rate increases, but the City must raise rates to cover all costs to operate and maintain safe and reliable utility services. Rate increases are projected beyond Fiscal Year 2017 in anticipation of rising commodity costs, replacing aging infrastructure and replenishing depleted reserves.

Electric

Fiscal Year 2017 rates are increasing by 11.0 percent to recover operational costs and replenish reserves that were depleted over the past few years to offset the low hydro-electric output. Rates are projected to increase by 10.0 percent in Fiscal Year 2018 before stabilizing to 1.0 - 2.0 percent annual increases through Fiscal Year 2021. In Fiscal Year 2017, planned CIP expenditures for the Electric Fund total \$21.6 million. CIP projects include Electric Customer Connections, funding for work required to meet the needs of customers who have applied for new or upgraded electric service, need temporary power for construction, or require other services rebuilding; and \$17.7 million in System Improvement projects, including \$5.0 million for electric pole replacements for the Fiber-to-the-Premise (FTTP) program, in addition to the replacement/upgrade of old cables and equipment and bringing designs up to current standards, installation of protective equipment and switches, conversion of the electric system to higher voltage capacity, and installation of capacitors to improve efficiency.

Gas

Fiscal Year 2017 gas distribution rates are increasing by 8.0 percent. Gas utility sales and revenues declined as customers consumed less gas overall. Expenses are decreasing by \$1.6 million, mostly due to \$3.2 million in lowered commodity costs. In Fiscal Year 2017, Gas Fund planned CIP expenditures total \$6.3 million, an \$828,000 decrease from prior year levels. A significant amount of capital expenditures are appropriated for infrastructure to provide gas service connections to new customers, meet changes in existing customer service demands, and respond to changes in gas service requirements due to new development or redevelopment. These projects include \$4.2 million in Gas Main Replacements projects to replace inadequately-sized and structurally deficient gas mains, \$1.4 million in Gas Customer Connections projects to fund connection work for customers who have applied for new or upgraded gas service, and other gas infrastructure replacements.

ENTERPRISE FUNDS OVERVIEW

Water

Fiscal Year 2017 water utility rates are increasing 6.0 percent due to an increase in wholesale water supply rates. The water utility financial forecasts flat revenues for Fiscal Year 2017 due to decreased water sales during last year's drought conditions, mandatory usage reductions imposed by the state, which offset the rate increases. Wholesale water costs are projected to rise to 7.5 percent per year, on average, through Fiscal Year 2020, and then will stabilize to 2.0 - 3.0 percent increases through Fiscal Year 2024. Water financial forecasts are seven years long due to the length of the SFPUC Water System Improvement Program (WSIP) which is expected to be completed within this forecast period. In Fiscal Year 2017, \$9.6 million is budgeted in the Water Fund for CIP expenditures. The Water Fund CIP primarily involves the water main replacements and other projects focused on reliability. Included proposals are \$6.3 million to fund water main replacement projects, and \$2.6 million to fund water system improvements, such as water meters water service hydrant replacement.

Wastewater Collection

Wastewater Collection Fiscal Year 2017 are increasing by 9.0 percent, due to capital projects costs for main replacement projects. The utility has accumulated reserves due to a temporary reduction in CIP spending in Fiscal Year 2014 (related to staff vacancies), and is drawing these reserves down over the course of a five-year forecast period to smooth the transition to higher rates. Rates are projected to increase 6.0-10.0 percent annually through 2021, with a projected tapering in the out years. The Wastewater Collection Fund has budgeted \$4.8 million for Fiscal Year 2017 CIP expenditures. Included are infrastructure projects to rehabilitate collection systems and manholes, and to reduce groundwater and rainfall seepage into the pipelines.

Fiber Optics

Utilities provides commercial dark fiber optic services within the boundaries of the City of Palo Alto. In September 2006, Council approved the Dark Fiber Licensing Agreement allowing the commercial fiber optic fees charged under the EDF-1 and EDF-2 rate schedules to be adjusted annually in accordance with the Consumer Price Index (CPI). EDF-1 was a promotional rate and was closed to new Dark Fiber licenses in 2006. Customer expenses for engineering, construction and connection to the fiber optic backbone are charged under EDF-2 rates. New fiber customers are enrolled under Dark Fiber Licensing Services Rate Schedule EDF-3. As CPI increases are implemented for the EDF-1 rate, some customers may voluntarily choose to move from the EDF-1 rate to the EDF-3 rate for cost saving purposes. The Fiber Optics rate will have a contractual 3.2 percent CPI increase to the City's Fiber Optics customers. \$1.7 million of Capital Projects are proposed in the Fiber Optics Fund for Fiscal Year 2017, including \$1.25 million to rebuild portions of the dark fiber optics network.

PUBLIC WORKS ENTERPRISE FUNDS

Refuse

The City's Refuse Fund continues to work with Palo Alto's residential and commercial communities to achieve the City's Zero Waste goals to reduce the amount of waste disposed in landfills by 90 percent or more by 2021, exceeding the State of California's solid waste diversion requirements of 50 percent now and 75 percent by 2020. The City's Zero Waste programs have

increased the City's current waste diversion rate to 80 percent. In addition, the City will complete the capping of the landfill during 2016 and will adjust some staffing requirements in Fiscal Year 2017 to provide adequate resources to ensure all post-closure safety and regulatory requirements are met. This includes increasing an hourly position to full-time (0.52 FTE change) to monitor methane gas related to the 109 gas wells at the landfill, service the 23 leachate pumps, 17 condensate submersible pumps and the newly prepared pump cleaning station at the landfill's post-closure maintenance facility. As a result of the landfill closure, the Refuse Fund CIP is winding down as well. A programmed expense of (\$0.2 million) for the Household Hazardous Waste Station Collection Facility is proposed for Fiscal Year 2017 and is the only remaining capital expenditures in the fund.

Storm Drain

The Storm Drainage Fee increase approved by property owners in April 2005 continues to provide funding for high priority storm drain capital improvements. In Fiscal Year 2017, projects include an update to the Matadero Creek Storm Water Pump Station Improvements (\$5.8 million), Channing Avenue/Lincoln Avenue Storm Drain Improvements (\$0.1 million), and other Storm Drain System Replacement and Rehabilitation projects (\$1.8 million). In the absence of another ballot measure approved by property owners, the storm drainage fee increase will expire after Fiscal Year 2017. Future funding for storm drainage capital improvements will require the reauthorization of the storm drainage fee by property owners. Staff is currently working with a city manager-appointed blue ribbon committee to generate a recommendation for storm drain funding beyond Fiscal Year 2017, including a potential ballot measure in fall 2016. If the funding measure is not successful, the Storm Drainage Fund will not have the funding to address its ongoing infrastructure needs. It is anticipated that without reauthorization of the enhanced fee, fund revenues will decrease from \$6.6 million in proposed Fiscal Year 2017 Operating Budget to \$2.2 million. It is expected that all seven projects identified in the original ballot measure will be completed in Fiscal Year 2017. In accordance with the 2005 approved ballot measure, the storm drain fee will increase by 3.2% or the current Consumer Price Index for Fiscal Year 2017.

Wastewater Treatment

Fiscal Year 2017 revenues in the Wastewater Treatment Fund are expected to increase by \$24.9 million or 106 percent from Fiscal Year 2016 adopted levels. The majority of the increase, \$21.3 million, is the result of expected State Revolving Fund Loans for programmed 2017-2021 capital improvement expenditures for the New Dewatering and Loadout Facility (\$14.6 million), reimbursement for the Plant Master Plan (\$3.2 million) and the Fixed Film Reactor Rehabilitation Project (\$1.9 million). As the Wastewater Treatment Plant upgrade—as outlined in the Long Range Facilities Plan—begins to ramp-up, additional State Revolving Fund Loans will be pursued. In addition, partner revenue increases are also included in the revenue forecast for the Wastewater Fund in Fiscal Year 2017. The increase in partner revenue includes adjustments for ongoing activities as well as the budget proposals outlined in the Wastewater Treatment Fund section of the Public Works Department. Major adjustments included the replacement of a Flat-bed Crane Truck (\$320,000) as well as the addition of two full-time Senior Engineer positions (\$446,000) to support the City's nascent Recycled Water Program as well as providing increased project management support for the delivery of capital improvements.

ENTERPRISE FUNDS OVERVIEW

Airport

The City of Palo Alto assumed responsibility from Santa Clara County for operations of the airport in August of 2014. Preparations for the transition began in Fiscal Year 2012, and have been funded by loans from the General Fund. In Fiscal Year 2017 the loan from the General Fund to the Airport Fund will total \$704,150, up \$400,000 from Fiscal Year 2016. Since 2011, including the 2017 amount, the General Fund has loaned a cumulative total of \$2.7 million to the Airport Fund. Under the terms of the ground lease with the County, which is due to expire in 2017, operational management and control of the Airport was granted to the County, including the right to sublease to the Fixed Base Operators (FBOs) and other interested parties. While the City assumed operations of the Palo Alto Airport in Fiscal Year 2015, two years before the lease with the County would otherwise expire, the Airport does not have the ability to increase revenues from current levels to cover operating and non-grant funded capital expenses. Once the subleases with the Fixed Base Operators expire and revenues can be increased, it is anticipated that the Airport Fund will begin to pay back the General Fund for loans issued in prior years, and the reserve levels in the fund can be increased. The 2017-2021 CIP includes \$2.6 million in capital expenditures, offset by \$2.2 million in Federal Aviation Grants. Major projects include construction on the Airport Perimeter Fence (\$1.8 million) and the Airport Apron Reconstruction (\$0.8 million).

Enterprise Funds Summary

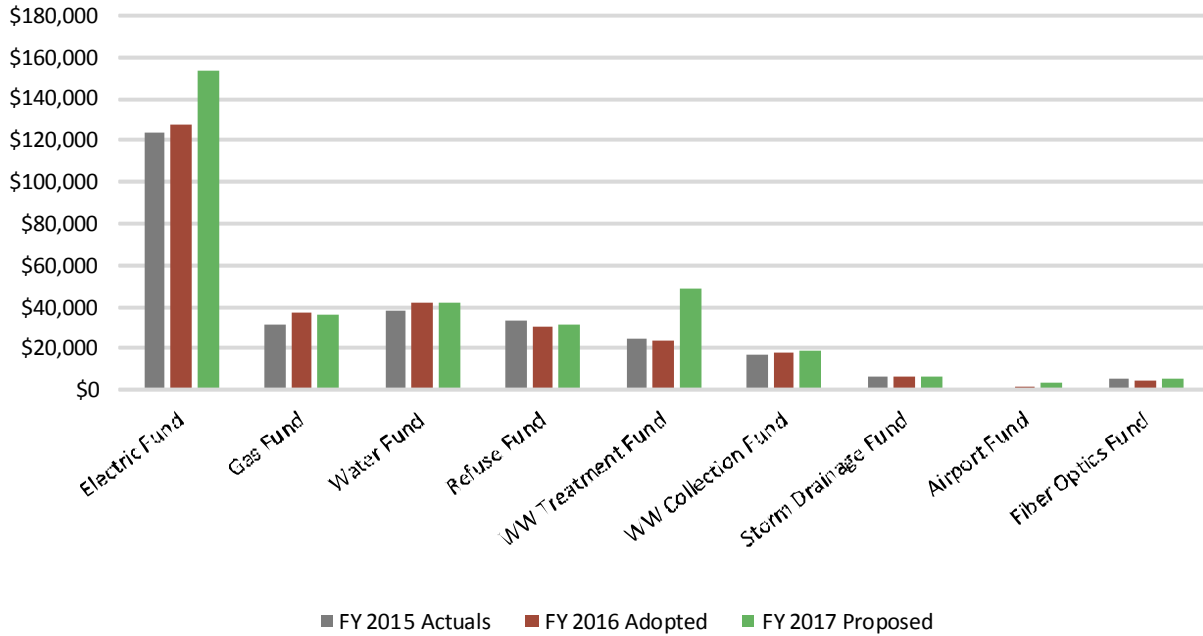
Fund Summary (\$000)	Electric Fund	Gas Fund	Water Fund	Refuse Fund	Waste-water Treatment Fund	Waste-water Collection Fund	Storm Drainage Fund	Airport Fund	Fiber Optics Fund	Total
Revenues										
Charges for Services	230	20	10	38	0	10	90	0	0	398
Net Sales	131,990	34,606	39,346	28,107	26,848	17,947	6,606	533	4,887	290,869
Other Revenue	15,518	1,030	878	2,576	0	1,046	0	295	0	21,343
Return on Investments	2,508	526	775	179	199	267	129	2	366	4,951
Charges to Other Funds	289	208	155	276	52	30	0	0	0	1,010
From Other Agencies	0	0	577	0	21,341	0	0	2,178	0	24,096
Operating Transfers-In	2,679	0	244	13	0	0	0	704	0	3,640
Other Taxes and Fines	0	0	0	0	4	0	3	0	0	7
Total	153,214	36,390	41,985	31,189	48,444	19,300	6,827	3,712	5,253	346,314
Expenses										
Allocated Charges	9,137	4,318	4,161	1,774	5,221	2,814	1,176	299	578	29,478

Enterprise Funds Summary

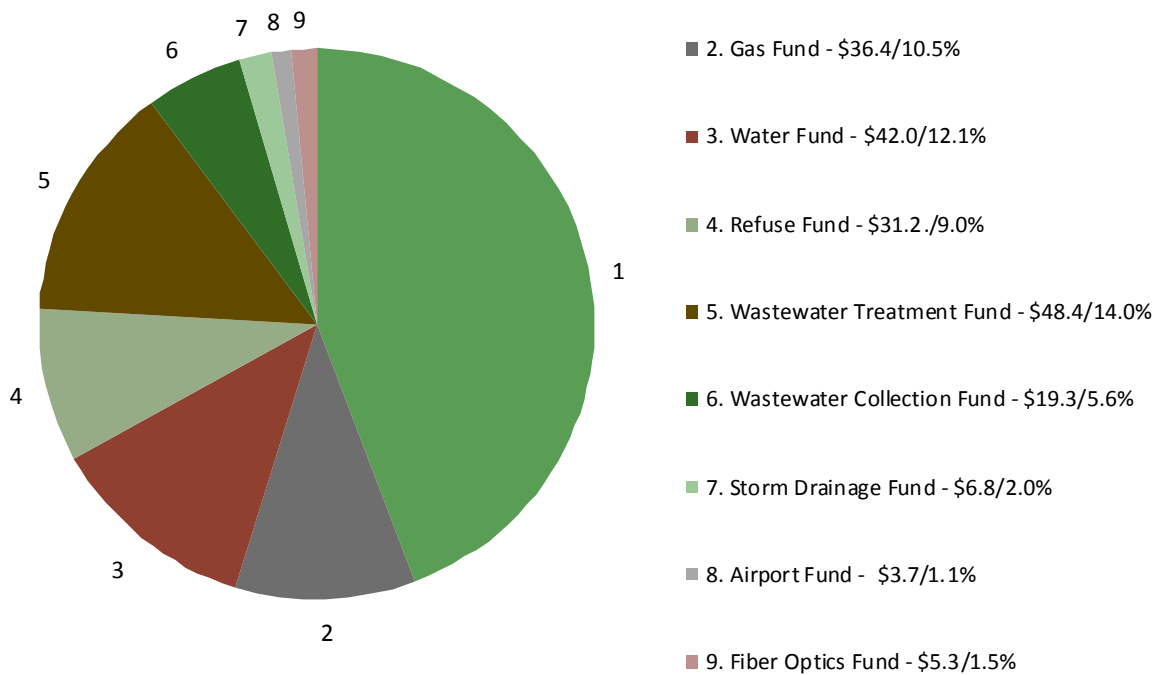
Fund Summary (\$000)	Electric Fund	Gas Fund	Water Fund	Refuse Fund	Waste-water Treatment Fund	Waste-water Collection Fund	Storm Drainage Fund	Airport Fund	Fiber Optics Fund	Total
Contract Services	7,018	1,446	828	6,432	1,878	248	531	8	458	18,847
Debt Service	8,957	803	3,223	565	1,469	129	949	0	0	16,095
Supplies & Material	873	498	610	144	1,993	386	95	57	9	4,665
General Expense	3,931	780	568	113	479	122	179	30	14	6,216
Utility Purchase	86,441	12,337	18,900	16,253	0	9,855	0	0	0	143,786
Salary & Benefits	14,732	5,860	6,460	2,587	11,853	2,613	1,348	625	1,055	47,133
Operating Transfers-Out	255	484	324	57	320	286	12	0	104	1,842
Rents & Leases	5,440	710	2,877	2,547	0	390	46	12	75	12,097
Facilities & Equipment	44	20	2	3	8	3	8	15	0	103
Capital Improvement Program	21,631	6,306	9,597	241	29,171	4,827	7,705	2,570	1,700	83,748
Equity Transfer	12,035	6,726	0	0	0	0	0	0	0	18,761
Transfer to Infrastructure	0	0	0	19	0	0	0	0	0	19
Total	170,494	40,288	47,550	30,735	52,392	21,673	12,049	3,616	3,993	382,789

ENTERPRISE FUNDS OVERVIEW

3 Year Trend - Enterprise Funds Revenues by Fund (\$Millions)

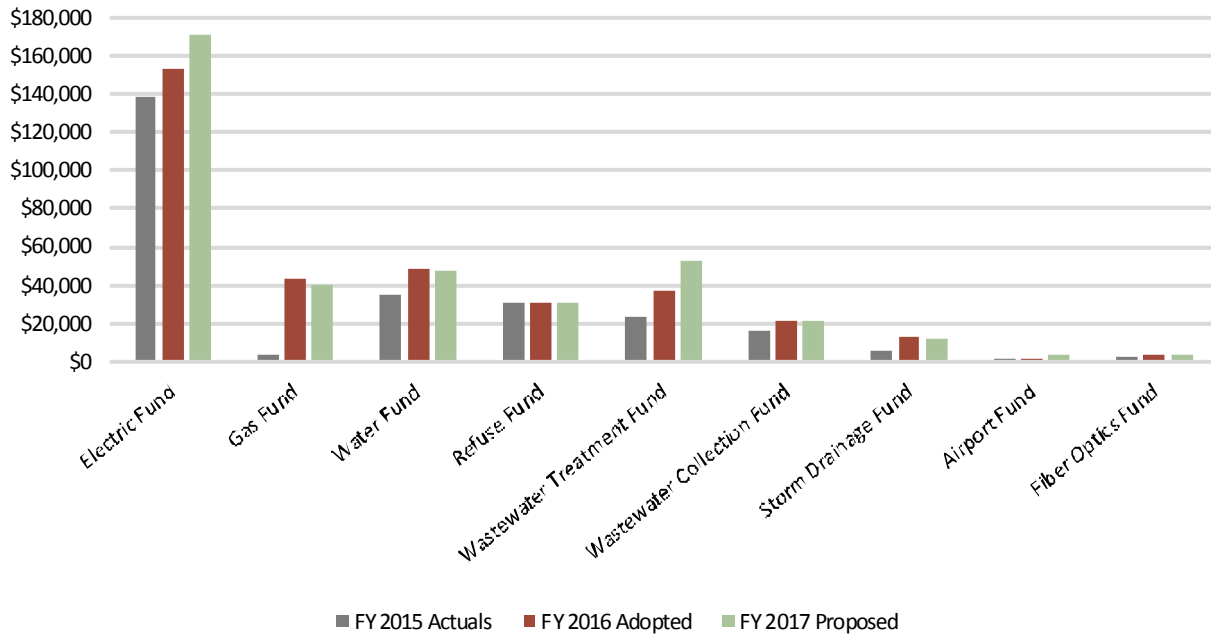


\$346.3 Million/FY 2017 Proposed

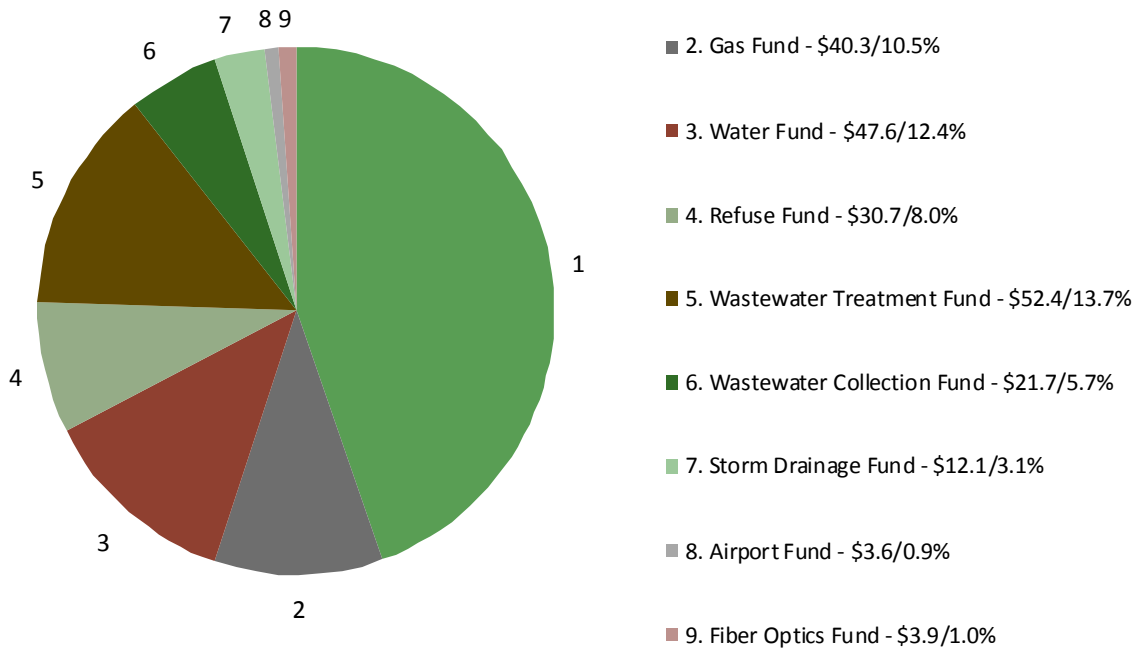


ENTERPRISE FUNDS OVERVIEW

3 Year Trend - Enterprise Funds Expense by Fund (\$Millions)



\$382.8 Million/FY 2017 Proposed



ENTERPRISE FUNDS OVERVIEW

Enterprise Fund Reserves

Reserves (\$000)	FY 2016 Projected Ending Balance	FY 2017 Changes	FY 2017 Projected Ending Balance	FY 2017 Reserve Guideline Range
Electric Fund				
Supply Rate Stabilization	14,441	0	14,441	
Supply Operations	39,900	(15,393)	24,507	25,185 - 44,801
Hydro Stabilization	11,400	0	11,400	
Electric Special Projects	51,838	0	51,838	
Public Benefit	2,574	0	2,574	
Central Valley O&M	0	0	0	
Underground Loan	730	0	730	
Capital Improvement Projects	4,043	(1,891)	2,152	
GASB 68 Pension Reserve	(27,912)	0	(27,912)	
Subtotal	97,014	(17,284)	79,730	

Gas Fund				
Rate Stabilization	6,805	(879)	5,926	
Operations	16,632	(2,478)	14,154	5,982 - 11,964
Debt Service Reserve	0	0	0	
Capital Improvement Projects	751	(541)	210	
GASB 68 Pension Reserve	(12,643)	0	(12,643)	
Subtotal	11,545	(3,898)	7,647	

Wastewater Collection Fund				
Rate Stabilization	4,292	(387)	3,905	
Operations	9,660	(1,986)	7,674	4,027 - 8,055
Capital Improvement Projects	0	0	0	
GASB 68 Pension Reserve	(7,078)	0	(7,078)	
Subtotal	6,874	(2,373)	4,501	

Water Fund				
Rate Stabilization	6,579	(1,067)	5,512	
Operations	28,826	(416)	28,410	6,902 - 13,803
Capital Improvement Projects	4,417	(4,082)	335	

Enterprise Fund Reserves

Reserves (\$000)	FY 2016 Projected Ending Balance	FY 2017 Changes	FY 2017 Projected Ending Balance	FY 2017 Reserve Guideline Range
GASB 68 Pension Reserve	(11,887)	0	(11,887)	
Subtotal	27,935	(5,565)	22,370	

Refuse Fund

Rate Stabilization	4,323	590	4,913	2,811 - 5,621
Landfill Corrective Action Reserve	721	0	721	
Capital Improvement Projects	403	(135)	268	
GASB 68 Pension Reserve	(4,993)	0	(4,993)	
Subtotal	454	455	909	

Storm Drainage Fund

Rate Stabilization	8,633	(4,173)	4,460	
Capital Improvement Projects	5,729	(1,050)	4,679	
GASB 68 Pension Reserve	(2,992)	0	(2,992)	
Subtotal	11,370	(5,223)	6,147	

Wastewater Treatment Fund

Emergency Plant Replacement	1,980	0	1,980	1,936 (max.)
Rate Stabilization	12,887	12,045	24,932	3,481 - 6,962
Capital Improvement Projects	15,993	(15,993)	0	
GASB 68 Pension Reserve	(17,529)	0	(17,529)	
Subtotal	13,331	(3,948)	9,383	

Fiber Optics Fund

Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Rate Stabilization	21,678	1,260	22,938	896 - 1,793
Capital Improvements Projects	0	0	0	
GASB 68 Pension Reserve	(1,687)	0	(1,687)	
Subtotal	20,991	1,260	22,251	

ENTERPRISE FUNDS OVERVIEW

Enterprise Fund Reserves

Reserves (\$000)	FY 2016 Projected Ending Balance	FY 2017 Changes	FY 2017 Projected Ending Balance	FY 2017 Reserve Guideline Range
Airport Fund				
Fund Reserves	(1,299)	103	(1,196)	
Capital Improvement Projects	6	(6)	0	
GASB 68 Pension Reserve	(397)	0	(397)	
Subtotal	(1,690)	97	(1,593)	

TOTAL RESERVES	187,824	(36,479)	151,345	

Summary of Reserves				
Emergency Plant Replacement	2,980	0	2,980	
Rate Stabilization	91,038	7,389	98,427	
Operations	95,018	(20,273)	74,745	
Capital	31,342	(23,698)	7,644	
Electric Special Projects	51,838	0	51,838	
Public Benefit	2,574	0	2,574	
Central Valley O&M	0	0	0	
Underground Loan	730	0	730	
Landfill Corrective Action Reserve	721	0	721	
Fund Reserves	(1,299)	103	(1,196)	
GASB 68 Pension Reserve	(87,118)	0	(87,118)	
TOTAL RESERVES	187,824	(36,479)	151,345	

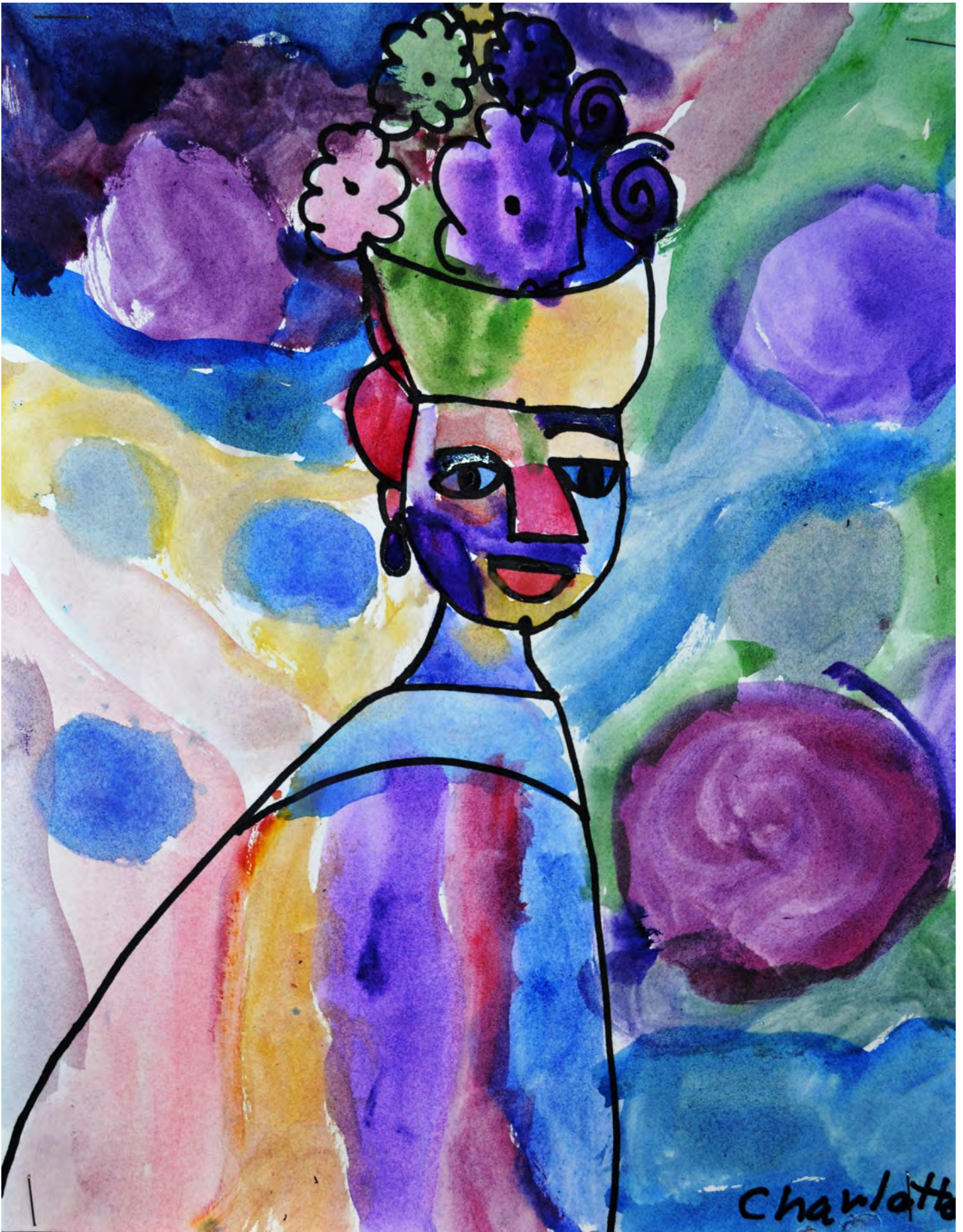
Landfill Closure and Postclosure Care Liability	10,997	0	10,997	
TOTAL RESERVES AND FULLY-FUNDED LIABILITY	198,821	(36,479)	162,342	

Residential Monthly Utility Cost Information

Utility	Adopted FY 2016 Bill	Proposed FY 2017 Bill	\$ Difference	% Difference
Electric	42.76	49.75	6.99	16.3%
Water (1)	82.51	87.24	4.73	5.7%
Gas (2)	34.68	37.43	2.75	7.9%
Wastewater	31.95	34.83	2.88	9.0%
Refuse	43.75	47.69	3.94	9.0%
Storm Drain (3)	12.63	13.03	0.40	3.1%
User Tax	8.00	8.72	0.72	9.0%
Total Monthly Bill	252.22	278.69	22.41	8.9%

COMMENTS:

- 1) Water FY 2016 Adjusted Rate effective September 15, 2015
- 2) Gas FY 2016 Adjusted Rate based on monthly market rates
- 3) Storm Drain FY 2017 Proposed increase based on CPI index



INTERNAL SERVICE FUNDS



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Internal Service Funds Overview

Internal Service Funds provide services to City departments and recover their costs through user charges. Charges for employee benefits (health, pension, life insurance, etc.) and workers' compensation are reflected in the departments' salary and benefit accounts. The remaining user charges are included in the "allocated charges" expenditure category within each department or fund.

As one-time budget balancing strategy for Fiscal Year 2017, the allocated charges to other City departments and funds, which is the revenue source for these funds, will be reduced or eliminated in the General Benefits, General Liabilities, and Workers' Compensation funds. As a result, citywide savings of \$5.0 million are anticipated in all funds, of which \$3.1 million is realized in the General Fund. Each of these funds have been determined to have sufficient fund balance to draw down and overall balances are anticipated to remain above \$0.3 million despite this action. This change to the allocated charges for these funds is reflected in each of the department sections "Budget Summary" and "Budget Reconciliation," most notably in the "Dollars by Category" section. It is anticipated that as part of the Fiscal Year 2018 base budget process, these allocations will be reinstated to the levels necessary to fund the ongoing expenditure activities.

GENERAL BENEFITS FUND

This fund reflects costs for a variety of employee benefits, including pension, health, dental, vision, and life insurance. Funds are also included for payments made to employees who elect to waive healthcare coverage under a City plan because they have other coverage. As discussed in the overview section, costs for employee health benefits as well as pension benefits are projected to increase in Fiscal Year 2017; however, as a budget balancing strategy in Fiscal Year 2017, benefit costs will not be allocated to departments and the unrestricted fund balance in this fund will be used instead. It is anticipated that these costs will again be allocated to departments as part of the Fiscal Year 2018 budget and beyond.

GENERAL LIABILITIES INSURANCE PROGRAM FUND

This fund reflects costs for the City's Liability program. In Fiscal Year 2017, costs are projected to decrease as compared to the Fiscal Year 2016 adopted budget based on an actuarial analysis of the trend of the City's liability costs over the past few years. As a budget balancing strategy in Fiscal Year 2017, general liability costs will not be allocated to departments and the unrestricted fund balance in this fund will be used instead. It is anticipated that these costs will again be allocated to departments as part of the Fiscal Year 2018 budget and beyond.

PRINTING AND MAILING SERVICES FUND

This fund reflects costs for central copying, printing, and mailing services provided to City departments. An overview of the Fund is included in the Administrative Services Department section of this document.

INTERNAL SERVICE FUNDS OVERVIEW

RETIREE HEALTH BENEFITS FUND

This fund reflects costs for medical insurance provided to retired City employees. In addition, this fund includes payments for the unfunded liability for future medical benefits that will be provided to current and future retirees.

TECHNOLOGY FUND

This fund reflects costs associated with citywide Information Technology (IT) activities. IT staff maintain critical desktop, software, and infrastructure replacements and maintenance activities for all City departments, including the Utilities Department. The overview for the Information Technology Department contains information about projects and activities for Fiscal Year 2017.

VEHICLE REPLACEMENT AND MAINTENANCE FUND

This fund reflects costs for providing maintenance and replacement of vehicles and equipment used by City departments. In Fiscal Year 2017, \$8.9 million is allocated for vehicles and equipment that are due for replacement. Of the \$8.9 million, \$4.9 million is for the continuation of projects approved by City Council in prior fiscal years. In addition, although this Capital Improvement Program (CIP) shows programmed expenditures of \$3.3 million for Fiscal Year 2017 (VR-17000), \$2.9 million is being set aside in a reserve until a backlog of vehicle replacements from Fiscal Years 2015 and 2016 have been completed. The 2017-2021 CIP reflects funding totaling \$22.0 million over the next five years for vehicle replacements. The current reserve balance in the Vehicle Replacement Fund reflects funding allocated from City departments and committed to the proposed five year plan.

WORKERS' COMPENSATION FUND

This fund reflects costs for the City's Workers' Compensation program, which includes both administrative costs as well as payments made to eligible employees. Fiscal Year 2017 costs are projected to remain the same compared to the Fiscal Year 2016 adopted budget. As a budget balancing strategy in Fiscal Year 2017, only half of the workers' compensation costs will be allocated to departments and the unrestricted fund balance in this fund will be used instead. It is anticipated that the full workers' compensation costs will again be allocated to departments as part of the Fiscal Year 2018 budget and beyond.

Internal Service Funds Summary

Fund Summary (\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Services	General Benefits Fund	Workers' Compensation Program Fund	General Liabilities Insurance Program Fund	Retiree Health Benefit Fund	Total
Revenues								
Return on Investments	178	343	0	4	366	126	58	1,076
Charges to Other Funds	8,885	13,788	1,297	0	0	0	0	23,971
Other Revenue	155	131	0	54,544	1,871	40	13,808	70,549

INTERNAL SERVICE FUNDS OVERVIEW

Internal Service Funds Summary

Fund Summary (\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Services	General Benefits Fund	Workers' Compensation Program Fund	General Liabilities Insurance Program Fund	Retiree Health Benefit Fund	Total
Operating Transfers-In	478	2,078	0	0	0	0	2,292	4,848
Total	9,697	16,340	1,297	54,548	2,237	166	16,158	100,433
Expenses								
General Expense	67	575	286	0	696	2,034	0	3,658
Rents & Leases	183	352	365	0	0	0	0	900
Supplies & Material	1,354	115	80	0	0	0	0	1,549
Allocated Charges	1,385	1,114	195	0	0	0	0	2,694
Contract Services	541	5,492	115	215	7	88	0	6,458
Salary & Benefits	2,119	7,056	256	53,366	3,219	0	16,160	82,176
Capital Improvement Program	5,860	3,375	0	0	0	0	0	9,235
Operating Transfers-Out	0	16	0	2,292	0	0	0	2,308
Facilities & Equipment	0	842	0	0	0	0	0	842
Transfer to Infrastructure	643	0	0	0	0	0	0	643
Total	12,152	18,937	1,297	55,873	3,922	2,122	16,160	110,464

Internal Service Funds Reserves

	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits Fund	Workers' Compensation Fund	Liability Insurance Fund	Retiree Health Benefit Fund	Total Internal Service Funds
Changes to Unrestricted assets								
June 30, 2016 Projected Unrestricted Assets	\$ 18,708	\$ 7,828	\$ —	\$ 2,186	\$ 1,985	\$ 2,258	\$ 3,264	\$ 36,229
FY 2017 Proposed Changes	\$ (2,456)	\$ (2,597)	\$ —	\$ (1,235)	\$ (1,785)	\$ (1,956)	\$ (2)	\$ (10,152)
June 30, 2017 Projected Unrestricted Assets	\$ 16,252	\$ 5,231	\$ —	\$ 861	\$ 200	\$ 302	\$ 3,262	\$ 26,077



SPECIAL REVENUE FUNDS



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Special Revenue Funds Overview

Special Revenue Funds comprise revenues that have either restrictions on their use or special reporting requirements, such as development impact fees for community centers, libraries, parks, public facilities, and transportation; gas tax revenues from the state; housing mitigation fees assessed on commercial and industrial projects; in-lieu fees for the City's Below Market Rate (BMR) housing program; transportation mitigation fees paid by developers; parking in-lieu fees from commercial projects in the downtown area; parking permit revenues; and Community Development Block Grants (CDBG) from the federal government.

PUBLIC ART FUND

Administered by the Community Services Department, the Public Art Fund was created in Fiscal Year 2014 to support the City's Public Art Program which seeks to increase the public's daily exposure to art through the commissioning and acquisition of a diverse range of artworks integrated into the City's urban environment. The Public Art Program strives to build the City's reputation as a dynamic public art locale with works of diverse styles and disciplines, and of the highest aesthetic standards. Funding for the Public Art Program is derived from the 1 percent for art in private development that requires construction projects in excess of 10,000 square feet that require Architectural Review and have an estimated construction value of more than \$200,000, have the option of commissioning artwork on the development site equal to the cost of 1 percent of the estimated construction valuation, or paying the 1 percent to the Public Art Fund. In Fiscal Year 2017, the projected revenue for the Public Art Fund is \$0.2 million. Additionally, although not accounted for in this fund, the City requires that for certain City funded projects a 1 percent public art expense is set aside (please refer to the Fiscal Year 2017 - 2021 Capital Improvement Plan for further detail).

COMMUNITY DEVELOPMENT FUNDS

Revenue in this category comes from development impact fees for community centers, libraries, parks, public facilities, and transportation. The development impact fees collected from new developments provides funding for the City's infrastructure related to community centers, libraries, parks, public safety facility, general government facilities, and the Charleston-Aras-tradero Corridor. The projected revenue within the development impact fee funds is \$1.9 million for Fiscal Year 2017. The Fiscal Year 2017 - 2021 Capital Improvement Plan includes a transfer of \$2.8 million in Fiscal Year 2018 from Park Impact Fees for the Byxbee Park Completion Project. These funds have been reserved for this activity.

STREET IMPROVEMENT FUNDS (SIF)

Revenue in this category comes from the state gas tax and from federal and state grants earmarked for street improvements. This fund provides funding for transportation and traffic-related capital projects. Based on projected gas tax revenues and interest income, revenues are estimated to be \$1.4 million for Fiscal Year 2017. This level of receipts is consistent with the Fiscal Year 2017 level of \$1.4 million. In Fiscal Year 2017, \$1.4 million is programmed to be transferred to the Capital Improvement Fund for various citywide transportation projects that include various projects for Street Maintenance and Safe Routes to School. This level is main-

SPECIAL REVENUE FUNDS OVERVIEW

tained through the Fiscal Year 2017 – 2021 Capital Improvement Plan in order to achieve the City's goal of reaching a citywide average Pavement Condition Index (PCI) score of 85 by 2019.

FEDERAL AND STATE REVENUE FUNDS

The Federal and State Revenue Fund consists primarily of Community Development Block Grant (CDBG) funds. CDBG funds are grants from the U.S. Housing and Urban Development Department (HUD). They are used for a wide variety of community projects such as affordable housing, public services, and project expenditures. CDBG project expenditures draw upon program income and prior year allocations that have been unspent. For Fiscal Year 2017, Agency requests totaled \$845,000 and the 2017 proposed budget totals \$754,000 as presented and approved by the Finance Committee on April 5, 2016 and is scheduled for Council approval in May 2016. A more detailed presentation of CDBG funding for Fiscal Year 2017 is provided in this section.

HOUSING IN-LIEU FUNDS

In-lieu housing revenues come from fees required of commercial, industrial, and residential developers. These fees are used to provide housing for the City's Subsidized Housing Program. For Fiscal Year 2017, \$3.6 million in in-lieu fees are anticipated, a \$1.7 million decrease from the \$5.3 million assumed in the Fiscal Year 2016. Decreases of \$887,500 in Residential Housing In-Lieu revenue and of \$719,000 in the Commercial Housing In-Lieu revenue are anticipated based on historical tracking and PCE staff projections. In Fiscal Year 2015, the City reserved \$8.0 million in affordable housing funds, \$6.8 million from residential and \$1.2 million from commercial, for specific use in conjunction with the Buena Vista Mobile Home Park.

SPECIAL DISTRICTS FUNDS

Revenue in this category comes from parking permits and is used for maintenance, repair, and beautification of parking facilities and public areas within the University and California Avenue business districts. Special district funds also include the City's Residential Parking Permit (RPP) program .

In Fiscal Year 2017, minor changes to align staffing with the volume of work necessary for administering the University Avenue Parking District are recommended. A portion of a Transportation Program Assistant II in PCE is recommended to be budgeted in this Fund in order to provide enhanced reporting capacity for the parking district. Additionally, a contractual increase for the street sweeping is included (\$39,709) as approved in the Fiscal Year 2016 Mid-Year Budget Review Transfers to the Capital Improvement Fund for University Avenue Parking Improvements (\$82,676) and Parking Wayfinding (\$600,000) projects are included. A more detailed presentation of University Ave Parking Permit funding for Fiscal Year 2017 is provided in this section.

The California Ave Parking Permit Fund is also recommended to have a portion of the Transportation Program Assistant II position in PCE budgeted in the fund, in order to provide reporting capacity. The street-sweeping contractual increase for the California Avenue Parking district in Fiscal Year 2017 is \$64,638 as approved in the Fiscal Year 2016 Mid-Year Budget Review. A more detailed presentation of California Ave Parking Permit funding for Fiscal Year 2017 is provided in this section.

Although both the University Avenue Parking Permit Fund and the California Avenue Parking Permit Fund are anticipated to maintain positive fund balances through this Fiscal Year 2017 Proposed Budget, programmed Capital Improvement costs in Fiscal Year 2018 would cause the California Avenue Parking Permit Fund to have a negative fund balance. Staff will continue to monitor the performance of the funds and will bring recommendations for potential actions to maintain a positive fund balance, including increasing the rates that are charged by the parking garages, as appropriate during Fiscal Year 2017.

In Fiscal Year 2015, the City Council approved the creation of the Downtown Residential Parking Permit (RPP) program to mitigate parking congestion issues in downtown neighborhoods. This program has now entered its second phase, and the City is contemplating the addition of additional neighborhoods. The progress of RPP will be monitored and additional areas will be brought to City Council for approval during Fiscal Year 2017.

TRAFFIC MITIGATION AND PARKING IN-LIEU FUNDS

Traffic mitigation fee revenue is derived from fees paid by developers of new, non-residential projects to alleviate additional traffic congestion resulting from new development. Parking in-lieu fees result from commercial projects in assessment district areas which contribute a fee for future parking spaces in lieu of providing the required spaces within the project area itself. In Fiscal Year 2017, anticipated revenue from traffic mitigation and parking in-lieu funds is \$1.7 million. The Fiscal Year 2016 - 2020 Capital Improvement Plan included a transfer of \$1.3 million in Fiscal Year 2016 for design costs associated with the construction of a new downtown parking garage. An additional \$2.7 million is projected to be transferred in Fiscal Year 2019 for construction of the downtown parking garage. These funds have been reserved for this activity.

PUBLIC BENEFIT FUNDS

Revenue in these funds is a result of a senior housing project on Hamilton Avenue and contributions and mitigation fees paid for Planned Community Zone approvals. The Hamilton Avenue funds will continue to be used by Avenidas (formerly Senior Coordinating Council) to provide services to seniors.

DOWNTOWN BUSINESS IMPROVEMENT DISTRICT (BID)

The Downtown Business Improvement District (BID) was established by an ordinance adopted in January 2004 to promote the downtown business community through a variety of efforts including beautification, advocacy, and marketing. The BID continually surveys its member businesses to determine what its priorities should be. Two priorities identified were street cleanliness and issues related to the homeless in downtown. New events have been implemented to bring business downtown and new communications tools, such as social media and downtown walking maps, are available. Other programs that help keep Downtown Palo Alto safe, spotless, and successful will advance as the Palo Alto Business and Professional Association continues to operate the Downtown Palo Alto BID for Fiscal Year 2017.

STANFORD UNIVERSITY MEDICAL CENTER (SUMC)

In 2011, the City of Palo Alto entered into a Development Agreement between the City of Palo Alto and the Stanford University Medical Center Parties (SUMC). Funds received in Fiscal Year 2012 as part of this agreement will be used in Fiscal Years 2013, 2014, and beyond as outlined in

SPECIAL REVENUE FUNDS OVERVIEW

the agreement and approved by the City Council. Over the course of the agreement, Stanford is due to pay the City \$44.3 million, of which the City has received \$32.5 million through Fiscal Year 2014. In completion of the Development Agreement, the City is expecting to receive \$11.7 million upon issuance of a use and occupancy permit for the new Stanford University Medical Center in the next two years. The funds received per the development agreement are allocated for specific purposes which include funding for the June 2014 City Council approved Infrastructure Plan. As outlined in the agreement, expenses and revenues for each category must be accounted for separately. A more detailed presentation of the Stanford University Medical Center funding for Fiscal Year 2017 is provided in this section.

Community Health and Safety: Funds are to be distributed to selected community health programs that benefit residents of the City. In Fiscal Year 2017, funds in this category are partially allocated to Project Safety Net (PSN), which strives to develop and implement a mental health plan for Palo Alto youth. Through Fiscal Year 2016, all but \$85,000 of the funds that the City Council had previously allocated towards PSN has been expended, and those remaining funds are recommended to be used for the continued work of the PSN collaborative. In Fiscal Year 2016, PSN's community collaborative filled the previously vacant Director position as part of an ongoing effort to advance the efforts of the complex and large collaborative. The youth well-being and suicide prevention collaborative continues to focus on increased effectiveness by further defining: goals and objectives, partner commitment, and accountability and how to best measure outcomes and progress. In addition, in Fiscal Year 2015, the City Council approved additional funding for the Track Watch Security program at Palo Alto rail crossings. As part of the Fiscal Year 2017 budget, the additional costs associated with the PSN collaborative, beyond the remaining \$85,000, are budgeted in the General Fund in the Community Services Department, as discussed in that Department Section of this document. The costs for the Track Watch Security program are budgeted in the General Fund in the Police Department, as discussed in that Department Section of this document. The projected Fiscal Year 2017 balance for Community Health and Safety is \$2.6 million, representing initial receipt of funds from Stanford, the accrual of interest since funds were initially received from Stanford, and funds expended on Project Safety Net through Fiscal Year 2016.

Intermodal Transit: Funds are to enhance the pedestrian and bicycle connection from the Transit Center to the El Camino/Quarry Road intersection. The projected 2017 beginning balance in this category is \$2.1 million. The Fiscal Year 2017 – 2021 Capital Improvement plan includes a transfer of \$441,000 in Fiscal Year 2017 for enhancing the public right-of-way.

Quarry Road Improvements: Funds are to improve and enhance the public right-of-way at the pedestrian and bicycle connection from El Camino to Welch Road along Quarry Road. The projected 2017 beginning balance in this category is \$359,000. The Fiscal Year 2017 – 2021 Capital Improvement plan includes a transfer of the remaining balance in Fiscal Year 2017 for enhancing the public right-of-way.

Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing: Funds in this category are to be used in connection with infrastructure, sustainable neighborhoods and communities, and affordable housing. The projected 2017 beginning balance in this category is \$14.0 million. The Fiscal Year 2017 - 2021 Capital Improvement Plan includes transfers of \$1.6 million for the Charleston/Arastadero Corridor Project, \$2.8 million for the construction of a new Public Safety Building, and \$6.0 million for the replacement of Fire Station 3 in Fiscal Year 2017.

SPECIAL REVENUE FUNDS OVERVIEW

Climate Change: Funds are to be used for projects and programs for a sustainable community, including programs identified in the City's Climate Action Plan. The projected 2017 beginning balance for this category is \$5.1 million. Included in the City Council approved Infrastructure Plan is the continuation of the Bike and Pedestrian Plan at a cumulative cost of \$20.0 million. The Fiscal Year 2017 – 2021 Capital Improvement plan includes a transfer of \$1.2 million in Fiscal Year 2017.

Stanford Hospital Expansion Cost Mitigation: Funds are being held in this category for the purpose of assuring that City costs associated with the project do not exceed revenues to the City. The projected 2017 beginning balance for this category is \$2.7 million.

SPECIAL REVENUE FUNDS OVERVIEW

Special Revenue Summary by Fund Type

Fund Summary (\$000)	Public Art Fund	Com. Dev. Funds	Bus. Improv. District	Housing In-Lieu Funds	Street Improv. Fund	Federal & State Rev. Funds	Public Benefits Fund	Special District Funds	Traffic Mitig. & Parking In-Lieu Funds	Stan. Univ. Medical Center Fund	Total
Revenues											
Charges for Services	90	1,689	0	0	0	0	0	0	257	0	2,036
Return on Investments	2	232	2	124	13	2	18	27	153	663	1,236
Other Revenue	0	0	0	3,580	0	136	30	0	1,250	0	4,996
From Other Agencies	0	0	0	0	1,416	442	0	0	0	0	1,859
Rental Income	0	0	0	9	0	0	0	0	0	0	9
Net Sales	0	0	0	0	0	0	0	890	0	0	890
Operating Transfers-In	69	0	0	0	0	0	0	170	0	0	238
Permits and Licenses	0	0	0	0	0	0	0	1,508	0	0	1,508
Property Taxes	0	0	140	0	0	0	0	0	0	0	140
Other Taxes and Fines	0	0	0	0	0	0	0	43	0	0	43
Total	161	1,921	142	3,713	1,430	580	48	2,638	1,660	663	12,955
Expenses											
Salary & Benefits	144	0	0	4	0	64	0	1,033	0	28	1,273
General Expense	1	0	148	100	0	486	28	13	0	0	776
Allocated Charges	0	0	0	0	0	0	0	159	0	0	159
Transfer to Infrastructure	0	381	0	0	1,400	0	0	683	0	12,350	14,814
Supplies & Material	0	0	0	0	0	0	0	111	0	0	111
Contract Services	0	0	0	300	0	0	0	1,736	0	57	2,092
Operating Transfers-Out	0	0	0	0	364	0	0	98	0	0	461
Total	145	381	148	404	1,764	550	28	3,832	0	12,435	19,686

Consolidated Special Revenues Funds

Fund Summary (\$000)	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Revenues						
Gas Tax	2,083	2,083	1,644	1,416	—	0.00
Federal & State Grants	140	140	—	—	—	0.00
Federal CDBG	468	372	442	442	—	0.00
Housing In-Lieu	1,400	6,169	4,876	3,400	(1,476)	(30.27)
Traffic Mitigation Fees	1,335	3,508	1,717	1,517	(200)	(11.65)
Developer Impact Fees	2,267	1,492	1,479	1,679	200	13.52
Parking Mitigation Fees	2,038	2,123	2,398	2,398	—	0.00
BID Assessment	94	86	140	140	—	0.00
SUMC	—	—	—	—	—	0.00
Interest Income	1,352	1,482	1,368	1,236	(132)	(9.65)
Other Revenue	525	480	488	488	—	0.00
Subtotal Revenues	11,702	17,524	14,324	12,716	(1,608)	(11.23)
Operating Transfers-In						
Technology Fund	14	12	12	12	—	0.00
SUMC Fund	—	—	—	—	—	0.00
Capital Projects Fund	260	300	—	—	—	0.00
Utility Administration Fund	27	24	24	24	—	0.00
General Fund	153	274	202	203	1	0.50
Subtotal Operating Transfers-In	454	610	238	239	1	0.42
Total Source of Funds	12,156	18,134	14,562	12,955	(1,607)	42.37
Expenses						
General Expenses	3,056	2,978	3,525	4,326	801	22.72
SUMC	131	393	567	85	(482)	112.36
Subtotal Expenses	3,187	3,187	3,754	4,092	338	9.00
Operating Transfers-Out						
General Fund	424	—	422	461	39	9.24
Capital Projects Fund	4,676	5,446	5,333	14,814	9,481	177.78
Subtotal Operating Transfers-Out	5,100	5,097	5,595	5,755	160	2.86
Total Use of Funds	8,287	8,817	9,847	19,686	9,839	99.92
Net to (from) Reserves	3,869	9,317	4,715	(6,731)	(11,446)	(242.76)

SPECIAL REVENUE FUNDS OVERVIEW

Community Development Block Grant

	FY 2016 Adopted	FY 2017 Agency Requests	FY 2017 Proposed
SOURCE OF FUNDS			
Housing & Urban Development, current year	\$ 442,460	\$ —	\$ 441,253
Housing & Urban Development, prior years	—	—	—
Prior Year Excess/Reallocation (1)	\$ 303,164	—	213,165
Program Income			
Palo Alto Housing Corporation	\$ 136,049	\$ —	\$ 100,000
TOTAL SOURCE OF FUNDS	\$ 881,673	\$ —	\$ 754,418
USE OF FUNDS			
Public Service			
Palo Alto Housing Corporation - SRO Resident Support Services	\$ 24,861	\$ 42,874	\$ 22,983
Catholic Charities - Long-Term Care Ombudsman	5,422	6,500	5,012
YWCA/Support Network for Battered Women - Domestic Violence	8,676	10,000	8,020
InnVision/Shelter Network - Opportunity Center	38,499	50,000	35,592
Silicon Valley Independent Living Center	5,422	10,000	5,012
Subtotal: Public Service	\$ 82,880	\$ 129,374	\$ 76,619
Planning and Administration			
Project Sentinel/Fair Housing Services	\$ 32,016	\$ 32,016	\$ 30,941
City of Palo Alto - CDBG Administration includes 0.75 FTE CDBG Administrative Staff	83,686	80,000	77,310
Subtotal: Planning and Administration	\$ 115,702	\$ 112,016	\$ 115,702
Housing, Economic Development & Capital Projects			
Downtown Streets Team/Workforce Development	\$ 290,723	\$ 314,100	\$ 290,273
MidPen Housing - Palo Alto Gardens Rehab Project	392,368	300,000	278,825
City of Palo Alto - Microenterprise Assistance Program	—	—	—
Subtotal: Housing, Economic Development & Capital Projects	\$ 683,091	\$ 614,100	\$ 569,548
TOTAL USE OF FUNDS	\$ 881,673	\$ 845,490	\$ 754,418

1) Funds received in excess of revenue estimate for local program income (prior fiscal years)

University Avenue Parking Permit Fund

	FY 2016 Adopted	FY 2016 Adjusted ¹	FY 2017 Proposed
University Avenue Parking Permit Fund			
Revenues			
Permit Sales	\$ 1,402,000	\$ 1,402,000	\$ 1,402,000
Day Passes	312,000	312,000	312,000
Ticket Machine	215,000	215,000	215,000
Transfer from Other Funds for City Share	169,935	169,935	169,935
Investment Income	21,800	21,800	21,800
Total Revenue	\$ 2,120,735	\$ 2,120,735	\$ 2,120,735
Expenditures			
Administration			
Positions	1.63	1.63	1.42
Salaries	\$ 105,358	\$ 105,358	\$ 91,448
Benefits	86,612	86,612	79,579
Miscellaneous Supplies	20,880	35,880	20,880
Bank card charges for ticket machines	6,000	6,000	6,000
Indirect costs	—	—	—
Subtotal Administration	\$ 218,850	\$ 233,850	\$ 197,907
Maintenance			
Positions	3.87	3.87	3.87
Salaries	\$ 221,875	\$ 221,875	\$234,507
Benefits	202,685	202,685	220,754
Supplies	60,090	60,090	60,090
Twinkle lights	—	—	—
Valet Program (Lots R, CC, CW, & S)	465,572	484,078	465,572
Weekly garage maintenance	27,500	27,500	27,500
Annual power washing - walls	25,000	25,000	25,000
Daily custodial	40,000	65,209	40,000
Elevator maintenance	28,600	29,285	28,600
Fire sprinkler maintenance	12,400	12,400	12,400
Landscaping	16,451	16,451	16,451
1) The FY 2016 Adjusted column reflects the carryforward funding in the expenditures amount for pertinent contracts from FY 2015.			

SPECIAL REVENUE FUNDS OVERVIEW

University Avenue Parking Permit Fund

	FY 2016 Adopted	FY 2016 Adjusted ¹	FY 2017 Proposed
Downtown Streets Team	61,543	69,702	61,543
Streets Team Peer Counseling	11,000	11,000	11,000
Civic Center, Lot Q sweeping	6,276	6,276	6,276
Annual steam clean R, S/L, J lots	3,840	3,840	3,840
Univ. sidewalk steam clean, monthly	10,620	16,920	10,620
Downtown area steam clean monthly	75,700	122,195	75,700
Lytton Plaza steam clean 2x per month	4,500	4,500	4,500
Lot S/L fountain maintenance	1,800	1,800	1,800
Glass Repair	2,000	2,000	2,000
Street Sweeping	10,721	12,281	50,430
Indirect charges	—	—	—
Subtotal Maintenance	\$ 1,288,173	\$ 1,395,087	\$ 1,358,583
Police Patrol			
Positions	0.50	0.50	0.50
Salaries	\$ 57,105	\$ 57,105	\$ 57,105
Benefits	40,707	40,707	40,707
Subtotal Patrols	\$ 97,812	\$ 97,812	\$ 97,812
Other			
Utilities	\$ 124,288	\$ 124,288	\$ 138,012
Transfer to CIP Fund	332,988	332,988	682,676
Subtotal Other	\$ 457,276	\$ 457,276	\$820,688
Total Operating Expenses	\$ 2,062,111	\$ 2,184,025	\$ 2,474,990
Income from Operations	\$ 58,624	\$ (63,290)	\$ (354,255)

¹⁾ The FY 2016 Adjusted column reflects the carryforward funding in the expenditures amount for pertinent contracts from FY 2015.

SPECIAL REVENUE FUNDS OVERVIEW

California Avenue Parking Permit Fund

	FY 2016 Adopted	FY 2016 Adjusted ¹	FY 2017 Proposed
Revenues			
Permit Sales	\$ 125,000	\$ 125,000	\$ 125,000
Day Passes	70,000	70,000	70,000
Investment Income	5,200	5,200	5,200
Total Revenue	\$ 200,200	\$ 200,200	\$ 200,200
Expenditures			
Administration			
Positions	0.65	0.65	0.56
Salaries	\$ 31,429	\$ 31,429	\$ 32,223
Benefits	24,887	24,887	28,196
Miscellaneous Supplies	8,453	8,453	8,453
Subtotal Administration	\$ 64,769	\$ 64,769	\$ 68,872
Maintenance			
Positions	0.43	0.43	.43
Salaries	\$ 33,891	\$ 33,891	\$ 35,858
Benefits	23,567	23,567	25,884
Supplies	7,855	7,855	7,855
Garage maintenance	5,255	6,135	5,255
Sweeping Ted Thompson and Cambridge garages	4,008	5,048	4,008
Fire sprinkler maintenance	1,453	1,453	1,453
Steam Cleaning	7,060	7,940	7,060
Landscaping	9,253	9,253	9,253
Facilities repair	637	637	637
Street Sweeping	17,463	17,463	82,101
Indirect charges	—	—	—
Subtotal Maintenance	\$ 110,442	\$113,242	\$ 179,364
Other			
Utilities	\$ 18,518	\$ 18,518	\$ 20,623
Transfer to CIP Fund	—	—	—
Subtotal Other	\$ 18,518	\$ 18,518	\$ 20,623

1) The FY 2016 Adjusted column reflects the carryforward funding in the expenditures amount for pertinent contracts from FY 2015.

SPECIAL REVENUE FUNDS OVERVIEW

California Avenue Parking Permit Fund

	FY 2016 Adopted	FY 2016 Adjusted ¹	FY 2017 Proposed
Total Operating Expenses	\$ 193,729	\$ 196,529	\$ 268,859
Income from Operations	\$ 6,471	\$ 3,671	\$ (68,659)
1) The FY 2016 Adjusted column reflects the carryforward funding in the expenditures amount for pertinent contracts from FY 2015.			

Stanford Development Agreement

	FY 2016 Estimate	FY 2017 Proposed	Change
SOURCE OF FUNDS			
Unrestricted - Community Health and Safety	\$3,708,370	\$ 2,589,295	\$ (1,110,075)
Unrestricted - Stanford Hospital Expansion Cost Mitigation	2,683,969	2,743,756	59,787
Unrestricted - Intermodal Transit	2,088,054	2,134,567	46,513
Unrestricted - Quarry Road Improvements	441,183	359,007	(82,176)
Unrestricted - Neighborhoods and Communities and Affordable Housing	14,699,186	13,926,619	(772,567)
Unrestricted - Climate Change	6,133,785	5,070,419	(1,063,366)
Total Beginning Fund Balance	29,754,547	26,823,662	(2,930,885)
Revenue			
Interest - Community Health and Safety	\$ 82,606	\$ 63,980	\$ (18,626)
Interest - Stanford Hospital Expansion Cost Mitigation	59,787	67,797	8,010
Interest - Intermodal Transit	46,513	52,744	6,232
Interest - Quarry Road Improvements	9,828	8,871	(957)
Interest - Neighborhoods and Communities and Affordable Housing	327,433	344,120	16,687
Interest - Climate Change	136,634	125,288	(11,346)
Total Revenue	\$ 662,800	\$ 662,800	0
Transfers In			
Total Transfers	\$ —	\$ —	\$ —
TOTAL SOURCE OF FUNDS	\$ 30,417,347	\$ 27,486,462	\$ (2,930,885)
USE OF FUNDS			
Expenditures			
Community Health and Safety: Project Safety Net Director	\$ 78,673	\$ 85,000	\$ 6,327
Community Health and Safety: Project Safety Net Coordinator	32,665	—	(32,665)

Stanford Development Agreement

	FY 2016 Estimate	FY 2017 Proposed	Change
Community Health and Safety: Project Safety Net Supplies	5,773	—	(5,773)
Community Health and Safety: Project Safety Net Contracts	1,084,344	—	(1,084,344)
Print & Mail Allocated Charges	226	—	(226)
Total Operating Expenditures	1,201,681	85,000	(1,116,681)
Transfers Out			
Neighborhood and Communities and Affordable Housing: Capital Improvement Fund	\$ 1,100,000	\$10,350,000	9,250,000
Climate Change: Capital Improvement Fund	1,200,000	1,200,000	—
Intermodal Transit: Capital Improvement Fund	—	441,000	441,000
Quarry Road Improvements: Capital Improvement Fund	92,004	359,000	266,696
Total Transfers	2,392,004	12,350,000	9,957,996
Total Expenditures	\$ 3,593,685	\$ 12,435,000	\$ 8,841,315

Ending Fund Balance			
Unrestricted - Community Health and Safety	\$ 2,589,295	\$ 2,568,275	\$ (21,020)
Unrestricted - Stanford Hospital Expansion Cost Mitigation	2,743,756	2,811,553	67,797
Unrestricted - Intermodal Transit	2,134,567	1,746,311	(388,256)
Unrestricted - Quarry Road Improvements	359,007	8,877	(350,129)
Unrestricted - Neighborhoods and Communities and Affordable Housing	13,926,619	3,920,739	(10,005,880)
Unrestricted - Climate Change	5,070,419	3,995,706	(1,074,712)
Total Ending Fund Balance	26,823,662	15,051,462	(11,772,200)
TOTAL USE OF FUNDS	\$ 30,417,347	\$ 27,786,462	\$ (2,930,885)



DEBT SERVICE FUNDS



CITY OF
**PALO
ALTO**

Debt Service Funds Overview

CITY OF PALO ALTO DEBT POLICY

The City of Palo Alto recognizes the need for spending a prudent amount every year for ongoing capital replacement and rehabilitation needs. An ongoing capital improvement plan is vital to ensuring the future viability of services. To achieve this priority, the City funds its regular and ongoing capital needs primarily on a ‘pay-as-you-go’ basis. There are, however, special or extraordinary capital improvement projects, refinancing of existing debt, and purchase of major and multiple pieces of equipment in which it is appropriate to consider debt financing. The City’s new Debt Policy establishes the guidelines to support the decision-making process for issuing debt.

DEBT POLICY GUIDELINES

The City’s Debt Policy provides guidelines for refinancing existing debt; detailing the responsibilities of City staff engaged in issuing debt; delineating the debt instruments or vehicles (e.g. General Obligation Bonds or Certificates of Participation) the City can utilize; and describing situations in which tax-exempt and taxable debt can be used. The depth and breadth of the policy serve to guide current and future staff. Below are highlights of the Debt Policy guidelines for the use of debt and other financing.

A. Debt may be judiciously used when some or all of the following conditions exist:

- Estimated future revenue is sufficient to ensure the payment of annual debt service.
- Other financing options have been explored and are not viable for the timely or economic acquisition or completion of a capital project.
- A capital project is mandated by federal or state authorities with no other viable funding option available.
- The capital project or asset lends itself to debt financing rather than pay-as-you-go funding based on the expected useful life of the project.
- Debt will not be used to fund ongoing operating expenses of the City except for situations in which cash flow problems arise and the City may need to issue short-term Tax or Revenue Anticipation Notes.
- Annual debt service shall not exceed 10 percent of annual operating expenses for the General Fund unless an exception is approved by Council. For all other City funds annual debt service shall not exceed 15 percent of annual operating expenses unless an exception is approved by Council.

B. Minimize borrowing costs by:

- Maximizing the use of existing resources for capital projects and equipment needs.
- Issuing tax-exempt debt except in instances where IRS regulations require taxable bonds.
- Striving to obtain the highest credit ratings possible.

DEBT SERVICE FUNDS OVERVIEW

- Maintaining a competitive bid process on bond sales except for situations in which negotiated or private placement sales meet City objectives. In negotiated or private placement sales, City staff will work with its Financial Advisor to review proposed interest rates and proposed fees.
- Ensuring that the type of debt and debt structure developed ensure advantageous marketing of each issue.

C. Linking debt to appropriate revenue sources and project users:

- When possible, tie project financing directly to users of a specific facility or use. Examples include renovation of the Golf Course where user fees can offset debt service or replacing gas mains where gas rates can be increased to cover debt expense.
- Using debt in the Enterprise Funds so as to avoid significant spikes in user rates by smoothing out costs over time.

In addition to capital projects, the City can finance essential equipment and vehicles. These assets range from public safety vehicles to utility equipment. The underlying asset must have a minimum useful life of three years. Short-term financings, including loans and capital lease purchase agreements, are executed to meet such needs. It has been the City's practice to fund these purchases with existing resources; however, debt financing flexibility for future needs remains an option.

Also, the Chief Financial Officer or Director of Administrative Services, supported by Treasury Division, will periodically evaluate its existing debt and execute re-financings when economically beneficial. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations. A net present value analysis, both in dollar and percentage terms, will be conducted to determine whether a re-financing is optimal. As a 'rule of thumb,' a minimum 3 percent net present value savings will be used as a basis to begin re-financing efforts. As with new debt, all refinancings must be approved by Council.

LEGAL DEBT LIMIT

Based upon the assessed valuation of \$27.2 billion for the fiscal year ending June 30, 2015, the City is limited to general obligation indebtedness of \$0.95 billion. As of June 30, 2015, the amount of debt applicable to the debt limit is \$71.8 million, which is well below its legal debt limit. The debt amount is related to the voter approved general obligation bonds to renovate and build out the City's libraries including the Mitchell Park Library and Community Center.

DEBT OBLIGATIONS

Summaries of the City of Palo Alto debt activity for Fiscal Year 2016 are provided in the following section.

DEBT OBLIGATION DESCRIPTIONS

2002B Downtown Parking Improvement Project Certificates of Participation (COPs)

On January 16, 2002, the City issued \$3.6 million of COPs to finance the construction of certain improvements to the non-parking area contained in the City's Bryant/Florence Garage complex. Due to lower construction costs, \$0.9 million in par bonds were paid off early in Janu-

ary 2005. Principal payments are due annually on March 1 and interest payments semi-annually on March 1 and September 1, and are payable from lease revenues received by the Corporation from the City's available funds.

2010A and 2013A General Obligation (GO) Bonds:

On June 30, 2010, the City issued the first series of \$55.3 million and on June 26, 2013 the second series of \$20.6 million of GO bonds to finance costs for constructing a new Mitchell Park Library and Community Center, as well as substantial improvements to the Main Library and the Downtown Library. Principal payments are due annually on August 1 and interest payments semi-annually on February 1 and August 1 from 2 percent to 5 percent, and are payable from property tax revenues.

The pledge of future Net Revenues for the above 2010 and 2013 bonds ends upon repayment of the \$50.4 million and \$19.9 million principal and \$35.7 million and \$13.5 million interest as the remaining debt service on the bonds, which is scheduled to occur in Fiscal Year 2041 and Fiscal Year 2044, respectively.

2011 Golf Course Master Lease-Purchase Agreement

On August 2, 2011, the City entered into a master lease-purchase agreement with JP Morgan Chase Bank, N.A. to finance redemption of the 1998 Golf Course COPs. The lease is secured by a first priority security interest in eighteen Fire Department emergency vehicles. Lease proceeds were \$3.2 million. Principal payments are due annually on September 1 and interest payments are due semi-annually on September 1 and March 1 at a rate of 2.49 percent, payable from General Fund revenues. As of June 30, 2016, there are \$1.3 million in principal and \$47,121 in interest outstanding.

1995 Utility Revenue Bonds, Series A

The City issued Utility Revenue Bonds on February 1, 1995 to finance certain extensions and improvements to the City's Storm Drainage and Surface Water System. The Bonds are special obligations of the City payable solely from and secured by a pledge of and lien upon the revenues derived by the City from the funds, services and facilities of all Enterprise Funds except the Refuse Fund and the Fiber Optics Fund. Principal payments are payable annually on June 1, and interest payments semi-annually on June 1 and December 1. A \$2.9 million 6.25 percent term bond is due June 1, 2020. In lieu of a reserve fund, the Bonds are secured by a Surety Bond issued by AMBAC Indemnity Corporation.

The pledge of future Net Revenues for the above funds ends upon repayment of the \$2.8 million principal and \$558,000 interest as the remaining debt service on the bonds, which is scheduled to occur in 2020.

1999 Utility Revenue and Refunding Bonds, Series A

The City issued Utility Revenue Bonds on February 1, 1995 to finance certain extensions and improvements to the City's Storm Drainage and Surface Water System. The Bonds are special obligations of the City payable solely from and secured by a pledge of and lien upon the revenues derived by the City from the funds, services and facilities of all Enterprise Funds except the Refuse Fund and the Fiber Optics Fund. Principal payments are payable annually on June 1, and interest payments semi-annually on June 1 and December 1. A \$2.9 million 6.25 percent term

DEBT SERVICE FUNDS OVERVIEW

bond is due June 1, 2020. In lieu of a reserve fund, the Bonds are secured by a Surety Bond issued by AMBAC Indemnity Corporation.

The pledge of future Net Revenues for the above funds ends upon repayment of the \$2.4 million principal and \$379,375 interest as the remaining debt service on the bonds, which is scheduled to occur in 2020.

2007 Electric System Clean Renewable Energy Tax Credit Bonds:

On November 1, 2007 the City issued \$1.5 million of Electric Utility Clean Renewable Energy Tax Credit Bonds (CREBS), 2007 Series A, to finance the City's photovoltaic solar panel project. The bonds do not bear interest. In lieu of receiving periodic interest payments, bondholders are allowed federal income tax credit in an amount equal to a credit rate for such CREBS multiplied by the outstanding principal amount of the CREBS owned by the bondholders. The Bonds are payable solely from and secured solely by a pledge of the Net Revenues of the Electric system and other funds pledged therefore under the Indenture.

The pledge of future Electric Fund Net Revenues ends upon repayment of the \$0.6 million remaining debt service on the bonds, which is scheduled to occur in 2022.

2009 Water Revenue Bonds, Series A

On October 6, 2009, the City issued Water Revenue Bonds in the amount of \$35.5 million to finance certain improvements to the City's water utility system. Principal payments are due annually on June 1, and interest payments are due semi-annually on June 1 and December 1, from 1.80 percent to 5.95 percent. The final debt service payment will be made in 2035. The 2009 were issued as bonds designated as "Direct Payment Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 ("Build America Bonds"). The City expected to receive a cash subsidy payment from the United States Treasury equal to 35 percent of the interest payable on the 2009 bonds, however, due to the United States federal government budget (sequestration) cuts, in calendar year 2013, the receipts are 32 percent of interest payable. The lien on the 1995 Bonds on the Net Revenues is senior to the lien on Net Revenues securing the 2009 Bonds and the 2002 Bonds. The City received the subsidy payments amounting to \$534,538, which represents 32.8 percent of the two interest payments due on June 1, 2015 and December 1, 2015.

The pledge of future Net Revenues of the above funds ends upon repayment of the \$29.8 million principal and \$19.0 million interest as the remaining debt service on the bonds as of June 30, 2016, which is scheduled to occur in June 2035.

2007 State Water Resources Loan

In October 2007, the City approved the \$9.0 million loan agreement with State Water Resources Control Board (SWRCB) to finance the City's Mountain View/Moffett Area reclaimed water pipeline project. Under the terms of the contract, the City agreed to repay \$9.0 million to the State in exchange for receiving \$7.5 million in proceeds to be used to fund the Project. The difference between the repayment obligation and proceeds amounts to \$1.5 million and represents in-substance interest on the outstanding balance. Loan proceeds are drawn down as the project progresses and debt service payments commence on June 30, 2010. Concurrently with the loan, the City entered into various other agreements including a cost sharing arrangement with

DEBT SERVICE FUNDS OVERVIEW

the City of Mountain View. Pursuant to that agreement, City of Mountain View agreed to finance a portion of the project with a \$5 million loan repayable to the City. This loan has been recorded as “Due from other government agencies” in the financial statements.

The pledge of future Net Revenues of the above funds ends upon repayment of the \$4.8 million principal and \$1.0 million in-substance interest as the remaining debt service on the bonds as of June 30, 2016, which is scheduled to occur in 2029.

2009 State Water Resources Loan

In October 2009, the City approved an \$8.5 million loan agreement with the State Water Resources Control Board (SWRCB) to finance the City’s Ultraviolet Disinfection project. As of June 30, 2011, the full loan in the amount of \$8.5 million was drawn down and became outstanding. Interest in the amount of \$96,000 was accrued and added to the outstanding balance.

The pledge of future Net Revenues of the above funds ends upon repayment of the \$6.8 million principal and \$1.5 million interest as the remaining debt service on the bonds as of June 30, 2016, which is scheduled to occur in November 2030.

2011 Utility Revenue Bonds, Series A

On September 22, 2011 the City issued Utility Revenue Bonds to refinance the 2002 Utility revenue bonds which was issued for certain improvements to the City’s water and natural gas utility system. The refinancing resulted in net present value savings of 16.9 percent and cash savings over 15 years of \$4.0 million. Principal payments are due annually on June 1, and interest payments are due semi-annually on June 1 and December 1 from 3 percent to 4 percent. The Revenue Bonds are secured by net revenues generated by the Water Services and Gas Services Funds.

The pledge of future Net Revenues of the above funds ends upon repayment of the \$12.3 million principal and \$2.1 million interest as the remaining debt service on the bonds as of June 30, 2016, which is scheduled to occur in 2026.

Debt Service Funds

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Revenues						
Property Tax	4,711	4,158	4,655	4,655	0	0.00
Subtotal Revenues	4,711	4,158	4,655	4,655	0	0.00
General Fund Operating Transfers						
Parking 2002B COPS Taxable	231	238	243	243	0	0.00
Subtotal General Fund Operating Transfers	231	238	243	243	0	0.00
Total Source of Funds	4,942	4,396	4,898	4,898	0	0.00
Expenses						

DEBT SERVICE FUNDS OVERVIEW

Debt Service Funds

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Parking 2002B COPS Taxable Principal	130	145	150	150	0	0.00
Parking 2002B COPS Taxable Interest	101	93	93	93	0	0.00
Library GO Bonds Principal	1,020	1,420	1,445	1,445	0	0.00
Library GO Bonds Interest	2,958	3,262	3,210	3,210	0	0.00
Subtotal Expenses	4,209	4,920	4,898	4,898	0	0.00
Total Expenditures	4,209	4,920	4,898	4,898	0	0.00
Net to (from) Reserves	733	(524)	0	0	0	0.00



CITY OF
**PALO
ALTO**



CITY DEPARTMENTS



CITY OF
**PALO
ALTO**

CITY ATTORNEY

Mission Statement

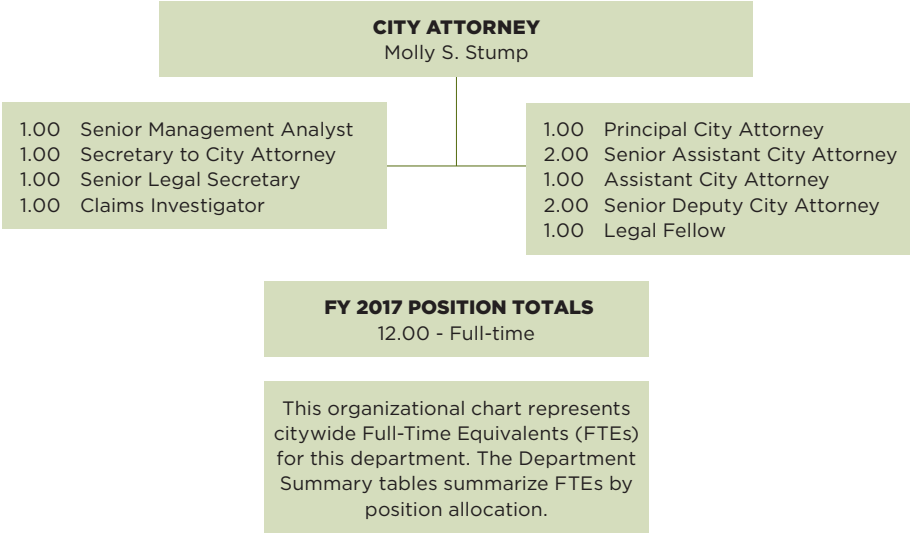


The Office of the City Attorney's mission is to serve Palo Alto and its policymakers by providing legal representation of the highest quality.

Purpose

The purpose of the Office of the City Attorney is to partner with City leaders to find creative approaches to the opportunities and challenges that face Palo Alto; draft contracts, legislation, legal opinions, and other legal documents and negotiate on behalf of the City; provide training and advice on how to manage risk and comply with the law; and enforce the municipal code and defend the City when it is sued.





Description

The Office of the City Attorney legally represents the City by: providing legal advice and/or training to the City Council, City Manager, boards, commissions, and operating departments; investigating and resolving claims against the City; defending the City in litigation and administrative actions; initiating and prosecuting litigation on behalf of the City; and drafting and approving contracts, legislation, and other legal documents.

Accomplishments

- Drafted ordinance to preserve retail uses on California Avenue
- Drafted ordinance and resolution establishing Phase 2 of the Downtown Residential Preferential Parking district
- Drafted multiple Power Purchase Agreements with renewable energy providers to support the City's carbon-neutral electric portfolio
- Settled Monroe Place below-market-rate housing litigation for over \$3 million payable to the City's affordable housing fund
- Negotiated lease for solar facilities atop four City-owned parking garages, and negotiated third-party energy efficiency contracts valued at over \$6 million
- Assisted City and SF Creek Joint Powers Authority to obtain state and federal permits for critical flood control projects
- Advised on preparation of Draft Environmental Impact Report for the Comprehensive Plan Update
- Drafted ordinance establishing local minimum wage

Initiatives

Perform legal services to:

- Assist with development of redundant electric transmission connection to enhance electric service reliability
- Draft agreements for potential Google Fiber project, including exploration of co-build opportunities
- Support sustainability initiatives and proposals
- Update City's public works contracting procedures to enhance streamlining and support efficient project management
- Advise regarding completion of the Comprehensive Plan Update
- Support completion of electric utility cost of service study and new rate design

- Provide ethics training for staff and local officials
- Update legal documentation regarding affordable housing and art in private developments

Goals and Objectives

GOAL 1

Advance the public interest by providing high-quality legal representation to the City.

Objectives:

- Enhance relationships with clients as trusted advisors and strategic partners.
- Provide practical and effective advice that includes creative solutions to difficult problems.
- Propose alternative, legally acceptable ways to accomplish public objectives when the City encounters legal obstacles.
- Regularly brief City employees on legal developments that impact their areas of service.
- Inform the public about the City's legal program through the City Attorney's website.

GOAL 2

Evaluate all claims and litigation promptly, resolving disputes where appropriate, and vigorously defending the City's interests.

Objectives:

- Thoroughly investigate to promptly and appropriately resolve claims.
- Increase transparency by publicly reporting claim filings and resolutions.
- Advocate effectively in court and before administrative agencies when legal actions are brought against the City.

GOAL 3

Identify and reduce exposure to legal risks.

Objectives:

- Identify legal risks and craft strategies to reduce the City's exposure.
- Provide relevant training to City officials and staff to reduce legal risk exposure.
- Create user-friendly tools to assist new and existing employees in complying with public service requirements, such as ethics, conflicts of interest, open meeting, and public records laws.

Key Performance Measures

CLAIMS RESOLUTION

Goal	Evaluate all claims and litigation promptly, resolving disputes where appropriate, and vigorously defending the City's interests.				
Objective	Thoroughly investigate to promptly and appropriately resolve claims.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of claims resolved within 45 days of filing	92.00%	93.00%	92.00%	90.00%	90.00%
Description	This measure tracks the number of claims that are resolved within 45 days of filing.				
Purpose	Thorough investigation to promptly and appropriately resolve claims is a core responsibility of the Office of the City Attorney. This measure is important because timely processing of claims demonstrates responsiveness to residents' concerns and safeguards public resources by reducing unnecessary lawsuits.				
Status	The number of claims resolved within 45 days may go up or down in part due to the complexity of a claim.				

REDUCTION OF LEGAL RISK

Goal	Identify and reduce exposure to legal risks.				
Objective	Provide relevant training to City officials and staff to reduce legal risk exposure.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of surveyed who agree/strongly agree that the training provided is useful and relevant	100.00%	90.00%	95.00%	90.00%	90.00%
Description	This measure tracks the usefulness and relevance of the training provided by the Office of the City Attorney to City staff. By collecting this data, we can assess the relevance and usefulness of the training provided, and revise our training as needs change.				
Purpose	Knowledgeable staff is less likely to make errors thereby reducing the exposure of liability to the City.				
Status	In the fall of 2014 the Office of the City Attorney conducted Brown Act Training. The training was well received by the attendees. In FY 2016, the Office of the City Attorney will conduct training on the Brown Act, Ethics, Public Records and contracting.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of claims handled	78	99	100	95	95

Budget Summary

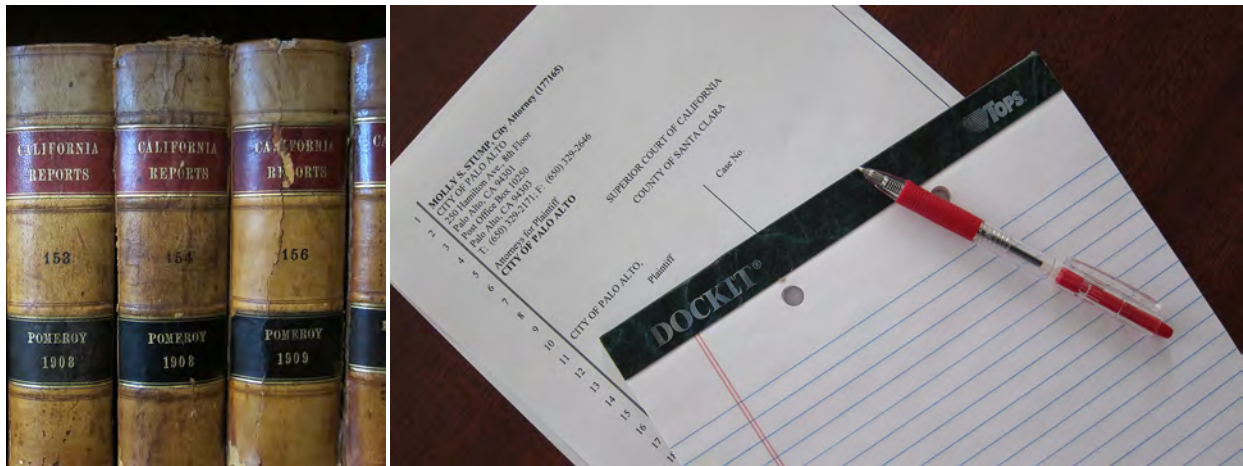
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration	208,301	224,549	580,861	553,824	(27,037)	(4.7)%
Consultation and Advisory	1,620,361	1,567,456	1,787,379	1,872,448	85,069	4.8%
Litigation and Dispute Resolution	627,248	693,500	620,992	636,168	15,176	2.4%
Official and Administration Duties	104,015	100,276	112,027	116,104	4,077	3.6%
Total	2,559,925	2,585,780	3,101,259	3,178,544	77,285	2.5%
Dollars by Category						
Salary & Benefits						
Healthcare	179,827	157,307	211,885	221,194	9,308	4.4%
Other Benefits	72,213	67,161	69,736	63,960	(5,776)	(8.3)%
Pension	305,566	311,744	426,652	460,605	33,953	8.0%
Retiree Medical	134,763	130,050	155,000	144,937	(10,063)	(6.5)%
Salary	1,287,845	1,258,097	1,650,672	1,734,929	84,258	5.1%
Workers' Compensation	—	—	—	21,609	21,609	—%
Total Salary & Benefits	1,980,215	1,924,360	2,513,945	2,647,234	133,288	5.3%
Allocated Charges	100,531	117,054	163,871	107,818	(56,053)	(34.2)%
Contract Services	416,295	500,580	340,301	340,301	—	—%
Facilities & Equipment	700	—	1,000	1,000	—	—%
General Expense	38,708	23,653	53,642	53,642	(0)	(0.0)%
Rents & Leases	1,329	1,683	2,000	2,050	50	2.5%
Supplies & Material	22,147	18,450	26,500	26,500	—	—%
Total Dollars by Expense Category	2,559,925	2,585,780	3,101,259	3,178,544	77,285	2.5%
Revenues						
Charges for Services	14,062	14,062	26,780	28,052	1,272	4.8%
Charges to Other Funds	766,562	755,613	613,950	639,985	26,035	4.2%
Other Revenue	82,241	22,899	10,300	10,789	489	4.8%
Total Revenues	862,866	792,574	651,030	678,826	27,796	4.3%
Positions by Division						
Administration	0.47	1.47	1.47	1.47	—	—%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Consultation and Advisory	6.56	7.31	7.31	7.31	—	—%
Litigation and Dispute Resolution	1.61	1.86	1.86	1.86	—	—%
Official and Administration Duties	0.36	0.36	0.36	0.36	—	—%
Total	9.00	11.00	11.00	11.00	—	—%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Assistant City Attorney	1.00	1.00	1.00	1.00	—	162,173
City Attorney	1.00	1.00	1.00	1.00	—	258,413
Claims Investigator	1.00	1.00	1.00	1.00	—	93,722
Legal Fellow	—	1.00	1.00	1.00	—	94,098
Legal Services Administrator	1.00	1.00	—	—	—	—
Principal Attorney	—	1.00	1.00	1.00	—	215,009
Secretary to City Attorney	1.00	1.00	1.00	1.00	—	92,953
Senior Assistant City Attorney	2.00	2.00	2.00	2.00	—	376,910
Senior Deputy City Attorney	1.00	1.00	1.00	1.00	—	122,967
Senior Legal Secretary	1.00	1.00	1.00	1.00	—	71,945
Senior Management Analyst	—	—	1.00	1.00	—	117,993
Sub-total: Full-Time Equivalent Positions	9.00	11.00	11.00	11.00	—	1,606,183
Total Positions	9.00	11.00	11.00	11.00	—	1,606,183



Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	11.00	3,101,259	651,030	2,450,229
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	133,288	—	133,288
Rent Adjustment	—	50	—	50
General Fund Cost Allocation Plan Charges Adjustment	—	—	26,035	(26,035)
General Liability Insurance Allocated Charges Adjustment	—	(51,240)	—	(51,240)
Information Technology Allocated Charges Adjustment	—	(2,790)	—	(2,790)
Printing & Mailing Allocated Charges Adjustment	—	(2,023)	—	(2,023)
Outside Agency Revenue Adjustment	—	—	489	—
Development Agreement Fee Revenue Adjustment	—	—	1,272	(1,272)
Adjustments to Costs of Ongoing Activities	—	77,285	27,796	49,978
Total FY 2017 Base Budget	11.00	3,178,544	678,826	2,500,207
Total FY 2017 Proposed Budget	11.00	3,178,544	678,826	2,500,207

CITY AUDITOR

Mission Statement



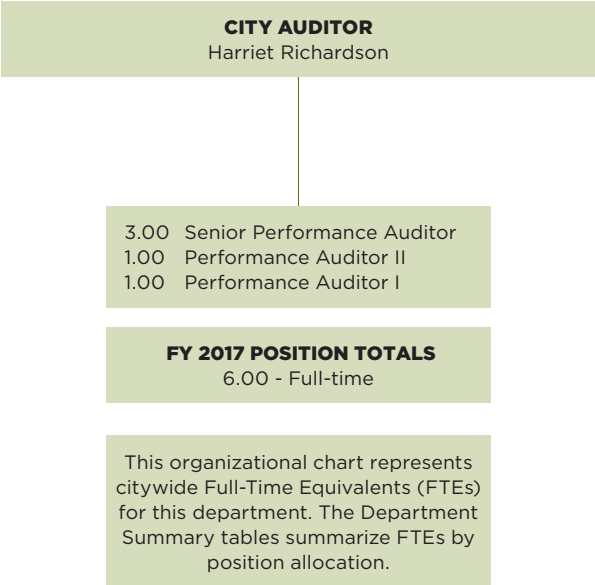
The mission of the Office of the City Auditor is to promote honest, efficient, effective, economical, and fully accountable and transparent City government.

Purpose

The purpose of the Office of the City Auditor is to conduct internal audits and examinations of any City department, program, service, activity, or fiscal transaction to provide the City Council and City management with information and evaluations regarding the effectiveness and efficiency with which City resources are employed, the adequacy of the system

of internal controls, and compliance with City policies and procedures, and regulatory requirements. In addition, the City Auditor's Office ensures that City departments and officers responsible for accounting and financial management activities comply with statutory requirements and accounting standards, and provides other analyses of financial and operating data as directed by the City Council.





Description

The Office of the City Auditor conducts performance audits and reviews of City departments, programs, and services. Performance audits provide the City Council, City management, and public with independent and objective information regarding the economy, efficiency, and effectiveness of City programs and activities. The Office of the Auditor (OCA) coordinates the annual citizen survey and issues the annual City of Palo Alto Performance Report summarizing costs, workload, and performance results for City services over the last ten years.

Each fiscal year, the Office presents an annual audit work plan for City Council approval. The Office will continue to report quarterly to the City Council on the status of audit projects.

The Office contracts with an independent certified public accountant for the City's annual external financial audit. The Office also conducts and coordinates revenue monitoring of sales and use tax.

Accomplishments

- Received the 2015 Exemplary Knighton Award in the medium audit shop category from the Association of Local Government Auditors (ALGA) for the Police Department: Palo Alto Animal Services Audit.
- Identified and confirmed the City's receipt of \$116,937 in sales and use tax recoveries through the end of Fiscal Year 2015.
- Published the Utility Meter Audit: Procurement, Inventory, and Retirement, which provided fifteen recommendations to ensure efficiency and effectiveness of procuring, managing, and retiring utility meters.
- Published the Audit of Parking Funds, which presented eight recommendations related to the City's parking in-lieu and parking permit fees.
- Compiled the results of the 2015 National Citizen Survey™ into data visualization software that allows users to view the results of each question or multiple questions based on selected demographics or geographic areas of Palo Alto.

Initiatives

- Meter Routes Audit: Evaluate the process for establishing routes and assigning them to meter readers to determine if the process optimizes available resources and uses them efficiently.

- **Public Benefits Audit:** Evaluate whether benefits and funds are properly accounted for; if funds are used in accordance with relevant regulations, policies, and governing documents; and if the funds generated the anticipated benefits.
- **Procurement Processes Audit:** Assess the efficiency and effectiveness of the procurement process. The audit will focus on efficiency, consistency in application of processes, compliance with City regulations and policies, and use of best practices.
- **Contract Risk and Oversight Audit:** Develop a systematic, data-driven process to identify high-risk expenditures and revenues that should occur under formal contracts. Audit selected high-risk contracts to determine if the City has received the goods and/or services it paid for and/or the revenues to which it is entitled and that the contracts are needed and do not result in unnecessary overlaps in services.
- **Citywide Analytic Development and Continuous Monitoring:** Develop and implement a continuous monitoring system to increase audit efficiency and coverage through the use of read-only access to City data. The project will involve developing data analytics to identify high-risk areas and improvement opportunities in the City's core processes, such as procure-to-pay and time and expense.
- **Utilities Asset Management Audit:** Evaluate the effectiveness of the Utilities Department's asset management practices, including whether the department effectively implements best practices in infrastructure asset management and whether its practices allow efficient identification of the location and condition of its physical assets.
- **Mobile Device Utilization and Security Audit:** Identify the existence and effectiveness of security controls over selected mobile devices used to access City data, and to assess the adequacy of the City's mobile computing security policies and procedures, governance, and the City's risk assessment of these devices.
- **Impact Fees Audit:** Evaluate the processes for determining the amount of each type of fee and who should be assessed the fee. Evaluate the processes for assessing and collecting established impact fees to determine if they are collected as required, are assessed fairly among those required to pay, and if they achieve the intended benefits.
- **Sales and Use Tax Monitoring:** The OCA monitors sales and use tax payments due to the City both through its own analysis and through partnering with a third party specialist. Claims are submitted to the State Board of Equalization to redirect misallocated tax proceeds to the City.
- **Performance Report (formerly the Service Efforts and Accomplishments Report) and Citizen-Centric Reporting (CCR):** these reports are designed to provide the residents of Palo Alto, the City Council, and City staff with important data and information regarding the performance of the City. Additionally, the OCA publishes the annual National Citizen Survey which provides insight into residents' perceptions of the City's performance and allows the City to compare itself to other jurisdictions.
- **Administration of the Fraud, Waste, and Abuse Hotline:** Incident routing and monitoring is administered by the OCA and the City Auditor is a member of the Hotline Review Committee with the City Manager and the City Attorney. Additionally, certain incidents may require investigation by OCA staff.

Goals and Objectives

GOAL 1

Add value and improve the City's operations by providing independent, objective analysis and information regarding the stewardship, performance, and/or cost of City policies, programs, or operations to assist the City Council and management in making informed decisions.

Objectives:

- Focus on the City's highest risks by maintaining an effective, systematic, and documented process that identifies the most significant strategic, operational, financial, and regulatory risks to the achievement of the City's objectives.
- Provide impactful audit services through timely and value-added communication to key stakeholders regarding the effectiveness and efficiency with which City resources are employed, the adequacy of internal controls, and compliance with provisions of laws, regulations, contracts, grant agreements, and City policies and procedures.
- Maintain an effective follow-up process to monitor and evaluate the adequacy, effectiveness, and timeliness of actions taken by management to address audit recommendations and report to the City Council whether city management has implemented the recommendation or has assumed the risk of not taking action.

GOAL 2

Provide the residents of Palo Alto, City Council, City staff, and other stakeholders with information on past performance to strengthen public accountability, improve government efficiency and effectiveness, and support future decision-making.

Objectives:

- Administer the National Citizen Survey to collect data from survey respondents regarding the quality of City services.
- Publish the City of Palo Alto Performance Report to provide consistent, reliable information on the performance of City services.
- Contract with the City's external auditor for the completion of the City's Comprehensive Annual Financial Report (CAFR) and the Single Audit Report.

GOAL 3

Maintain efficient and effective audit processes.

Objectives:

- Maintain an efficient and effective system of quality control by regularly performing internal and external assessments, and periodically updating the Office of the City Auditor's policies and procedures to ensure compliance with professional standards and incorporation of applicable leading industry practices.
- Maintain an adequately skilled, knowledgeable, and competent staff of audit professionals.
- Communicate the engagement's objectives, scope, conclusions, and recommendations accurately, objectively, clearly, concisely, constructively, completely, and in a timely manner.

Key Performance Measures

NUMBER OF MAJOR WORK PRODUCTS PER AUDIT STAFF

Goal	Focus on the City's highest risks by maintaining an effective, systematic, and documented process that identifies the most significant strategic, operational, financial, and regulatory risks to the achievement of the City's objectives.				
Objective	Provide impactful audit services through timely and value-added communication to key stakeholders regarding the effectiveness and efficiency with which City resources are employed, the adequacy of internal controls, and compliance with provisions of laws, regulations, contracts, grant agreements, and City policies and procedures.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of major work products per audit staff.	1.14	1.14	1.5	1.2	1.5
Description	This measure targets the number of major work products generated by each audit staff.				
Purpose	In order to provide timely impactful audit services, the Office of the City Auditor has a target to complete 1.5 major work products per audit staff.				
Status	This is a relatively new measure and has not been tracked previously.				

PERCENT OF AUDIT RECOMMENDATIONS IMPLEMENTED OVER THE LAST FIVE YEARS

Goal	Add value and improve the City's operations by providing independent, objective analysis and information regarding the stewardship, performance, and/or cost of City policies, programs, or operations to assist the City Council and management in making informed decisions.				
Objective	Maintain an effective follow-up process to monitor and evaluate the adequacy, effectiveness, and timeliness of actions taken by management to address the audit recommendations and report to the City Council whether City management has implemented the recommendation or has assumed the risk of not taking action.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of audit recommendations implemented over the last five years.	44.00%	42.00%	75.00%	51.00%	75.00%
Description	This measures the effectiveness of audit recommendations. Recommendations are effective when they are addressed to parties that have authority to act and when the recommended actions are specific, cost-effective, and measurable.				
Purpose	Each audit recommendation is provided to specifically enhance and improve the effectiveness and efficiency of the respective entity being audited.				
Status	Departments are responsible to follow up on audit recommendations every six months from the date of issuance to the Policy and Services Committee with the goal of encouraging management to implement all audit recommendations in a timely manner. The City Auditor's Office must sign off on all audit recommendations before they are considered complete.				

RATIO OF SALES TAX REVENUE RECOVERIES TO COST

Goal	Add value and improve the City's operations by providing independent, objective analysis and information regarding the stewardship, performance, and/or cost of City policies, programs, or operations to assist the City Council and management in making informed decisions.				
Objective	Focus on the City's highest risks by maintaining an effective, systematic, and documented process that identifies the most significant strategic, operational, financial, and regulatory risks to the achievement of the City's objectives.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Ratio of sales tax revenue recoveries to cost.	4:1	4:1	2:1	1:1	2:1
Description	This measure is a ratio of sales tax revenue recovered by our in-house staff and our consultant to the total cost (salary and benefits plus contracted cost).				
Purpose	To determine the effectiveness of cost recovery efforts for sales and use tax revenues.				
Status	The Office of the City Auditor updates the amount of revenue generated on a quarterly basis. This is a relatively new measure.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of major work products issued.	4	4	6	6	7

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Audit Services	1,016,315	1,099,838	1,174,927	1,221,149	46,222	3.9%
Total	1,016,315	1,099,838	1,174,927	1,221,149	46,222	3.9%
Dollars by Category						
Salary & Benefits						
Healthcare	46,759	33,295	37,725	47,864	10,139	26.9%
Other Benefits	24,991	30,419	27,881	24,331	(3,550)	(12.7)%
Pension	111,839	141,379	160,092	169,812	9,720	6.1%
Retiree Medical	4,277	31,684	37,000	34,598	(2,402)	(6.5)%
Salary	474,117	562,385	619,378	641,056	21,679	3.5%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Workers' Compensation	—	—	—	8,800	8,800	—%
Total Salary & Benefits	661,982	799,161	882,075	926,461	44,385	5.0%
Allocated Charges	51,226	54,966	56,852	45,689	(11,163)	(19.6)%
Contract Services	258,833	221,644	218,219	231,719	13,500	6.2%
General Expense	39,993	19,014	14,060	13,760	(300)	(2.1)%
Supplies & Material	4,281	5,051	3,721	3,520	(201)	(5.4)%
Total Dollars by Expense Category	1,016,315	1,099,838	1,174,927	1,221,149	46,222	3.9%
Revenues						
Charges to Other Funds	529,524	690,666	832,990	795,992	(36,998)	(4.4)%
Sales Taxes	201,456	59,302	150,000	150,000	—	—%
Total Revenues	730,980	749,968	982,990	945,992	(36,998)	(3.8)%
Positions by Division						
Audit Services	4.50	4.50	5.00	5.00	—	—%
Total	4.50	4.50	5.00	5.00	—	—%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	1.00	1.00	—	—	—	—
City Auditor	1.00	1.00	1.00	1.00	—	173,367
Performance Auditor	0.50	0.50	—	—	—	—
Performance Auditor I	—	—	1.00	1.00	—	77,542
Performance Auditor II	—	—	1.00	1.00	—	105,247
Senior Performance Auditor	2.00	2.00	2.00	2.00	—	237,389
Sub-total: Full-Time Equivalent Positions	4.50	4.50	5.00	5.00	—	593,545
Total Positions	4.50	4.50	5.00	5.00	—	593,545



Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	5.00	1,174,927	982,990	191,937
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	44,385	—	44,385
Nation Citizen Survey Cost Adjustment	—	13,500	—	13,500
General Expense Adjustment	—	(300)	—	—
Supplies & Materials Adjustment	—	(200)	—	—
General Fund Cost Allocation Plan Charges Adjustment	—	—	(36,998)	36,998
General Liability Allocated Charges Adjustment	—	(4,480)	—	(4,480)
Information Technology Allocated Charges Adjustment	—	(3,964)	—	(3,964)
Printing and Mailing Allocated Charges Adjustment	—	(2,719)	—	(2,719)
Adjustments to Costs of Ongoing Activities	—	46,222	(36,998)	83,720
Total FY 2017 Base Budget	5.00	1,221,149	945,992	275,657
Total FY 2017 Proposed Budget	5.00	1,221,149	945,992	275,657



CITY OF
**PALO
ALTO**

CITY CLERK

Mission Statement

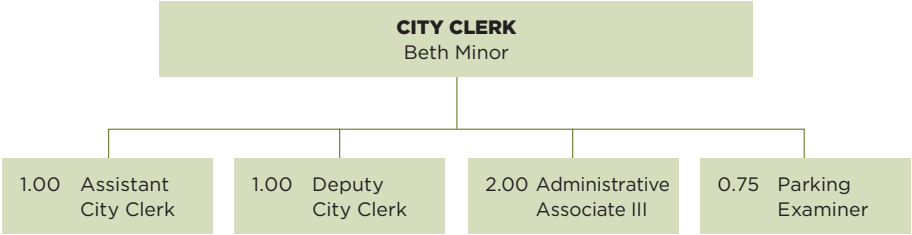


The City Clerk's Office is dedicated to providing excellent service to the public, City Staff, and the City Council through personal assistance and the use of information technologies. The City Clerk's Office seeks to provide timely and accessible service in response to all inquiries and requests for public information and records. The Office's goal is to provide resources through web pages to enable the public to research information independently. Administration of elections, public records request

processing, records management, and the legislative process are all key processes handled by the City Clerk's Office.

Purpose

The purpose of the City Clerk's Office is to provide high quality public service by connecting the public with the legislative process; ensure the City's legislative processes are open and transparent; facilitate the preservation of Palo Alto's legislative history, including approved minutes; assist with public records requests, claims, applications for appointment to boards and commissions, and elections administration; update and maintain City Ordinances and Municipal Code, provide access to legislative meeting information, and coordinate Statements of Economic Interest as well as campaign and other financial disclosures related filings; and ensure the City Clerk and City Council web pages are current and accurate.



FY 2017 POSITION TOTALS
5.75 - Full-time
0.48 - Hourly

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

Description

The City Clerk's Office provides a wide range of public services, including: providing support to the City Council, City staff, and public by providing copies of agendas and associated reports and documents, which includes posting and publishing legal notices, and scheduling public hearings; transcribing meeting minutes, recording of ordinances and resolutions; engaging in records management, elections, and board and commission recruitments; and processing of public records requests.

Accomplishments

- Successful to new City Clerk and hiring full team.
- Updated Citywide Records Retention Schedule with the assistance of every City Department.
- Successfully managed the Mayor's State of the City address at Mitchell Park Community Center.
- Moved to using DocuSign to process the Ordinances and Resolutions for signature.
- Reduced the number of Council packets distributed weekly.
- Prepared and published 62 City Council meeting agendas and packets, and 30 Finance and Policy and Services Committees agendas and packets.
- Supported 384 plus hours of Council and Council Standing Committee meetings.
- Updated the Council's Agenda Webpage to a table format, making it easier for the public to view the agenda, minutes and videos of Council meetings.
- Worked with Planning Staff to transition their agenda process for PTC, ARB and HRB to be more automated.
- Reviewed all hard copy records contained within the office for either destruction or offsite storage to accommodate the move of the Hearing Officer staff member from Cubberley Community Center to the Clerks Office on the 7th floor.
- Successful integration of Web QA for reporting of Fair Political Practices campaign forms and Statement of Economic Interest Forms.

Initiatives

- Run a successful Council and potential measure election in November.
- Assist with upgrade to the Council Chambers audio/video system.

- Streamline the Citywide records destruction process.
- Update and complete the Continuity of Operation Plan for the department.
- Work with Board and Commission Staff Liaisons to transition their web pages to a table format for their agendas, minutes, and meeting videos which would make all agendas pages look the same.
- Continue research of Board and Commission recruitment process and application automation.

Goals and Objectives

GOAL 1

Lead the agenda management process and records management program promoting transparency, accountability, and effective service delivery.

Objectives:

- Ensure that preparation and distribution of the Council's agenda packets are timely, accurate, and responsive.
- Transcribe and post Council action minutes within one week of meeting date.
- Effectively manage the annual records destruction process and update to the Records Retention Schedule for all City departments.

GOAL 2

Respond to the legislative needs of the City Council, staff, and the community in a timely and effective manner.

Objectives:

- Utilize technology to enhance access of legislative items, such as agendas, reports, ordinances, resolutions, and minutes on the City Council and City Clerk web pages.
- Encourage online filing of campaign statements in compliance with the Fair Political Practices Commission (FPPC) requirements.
- Encourage staff and Council Candidates to use online filing of Statement of Economic Interest Statements and Campaign Forms.

GOAL 3

Effectively administer appointments to boards and commissions.

Objectives:

- Implement new boards and commissions recruitment process, including expanding application accessibility, advertising strategies, and interview processes.
- Create and maintain community partnerships to enhance public knowledge of, and interest in, serving on boards and commissions.

Key Performance Measures

PERCENTAGE OF ACTION MINUTES POSTED WITHIN ONE WEEK AFTER THE COUNCIL MEETING

Goal	Lead the agenda management process and records management program promoting transparency, accountability, and effective service delivery.				
Objective	Transcribe and post Council action minutes within one week of meeting date.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of City Council Draft Action Minutes released within one week of the City Council meeting	95.00%	90.00%	90.00%	96.00%	96.00%
Description	After each Council meeting, the City Clerk's Office transcribes and posts online the draft actions that the Council took, and within two weeks brings these actions to Council for approval.				
Purpose	This supports transparency and informed decision making, by providing the public with Council actions in a timely manner.				
Status	The City Clerk's Office is on target to meet the 95% percent goal adopted for FY 2016.				

PERCENTAGE OF COUNCIL AGENDA PACKET MATERIALS POSTED ON THE THURSDAY, 11 DAYS PRIOR TO THE MONDAY CITY COUNCIL MEETING

Goal	Lead the agenda management process and records management program promoting transparency, accountability, and effective service delivery.				
Objective	Ensure that preparation and distribution of the Council's agenda packets are timely, accurate, and responsive.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of City Council Agenda Packet Materials posted 11 days prior to the Council Meeting	N/A	90.00%	99.00%	95.00%	95.00%
Description	We strive to get all agenda packets out to the City Council and public on Thursday, 11 days before the Monday meeting.				
Purpose	Provide the City Council and public with adequate time to review upcoming issues that will be discussed by the City Council, ensuring transparency of Council proceedings.				
Status	This is a new measure due to implementing the 11 day early packet release the beginning of 2015.				

PERCENTAGE OF PUBLIC RECORDS REQUESTS RESPONDED TO WITHIN THE TEN DAYS REQUIRED BY LAW

Goal	Respond to the legislative needs of the City Council, staff, and the community in a timely and effective manner.				
Objective	Provide excellent customer service to the public.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percentage of Public Records Requests (PRR) responded to within the required 10 days	90.00%	81.00%	98.00%	96.00%	98.00%
Description	Public Records requests are required to be addressed within ten days of receipt. This could be the actual response or a request for an extension of time to gather the requested data.				
Purpose	Provide the public with information that is held by the City and is subject to public disclosure; ensure that a response is received by the requester within the allotted ten days.				
Status	The City is on target to reach the FY 2016 goal of 96 percent timely response to public records requests within 10 days.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of City Council Meeting Action minutes posted annually	23	43	45	52	50
Number of weekly agenda packets produced annually	41	42	46	42	45
Number of public records requests received annually	160	313	300	228	275
Number of applications processed for open board and commission seats	26	51	50	40	50

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration	146,738	135,067	135,095	125,569	(9,526)	(7.1)%
Administrative Citations	170,615	135,750	191,469	193,554	2,085	1.1%
Council Support Services	542,538	556,772	717,384	762,758	45,374	6.3%
Election/Conflict of Interest	108,073	91,844	116,764	118,779	2,015	1.7%
Legislative Records Management	66,747	82,723	83,905	82,169	(1,737)	(2.1)%

Budget Summary

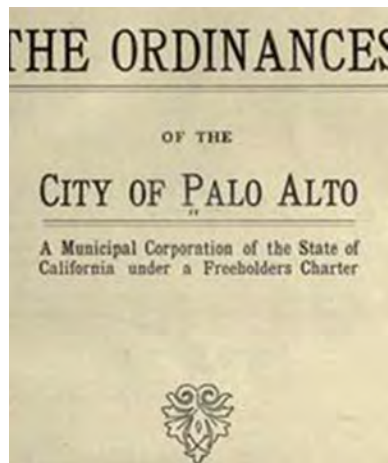
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Public Information	77,932	76,555	83,090	87,599	4,510	5.4%
Total	1,112,644	1,078,713	1,327,707	1,370,429	42,722	3.2%
Dollars by Category						
Salary & Benefits						
Healthcare	71,926	57,814	102,623	85,251	(17,372)	(16.9)%
Other Benefits	34,930	19,297	25,291	22,495	(2,796)	(11.1)%
Overtime	6,557	6,748	6,696	6,696	—	—%
Pension	122,487	103,414	136,692	149,361	12,669	9.3%
Retiree Medical	73,489	79,667	86,000	80,416	(5,584)	(6.5)%
Salary	541,667	470,239	550,767	584,996	34,229	6.2%
Workers' Compensation	—	—	—	8,081	8,081	—%
Total Salary & Benefits	851,055	737,179	908,070	937,296	29,226	3.2%
Allocated Charges	132,491	161,423	134,941	148,187	13,245	9.8%
Contract Services	56,150	119,921	222,320	222,320	—	—%
General Expense	54,621	46,781	47,341	47,591	250	0.5%
Supplies & Material	18,327	13,410	15,035	15,035	—	—%
Total Dollars by Expense Category	1,112,644	1,078,713	1,327,707	1,370,429	42,722	3.2%
Revenues						
Charges for Services	35	288	1,950	2,043	93	4.8%
Charges to Other Funds	477,579	399,786	534,477	511,957	(22,520)	(4.2)%
Other Revenue	965	313	3,000	3,142	142	4.8%
Total Revenues	478,579	400,387	539,427	517,142	(22,285)	(4.1)%
Positions by Division						
Administration	0.35	0.35	0.35	0.35	—	—%
Administrative Citations	1.23	1.23	1.23	1.23	—	—%
Council Support Services	2.85	2.85	2.85	2.85	—	—%
Election/Conflict of Interest	0.65	0.65	0.65	0.65	—	—%
Legislative Records Management	0.50	0.50	0.50	0.50	—	—%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Public Information	0.65	0.65	0.65	0.65	—	—%
Total	6.23	6.23	6.23	6.23	—	—%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Associate III	2.00	2.00	2.00	2.00	—	145,387
Assistant City Clerk	1.00	1.00	1.00	1.00	—	90,000
City Clerk	1.00	1.00	1.00	1.00	—	136,362
Deputy City Clerk	1.00	1.00	1.00	1.00	—	68,680
Hearing Officer	0.75	0.75	0.75	0.75	—	86,236
Sub-total: Full-Time Equivalent Positions	5.75	5.75	5.75	5.75	—	526,665
Temporary/Hourly	0.48	0.48	0.48	0.48	—	53,982
Total Positions	6.23	6.23	6.23	6.23	—	580,647



Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	6.23	1,327,707	539,427	788,280
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	29,227	—	29,227
General Expense Adjustment (Management Development Funds)	—	250	—	250
General Fund Cost Allocation Plan Charges Adjustment	—	—	(22,521)	22,521
General Liability Insurance Allocated Charges Adjustment	—	(7,560)	—	(7,560)
Information Technology Allocated Charges Adjustment	—	(7,041)	—	(7,041)
Printing and Mailing Allocated Charges Adjustment	—	27,846	—	27,846
Miscellaneous Revenue Adjustments	—	—	143	(143)
Fee Revenue Adjustments (Photocopy, Special Service, Parking Exam Hearing)	—	—	93	(93)
Adjustments to Costs of Ongoing Activities	—	42,722	(22,285)	65,007
Total FY 2017 Base Budget	6.23	1,370,429	517,142	853,287
Total FY 2017 Proposed Budget	6.23	1,370,429	517,142	853,287



CITY OF
**PALO
ALTO**

CITY COUNCIL

Mission Statement



The City Council's mission is to develop an overall vision for the community as a whole.

Purpose

The City Council is responsible for the scope, direction, and financing of City services; establishing policy based on information provided by staff, advisory boards and commissions, and the general public; and implementing policy through staff under the Council-Manager form of government.



Description

Under the Council-Manager form of government, the City Council is responsible for the legislative functions of the City such as establishing policies and priorities, developing an overall vision, and approving the annual spending plan for the City. The terms of the Mayor and the Vice-Mayor are one year, expiring at the first meeting in January. The terms of Council members are four years, and the General Municipal Election is held in even-numbered years on the first Tuesday after the first Monday in November.

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
City Council Operations	493,578	360,551	454,687	501,444	46,757	10.3%
Total	493,578	360,551	454,687	501,444	46,757	10.3%
Dollars by Category						
Salary & Benefits						
Healthcare	106,140	95,567	101,795	116,473	14,678	14.4%
Other Benefits	11,330	10,172	10,711	4,762	(5,948)	(55.5)%
Pension	16,709	13,700	17,394	25,026	7,633	43.9%
Retiree Medical	127,147	77,652	89,000	83,222	(5,778)	(6.5)%
Salary	65,939	67,310	64,800	86,400	21,600	33.3%
Workers' Compensation	—	—	—	1,227	1,227	—%
Total Salary & Benefits	327,265	264,401	283,700	317,110	33,410	11.8%
Allocated Charges	711	1,219	2,602	15,949	13,347	513.0%
Contract Services	108,764	44,712	108,000	108,000	—	—%
General Expense	54,043	47,199	57,455	57,455	—	—%
Supplies & Material	2,795	3,021	2,930	2,930	—	—%
Total Dollars by Expense Category	493,578	360,551	454,687	501,444	46,757	10.3%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Revenues						
Charges to Other Funds	111,799	91,042	103,509	77,099	(26,410)	(25.5)%
Total Revenues	111,799	91,042	103,509	77,099	(26,410)	(25.5)%
Positions by Division						
City Council Operations	9.00	9.00	9.00	9.00	—	—%
Total	9.00	9.00	9.00	9.00	—	—%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
City Council	9.00	9.00	9.00	9.00	—	86,400
Sub-total: Full-Time Equivalent Positions	9.00	9.00	9.00	9.00	—	86,400
Total Positions	9.00	9.00	9.00	9.00	—	86,400



Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	9.00	454,687	103,509	351,178
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	33,410	—	33,410
General Fund Cost Allocation Plan Charges Adjustment	—	—	(26,410)	26,410
General Liability Insurance Allocated Charges Adjustment	—	(2,285)	—	(2,285)
Information Technology Allocated Charges Adjustment	—	15,949	—	—
Print & Mail Allocated Charges Adjustment	—	(317)	—	(317)
Adjustments to Costs of Ongoing Activities	—	46,757	(26,410)	57,218
Total FY 2017 Base Budget	9.00	501,444	77,099	408,396
Total FY 2017 Proposed Budget	9.00	501,444	77,099	408,396

CITY MANAGER

Mission Statement

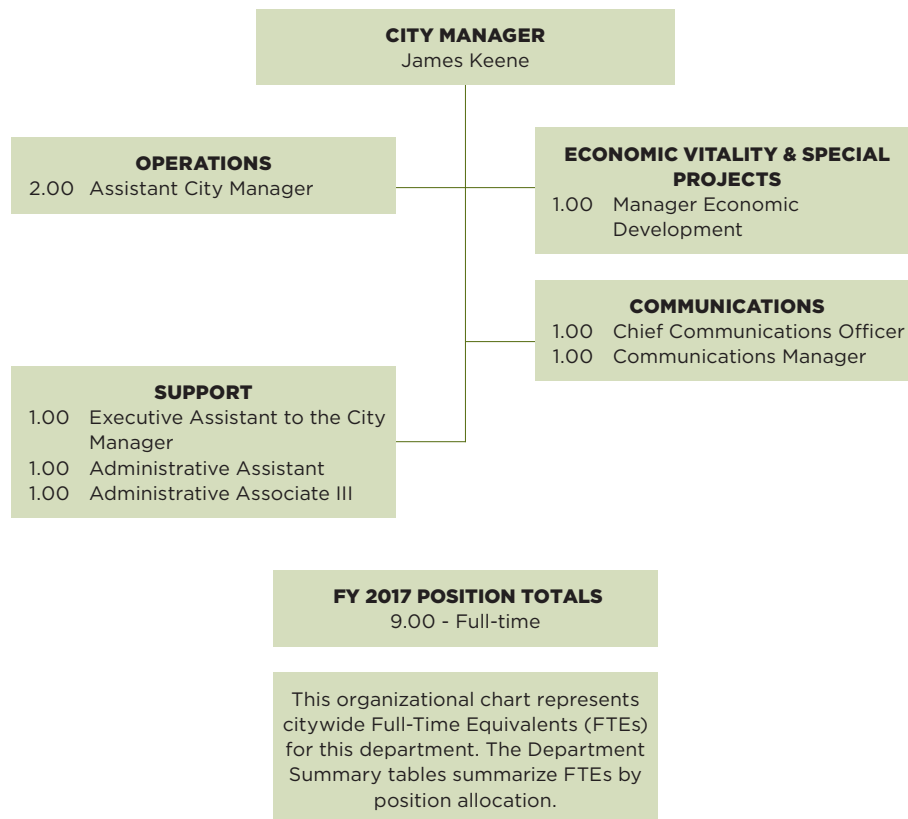


The City Manager's Office provides leadership and professional management to the City government in service to City Council policies, priorities and the community's civic values.

Purpose

The office is guided by the principles of place, community, stewardship, civics, and values.





Description

The City Manager's Office provides strategic leadership and guidance to the City operations and services for the City of Palo Alto through the following areas (including incubation of new programs):

ADMINISTRATION AND CITY MANAGEMENT

Provides the organizational support and leadership necessary to implement Council programs and policies to meet the City's current and future needs; ensures City operations demonstrate transparency and fiduciary responsibility to the public; builds a strong service culture and provides ongoing, informative communications to City employees regarding key objectives, challenges and accomplishments.

PLACE AND NEIGHBORHOODS

Fosters an informed and engaged community; develops mutual understanding and support between City government and the community by proactively communicating public information, creating and supporting community partnerships, and facilitating citizen involvement; cultivates livability by recognizing the distinctiveness and diversity of Palo Alto and its neighborhoods.

ECONOMIC VITALITY

Develops programs in support of a healthy, prosperous economic environment; maintains collaborative relationships with residents and businesses to facilitate desired economic activity.

Accomplishments

- Supported City Council priority setting and agenda planning while providing leadership and guidance to organization.
- Advanced organizational planning, work plans, and performance management through strategy sessions with Executive Leadership Team.
- Collaborated with City Council's Appointed Officers Committee to restructure performance review program for City Manager, City Attorney, City Auditor, and City Clerk.
- Continued partnership with the Planning and Community Environment Department on critical land use and transportation initiatives: Our Palo Alto, Comprehensive Plan Redraft, Parking and Retail Preservation Ordinance.
- Obtained 93% compliance in year one of the Business Registry and launched phase two of the business registry online tool, including software and user experience enhancements, and back-end upgrades, and planning for phase three - integration with other systems and processes at the Development Center.
- Partnered with Community Services Department, business groups and service providers to produce events such as Downtown Summer Concert Series, Meet the Street Event, and California Avenue Trick or Treating, highlighting available resources for small businesses.

CITY MANAGER

- Launched the Digital Commenter, a new online commenting tool, in coordination with the Planning and Community Environment Department.
- Continued communications support of Our Palo Alto and key transportation programs.
- Produced multiple community forums including a three-day For the Love of Palo Alto series aimed at increasing community participation, feedback and engagement.
- Produced and published multi-platform communications content related to City Council and organizational goals and programs; further expanded social media channel reach and provided responsive, informed and timely information to community, public and media stakeholders.
- Implemented City's Ethics Training program.
- Advanced partnership with City Auditor to ensure audit progress reports were reviewed in a timely fashion at City Council's Policy & Services Committee.
- Administered the Know Your Neighbor Grant Program encouraging neighborhood activities that foster a sense of community.
- Continued to advance the Animal Services Assessment, in partnership with the Police Department, leading to the final stages of a Request for Proposal.
- Advanced efforts to address impacts of air traffic by engaging citizens, Congress, FAA, and other stakeholders. Assembled noise, air traffic, legislative and legal consultant to support the community education and advocacy activities.
- Completed restoration of the vegetation along the Bol Park Bike Path in response to the US Veterans Administration - Palo Alto Hospital development project.
- Maintained City's state and federal legislative program by advancing City Council and City department initiatives.

Initiatives

- Continue to support the City Council priority setting process and lead organization performance management initiatives.
- Update of City website to enhance usability, responsiveness and visual appeal.
- Further advance the city's digital engagement and online presence through responsiveness and quality content to both inform and engage the community.
- Provide strategic communications support to departments across the city with a focus on programs and projects under the Council priorities.
- Continue partnership with the Planning Department on critical land use and transportation initiatives: Our Palo Alto, Comprehensive Plan Redraft, Parking, and Mobility.
- Continue progress on Business Registry and launch phase 3: integration with other permits/systems at the Development Center.
- Strengthen partnership with business groups and service providers to create new/enhance annual events that highlight local businesses, and highlight available resources for small businesses.

- Continue advocacy and regional partnership with stakeholders regarding impacts from air traffic.
- Continue to administer the Know Your Neighbors Grant Program.
- Continue City's comprehensive state and federal legislative program.

Goals and Objectives

GOAL 1

Implement the City Council's policy direction and ensure their goals and objectives are achieved in a timely manner.

Objectives:

- Provide timely, accurate, and results-oriented financial and operational reports.
- Lead the development of citywide business plans that support achievement of the Council's policies and priorities.
- Maintain a highly qualified, engaged, and effective workforce to successfully attain the City's goals and objectives.

GOAL 2

Lead the City's management team to ensure the provision of high-quality, cost-effective, and customer-focused services.

Objectives:

- Provide data and analytics to support informed decision-making processes.
- Improve the efficiency of the City's infrastructure, facilities, and equipment to support environmental and fiscal sustainability.
- Facilitate a high level of citizen satisfaction with City services.

GOAL 3

Advocate sound financial planning by developing and implementing Operating and Capital Improvement Program (CIP) budgets.

Objectives:

- Advance structural reforms to ensure the City lives within our means.
- Expand the use of innovation, performance management, and community partnerships to maintain and/or enhance public services.
- Balance and manage economic growth and sustainability initiatives.

GOAL 4

Promote and sustain citizen participation and engagement in public matters.

Objectives:

- Engage public and private partners to advance community initiatives.

- Expand outreach efforts and communications platforms to broaden citizen participation in local government and community matters.
- Ensure timely and responsive resolution to citizens' inquiries.
- Preserve transparency and enhance communication with the public.

Key Performance Measures

CITIZEN SATISFACTION

Goal	Lead the City's management team to ensure the provision of high-quality, cost-effective, and customer-focused services.				
Objective	Facilitate a high level of citizen satisfaction with City services.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of surveyed who rated the Quality of City Services as "Good" or "Excellent"	83.00%	85.00%	87.00%	86.00%	87.00%
Percent of surveyed who rated the Value of Services for the Taxes Paid as "Good" or "Excellent"	66.00%	65.00%	70.00%	67.00%	67.00%
Percent of surveyed who rated the Overall Image/Reputation of the City as "Good" or "Excellent"	92.00%	88.00%	94.00%	90.00%	92.00%
Description	The City participates in the National Citizen Survey (NCS), which is a collaborative effort between National Research Center, Inc. and the International City/County Management Association. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinion about the quality of life in the community.				
Purpose	Resident's feedback on the quality of services provided by the City allows staff to evaluate performance and identify opportunities for improvement.				
Status	The City's investment in facilities and programs lead staff to predict that these indicators will increase for 2016/2017.				

ECONOMIC VITALITY

Goal	Advocate sound financial planning by developing and implementing Operating and Capital Improvement Program (CIP) budgets.				
Objective	Balance and manage economic growth and development initiatives.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Overall quality of business and service establishments rated as "Good" or "Excellent"	79.00%	77.00%	82.00%	80.00%	81.00%
Percent of surveyed rating economic development as "Good" or "Excellent"	73.00%	69.00%	77.00%	71.00%	71.00%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of economic development and business and service establishments. The NCS is a collaborative effort between National Research Center, Inc., and the International City/County Management Association. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinion about the quality of life in the community.				
Purpose	Understanding the community perception of the business environment allows staff to work with developers and investors to ensure the right make-up of business and services are located in Palo Alto.				
Status	The new hotels and retail along with a redesigned California Ave. lead staff to believe that the economic view of the City will continue to increase for Fiscal Year 2017.				

OPEN GOVERNMENT AND COMMUNICATION

Goal	Promote and sustain citizen participation and engagement in public matters.				
Objective	Preserve transparency and enhance communication with the public.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of surveyed rating the City's public info services as "Good" or "Excellent"	79.00%	82.00%	83.00%	83.00%	84.00%
Percent of survey respondents who have attended a local public meeting	22.00%	22.00%	25.00%	25.00%	25.00%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of local government media services. The NCS is a collaborative effort between National Research Center, Inc., and the International City/County Management Association. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinion about the quality of life in the community.				
Purpose	Robust levels of community awareness and participation demand communication systems that are timely, accurate, meaningful, and readily accessible.				
Status	Although Palo Alto continues to rank above the benchmark, the City will be expanding efforts to increase transparency, information sharing and outreach. Tracking the engagement of citizens through attendance public meetings is a new performance measure for Fiscal Year 2017 to monitor these efforts.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of City Council and City Council Committee meetings	103	87	100	90	90
Total Hours of City Council and City Council Committee meetings	334	353	390	340	300

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration and City Management	2,247,824	1,773,746	2,511,482	2,350,271	(161,211)	(6.4)%
Economic Development	303,747	323,762	261,545	273,615	12,071	4.6%
Public Communication	220,495	269,974	237,146	260,103	22,957	9.7%
Total	2,772,067	2,367,482	3,010,172	2,883,989	(126,183)	(4.2)%

Dollars by Category						
Salary & Benefits						
Healthcare	144,252	94,919	184,745	160,273	(24,472)	(13.2)%
Other Benefits	110,389	94,343	58,700	84,359	25,659	43.7%
Overtime	9	126	—	—	—	—%
Pension	284,372	229,622	368,728	415,331	46,604	12.6%
Retiree Medical	136,616	105,936	126,693	112,770	(13,923)	(11.0)%
Salary	1,356,945	1,028,485	1,454,683	1,558,119	103,436	7.1%
Workers' Compensation	6,042	2,750	5,110	20,310	15,200	297.4%
Total Salary & Benefits	2,038,625	1,556,181	2,198,658	2,351,162	152,504	6.9%
Allocated Charges	108,104	117,868	156,448	127,757	(28,691)	(18.3)%
Contract Services	405,920	583,831	561,185	311,185	(250,000)	(44.5)%
Facilities & Equipment	73,824	1,364	—	—	—	—%
General Expense	132,009	95,175	79,391	79,391	(0)	(0.0)%
Operating Transfers-Out	2,039	2,039	2,039	2,039	—	—%
Rents & Leases	69	64	150	154	4	2.7%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Supplies & Material	11,477	10,960	12,301	12,301	—	—%
Total Dollars by Expense Category	2,772,067	2,367,482	3,010,172	2,883,989	(126,183)	(4.2)%
Revenues						
Charges to Other Funds	737,702	749,418	923,641	935,746	12,104	1.3%
Other Revenue	14,837	—	—	—	—	—%
Total Revenues	752,539	749,418	923,641	935,746	12,104	1.3%
Positions by Division						
Administration and City Management	7.10	7.10	7.10	7.10	—	—%
Economic Development	1.05	1.10	1.00	1.00	—	—%
Public Communication	0.90	0.90	0.90	0.90	—	—%
Total	9.05	9.10	9.00	9.00	—	—%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	77,583
Administrative Associate III	1.00	1.00	1.00	1.00	—	63,297
Assistant City Manager	1.00	2.00	2.00	2.00	—	464,005
Assistant to the City Manager	1.00	—	—	—	—	—
Chief Communications Officer	1.00	1.00	1.00	1.00	—	191,318
Chief Sustainability Officer	0.05	0.05	—	—	—	—
City Manager	1.00	1.00	1.00	1.00	—	285,001
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	—	97,676
Manager Communications	1.00	1.00	1.00	1.00	—	122,012
Manager Economic Development	1.00	1.00	1.00	1.00	—	145,911
Sub-total: Full-Time Equivalent Positions	9.05	9.05	9.00	9.00	—	1,446,803
Temporary/Hourly	—	0.05	—	—	—	—
Total Positions	9.05	9.10	9.00	9.00	—	1,446,803



Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	9.00	3,010,172	923,641	2,086,531
Base Adjustments				
One Time Prior Year Expenditures Deleted				
Animal Services Transition Funding	—	(250,000)	—	(250,000)
One Time Prior Year Expenditures	—	(250,000)	—	(250,000)
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	152,504	—	152,504
Rents & Leases Expenditure Adjustments	—	4	—	4
General Fund Cost Allocation Plan Charges Adjustment	—	—	12,105	(12,105)
General Liability Insurance Allocated Charges Adjustment	—	(10,685)	—	(10,685)
Information Technology Allocated Charges Adjustment	—	(26,063)	—	(26,063)
Printing and Mailing Allocated Charges Adjustment	—	8,057	—	8,057
Adjustments to Costs of Ongoing Activities	—	123,817	12,105	111,712
Total FY 2017 Base Budget	9.00	2,883,989	935,746	1,948,243
Total FY 2017 Proposed Budget	9.00	2,883,989	935,746	1,948,243

ADMINISTRATIVE SERVICES

Mission Statement



The Administrative Services Department strives to provide proactive financial and analytical support to City departments and decision makers, and to safeguard and facilitate the optimal use of City resources.

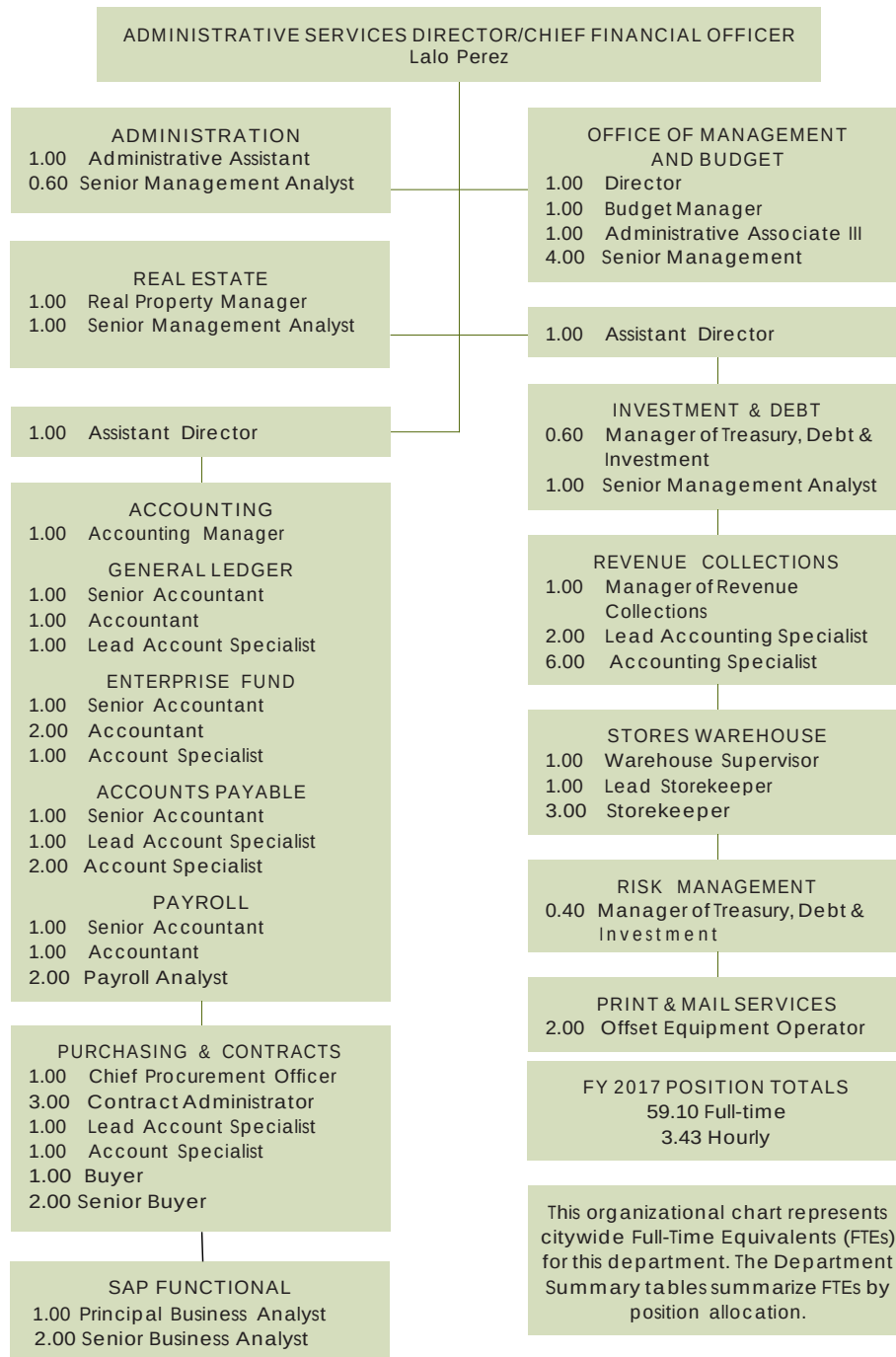
Purpose



The purpose of the Administrative Services Department is to provide excellent customer service to decision makers, the public, employees, and City departments; to provide analytical, organizational, and administrative support for a wide variety

of projects; to record, monitor, and protect City assets in a responsible manner; to provide essential financial management and forecasting reports; and to prepare and present financial reporting to various committees and City Council.

ADMINISTRATIVE SERVICES



Description

The Administrative Services Department is responsible for the following functions:

ADMINISTRATION

Provides financial, analytical, budget, strategic, and administrative support services for the department and organization.

ACCOUNTING

Performs financial transactions and provides accurate, timely and reliable financial information for internal and external customers, including vendor payments, payroll, and financial reporting.

PURCHASING AND CONTRACTS

Works with departments to facilitate their purchasing and contracting needs in a timely, efficient, and customer-oriented manner.

OFFICE OF MANAGEMENT AND BUDGET (OMB)

Oversees the citywide budget preparation, review and analysis, performance measures, and budget monitoring.

PROPERTY MANAGEMENT AND ACQUISITION

Provides asset management, acquires property rights, manages leasing of City's properties, prepares real estate agreements, completes easement acquisition/vacation, negotiates real estate deals and provides real estate services citywide.

TREASURY

Collects, safeguards, and invests revenue; issues and manages debt; and provides print shop and warehouse services.

Accomplishments

- Completed the Fiscal Year 2017-2026 General Fund Long Range Financial Forecast to assist the City Council in their decision-making.
- Facilitated the maintenance of the City's AAA credit rating, which results in the lowest possible borrowing costs.
- Managed the City's real estate leases resulting in revenue of \$915,000.
- Continued implementation of a strategic plan for the department emphasizing four focus areas: customer service, innovation, best practices, and employee excellence. Specific projects include:
- Customer survey and related improvements to payroll intranet site

ADMINISTRATIVE SERVICES

- Implement innovative eProcurement system, PlanetBids
- Best practices for Accounts Payable electronic payments, using ACH where possible
- Employee excellence focus on employee rating form, training plans, and specific goals improving customer service and responsiveness
- Continued implementation of the citywide procurement process improvements to improve efficiency and align with industry best practices, including new eProcurement system PlantBids, new key metrics reporting, knowledge management solution, and electronic document management.
- Continued to expand DocuSign eSignature and electronic workflow for key department forms and facilitated the expanded citywide rollout of DocuSign.
- Successfully applied to State of California to collect City's Utility Users Tax on pre-paid wireless activity. This is a new revenue source.
- Successfully negotiated, with City Attorney's Office, the collection of the City's Transient Occupancy Tax on Airbnb rentals. This is a new revenue source.
- Of the 14 recommendations in the Inventory Management Audit, seven have been completed. ASD is working with the Utilities and Public Works Departments to finalize the remaining seven.
- Explored and identified options for Council to address long-term unfunded liabilities for pension.
- Managed, marketed, and executed the sale of Transfer Development Rights (TDR) for the rehabilitation of the Roth Building in the amount of \$2.88 million.
- Facilitated the innovative and first-time lease for installation of solar panels and electric chargers in four city-owned garages.
- Completed the transition to paper free workflow in Purchasing and continued to expand scanning and electronic archiving in ASD and other city departments.
- Implemented the Government Accounting Standards Board (GASB) Statement 68 for new reporting of pension liability in the City's financial statements.
- Shifted to a greater percentage of 100% recycled paper and remanufactured toners, helping to reduce the City's consumption.
- Participated in citywide emergency preparation and planning to ensure financial support and reporting will be part of a coordinated emergency response effort.

Initiatives

- Continue implementation of the ASD strategic plan in four focus areas: high quality customer service, innovation and continuous improvement, best practices, and employee excellence, including: customer support resources in purchasing, payroll and accounting; and implementation of electronic forms.

- Implement new procurement process improvement recommendations, including the new eProcurement system for managing solicitations and vendor relations and contract management.
- Implement department-wide, technology-focused, and core competency training (e.g., SAP system, customer service), such as: SAP module specific training and support resources and SAP reporting training in the human resources and payroll modules.
- Move current manual garage parking permit process to Residential Parking Permit on-line platform.
- Establish a cooperative purchasing mall to streamline the purchasing process while ensuring competitive pricing and compliance with policies and procedures.
- Explore and identify healthcare long-term liability funding beyond the annual contributions.
- In conjunction with the Office of Emergency Services, continue to build out the financial support for emergency preparation to include templates for federal financial reporting after a disaster.
- Identify funding sources and investment options for Council to consider to address the City's unfunded liabilities for pension and healthcare.
- Develop new open data financial dashboards for budget and city financial information and to enhance transparency and accountability.
- Continue implementation of the paperless office program to the Accounting and Real Estate divisions of the Department.

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Fund						
California Avenue Parking Permits	53,384	54,637	57,593	58,291	698	1.2%
Capital Improvement Fund	195,723	205,857	222,072	207,566	(14,506)	(6.5)%
General Fund-Operating	7,092,521	7,132,943	7,634,910	7,797,896	162,986	2.1%
Printing & Mailing Services Fund	1,324,621	1,247,186	1,552,546	1,297,453	(255,093)	(16.4)%
University Avenue Parking Permits	123,324	134,990	147,683	154,956	7,273	4.9%
Total	8,789,573	8,775,613	9,614,804	9,516,161	(98,643)	(1.0)%
Revenues						
Charges for Services	17,531	16,082	12,000	12,570	570	4.8%
Charges to Other Funds	5,386,340	4,651,562	5,668,108	4,905,882	(762,225)	(13.4)%
Operating Transfers-In	1,347,629	—	—	—	—	—%
Other Revenue	100,570	48,206	51,400	51,400	—	—%
Other Taxes and Fines	—	(1,380)	—	—	—	—%

ADMINISTRATIVE SERVICES

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Return on Investments	1,576	(291)	400	400	—	—%
Total Revenues	6,853,647	4,714,178	5,731,908	4,970,253	(761,655)	(13.3)%
Positions by Fund						
California Avenue Parking Permits	0.52	0.52	0.52	0.51	(0.01)	(1.92)%
Capital Improvement Fund	1.20	1.20	1.20	1.20	—	—%
General Fund-Operating	41.47	42.22	41.04	41.50	0.46	1.12%
Printing & Mailing Services Fund	1.62	1.62	1.62	2.10	0.48	29.63%
University Avenue Parking Permits	1.14	1.14	1.14	1.12	(0.02)	(1.75)%
Total	45.95	46.70	45.52	46.43	0.91	2.00%

GENERAL FUND

Goals and Objectives

GOAL 1

- Ensure the City of Palo Alto's short and long-term financial status is healthy and sound.

Objectives:

- Assist with implementation of Council's Infrastructure Plan by providing updated financial planning and issuance of debt.
- Advance the cost of services study, analyze alternative service delivery models, and seek Council approval of the User Fee Cost Recovery Level Policy.
- Review opportunities for new and/or enhanced revenues.
- Analyze options for reducing the City's pension and retiree healthcare long-term liabilities.
- Provide long-term recommendations and strategies for City's real estate assets and risk reduction such as Cubberley, Ventura, and Middlefield road lots.
- Manage real estate assets effectively to enhance revenue and reduce cost.
- Recommend a strategically balanced budget within Council-approved reserve levels for City Council consideration.
- Assist with ongoing labor negotiations with analysis of labor and City proposals.
- Develop plans for addressing any forecasted shortfalls in funding for operations and infrastructure.
- Identify replacement tenants for vacated space at Cubberley to minimize the loss of rental revenue.

GOAL 2

- Provide timely and accurate financial reporting and transactions.

Objectives:

- Ensure that payroll processing, vendor payments, budget, and annual financial reporting are clear, timely, accurate, and in compliance with governmental finance standards.
- Enhance financial reporting mechanisms to ensure that departmental financial information is relevant and timely.
- Increase information availability and transparency using open data tools and dashboards.

GOAL 3

- Ensure public funds and assets are invested prudently and are well-managed.

Objectives:

- Ensure sufficient cash is always available to meet current expenditures.

ADMINISTRATIVE SERVICES

- Maintain a reasonable rate of return on investments.

GOAL 4

- Implement the ASD Strategic Plan in the focus areas of customer service, innovation, best practices, and employee excellence.

Objectives:

- Develop a succession plan for the department.
- Review ASD policies and procedures for updating or enhancement opportunity.
- Rollout training and resources for customer support to improve processing time.
- Enhance training plans for employees for job specific training and career development.
- Implement new tools for team collaboration and sharing, such as SharePoint.

Key Performance Measures

ANNUAL PERCENTAGE YIELD ON INVESTMENTS

Goal	Ensure public funds and assets are invested prudently and are well-managed.				
Objective	Maintain a reasonable rate of return on investments.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Annual percentage yield on investments	2.21%	1.95%	1.85%	1.85%	2.00%
Description	This measure tracks the City's annual rate of return on investments while following primary objectives (in priority order) of safety, liquidity, and yield.				
Purpose	A stable rate of return helps to grow the City's investment portfolio, and is one component in measuring the City's financial rating.				
Status	Due to a declining interest rate environment, the City's adopted goal of 2.10 percent will not be achieved so the revised or estimated goal is 2.0 percent.				

AVERAGE PROCESSING TIME FOR PURCHASE REQUISITIONS

Goal	Implement performance management programs to support and enhance communication, accountability, and positive outcomes.				
Objective	Continue developing and implementing Procurement and Inventory process improvements.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Track the average time from receipt of a Purchase Requisition to issuance of Purchase Order (Days)	30	25	15	23	23
Description	The City is required to follow procurement rules and regulations as outlined in the Municipal Code and State Law to ensure open and fair competition and the most cost-effective use of tax dollars. In compliance with existing rules and regulations, ASD endeavors to provide goods and services as quickly as possible to City departments.				
Purpose	To measure the average processing time for Purchase Requisitions in order to identify processing improvements while being compliant with existing rules and regulations.				
Status	In Fiscal Year 2017, the Purchasing Division will build on process improvements with increased training and new software solutions to increase efficiency and turnaround time.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of P-card (City credit card) transactions	17,885	17,799	19,000	17,800	18,000
Number of purchase orders and purchase requisitions processed	2,047	1,694	1,759	1,784	1,784
Total amount of cash and investments - as of June 30 (Millions)	\$472	\$545	\$516	\$509	\$500

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Accounting	1,751,790	1,693,803	1,958,610	2,090,866	132,256	6.8%
Administration	692,367	683,735	686,172	679,892	(6,280)	(0.9)%
Office of Management and Budget	1,231,281	1,162,381	1,393,539	1,314,523	(79,015)	(5.7)%
Purchasing	1,598,009	1,581,425	1,497,480	1,508,372	10,892	0.7%
Real Estate	532,047	669,499	643,402	623,443	(19,959)	(3.1)%

ADMINISTRATIVE SERVICES

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Treasury	1,287,026	1,342,101	1,455,706	1,580,800	125,094	8.6%
Total	7,092,520	7,132,944	7,634,910	7,797,896	162,986	2.1%
Dollars by Category						
Salary & Benefits						
Healthcare	575,728	561,528	635,597	716,258	80,661	12.7%
Other Benefits	158,000	157,648	169,464	138,100	(31,363)	(18.5)%
Overtime	24,134	35,716	33,723	33,723	—	—%
Pension	876,252	898,851	1,030,429	1,105,467	75,038	7.3%
Retiree Medical	381,699	523,211	574,000	536,733	(37,267)	(6.5)%
Salary	3,763,900	3,777,732	4,041,979	4,280,155	238,176	5.9%
Workers' Compensation	85,141	19,488	71,995	58,206	(13,789)	(19.2)%
Total Salary & Benefits	5,864,853	5,974,174	6,557,186	6,868,642	311,456	4.7%
Allocated Charges	393,601	392,693	448,276	363,446	(84,831)	(18.9)%
Contract Services	535,484	379,154	316,321	261,921	(54,400)	(17.2)%
Facilities & Equipment	20,506	3,693	6,200	6,200	—	—%
General Expense	221,431	331,358	249,105	239,374	(9,731)	(3.9)%
Rents & Leases	11,153	12,363	12,364	12,856	492	4.0%
Supplies & Material	45,493	39,508	45,457	45,457	—	—%
Total Dollars by Expense Category	7,092,521	7,132,943	7,634,910	7,797,896	162,986	2.1%
Revenues						
Charges for Services	17,531	16,082	12,000	12,570	570	4.8%
Charges to Other Funds	4,059,493	3,387,378	4,115,962	3,608,829	(507,132)	(12.3)%
Other Revenue	100,570	48,206	51,400	51,400	—	—%
Other Taxes and Fines	—	(1,380)	—	—	—	—%
Total Revenues	4,177,595	3,450,285	4,179,362	3,672,800	(506,562)	(12.1)%
Positions by Division						
Accounting	14.28	13.90	12.90	13.60	0.70	5.43%
Administration	1.05	1.30	1.60	2.08	0.48	30.00%
Office of Management and Budget	6.81	6.82	6.62	6.02	(0.60)	(9.06)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Purchasing	9.57	9.83	9.35	9.53	0.18	1.93%
Real Estate	2.50	2.60	2.80	2.32	(0.48)	(17.11)%
Treasury	7.26	7.77	7.77	7.95	0.18	2.32%
Total	41.47	42.22	41.04	41.50	0.46	1.12%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Account Specialist	5.95	5.95	4.95	5.88	0.93	357,289
Account Specialist-Lead	4.59	4.59	4.59	4.05	(0.54)	263,635
Accountant	2.00	2.00	3.00	3.00	—	241,217
Administrative Assistant	1.00	1.00	1.00	1.00	—	86,336
Administrative Associate III	1.00	1.00	1.00	1.00	—	68,354
Assistant Director Administrative Services	1.65	1.65	1.75	1.65	(0.10)	311,646
Buyer	2.00	2.00	2.00	1.00	(1.00)	89,624
Chief Procurement Officer	1.00	1.00	1.00	1.00	—	135,823
Contracts Administrator	1.70	1.70	1.70	1.70	—	175,368
Director Administrative Services/ CFO	0.70	0.70	0.70	0.80	0.10	180,539
Director Office of Management and Budget	1.00	1.00	1.00	1.00	—	163,508
Manager Accounting	1.00	1.00	1.00	1.00	—	149,115
Manager Budget	—	—	1.00	1.00	—	150,009
Manager Real Property	1.00	1.00	1.00	1.00	—	138,215
Manager Revenue Collections	—	—	0.70	0.62	(0.08)	84,506
Manager Treasury, Debt & Investments	—	—	1.00	0.60	(0.40)	79,759
Payroll Analyst	2.00	2.00	2.00	2.00	—	136,568
Principal Management Analyst	1.00	1.00	—	—	—	—
Senior Accountant	3.00	3.00	3.00	3.00	—	291,052
Senior Buyer	—	—	—	1.00	1.00	90,543
Senior Management Analyst	5.90	5.90	4.20	4.90	0.70	605,367
Storekeeper	—	—	—	1.00	1.00	65,436

ADMINISTRATIVE SERVICES

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Storekeeper-Lead	1.00	1.00	1.00	0.20	(0.80)	14,148
Warehouse Supervisor	0.50	0.50	0.50	0.20	(0.30)	18,837
Sub-total: Full-Time Equivalent Positions	37.99	37.99	38.09	38.60	0.51	3,896,894
Temporary/Hourly	3.48	4.23	2.95	2.90	(0.05)	444,443
Total Positions	41.47	42.22	41.04	41.50	0.46	4,341,337

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	41.04	7,634,910	4,179,362	3,455,548
Base Adjustments				
One Time Prior Year Expenditures Deleted				
Priority Based Budgeting Consultant Support	—	(60,000)	—	(60,000)
One Time Prior Year Expenditures Deleted	—	(60,000)	—	(60,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	185,520	—	185,520
Temporary Salaries Adjustment	—	62,442	—	62,442
Net Position Reallocations in/out of Administrative Services	(0.50)	(59,764)	—	(59,764)
Rents & Leases Adjustment	—	491	—	491
General Expense Adjustment (Management Development)	—	(9,730)	—	(9,730)
Charges for Service Adjustment (Easement Fee & Returned Items)	—	—	570	(570)
General Fund Cost Allocation Plan Charges Adjustment	—	—	(507,132)	507,132
General Liability Allocation Charges Adjustment	—	(46,465)	—	(46,465)
Information Technology Allocated Charges Adjustment	—	(27,236)	—	(27,236)
Printing and Mailing Allocated Charges Adjustment	—	(22,796)	—	(22,796)
Vehicle Equipment Maintenance Allocated Charges Adjustment	—	11,670	—	11,670
Adjustments to Costs of Ongoing Activities	(0.50)	94,132	(506,562)	600,694
Total FY 2017 Base Budget	40.54	7,669,042	3,672,800	3,996,242

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Budget Adjustments				
1 Temporary Management Specialist (e-Procurement and SAP)	0.48	74,880	—	74,880
2 Temporary Purchasing Contract Administration Specialist	0.48	53,974	—	53,974
Total Budget Adjustments	0.96	128,854	—	128,854
Total FY 2017 Proposed Budget	41.50	7,797,896	3,672,800	4,125,096



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Temporary Management Specialist (e-Procurement and SAP)	0.48	74,880	0	74,880

This action adds 0.48 FTE temporary Management Specialist (one-time) to continue implementation of e-Procurement and financial system training. This position will train current staff on new procedures for e-Procurement, which will increase efficiency in the Purchasing Division, and lead training efforts in the Financial System software (\$75,000)

Performance Results



The new procedures and training led by this position will increase efficiencies within the Purchasing Division, and will help staff more effectively utilize the Financial System tools.

2 Temporary Purchasing Contract Administration Specialist	0.48	53,974	0	53,974

This action adds 0.48 FTE Temporary Purchasing Contract Administration Specialist (one-time) to continue service levels and support the increase in purchasing workload. This request continues funding initially approved at the FY2016 Midyear Budget Review. (\$54,756)

Performance Results



The position will improve purchasing contract cycle time, which improve performance for customer departments.

PRINTING AND MAILING SERVICES

Accomplishments

- Maintained California Green Business certification in calendar year 2016.
- Processed 340,000 utility bills.
- Maintained timelines for producing council packets.

Initiatives

- Maintain a high level of customer service for Printing and Mailing.
- Provide quality printing products.
- Continue to improve ability to produce color requests.

Goals and Objectives

GOAL 1

- Provide timely and high quality services for City departments, City Council, and Committees.

Objectives:

- Continue analyzing additional cost saving options.
- Ensure timely distribution of mail and utility bills.
- Ensure timely creation and distribution of City Council and Committee packets.
- Reduce outsourcing of color job requests with the implementation of new color equipment.

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Fund						
Printing & Mailing Services Fund	1,324,621	1,247,186	1,552,546	1,297,453	(255,093)	(16.4)%
Total	1,324,621	1,247,186	1,552,546	1,297,453	(255,093)	(16.4)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Healthcare	30,475	30,672	31,428	35,546	4,118	13.1%
Other Benefits	3,554	3,358	3,402	2,355	(1,047)	(30.8)%
Overtime	877	2,458	—	—	—	—%
Pension	24,988	21,394	27,429	29,316	1,887	6.9%
Retiree Medical	40,156	61,815	64,000	59,845	(4,155)	(6.5)%
Salary	98,730	103,410	103,081	127,551	24,471	23.7%
Workers' Compensation	226	204	193	1,439	1,246	645.5%
Total Salary & Benefits	199,006	223,311	229,533	256,053	26,519	11.6%
Allocated Charges	116,102	154,758	188,477	194,794	6,317	3.4%
Contract Services	178,157	67,886	165,511	114,711	(50,800)	(30.7)%
Facilities & Equipment	—	—	53,000	—	(53,000)	(100.0)%
General Expense	352,000	354,264	398,500	286,975	(111,525)	(28.0)%
Rents & Leases	379,638	317,932	437,267	364,662	(72,605)	(16.6)%
Supplies & Material	99,720	129,034	80,258	80,258	—	—%
Total Dollars by Expense Category	1,324,621	1,247,186	1,552,546	1,297,453	(255,093)	(16.4)%
Revenues						
Charges to Other Funds	1,326,847	1,264,184	1,552,146	1,297,053	(255,093)	(16.4)%
Return on Investments	1,576	(291)	400	400	—	—%
Total Revenues	1,328,423	1,263,893	1,552,546	1,297,453	(255,093)	(16.4)%
Positions by Division						
Printing and Mailing	1.62	1.62	1.62	2.10	0.48	29.63%
Total	1.62	1.62	1.62	2.10	0.48	29.63%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Manager Revenue Collections	—	—	0.10	0.10	—	13,630

ADMINISTRATIVE SERVICES

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Offset Equipment Operator	1.52	1.52	1.52	1.52	—	91,745
Senior Management Analyst	0.10	0.10	—	—	—	—
Sub-total: Full-Time Equivalent Positions	1.62	1.62	1.62	1.62	—	105,375
Temporary/Hourly	—	—	—	0.48	0.48	20,710
Total Positions	1.62	1.62	1.62	2.10	0.48	126,085



Budget Reconciliation

	Positions	Expenditures	Revenues	Net Printing and Mailing Services
Prior Year Budget	1.62	1,552,546	1,552,546	—
Base Adjustments				
One Time Prior Year Expenditures Deleted				
Postage Meter Replacement	—	(53,000)	—	(53,000)
One Time Prior Year Expenditures Deleted	—	(53,000)	—	(53,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	0.48	26,420	—	26,420
Postage and Printing Expenditure Adjustment	—	(111,625)	—	(111,625)
Contract Services Expenditure Adjustment	—	(50,800)	—	(50,800)
Rents and Leases Expenditure Adjustment	—	(72,605)	—	(72,605)
General Fund Administrative Cost Plan Adjustment	—	5,419	—	5,419

Budget Reconciliation

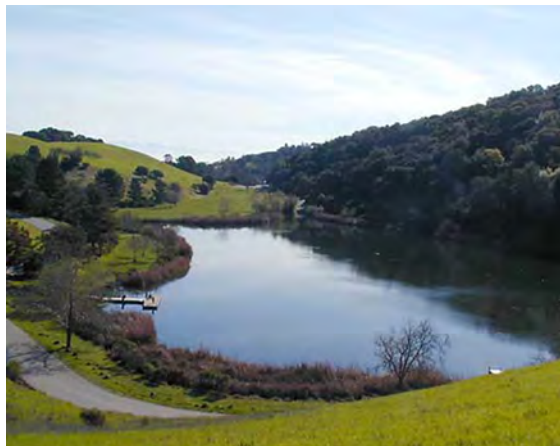
	Positions	Expenditures	Revenues	Net Printing and Mailing Services
Print & Mail Allocation Charges Adjustment	—	10,648	—	10,648
General Liability Allocation Charges Adjustment	—	(1,867)	—	(1,867)
Information Technology Allocated Charges Adjustment	—	(7,683)	—	(7,683)
Charges to Other Funds - Print and Mail Services Revenue Adjustment	—	—	(255,493)	255,493
Return on Investments Revenue Adjustments	—	—	400	(400)
Adjustments to Costs of Ongoing Activities	—	(202,093)	(255,093)	53,000
Total FY 2017 Base Budget	2.10	1,297,453	1,297,453	53,000
Total FY 2017 Proposed Budget	2.10	1,297,453	1,297,453	53,000



CITY OF
**PALO
ALTO**

COMMUNITY SERVICES

Mission Statement



The Community Services Department's mission is to engage individuals and families in creating a strong and healthy community through parks, recreation, social services, arts, and sciences.

Purpose



The purpose of the Community Services Department is to provide a diverse range of quality programs and services that are highly valued and relevant to the needs of the community. Community Services aims to develop and provide programs for increased knowledge, creativity, artistic

expression, physical activity, social help, and enjoyment of the outdoors; seeks to be responsible stewards of the many unique community assets including open space, parks and their related interpretive centers, Children's Theatre, Palo Alto Art Center, Junior Museum and Zoo and three community centers at Cubberley, Mitchell Park and Lucie Stern and the Palo Alto Public Art collection; seeks to provide comfortable, safe, and attractive facilities; strives for sustainable practices that lower our carbon footprint; and develops and maintains mutually beneficial partnerships and collaborations with local organizations, businesses, individuals and foundations to achieve our mission.

COMMUNITY SERVICES



Description

The Community Services Department operates three divisions and an Office of Human Services, providing the following services to the community:

ARTS AND SCIENCES

Provides visual and performing arts, music and dance, and science programs to youth and adults, including a focus on family programs. The division manages the Art Center, Junior Museum and Zoo, Children's Theatre, Community Theatre, Cubberley Theatre, the Public Art Program, the Cubberley Artist Studios Program, and the MakeX studio.

OPEN SPACE, PARKS, AND GOLF

Maintains nature interpretive centers and operates more than 4,000 acres of open space and urban parkland. The division offers programs in ecology and natural history in open space, maintenance of facilities for outdoor recreational use in City parks, and a full-service golf complex.

RECREATION

Provides a diverse range of programs and activities for the community, establishing a culture of health and well-being for families and individuals of all ages. Programs include childhood learning, youth development, teen services, summer camps, organized sports, aquatics, special events, and a wide variety of adult recreation classes. The Recreation Division manages and operates three community centers and the Rinconada Pool.

OFFICE OF HUMAN SERVICES

Provides funding and coordinates grants to nonprofit organizations through the Human Services Resource Allocation Process (HSRAP). Provides oversight of the afterschool child care program, Palo Alto Mediation Program, the Family Resources data base, and serves as a key liaison to local social services organizations and child care providers.

Accomplishments

- The Parks, Open Space and Golf Division continued to make significant headway in improving Palo Alto's Open Space preserves. Open Space staff, Public Works and the Fire Department worked together to further implement the Foothills Fire Management Plan. The evacuation routes for Page Mill Road, Arastradero Road, and Los Trancos Road have been cleared significantly, increasing the safety of those routes.
- The Magical Bridge Playground Project at Mitchell Park was completed and a grand opening was held on April 18, 2015. The Magical Bridge Playground is extremely popular with park visitors. The playground offers a vibrant selection of play, discovery, and imagination inspiring components; and is an inviting place where children of all abilities can come together to play and socialize without physical or social barriers.

COMMUNITY SERVICES

- The Open Space, Parks and Golf Division continued to make significant headway on completing capital improvement projects including Scott Park, El Camino Park, Monroe Park, and City Hall landscape Improvement. Several projects are in process now and will be completed by the end of Fiscal Year 2016 including Community Garden Irrigation Replacement, Baylands Interim Plan, Batting Cages at Baylands Athletic Center, and Bowden Park.
- Public Art Program Temporary Public Art Installation – The Public Art Program is committed to sponsoring dynamic, rotating exhibitions that reflect diverse styles and perspectives. “Rondo I” by Bruce Beasley was installed in October 2015. “Rondo I” will remain in front of City Hall until September 2016, kicking off a series of ongoing temporary public art installations on King Plaza. As part of the Public Art Master Plan process, the Public Art Program commissioned artists Chris Treggiari and Peter Focault to engage more than 300 residents on the future of public art through their social practice work.
- The public art program unveiled a dynamic interactive new media artwork in the lobby of City Hall by Susan Narduli. “Conversation” beautifully displays the public comments and news feeds from local, national and global sources, a visual reflection of the open and transparent government we strive to be. This new-media interactive artwork celebrates freedom of speech and expression. It is the voice of our community making up the ever-changing visual narrative.
- The Palo Alto Children’s Theatre continued its seven year trend of record attendance reaching more than 45,000 audience members annually. In collaboration with the Friends of the Palo Alto Children’s Theatre (FOPACT), the theatre expanded its Dance in Schools programs to all PAUSD Elementary Schools. Outreach Theatre Productions continue to serve PAUSD Elementary grades 3-5. Through transportation grants and camp scholarships provided by FOPACT, the theatre provided access and arts education to nearly 6,000 students attending productions, in classes and camps. The Teen Arts Council, a Children’s Theatre initiative, continued growth through new programs and outreach to Bay Area teens.
- The Palo Alto Art Center served a record number of 91,099 visitors in FY 2015. Thanks to the support of the Art Center, the Art Center Foundation, and the ‘Our Palo Alto’ Initiative, this year we worked with artist Kate Pocrass to create “This is Happiness: Palo Alto”, a free artistic map of Palo Alto available to visitors in the exhibition Front Yard/Backstreet.
- The Palo Alto Art Center kicked off the Institute of Museum and Library Services funded project “Creative Ecology” with artist Linda Gass in collaboration with the Junior Museum and Zoo. Creative Ecology is an innovative art and science residency program that promotes learning about and appreciation of the natural world through the creative process, engaging artists, art and science educators, and the larger community.
- The Junior Museum and Zoo (JMZ) increased the number of students served in its elementary school Science Outreach Program from 10,696 in FY 2014 to 13,280 in FY 2015 and estimates that it will reach 17,415 students in FY 2016, representing year-over-year growth of 20% and 31% respectively. Many schools increased their program requests but the greatest growth was programming four new Title 1 schools funded by the Friends of the PAJMZ and the County of Santa Clara.

- The JMZ launched an ambitious Accessibility & Inclusion Initiative funded by the Packard Foundation and the Brin Wojcicki Foundation. The Initiative aims to improve access to the JMZ and its programs for children with disabilities and their families. The Initiative provides training for staff, accessibility reviews of the existing JMZ site and plans for the new JMZ, two years of bimonthly Superfamily Sundays Events for families with children who have disabilities, development of on-site support resources, and focus groups to help JMZ designers broaden their ability to design spaces, exhibits and programs for children of all abilities.
- Cubberley Artist Studio Program (CASP) launched its community programming initiative with more than 25 events to date, free and open to the public in the newly anointed Art Lab (U7), including panels on arts and the environment, arts and sciences, sewing clinics, toddler maker space open houses, and the art of Japanese tea ceremony. CASP launched its first annual Meet the Artists event as well as its first annual Community Artists Exhibition.
- MakeX moved from the Library Department to CSD's Arts & Sciences Division and continues to serve approximately 100 teens a month with a unique maker space run by teens for teens. In addition to their presence at Stanford's international maker conference Fablearn, CASP artists helped them create an inaugural exhibition in the Art Lab.
- The Office of Human Services, along with the Human Relations Commission (HRC), hosted four very successful community forums in the past year focused on senior services, veteran homelessness, domestic violence, and implicit bias. The forums brought together subject experts, providers and the community to dialogue together and encourage those present to take action to address key areas of need.
- The Bryant Street Garage Fund Grant Program has seen tremendous success and growth over the past year with \$13,346 spent to fund 16 teen initiated and led projects including clickPA, Project Enybody, DocX Unmasked Documentary, and many more. All teens who receive funding through the Bryant Street Garage Fund are required to fill out an evaluation at the end of their project. Highlights from the results of those surveys include that 100% of the teens felt that their project was a success and 80% of the teens spent 40 hours or more on their project.
- Mitchell Park Community Center (MPCC) continues to be in high demand since its opening in December 2014. In 2015, facility rentals generated over \$126,000 in revenue with 4,980 hours reserved for 559 events with 50,668 in estimated attendance. Customer satisfaction surveys indicate 100% of renters would refer the facility to a friend, and 100% of renters saying they would rent the facility again. MPCC also hosted 77 non-profit events, 313 administrative events (City of Palo Alto affiliated events), and 14 Co-Sponsored events (no room charge). MPCC is also host to a variety of CSD programs from the Art Center, Children's Theatre, and Recreation Special Interest. In 2015, these programs served 662 participants with 1,187 program hours and generated \$149,138 in program revenue.
- Mitchell Park Teen Center is fully staffed and operating with a free after school program, LEAP (Learning Enrichment Afterschool Program), and free drop-in hours daily. Teen Center staff serve an average of 56 teens per week during drop-in hours and 85 students are enrolled in LEAP. The teen center also hosted 18 events with a total of 1,158 attendees.

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- Lucie Stern Community Center (LSCC) has been a historical presence in the Palo Alto community since its opening in 1934. Lucie Stern rentals range from regularly scheduled fitness and wellness classes to meetings and celebratory events such as weddings and quinceañeras. In 2015, facility rentals generated \$179,189 in revenue (\$49,189 over the 2015 projected goal of \$130,000) with 5,530 hours reserved for 390 events with 84,998 guests in estimated attendance. Customer satisfaction surveys indicate that 86% of renters would rent the facility again. Lucie Stern also hosted 101 basic rentals, 67 non-profit events (50% discount off resident fees), 221 administrative events (City of Palo Alto affiliated events at no charge), and 5 Co-Sponsored events (no room charge). LSCC plays host to many CSD programs, summer camps, and classes from the Art Center, Children's Theatre, Aquatics, and Special Interests. In 2015, these programs served 979 participants with 5,930 program hours and generated \$167,170 in revenue for the department.
- Cubberley Community Center continues to provide the community with valuable and unique rental and lease spaces. In 2015, facility rentals generated \$1.3 million dollars in revenue and hosted numerous events: theater performances, dance shows, lectures, karate classes, basketball games and a wide range of other activities. Cubberley is also home to Foothill College, Community Artists, dance studios, schools and daycare centers. An estimated 600,000 people visit Cubberley every year and the programs hosted on campus continue to provide positive experiences and lasting memories for everyone who visits.

Initiatives

- The Open Space, Parks, and Golf Division will focus on completing a number of projects including the Parks, Trails, Natural Open Space and Recreation Master Plan. The master plan will provide the City with guidance regarding future renovations and capital improvement needs for parks, trails, open space and recreation facilities.
- The Buckeye Creek Hydrology Study will be completed, and will provide a recommendation to resolve the creek's erosion and flooding problems, and provide insight on the best uses of the 7.7 acres property at Foothills Park. Finally, the Byxbee Interim Plan Project and the Stanford Palo Alto Synthetic Turf Replacement Project will be completed in FY 2017.
- The Open Space, Parks, and Golf Division will begin work on the Baylands Comprehensive Conservation Plan, which will provide guidance on habitat protection, environmental education, and recreational opportunities at the Baylands Nature Preserve.
- The Project Safety Net Community Collaborative (PSN), with its newly hired Executive Director, will transition to a Collective Impact model of community collaboration. A more rigorous and specific form of collaboration among organizations that aims to improve PSN's overall effectiveness in youth suicide prevention and youth health and well-being in Palo Alto.
- Community Services will continue to host popular special events the community has enjoyed for generations, including the May Fete parade and the Chili Cook-Off. The Special Events Program will also explore opportunities for new events that promote the City Council's priorities of Healthy City Healthy Community and will focus on offering a diverse range of events that encourage participation from all community members.

- Recreation will increase Special Interest classes based on current trends and in response to community requests and feedback. This will ensure that Community Services is providing the most up to date and relevant classes for all ages.
- The Recreation Division will continue to provide and expand services for teens by focusing on programs and events like “The Drop” Teen Center and LEAP After School Program that provide safe places for teens to learn and grow. Additional programs and events that foster a culture of inclusion, awareness, and empathy will also be provided while opportunities for new events are explored. Teen programs such as the Bryant Street Grant Program, Youth Community Service, and teen leadership groups will continue to provide opportunities for teens to develop their leadership skills and be innovative thinkers.
- Community Services will evaluate the Aquatics Program to determine if service delivery could be improved and enhanced over the long-term through a third-party provider. This initiative arose from increasing difficulties with pool staff shortages, which compromises the summer Learn to Swim program and limits community access to Rinconada Pool for adults and families. This evaluation will include outreach to the various pool users to obtain their feedback on the future of the Aquatics Program. A report back with recommendations for this program is anticipated to be brought back to City Council in fall 2016.
- A Healthy City Healthy Community Resolution was adopted by Council to “encourage healthy social, cultural and physical environments that promote and support health, well-being and creative expression for ourselves, our families and our communities.” In support of this Council priority, Community Services will lead a group of dedicated stakeholders to advance the objectives of the Resolution and support Palo Alto as a healthy city and community. The stakeholder group will establish specific metrics to measure progress and staff will provide an annual report to Council.
- Community Services, working alongside the City Manager’s Office and the Palo Alto Unified School District, will embark on a process to develop a shared vision for the future of the Cubberley Community Center that represents the educational and community needs of the School District and the City. The first step is to develop an inclusive, collaborative and adaptable process that will provide the road map to achieving the best outcome for the community.
- Pending regulatory permits, staff plans to begin the renovation and reconfiguration of the existing Palo Alto Municipal Golf Course. The need for Golf Course reconfiguration work was initially triggered by the San Francisquito Creek Joint Powers Authority’s (JPA) upcoming project to realign the San Francisquito Creek channel for the purpose of increased flood protection within Palo Alto and neighboring communities. The goals of the Golf Course reconfiguration project are: reconfigure the Golf Course to accommodate the necessary flood control work of the JPA and to allow for future recreation fields for the City; restore the golf asset as a point of pride to the community; conserve resources by transforming the fully turfed course to one with more naturalized areas that are in harmony with the Baylands area; and, promote Palo Alto by establishing a “must play” golf experience in the region.
- Community Services will foster a culture of lifelong learning and inspiration for staff that propels all staff into pursuing personal excellence in the workplace, thereby increasing their performance, creative problem solving skills and maximized contribution to the agency. The

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culture of lifelong learning will include outstanding professional development and team building opportunities.

- The Office of Human Services will continue its leadership with the Human Services Resource Allocation Process (HSRAP), homeless services, child care initiatives, and to evaluate Palo Alto's senior services needs especially in the area of senior transportation.
- City staff and Friends of the Palo Alto Junior Museum and Zoo will continue to develop draft terms for a potential public private partnership to rebuild the aging Junior Museum and Zoo facility for Council consideration in Fiscal Year 2017, in accordance to a City Council approved Letter of Intent between the two parties.
- The Palo Alto Children's Theatre, with support from the Friends of the Palo Alto Children's Theatre, has launched a new plays initiative, commissioning two new works in its first year: THE BALLAD OF PHINEAS MCBOOF by award-winning local children's musician Doctor Noize, which will premiere in fall 2016, and MOON SHOT, a new play by Chicago company Theater Unspeakable exploring the historic 1969 moon landing, which premieres in winter 2017.
- The Art Center reopens the long-anticipated renovated auditorium space as a rental and program space for the community. The renovated auditorium features enhanced acoustics and a state-of-the-art sound and projection system.
- The Art Center launches an Institute of Museum and Library Services funded initiative to develop Discovery Kits for families in the Art Center galleries. These kits will enrich the experience of families who visit the Art Center through engaging art activities they can do together.
- The Public Art Program will implement the Public Art Master Plan and associated policies and governance, the result of an eighteen-month process, with over 40 meetings, community input and envisioning.
- The Public Art Program Staff will oversee the first public art projects to be installed associated with the public art in private development ordinance. Artist selection and design development will begin for several large municipal projects for art this year, such as the highway 101 bike/pedestrian bridge, the Junior Museum and Zoo, and the Fire Station 3 Replacement.
- The Cubberley Artist Studio Program works in partnership with the Arts & Sciences Division to bring in more grant dollars, offer more cultural programming to the community, and create an enlivened destination.
- The MakeX Program seeks to build a new cadre of teen mentors as the original mentors go off to college.

Goals and Objectives

GOAL 1

Provide high-quality, relevant, and diverse services and programs to the public.

Objectives:

- Achieve a high level of customer satisfaction for all programs and services offered by the department.
- Increase public awareness of, and participation in, recreational services.
- Ensure programs are responsive to a broad range of needs within the community.

GOAL 2

Ensure parks and recreational areas are safe and environmentally sensitive.

Objectives:

- Maintain grounds to be in good condition and facilities to be in good repair.
- Protect public land and utilize best management practices for environmental preservation.

GOAL 3

Provide innovative, well-managed programs and services.

Objectives:

- Increase and diversify community involvement and volunteerism.
- Monitor cost recovery to facilitate sustainability of programs and services.
- Explore partnerships with other agencies to maximize services for the public.

Key Performance Measures

COMMUNITY SERVICES DEPARTMENT ONLINE REGISTRATION AND EFFICIENCY

Goal	Provide innovative, well managed programs and services.				
Objective	Increase online class registration.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of class registrations occurring online	55.00%	64.00%	66.00%	66.00%	68.00%
Description	Increase self-service, efficient and convenient online class registration processes.				
Purpose	Increase staff productivity and capacity.				
Status	Currently, online class registration is the preferred method of registration.				

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COMMUNITY SERVICES DEPARTMENT OPEN SPACE AND PARKS

Goal	Ensure parks and recreational areas are safe and environmentally sensitive.				
Objective	Protect public land and utilize best management practices for environmental preservation.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of surveyed who rate the City's success in preserving natural areas as "Good" or "Excellent"	80.00%	64.00%	85.00%	80.00%	81.00%
Description	This measure tracks resident responses when asked to rate Palo Alto's preservation of natural areas such as open space and green belts in an annual National Citizen Survey (NCS). The Department maintains and manages 4,029 acres of open space including Foothills Park, Baylands Nature Preserve, Pearson-Arastradero Preserve and Esther Clark Nature Preserve. The City participates in the NCS, which asks residents to rate their perception of local government services. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinions about the quality of life in the community.				
Purpose	It is important for the City to solicit feedback from and respond to residents regarding the services and programs we provide.				
Status	Palo Alto ranked in the 94th percentile (14th of 207 jurisdictions surveyed) for preservation of natural areas such as open space and green belts.				

COMMUNITY SERVICES DEPARTMENT PROGRAMS AND SERVICES

Goal	Provide high quality, relevant, and diverse services and programs to the public.				
Objective	Ensure programs are responsive to a broad range of needs within the community.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of surveyed who rate recreation programs/classes as "Good" or "Excellent"	87.00%	84.00%	88.00%	87.00%	88.00%
Description	The Department's motto is "Engage, Create, Enjoy!" to enhance the quality of life. We offer diverse experiences for children, teens, and adults of all ages. This measure tracks resident responses when asked to rate Palo Alto's recreation programs or classes in the annual National Citizen Survey (NCS). The City participates in the NCS, which asks residents to rate their perception of local government services. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinions about the quality of life in the community.				
Purpose	It is important for the City to solicit feedback from and respond to residents regarding the services and programs we provide.				
Status	Palo Alto's ratings were significantly higher than the survey benchmark (average ratings in all other cities). Residents' ratings ranked Palo Alto 16th of 294 cities surveyed, or in the 95th percentile.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Total Enrollment in classes/camps in arts, sciences, recreation, and open space programs	14,647	14,622	16,400	15,000	15,500
Average Enrollment in classes/camps in arts, sciences, recreation, and open space programs	18	20	21	20	21

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration and Human Services	3,491,920	3,774,060	3,893,905	3,914,460	20,555	0.5%
Arts and Sciences	4,895,800	5,049,313	5,578,305	5,919,433	341,128	6.1%
Open Space, Parks and Golf	9,053,654	8,919,376	9,150,850	8,910,489	(240,361)	(2.6)%
Recreation and Cubberley	5,107,334	5,306,247	6,188,411	6,652,338	463,927	7.5%
Total	22,548,708	23,048,996	24,811,471	25,396,719	585,249	2.4%
Dollars by Category						
Salary & Benefits						
Healthcare	1,415,922	1,462,442	1,606,988	1,851,810	244,822	15.2%
Other Benefits	248,651	211,846	248,684	202,918	(45,765)	(18.4)%
Overtime	91,870	119,244	101,795	101,795	—	—%
Pension	1,361,988	1,483,780	1,698,908	1,828,928	130,020	7.7%
Retiree Medical	804,476	945,877	1,015,000	949,101	(65,899)	(6.5)%
Salary	7,327,071	7,738,298	8,691,379	9,064,569	373,190	4.3%
Workers' Compensation	84,820	53,412	71,731	128,423	56,692	79.0%
Total Salary & Benefits	11,334,800	12,014,899	13,434,485	14,127,545	693,060	5.2%
Allocated Charges	4,698,393	4,383,256	4,555,418	4,553,717	(1,702)	(0.0)%
Contract Services	4,200,662	4,151,067	4,151,292	4,027,259	(124,033)	(3.0)%
Facilities & Equipment	26,493	46,190	95,700	70,700	(25,000)	(26.1)%
General Expense	1,654,005	1,718,713	1,823,964	1,878,714	54,750	3.0%
Operating Transfers-Out	6,990	6,990	6,990	6,990	—	—%
Rents & Leases	21,922	18,642	24,466	25,040	574	2.3%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Supplies & Material	605,445	709,239	719,157	706,755	(12,402)	(1.7)%
Total Dollars by Expense Category	22,548,709	23,048,996	24,811,472	25,396,719	585,247	2.4%

Revenues						
Charges for Services	5,439,205	5,096,059	4,432,254	4,201,741	(230,514)	(5.2)%
Charges to Other Funds	55,505	55,688	58,338	58,338	—	—%
From Other Agencies	16,038	9,500	—	44,885	44,885	—%
Other Revenue	589,875	679,981	680,009	741,009	61,000	9.0%
Other Taxes and Fines	1,162	700	1,000	1,026	26	2.6%
Rental Income	821,672	965,673	899,364	915,806	16,442	1.8%
Total Revenues	6,923,457	6,807,601	6,070,965	5,962,805	(108,161)	(1.8)%

Positions by Division						
Administration and Human Services	4.91	5.91	5.96	5.79	(0.17)	(2.85)%
Arts and Sciences	43.82	44.67	44.64	45.89	1.25	2.80%
Open Space, Parks and Golf	31.68	31.68	31.93	32.87	0.94	2.93%
Recreation and Cubberley	53.12	55.74	59.03	59.71	0.68	1.16%
Total	133.53	138.00	141.56	144.26	2.70	1.91%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	86,340
Administrative Associate III	0.75	0.75	1.00	1.00	—	60,401
Assistant Director Community Services	2.00	2.00	2.00	2.00	—	323,184
Building Serviceperson	2.00	2.00	2.00	2.00	—	110,360
Building Serviceperson-Lead	2.00	2.00	2.00	2.00	—	118,142
Coordinator Recreation Programs	4.00	4.00	4.00	4.00	—	298,755
Director Community Services	1.00	1.00	1.00	1.00	—	189,652
Division Manager Open Space, Parks and Golf	1.00	1.00	1.00	1.00	—	144,393

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Heavy Equipment Operator	0.07	0.07	0.07	0.07	—	5,594
Inspector, Field Services	2.00	2.00	2.00	2.00	—	180,736
Junior Museum & Zoo Educator	2.25	2.75	2.75	2.75	—	191,875
Management Analyst	—	1.00	1.00	1.00	—	99,631
Management Assistant	1.00	1.00	1.00	1.00	—	79,128
Manager Community Services	6.00	5.00	5.00	5.00	—	452,351
Manager Community Services Senior Program	4.00	5.00	4.00	4.00	—	444,714
Manager Human Services	—	—	1.00	1.00	—	119,555
Park Maintenance Person	6.00	6.00	6.00	6.00	—	389,852
Park Maintenance-Lead	1.00	1.00	1.00	1.00	—	77,544
Park Ranger	5.00	5.00	5.00	5.00	—	347,493
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	—	145,547
Producer Arts/Science Programs	11.75	11.75	12.50	12.50	—	1,014,177
Program Assistant I	6.75	6.75	7.00	8.00	1.00	530,813
Program Assistant II	4.00	4.00	4.00	4.00	—	290,673
Project Manager	—	—	0.00	0.10	0.10	9,984
Senior Management Analyst	1.00	1.00	1.00	1.00	—	123,323
Sprinkler System Representative	4.00	4.00	4.00	4.00	—	272,104
Superintendent Community Services	2.00	2.00	2.00	2.00	—	213,632
Superintendent Recreation	—	—	1.00	1.00	—	112,091
Theater Specialist	1.00	1.00	1.00	1.00	—	90,488
Volunteer Coordinator	0.75	0.75	—	—	—	—
Sub-total: Full-Time Equivalent Positions	74.32	75.82	77.32	78.42	1.10	6,522,532
Temporary/Hourly	59.21	62.18	64.14	65.84	1.70	3,899,970
Total Positions	133.53	138.00	141.46	144.26	2.80	10,422,502

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	141.46	24,811,472	6,070,965	18,740,507
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Santa Clara County Homeless Services Funding	—	(125,000)	—	(125,000)
Foothills Fire Management Plan Contractual Services Funding Alignment	—	(18,500)	—	(18,500)
Community Center Furniture Replacement	—	(25,000)	—	(25,000)
One-Time Prior Year Expenditures	141.46	(168,500)	—	(168,500)
Adjustments to Costs of Ongoing Activities				
Salary and Benefit Adjustments	1.26	561,363	—	561,363
Revenue and Expenditure Adjustments	—	57,955	198,727	(140,772)
Friends of the Palo Alto Children's Theatre Donation	—	45,000	45,000	—
Arts Center Creative Ecology Grant Funding	—	44,885	44,885	—
Magical Bridge Playground Maintenance	—	40,000	—	40,000
Friends of the Junior Museum Park and Zoo Santa Clara Title I School Contract through FY 2018 / Charges for Services	—	25,232	25,000	232
MakeX Program - Teen Services Program Reallocation from Library	0.48	24,941	—	24,941
PACCC / Avenidas Consumer Price Index Adjustments	—	23,757	—	23,757
Additional Parkland Maintenance Contract Alignment	—	20,000	—	20,000
Recreation Summer Camp Transportation / Charges for Services	—	18,000	18,000	—
Art Center Institute of Museum and Library Services Grant	—	16,000	16,000	—
PAUSD Water Cost Charges Alignment	—	13,541	—	13,541
Human Services Resource Allocation Program Consumer Price Index Adjustments	—	11,353	—	11,353
Little Explorers Adventures Alignment	—	8,000	8,000	—
Art Center Adult Studio Classes	—	3,000	3,000	—
Human Services Reallocation from Salary to Contract to align with service delivery	(0.02)	—	—	—
Youth Community Service Reallocation from Salary to Contract to align with service delivery	(0.85)	—	—	—

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Centralization of Fingerprinting in Human Resources	—	(10,000)	—	(10,000)
Children's Theatre Vocal Lessons Service Delivery Change	—	(20,000)	(20,000)	—
Children's Theatre Ballroom Dancing Service Delivery Change	—	(23,000)	(23,000)	—
Golf Course Operation Service Changes (closed beginning July 2016)	—	(601,190)	(542,428)	(58,762)
Information Technology Allocated Charges Adjustment	—	(88,459)	—	(88,459)
Print & Mail Allocated Charges Adjustment	—	(35,576)	—	(35,576)
Liability Insurance Allocated Charges Adjustment	—	(141,483)	—	(141,483)
Utilities Allocated Charges Adjustment	—	178,514	—	178,514
Vehicle Maintenance Allocated Charges Adjustment	—	188,783	—	188,783
Adjustments to Costs of Ongoing Activities	0.87	360,616	(226,816)	587,432
Total FY 2017 Base Budget	142.33	25,003,588	5,844,149	19,159,439
Budget Adjustments				
1 Project Safety Net Community Collaborative	—	185,000	—	185,000
2 Santa Clara County Homeless Services Funding	—	125,000	—	125,000
3 CSD Service Delivery Enhancements and Alignment	0.68	89,327	122,306	(32,979)
4 Open Space Technicians	0.96	39,084	—	39,084
5 Bryant Street Garage Teen Program Staffing	0.29	32,806	—	32,806
6 JMZ Market Analysis and Collections Management	—	30,600	—	30,600
7 Golf Course Renovation	—	(108,686)	(3,650)	(105,036)
Total FY 2017 Budget Adjustments	1.93	393,131	118,656	(35,525)
Total FY 2017 Proposed Budget	144.26	25,396,719	5,962,805	19,123,914



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Project Safety Net Community Collaborative	0.00	185,000	0	185,000

This action adds \$185,000 in funding for continued efforts related to the Project Safety Net Community Collaborative (PSN). The initial allocated of \$2.0 million set aside for PSN from the Stanford Development Fund were largely expended through FY 2016 on means restriction such as fencing, brush removal, and track guards (estimated \$1.5 million) and the remainder on the Community Collaborative (estimated \$415,000), leaving a balance of \$85,000 for future PSN costs. The total annual costs for the collaborative are estimated to be \$270,000, including funding for a director, a part-time administrative associate, and other activities conducted by CSD (publishing, outreach, etc.) associated with the collaborative. Therefore, it is recommended that in Fiscal Year 2017 the remaining Stanford Development Funds of \$95,000 and this General Fund allocation of \$185,000 fund the full program. Beginning in Fiscal Year 2018, it is assumed that the Stanford Development Funds originally allocated towards PSN will be exhausted and the full \$270,000 will be budgeted in the CSD General Fund. The costs for means restriction, which were also previously borne by the Stanford Development Fund, are recommended to be added to the Police Department General Fund budget, since the Police Department manages the track watch contract. A separate budget adjustment is located in the Police Department in this document. (Ongoing costs: \$270,000)

Performance Results



This action will sustain the PSN collaborative as it transitions to the Collective Impact framework. As part of this transition, the collaborative will evaluate and recommend a long term fiscal agent for PSN, either through the creation of a separate 501(c)(3) tax exempt organization or through an established nonprofit or partner organization to continue to serve as a 'backbone' organization for PSN.

2 Santa Clara County Homeless Services Funding	0.00	125,000	0	125,000

This action establishes \$125,000 in ongoing funding for continued efforts related to Santa Clara County's North County Homeless Initiatives. The City of Palo Alto had previously approved two years of funding at \$125,000 each year, but that funding ended in FY 2016. This funding will ensure that the City can continue its collaboration with the County, wherein the City's funding offsets the cost of a case manager and the County provides housing vouchers for up to 20 homeless individuals per year. An item scheduled for City Council consideration on May 9, 2016 outlines this agreement with the County and recommends a continuing of this partnership. So far, 14 homeless individuals have been housed through the program. (Ongoing costs: \$125,000)

Performance Results



This action will ensure that the quality of homeless services provided will remain high and that the City will continue to cost effectively address the many facets and aspects of homelessness.

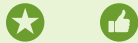
Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
3 CSD Service Delivery Enhancements and Alignment	0.68	89,327	122,306	(32,979)

This action recognizes various expenses and revenues associated with new services or current service delivery offered by the Arts and Sciences and Recreation divisions in the Community Services Department. These program adjustments reflect necessary resources and revenue offsets for Art Center Marketing Materials, enhanced staffing at the Children's Theatre, enhanced staffing at the Community Theatre, a Mitchell Park Preschool Program, and janitorial services for rentals at Mitchell Park Community Center. (Ongoing Savings: \$32,806) Additional details can be found below:

- Addition of 0.48 Arts & Science Technician II ñ H position and adds 0.06 to an existing 0.42 Arts and Science Technician II ñ H position (for a total of 0.48 position) to support the year-round theatre scene shop for the Palo Alto Children's Theatre, offset by the recognition of additional revenue associated with productions. These additional positions will support the maintenance of safe working conditions for youth participants and maintain the high-quality standards of production that have been developed.
- Increased funding of \$30,000 will provide for the development and opening of a pre-school program at the Mitchell Park Community Center through a third party contractor. There has been significant demand for a pre-school program, and the Mitchell Park Community Center has a room designated for that purpose. The program will be evaluated on an ongoing basis for cost-recovery levels, effectiveness of service delivery, and customer satisfaction.
- Increased funding of \$15,000 for producing high-quality aesthetically pleasing marketing materials. The quality and appearance of Art Center printed materials, such as exhibition announcements, event postcards, event posters, and program brochures are paramount to the success of Art Center programs in terms of revenue generation and attendance. As a visual art center, the Art Center printed materials often feature original works of art that require exact color matching. The City's print shop is unable to provide exact color matching, and as a result, the printed materials must be outsourced to a fully equipped print shop.
- Increase the current Community Theatre House Manager position from 0.34 FTE to 0.48 FTE to align with the City's agreements with the Community Theatre partners (TheatreWorks, West Bay Opera, and Palo Alto Players). As part of these agreements, the City is contractually obligated to provide a house manager for performances, and this action provides needed resources until such time as the contracts change.
- Increases contractual expenses by \$4,500 to enable the City to provide janitorial services as part of room rental packages, offset by commensurate revenues. Currently, customers who rent rooms are required to clean up and have expressed interest in being able to have that included in the rental agreement.
- Recognize an additional \$32,806 in revenues associated with the increase in room rental activity at Mitchell Park Community Center which has experienced a significant uptick in rentals since it opened after its remodel.

Performance Results

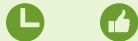


The enhanced service delivery levels and new services offered by the Community Services Department will increase the quality of services and customer service levels as a result.

4 Open Space Technicians	0.96	39,084	0	39,084

This action adds two 0.48 Open Space Technician ñ H positions to provide necessary resources for adequate maintenance of City parkland. These two additional positions will address a backlog of deferred maintenance, current maintenance, and prepare for additional maintenance needs with the opening of another phase of Byxbee Park and recently added 7.7 acres at Foothill Park. Maintenance of open space areas include trails maintenance, picnic site maintenance, litter removal, invasive vegetation removal, gate and fencing repair, and graffiti abatement. (Ongoing costs: \$39,084)

Performance Results



This action supports positive visitor experiences within City parkland while addressing the backlog of maintenance.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
5 Bryant Street Garage Teen Program Staffing	0.29	32,806	0	32,806

This action adds a 1.0 Program Assistant I, offset by the elimination of a 0.25 Recreation Leader III, a vacant 0.46 Recreation Leader III, and the partial use of existing Bryant Street Garage program funds set aside for the Teen Program, to align the necessary resources with the capacity of the Bryant Street Garage Teen Programs offered by the Community Services Department. The programs recruit and engage local adult mentors through interactions with business, non-profits, and other entities in order to facilitate the success of grant funded projects that are developed, created, and implemented by local teens. This level of engagement requires a considerable amount of facilitation, coordination, and relationship-building in order to be successful. The teen programs administered through the Bryant Street Garage program are experiencing intensive demand that is expected to continue for the foreseeable future. The conversion of part-time staff to full-time staff will provide resources to enhance the scope and effectiveness of the program. (Ongoing costs: \$32,806)

Performance Results



This action will increase the quality of the services administered through the Bryant Street Garage Program and decrease the cycle time associated with grants administration. A full-time position will also increase the customer satisfaction associated with the program and the sustainability of the program will be bolstered through greater continuity of programs achieved through less staff turnover.

6 JMZ Market Analysis and Collections Management	0.00	30,600	0	30,600

This action provides \$30,600 in one-time contractual funding to assist in working through implications of funding a new JMZ Building. The Friends of the Junior Museum and Zoo and the City of Palo Alto are currently working through the implications of a new JMZ building at the Lucie Stern Community Center Complex, and a consultant to provide a market analysis of the PAJMZ (\$20,000) will furnish independent expertise on the costs, and revenues, associated with the new design. Due to the particular nature of museum revenues, the capacity to provide an expert analysis on the myriad factors that would affect revenue is not available within the City. In addition, assistance in conducting an inventory of the current collections and materials (\$10,600) showcased at the JMZ is needed for meticulous documentation of the materials due the unique nature of the JMZ collection. With the upcoming temporary move of the JMZ while the new building is being constructed, an accurate catalog and inventory of all exhibits and materials in the JMZ collection is especially important. (Ongoing costs: \$0)

Performance Results



The addition of funding for a consultant to provide a market analysis of the Palo Alto Junior Museum and Zoo will ensure that costs are adequately managed in a sustainable fashion, while the Collections inventory and management will help ensure that the cycle time for replacement is adequate and the department is ready for a smooth temporary transition as a result of the move.

7 Golf Course Renovation	0.00	(108,686)	(3,650)	(105,036)

This action further adjusts the Golf Course budget to reflect an anticipated closure in July 2016 due to course reconfiguration. The budgeted expenditures are reduced by \$109,000 and revenues are reduced by \$4,000 from previous closure projections for Fiscal Year 2017 of \$609,000 and \$542,000 in expense and revenue adjustments, respectively, assumed in the Fiscal Year 2017 to 2026 Long Range Financial Forecast. The total expense reduction of \$710,000 reflects a 54% decrease to a total of \$603,000 and the total revenue reduction of \$546,000 reflects a 70% decrease to an estimated revenue of \$232,000. The additional expenditure reductions are primarily driven by further reductions in water expenses (\$75,000). Due to the delay in course renovations previously approved by Council, the City has requested the National Golf Foundation to revise their financial plan for the course which was originally issued in April 2012. Staff anticipates bringing forward a revised construction plan for Council approval in June 2016, concurrent to the development of the FY 2017 Budget. (Ongoing Savings: \$0)

Performance Results



This action aligns anticipated budget to with an anticipated closure starting FY 2017.

Golf Course Financials

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Projected	FY 2017 Proposed
REVENUES				
Tournament fees	\$ 4,037	\$ 37,517	\$ —	\$ —
Green Fees	1,051,731	854,279	774,719	—
Monthly play cards	51,679	68,521	69,278	—
Driving range	313,633	296,933	289,511	154,322
Cart/club rentals	225,310	216,541	189,037	—
Proshop lease	25,051	24,818	24,000	18,000
Restaurant lease	53,487	39,191	26,400	18,000
Restaurant Utilities	16,260	16,980	18,000	18,000
Other Fee	20,075	22,239	24,000	24,000
Total Revenue	\$ 1,761,263	\$ 1,577,019	\$ 1,318,495	\$ 232,322

EXPENDITURES				
Operating Expenses				
Salaries	\$ 77,372	\$ 52,627	\$ 102,731	\$ 77,755
Benefits	45,263	33,056	46,811	52,160
Advertising & Publishing	7,916	5,599	15,000	15,000
Supplies and Materials	6,986	1,106	20,000	10,000
General Expense	1,038	74	—	1,450
Facilities and Equipment Purchases	—	10,647	10,000	5,000
Allocated Charges	401,188	328,504	330,651	157,750
Subtotal	\$ 539,763	\$ 431,613	\$ 525,193	\$ 319,115

Contract Services				
Golf Maintenance	\$ 780,755	\$ 831,130	\$ 790,802	\$ 217,896
Miscellaneous	8,462	—	—	—
Range fees	119,181	112,835	147,614	31,710
Cart Rentals	86,034	81,767	56,615	—
Club Rentals	4,666	4,880	6,490	—
Fixed management fees	338,292	319,057	345,332	30,500
Credit card fees	30,000	—	12,671	4,166
Subtotal	\$ 1,367,390	\$ 1,349,668	\$ 1,359,524	\$ 284,272

Total Operating Expenses	\$ 1,907,153	\$ 1,781,281	\$ 1,884,717	\$ 603,787

Golf Course Financials

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Projected	FY 2017 Proposed
Income From Operations	\$ (145,890)	\$ (204,263)	\$ (469,772)	\$ (371,065)
Debt Expenses				
Debt Service (refunded)	\$ 429,020	\$ 429,020	\$ 429,020	\$ 429,020
Loan payment to General Fund for CIP Projects PG-08001 and PG-07700	—	—	—	—
Subtotal	\$ 429,020	\$ 429,020	\$ 429,020	\$ 429,020
Cost Plan Charges	27,349	20,459	25,000	25,000
Net Income (Loss)	\$ (602,259)	\$ (653,742)	\$ (923,792)	\$ (825,085)
Golf Rounds	46,257	42,048	35,354	—

Human Service Contracts

Human Services Contracts	FY 2016 Adopted Budget	FY 2016 Agency Award	FY 2017 Base Budget	FY 2017 Agency Request ¹	FY 2017 Proposed Budget
EXPENDITURE CATEGORY					
Avenidas - Senior Services ²	\$ 453,897	\$ 453,897	\$ 453,897	\$ 442,395	\$ 465,698
PACC - Child Care Subsidy and Outreach ²	459,841	459,841	459,841	448,188	471,797
Sole Source Contractors Subtotal	\$ 913,738	\$ 913,738	\$ 913,738	\$ 890,583	\$ 937,495
HUMAN SERVICES RESOURCE ALLOCATION PROCESS					
Abilities United	\$ 42,477	\$ 42,477	\$ 42,477	\$ 41,632	\$ 43,582
Adolescent Counseling Services	115,770	115,770	115,770	116,000	118,780
Community Technology Alliance	8,348	8,348	8,348	10,000	8,565
Downtown Streets Team	37,991	37,991	37,991	65,000	38,978
DreamCatchers	12,936	12,936	12,936	20,000	13,272
InnVision Shelter Network	33,510	33,510	33,510	35,334	34,381
La Comida de California	34,570	34,570	34,570	35,500	35,469
MayView Community Health Center	25,650	25,650	25,650	25,000	26,317
Momentum for Mental Health	33,003	33,003	33,003	38,000	33,861
Palo Alto Housing Corporation	19,010	19,010	19,010	48,185	19,504
Peninsula HealthCare Connection Inc	28,212	28,212	28,212	41,200	28,945
Senior Adults Legal Assistance	13,687	13,687	13,687	13,750	14,043
Vista Center for the Blind & Visually Impaired	10,906	10,906	10,906	31,500	11,190
Youth Community Service	20,590	20,590	20,590	21,500	21,125
Two-Year Contractors Subtotal	\$ 436,659	\$ 436,659	\$ 436,659	\$ 542,601	\$ 448,013
Amount Yet to Be Allocated	—	—	—	—	—
Human Services Reserve (One-Time) ²	50,000	—	50,000	—	50,000
TOTAL	\$ 1,400,397	\$ 1,350,397	\$ 1,400,397	\$ 1,433,184	\$ 1,435,508

1) Human Services contracts are requested as part of a two-year cycle and the agencies requested the same level of funding across each year of the cycle. The FY 2017 Agency Request reflects the request made for each year.

2) Not part of the Human Services Resource Allocation Process.

3) The Human Services Reserve was created in Fiscal Year 2015 as a one-time funding source and reappropriated to 2016 through the reappropriation process. Staff will request that this reserve be reappropriated to FY 2017 and be made available for emerging needs outside of the regular request cycle as part of this budget process.



CITY OF
**PALO
ALTO**

DEVELOPMENT SERVICES

Mission Statement



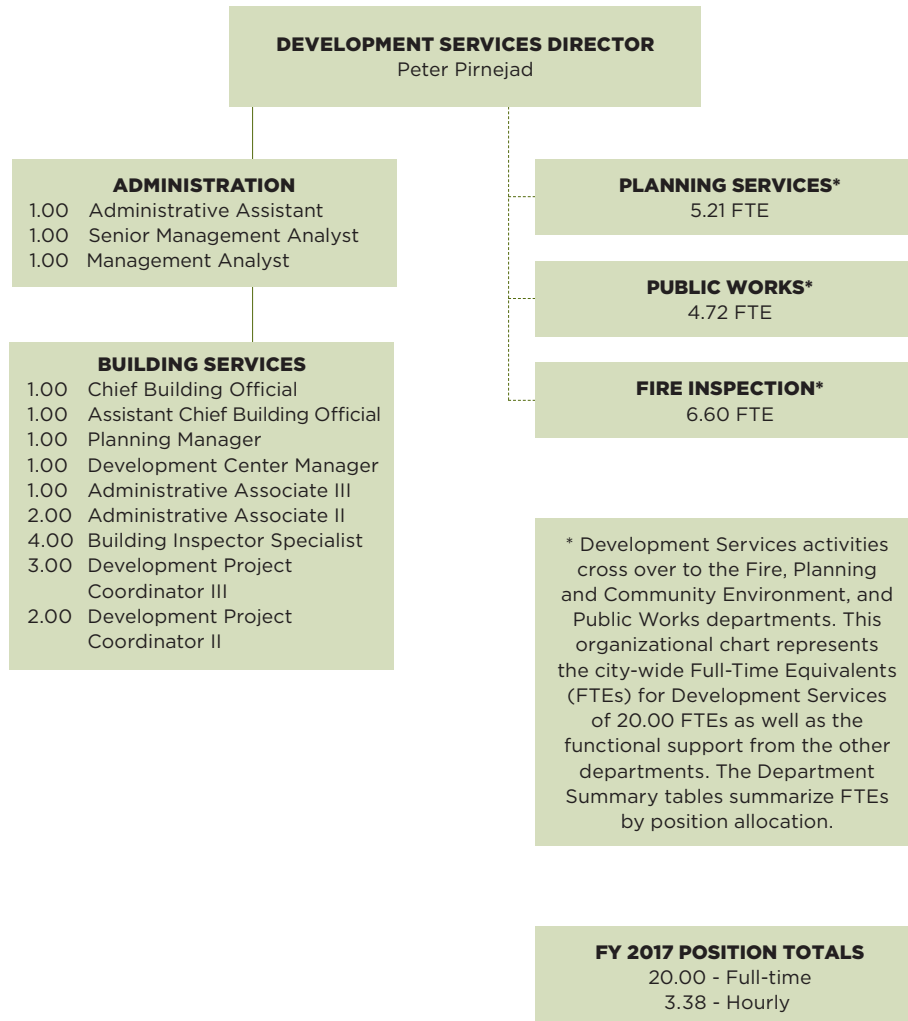
The mission of the Development Services Department is to work collaboratively with other departments to provide citizens, business owners, developers, and applicants reliable and predictable expectations in the review, permitting, and inspection of development projects that meet the minimum municipal and building code requirements to ensure the health, safety, and welfare of the public.



Purpose

The Development Services Department ensures all building construction complies with a set of rules that specify the minimum standards for constructed objects. The main purpose of Development Services is to protect the public health, safety, and general welfare as they relate to the construction and occupancy of buildings and structures.

DEVELOPMENT SERVICES



Description

The Development Services Department is responsible for the following functions:

ADMINISTRATION

Leads the organization, provides personnel, contract, budget, and project management support, and liaises with other departments.

PLANNING

Works collaboratively with City staff, consultants, and external customers to provide a link between the City's entitlement review and building processes. Planning is also responsible for gathering and analyzing data in support of land use policy; reviewing projects for potential environmental impacts on the City and its residents; and ensuring compliance with the Zoning Ordinance and Comprehensive Plan.

BUILDING

Protects the public's health, safety, and general welfare as they relate to the construction and occupancy of buildings and structures by enforcing laws and regulations that govern the design, construction, use and occupancy of buildings. Building also provides timely and professional review of plans and documents for all building permit applications to ensure that the proposed work complies with all state and local code requirements. Following permit issuance, building inspectors ensure that construction complies with the approved plans and adopted codes in the plan review, permitting, and inspections of all buildings governed by the City of Palo Alto.

PUBLIC WORKS

Provides engineering support with concern for City-owned facilities, streets, sidewalks, storm drains, and parks infrastructure as well as for the urban forest.

GREEN BUILDING

Assists and encourages applicants for all residential and non-residential projects to incorporate sustainable building materials best practices, to maximize a project's energy and water use efficiency, and to maintain that level of efficiency into the future. The Green Building contractual staff works with other departments to ensure that sustainable measures are incorporated into buildings from design through construction and continue in the monitoring of building performance.

FIRE PREVENTION BUREAU

Ensures compliance with the Fire Code for the safety of occupants and protection of property. They perform fire sprinkler and fire alarm plan checks, permitting, and field inspections with the goal of ensuring all construction complies with local and national codes. The Fire Prevention Bureau works closely with applicants and residents, priding themselves for the level of service they provide customers whether its keeping a project on schedule or public safety education.

UTILITIES

Ensures new construction compliance with standards for water, gas, wastewater, and electric utilities. Projects are required to comply, and integrate, with the City's existing utility infrastructure in accordance with local and applicable laws.

PROJECT COORDINATION

Development Services provides a one-stop-shop service model that assigns a project coordinator to every project that applies for a building permit to ensure they are helped through the cross-departmental review process. This model ensures that the majority of permits continue to be issued over-the-counter and those applications that need more time to be reviewed are completed in accordance with established performance guidelines.

Accomplishments

- Adopted Green Building and Energy Reach Code ordinances maintaining Palo Alto's leadership position in promoting sustainable and high-performance building design and construction.
- Reviewed and engaged stakeholder input into the new 2016 Building and Energy Codes and proposed a new reach code for both the Green Building and Energy Codes.
- Began facilitating a public process to revise the City's policies on seismic retrofitting of soft-story and unreinforced masonry buildings.
- Implemented processes for electronic plan reviews through Accela Citizen Access (ACA), beginning with Solar PV plan review.
- Continued to track and notify applicants through email on the status of City department approvals and/or expired permits.
- Worked collaboratively with the Emergency Operation Center (EOC) to create an Emergency Preparation Plan for the Development Center. This plan will be reviewed and updated annually.
- Launched the Green Halo/Accela integration project to assist contractors with sign-up and tracking of their recycling activities and streamline City processes.
- Created an additional workstation at the front counter of the Development Center to decrease customer wait times and create better customer flow at the counter.
- Completed study to evaluate fee levels to ensure Development Services costs are fully recoverable.
- Entered into Citywide contract to digitally archive historical permit data to improve transparency and provide easy customer access.
- Continued to work with the Utilities Department in studying the viability and cost effectiveness of Electrification/Fuel Switching from Gas to Electric appliances in single family residential construction.

- Continued to work with the Economic Development Department on the administration of the fully automated Business Registry process with the goal of administering our second year which will be the first year of renewals.
- Began to automate portions of the Use and Occupancy Permit Process and work toward the integration with Business Registry process.
- Initiated process to develop a tool that is able to track and prioritize all City-related work in the Right of Way as well as provide notice to citizens and commuters through a single purpose App.
- A more comprehensive list of accomplishments was prepared and published on the City website as part of the Departments annual Action Plan.

Initiatives

- Work collaboratively with the Economic Development manager to implement Phase II of the Business Registry program and Integrate the existing Use and Occupancy permit process.
- Work with the City Manager Office to develop a notification tool that is able to track and prioritize all construction work in the Right of Way.
- Develop and deploy an energy efficient building code that considers the goal of reaching Zero Net Energy and Carbon Buildings.
- Complete Phase I or II of Electrification Workplan to explore potential building code changes as part of the evaluation and technical feasibility of implementing electrification projects and programs.
- Complete Fee Study and revise Valuation based fees to ensure that all costs are fully recoverable and the department is self-supporting.
- Adopt and implement new building codes and local amendments per new ordinance effective January 2017.
- Continue to implement a Pre-Walk program to help tenants identify and correct accessibility problems before they submit for plan check to avoid delays in their construction projects.
- Create checklists for business/commercial plan reviews.
- Create new expired permit notification process to inform applicant when the building permit expires.
- Update, implement, and promote a new Utilities “deferral form” to allow a later submittal date for the Utilities portion of applicant designs, expediting the issuance of building permits.
- Revise, document, and enforce requirements issued by the Regional Water Quality Control Board governing the treatment and discharge of storm water into the public storm drain system.

Goals and Objectives

GOAL 1

Provide a high level of customer service and decrease application review, processing, and permit issuance times.

Objectives:

- Decrease number of days to issue a permit.
- Increase the number of over the counter plan checks that result in a permit issuance.
- Interpret and apply building code through inspection and enforcement.

GOAL 2

Work collaboratively with City departments, which support development services, to adequately staff and respond to workload demands and achieve excellent customer service outcomes.

Objectives:

- Provide customers with clear, succinct, and consistent guidelines.
- Implement facility and technology enhancements.
- Develop performance measures with internal and external stakeholders.

Key Performance Measures

AVERAGE NUMBER OF DAYS FROM ISSUANCE TO FINAL

Goal	Provide a high level of customer service and decrease the total time to approve the construction phase of a commercial tenant improvement.				
Objective	Decrease number of days from permit issuance to final inspection.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Average number of days between permit issuance and temporary occupancy or final inspection	139	156	135	140	135
Description	This measure tracks the amount of time it takes to inspect and approve commercial tenant improvement for occupancy.				
Purpose	Moving new tenants into their space as quickly as possible is essential for the financial health and long-term success of new businesses. It is also important in promoting the general economic vitality of the City by reducing the number of days commercial spaces stay vacant and out of production. The goal is to provide the necessary information and coordination early in the construction phase which results in a positive outcome for the business owner while enhancing the economy of Palo Alto. Meanwhile, inspectors need to ensure construction complies with ever increasing requirements added to the building and green codes.				
Status	The increase in days from permit issuance to final inspection is primarily due to additional workloads that have resulted from increased Green Building and Energy requirements. Over the past year, Development Services has experienced improvement in this number as the department works to adapt to workloads. The department is also working towards further efficiencies through development of an App that facilitates inspection scheduling. Though Development Services has experienced slower issuance to final as compared to prior years or targets, this is still in the range the department considers normal to complete a tenant improvement, and is somewhat dependent on the contractors' workload and efficiency.				

INSURANCE SERVICES OFFICE (ISO) RATING

Goal	Exemplify the City's commitment to well-enforced building codes and a commitment to health, safety, and general welfare.				
Objective	Obtain and maintain the highest rating (level 1)				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Insurance Services Office (ISO) Rating	2	1	1	1	1
Description	ISO administers the Building Code Effectiveness Grading Schedule (BCEGS) program for the property/casualty insurance industry. The BCEGS program assesses the building codes in effect in a particular community and how the community enforces its building codes, assigning each municipality a grade of 1 (exemplary commitment to building code enforcement) to 10.				
Purpose	Municipalities with well-enforced, up-to-date codes demonstrate less property damage due to fire and natural disasters. This can be reflected in the citizens' insurance rates. BCEGS helps communities by: 1. Improving building codes (by encouraging the adoption of the most current codes), building departments, and code enforcement; 2. Promoting construction of better, more catastrophe-resistant buildings; 3. Reducing property losses from catastrophes; and 4. Reducing the economic and social disruption that results from catastrophes' serious and widespread destruction.				
Status	Since receiving a rating of 4 in 2006, the Development Services department has made an effort to implement better staff training, certifications, public awareness and outreach programs. Development Services has received an Insurance Service Office (ISO) Class 1 rating and is one of only three cities in California to be honored with this distinguished award. The Class 1 rating indicates that the City maintains the highest standards for structural safety in the nation which reduces costs to Palo Alto property owners.				

PERCENT OF PERMITS ISSUED ON TIME

Goal	Work collaboratively with City departments, which support development services, to adequately staff and respond to workload demands and achieve excellent customer service outcomes.				
Objective	Provide customers with clear, succinct, and consistent guidelines.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of permits initiated within a given period where all department reviews are completed	65.00%	73.00%	80.00%	80.00%	85.00%
Description	This measure tracks the percentage of time building permit plan reviews are completed by the estimated due date provided to the customer at permit submittal. This includes projects that are submitted for the standard 30-day review period and may require multi-departmental review and approval.				
Purpose	Customers depend upon the accuracy and dependability of estimated due dates to plan their construction projects. They may move out of their house or enter into a lease on a commercial tenant space based on the estimated time line provided by Development Services. Being successful at adhering to time lines reduces costs for developers and property owners and has a direct correlation to the economic vitality of the City.				
Status	The department continues to work on implementing streamlining initiatives and innovative technologies to improve cross-departmental collaboration to improve results. Technology upgrades such as transitioning from Accela V360 to Accela version 8.0, and Accela Citizen Access, have improved the ability to streamline the exchange of information between the applicant and reviewer. This has helped put more control in the hands of the applicant, allowing them to apply for and research permits online. Further contributing to process improvement, the department has fully integrated the Fire permitting process from a paper based system to digital, and has automated PW, Photovoltaic, and Electric Vehicle Charger permitting. Lastly, automated reminders and a performance dashboard have been put into place to help a reviewer track, report, and prioritize plans that are late or coming due. Development Services anticipates to continue experiencing improved performance as a result of these initiatives.				

DEVELOPMENT SERVICES

PERCENT OF PERMITS ISSUED OVER THE COUNTER

Goal	Provide a high level of customer service and decrease application review, processing, and permit issuance times.				
Objective	Increase the number of over the counter (OTC) plan checks that result in same day permit issuance.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of permits that are reviewed and approved by all necessary departments over-the-counter.	64.00%	66.00%	68.00%	69.00%	69.00%
Description	This measure tracks the percentage of permits that can be successfully reviewed and approved by all the affected City departments over the counter (OTC) while the customer waits. This requires that Public Works, Planning, Utilities, and the Fire Prevention Bureau also review and approve the application for permit issuance. Without complete approval, the permit cannot be issued.				
Purpose	To streamline the process so customers make as few trips as possible to the Development Center to obtain a permit. It is also beneficial to City staff, resulting in less reviewing and processing time than if the plans were taken in for review. This process also reduces waste as fewer plans are created and distributed for various departmental reviews.				
Status	The department is continuously looking for areas to improve the ability to issue same day permits and over the past year has focused on adding necessary staff from other departments, making key information available to the counter staff by utilizing technologies, standardizing processes, and improving public outreach, education, and formalized training. While the department has seen great improvement in some areas, the ability to issue permits over the counter is a function of every division and supporting department being able to review and approve (with or without corrections). Over the past year, supporting departments have struggled to maintain staffing levels, impacting the ability to improve this measure. Until departments come to full staffing, Development Services anticipates slower progress in the ability to process permits OTC.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of building permit applications	4,038	3,853	3,867	3,992	4,121
Number of building permits issued	3,624	3,844	3,960	4,128	4,303
Fire permit inspections	1,741	1,981	1,700	2,274	2,300

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration	—	2,013,944	2,401,887	2,540,932	139,045	5.8%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Building	—	4,260,844	5,188,124	5,522,448	334,324	6.4%
Fire	—	1,691,504	2,104,687	2,043,291	(61,396)	(2.9)%
GIS	—	122,424	(0)	—	—	(100.0)%
Green Building	—	162,731	306,125	304,000	(2,125)	(0.7)%
Planning	—	663,360	871,191	787,300	(83,891)	(9.6)%
Public Works	—	978,389	1,028,814	971,230	(57,584)	(5.6)%
Total	—	9,893,196	11,900,829	12,169,201	268,372	2.3%

Dollars by Category

Salary & Benefits

Healthcare	—	560,362	679,578	724,106	44,527	6.6%
Other Benefits	—	80,329	121,448	90,624	(30,825)	(25.4)%
Overtime	—	93,806	47,500	47,500	—	—%
Pension	—	935,780	1,127,705	1,141,124	13,419	1.2%
Retiree Medical	—	370,316	414,002	387,121	(26,880)	(6.5)%
Salary	—	3,402,255	4,147,265	4,082,729	(64,536)	(1.6)%
Workers' Compensation	—	532	2,174	59,091	56,917	2,618.1%
Total Salary & Benefits	—	5,443,380	6,539,672	6,532,293	(7,378)	(0.1)%
Allocated Charges	—	850,114	877,233	972,831	95,598	10.9%
Contract Services	—	2,351,628	2,947,394	3,107,674	160,280	5.4%
Facilities & Equipment	—	5,553	23,800	6,300	(17,500)	(73.5)%
General Expense	—	240,364	408,330	418,080	9,750	2.4%
Rents & Leases	—	978,451	1,062,425	1,090,048	27,623	2.6%
Supplies & Material	—	23,706	41,975	41,975	—	—%
Total Dollars by Expense Category	—	9,893,196	11,900,828	12,169,201	268,372	2.3%

Revenues

Charges for Services	—	6,613,781	7,662,624	6,974,082	(688,542)	(9.0)%
Charges to Other Funds	—	66,351	21,797	21,797	—	—%
Other Revenue	—	153	—	—	—	—%
Other Taxes and Fines	—	7,000	4,139	4,247	108	2.6%

DEVELOPMENT SERVICES

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Permits and Licenses	—	5,397,801	6,513,884	6,700,758	186,875	2.9%
Total Revenues	—	12,085,087	14,202,444	13,700,885	(501,559)	(3.5)%

Positions by Division

Administration	—	4.66	3.25	5.21	1.96	60.31%
Building	—	15.61	18.17	17.21	(0.96)	(5.28)%
Fire	—	8.37	9.23	7.08	(2.15)	(23.29)%
GIS	—	0.65	—	—	—	—%
Green Building	—	0.85	—	—	—	—%
Planning	—	5.83	5.69	5.69	—	—%
Public Works	—	6.00	5.36	4.72	(0.64)	(11.94)%
Total	—	41.97	41.70	39.91	(1.79)	(4.29)%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	—	1.00	1.00	1.00	—	86,340
Administrative Associate II	—	3.02	3.02	3.00	(0.02)	203,871
Administrative Associate III	—	1.01	1.01	1.00	(0.01)	72,844
Assistant Chief Building Official	—	—	1.00	1.00	—	116,875
Assistant Director Public Works	—	0.02	0.02	—	(0.02)	—
Associate Engineer	—	0.16	0.16	0.02	(0.14)	1,860
Associate Planner	—	0.90	0.90	0.90	—	84,394
Building Inspector Specialist	—	3.00	4.00	4.00	—	365,356
Building/Planning Technician	—	1.80	1.80	2.30	0.50	145,416
Chief Building Official	—	1.00	1.00	1.00	—	157,788
Chief Planning Official	—	0.20	0.20	—	(0.20)	—
Code Enforcement Officer	—	0.50	0.40	0.40	—	35,944
Code Enforcement-Lead	—	—	0.20	0.20	—	17,822
Deputy Chief/Fire Marshal	—	0.84	0.85	0.80	(0.05)	129,260
Development Project Coordinator II	—	2.00	2.00	2.00	—	136,586

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Development Project Coordinator III	—	3.00	3.00	3.00	—	268,715
Development Services Director	—	1.00	1.00	1.00	—	191,297
Engineer	—	0.62	0.62	0.64	0.02	72,772
Engineering Technician III	—	2.10	2.10	1.78	(0.32)	134,811
Fire Fighter	—	1.00	1.00	—	(1.00)	—
Fire Inspector	—	4.00	4.00	3.20	(0.80)	428,195
Hazardous Materials Inspector	—	1.90	1.90	1.60	(0.30)	223,674
Industrial Waste Inspector	—	0.01	0.01	0.01	—	829
Industrial Waste Investigator	—	0.21	0.21	0.35	0.14	32,608
Inspector, Field Services	—	0.70	0.70	0.68	(0.02)	61,451
Management Analyst	—	0.01	0.01	1.01	1.00	100,165
Manager Development Center	—	1.00	1.00	1.00	—	118,185
Manager Environmental Control Program	—	0.10	0.10	0.10	—	12,138
Manager Planning	—	1.80	2.00	2.00	—	258,605
Manager Urban Forestry	—	0.04	0.04	0.04	—	5,539
Manager Watershed Protection	—	0.05	0.05	—	(0.05)	—
Planner	—	0.80	0.25	0.17	(0.08)	16,456
Planning Arborist	—	0.25	0.25	0.25	—	27,362
Plans Check Engineer	—	1.00	—	—	—	—
Project Engineer	—	0.15	0.13	0.03	(0.10)	3,670
Project Manager	—	0.07	0.07	0.07	—	6,582
Senior Engineer	—	0.68	0.68	0.46	(0.22)	67,845
Senior Industrial Waste Investigator	—	0.01	0.01	0.01	—	996
Senior Management Analyst	—	1.00	1.00	1.00	—	114,545
Senior Planner	—	0.40	0.36	0.24	(0.12)	24,428
Senior Technologist	—	0.50	—	—	—	—
Supervisor Inspection and Surveying	—	0.27	0.27	0.27	—	30,989
Surveyor, Public Works	—	0.47	—	—	—	—
Sub-total: Full-Time Equivalent Positions	—	38.59	38.32	36.53	(1.79)	3,756,213

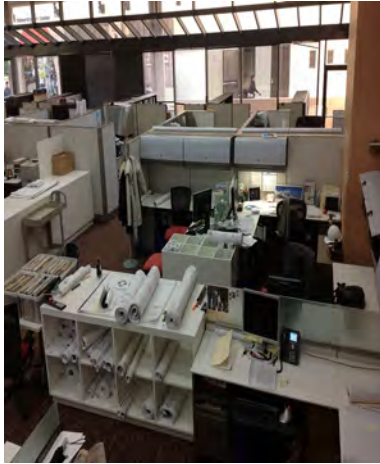
DEVELOPMENT SERVICES

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Temporary/Hourly	—	3.38	3.38	3.38	—	330,154
Total Positions	—	41.97	41.70	39.91	(1.79)	4,086,367

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	41.70	11,900,828	14,202,444	(2,301,616)
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Development Services Center Buildout	—	(20,000)	—	(20,000)
Green Building Cost Effectiveness Study	—	(50,000)	—	(50,000)
Development Services Department Fee Study	—	(40,000)	—	(40,000)
One-Time Prior Year Expenditures and Revenues	—	(110,000)	—	(110,000)
Adjustments to Costs of Ongoing Activities				
Revenue and Expenditure Adjustments	—	(157,774)	(370,891)	213,117
Salary and Benefits Adjustments	1.00	544,330	—	544,330
Mayfield Development Contract Services	—	371,280	371,280	—
Rental Charges Adjustments	—	27,623	—	27,623
Vehicle Maintenance Charges	—	66,408	—	66,408
Information Technology Allocated Charges Adjustment	—	134,364	—	134,364
Liability Insurance Allocated Charges Adjustment	—	(77,718)	—	(77,718)
Print & Mail Allocated Charges Adjustment	—	(28,192)	—	(28,192)
Adjustments to Costs of Ongoing Activities	1.00	880,321	389	879,932
Total FY 2017 Base Budget	42.70	12,671,149	14,202,833	(1,531,684)
Budget Adjustments				
1 Landscape Review and Green Building Consultant	—	50,000	50,000	—
2 Front Counter Planning Technician	0.50	55,974	55,974	—
3 Realignment of Fire Prevention, Planning, and Public Works' Staff	(3.29)	(607,922)	(607,922)	—
Total Budget Adjustments	(2.79)	(501,948)	(501,948)	—
Total FY 2017 Proposed Budget	39.91	12,169,201	13,700,885	(1,531,684)

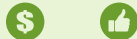


Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Landscape Review and Green Building Consultant	0.00	50,000	50,000	0

This action adds \$50,000 in revenues and expenses for additional consultant plan-check services associated with establishing a permit process for landscape projects separate from the standard building permit process. All cities are required to either adopt the State Department of Water Resources (DWR) Model Water Efficient Landscape Ordinance (MWELo) or adopt a local or regional ordinance at least as effective as the model ordinance in saving water. Enabling a separate permit process for landscape projects in order to facilitate that effectiveness will require additional consultant time to complete plan checks and inspections. As part of the development of the 2017 Municipal Fee Schedule, a separate fee for landscape permits will be recommended, and the revenues from those fees are anticipated to offset the additional costs of processing the permits.

Performance Results



This action will ensure appropriate cost recovery levels and a high level of customer service are maintained while meeting the state requirements.

2 Front Counter Planning Technician	0.50	55,974	55,974	0

This action adds 0.5 Planning Technician to the Development Services Department to provide front desk support at the Development Services counter to answer planning related questions as part of the development review process. This work was previously done by planners from Planning and Community Environment (PCE) that would rotate through the Development Center. Now that work will be consolidated into one half time position in lieu of the planner rotations. Those positions have been eliminated from the Development Services staffing and reallocated to PCE as discussed below. The other 0.5 of the Planning Technician position will be funded through PCE and will be responsible for the intake of planning entitlement applications at the Development Center. (Ongoing costs: \$55,974)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund

This action will ensure a high level of customer satisfaction with the front counter of Development Services.

3 Realignment of Fire Prevention, Planning, and Public Works' Staff	-3.29	(607,922)	(607,922)	0

This action reallocates 2.15 FTE to the Fire Department, 0.64 FTE to Public Works, and 0.5 FTE to PCE from the Development Services Department (as discussed above) and reduces the revenue estimate by a corresponding amount†. Development Services and its partner departments continue to examine the staffing complement necessary to align the permitting function of Development Services with each individual department's expertise and this shift represents the iterative effort for FY 2017. This action aligns permitting staffing between Development Services and its partner departments by reallocating small portions of various positions that were determined not to be directly related to the permitting function of Development Services. There is no service delivery change for this shift for Development Services, since this represents the portion of positions that were not working on Development Services work. The shift in staff allocation back to the respective department is discussed in each department section of this budget document, and is represented as an addition for each department. (Ongoing costs: \$0)

Performance Results



This action ensures that costs for development services permitting are aligned with the work being performed and appropriately billed to customers through fees and that the high level of quality of those services is maintained.

FIRE

Mission Statement

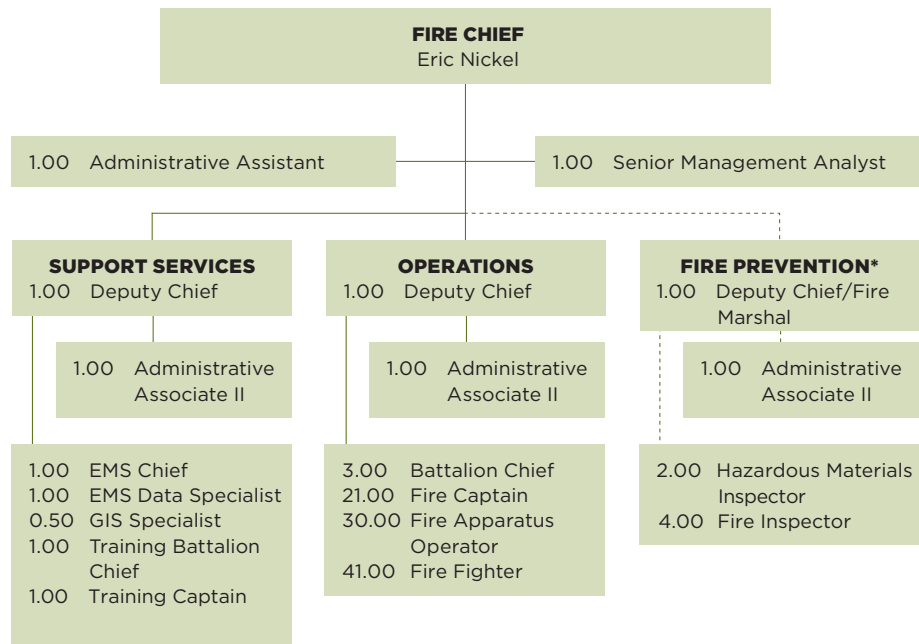


We are a professional team of men and women dedicated to safeguarding and enriching the lives of anyone, anytime, anywhere with compassion and pride.

Purpose

The purpose of the Fire Department is to protect life, property, and the environment from fire, hazardous materials, and other disasters; to provide rapid emergency response, proactive code enforcement, modern fire prevention methods, and progressive safety education for our citizens and coworkers; and to promote customer satisfaction by maintaining quality, professional, and friendly service to others.





FY 2017 POSITION TOTALS

114.50 - Full-time
0.55 - Hourly

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

* Fire Prevention is functionally a part of the Development Services Department. The Fire Department retains administrative oversight over department personnel.

Description

The Fire Department provides a wide range of community and employee related services for the City of Palo Alto through the following service programs:

FIRE SUPPRESSION

Maintain a state of readiness to effectively respond to emergency and non-emergency calls. Provide a means for a safer Palo Alto through community outreach, public education, and prevention.

EMERGENCY MEDICAL SERVICES

In an emergency setting, rapid assessment, treatment and transport of patients to definitive care in a safe and efficient manner.

FIRE PREVENTION BUREAU

Improve the quality of life for the Palo Alto community through risk assessment, code enforcement, fire investigation, public education, and hazardous materials management.

EMPLOYEE FIRE/EMS CERTIFICATION TRAINING

Provide training to certify that staff maintain safe, efficient, and effective practices when responding to emergencies. Ensure personnel are familiar with and able to utilize the most up to date and proven techniques. Training specific to required EMT and/or Paramedic re-certification is also incorporated.

Accomplishments

- Responded to 135 fire incidents in Fiscal Year 2015 with 86% of responses in 8 minutes.
- Responded to 5,270 medical/rescue calls in Fiscal Year 2015; 99% of paramedic calls for service were responded to within 12 minutes and 92% of emergency medical calls within 8 minutes.
- Conducted 1,964 Fire Inspections in Fiscal Year 2015, a 13% increase from the prior fiscal year.
- EMS revenue totaled approximately \$3.05 million in Fiscal Year 2015, a nearly 50% increase over the last five years.
- More than doubled the number of safety presentations and demonstrations through expanded outreach efforts, providing a total of 218 events in Fiscal Year 2015.
- Completed Standards of Cover Study assessing the risks in the community and making recommendations to maximize resources to enhance service to the community.
- Developed key succession planning tools and robust training schedule to prepare the next generation of fire professionals.

- Implemented Medical Priority Dispatch and finalized Auto Aid agreements with local agencies, providing enhanced response for the community.
- Coordinated with national and regional partners on the planning and security efforts of Super Bowl 50.
- Completed successful negotiations with Local IAFF 1319 for a new labor contract.
- Celebrated the 40th Anniversary of providing Paramedic and Ambulance Service.
- Hired and successfully graduated 2 fire recruits in the Santa Clara County Joint Fire Academy.
- The Department maintained its Class 2 Insurance Services Office (ISO) ranking.

Initiatives

- Develop and implement operational enhancements and recommendations from the Standards of Cover, with a focus on optimizing the Operational Readiness of the Department.
- Continue to invest in and focus on training plans, professional certifications and succession planning efforts to develop a highly effective and prepared emergency response workforce.
- Support efforts to modernize and replace essential public safety facilities, investing in updating equipment, and station furniture.
- Evaluate community and public health risks and explore evidence-based prevention programs to reduce those risks.
- Continue to work with Stanford University to renegotiate a service delivery contract for Emergency Response Services to the campus.

Goals and Objectives

GOAL 1

Arrive at the scene of emergencies safely and in a timely manner within the Department's targeted response times.

Objectives:

- Promote timely adherence to Santa Clara County's clinical protocols and ensure consistent medical care in both Advanced and Basic Life Support (ALS/BLS) to the Palo Alto and Stanford communities.
- Provide the highest level of patient care and response standards by ensuring Palo Alto ambulances respond to all ambulance calls for service.
- Fire response time will be within 8 minutes 90 percent of the time.
- Advanced Life Support (ALS) response times will be within 12 minutes 90 percent of the time.

GOAL 2

Ensure reasonable life safety conditions through inspection programs.

Objectives:

- Perform periodic inspections of all facilities within department's designated target cycle time.
- Identify and direct abatement of conditions or operating procedures which could cause an increase in probability or severity of a fire or hazardous materials release.

GOAL 3

Develop, maintain, and sustain a comprehensive community risk reduction program that engages the whole community.

Objectives:

- Support the Office of Emergency Services, the Palo Alto and Stanford Citizen Corps Council and the Emergency Services Volunteers in training and preparation in the areas of Medical Disaster Operations, Triage, Fire Suppression, and Light Search and Rescue.
- Complete an Integrated Risk Assessment and Management Plan designed to identify and quantify community risks and mitigation strategies.
- Identify high-risk communities within the City of Palo Alto and design risk reduction programs for the highest risk groups.

GOAL 4

Enhance training and maintain all certifications required by governing agencies such as the State Fire Marshal's Office and Santa Clara County Emergency Medical Services Office.

Objectives:

- Document all training through the Joint Apprenticeship Committee (JAC).
- Maintain the required minimum of 20 hours/month per employee of fire related training.
- Maintain, as mandated, records of training related to EMS and EMT/Paramedic certification.

GOAL 5

Internalize commitment to excellence in public service by continuously evaluating the assistance provided, identifying areas needing improvement, and implementing mitigation methods.

Objective:

- Maintain awareness of service quality by focusing on customers' view of assistance that was provided.

Key Performance Measures

FIRE DEPARTMENT RESPONSE TIMES

Goal	Arrive at the scene of emergencies safely and in a timely manner within the department's targeted response times.				
Objective	Fire and EMS response times will be within 8 minutes, and Advanced Life Support (ALS) response times will be within 12 minutes 90 percent of the time.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of responses to fire emergencies within 8 minutes	86.00%	83.00%	90.00%	90.00%	90.00%
Percent of responses to EMS calls within 8 minutes	90.00%	92.00%	90.00%	92.00%	90.00%
Percent of responses to paramedic calls within 12 minutes	98.00%	99.00%	99.00%	98.00%	99.00%
Description	This measure tracks the percentage of calls for service that are within established response time percentiles.				
Purpose	Quick response times can mean the difference between short and long-term recovery, the extent and severity of injury, and most importantly, the difference between life and death.				
Status	In Fiscal Year 2015, the Fire Department responded to 99 percent of paramedic calls for service within 12 minutes and responded to 92 percent of emergency medical calls within 8 minutes. The Department responded to 83 percent of fire calls within 8 minutes; however, this is typical of historical performance. The Fire Department is in the process of conducting a Community Focused Integrated Risk Management Assessment, which is expected to help management identify data informed ways to improve performance in this area.				

FIRES CONTAINED TO ROOM OF ORIGIN

Goal	Limit structural fire damage to the room or area of origin.				
Objective	Contain fires to the room or area of origin 90% of the time.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of fires contained to the room or area of origin.	53.00%	92.00%	90.00%	75.00%	90.00%
Description	This measure tracks the percentage of fires that are contained to the room of origin.				
Purpose	Containing a fire to the room of origin limits damage and spread of the fire.				
Status	In Fiscal Year 2015, the Department limited 92 percent of fires to the room of origin which was above the goal of 90 percent. This measure can vary significantly from year to year because of the small number of structure fires the Department responds to each year. It is expected that the number of fires contained to area of origin will be low in Fiscal Year 2016. In the first half of Fiscal Year 2016 there have been three building fires within Palo Alto and one on Stanford. Two of which were not contained to room or area of origin as the fire had spread throughout the entire structure prior to arriving on scene, despite a response time under 8 minutes.				

PERCENT OF SURVEYED RESIDENTS RATING FIRE DEPARTMENT SERVICES GOOD OR EXCELLENT

Goal	Internalize commitment to excellence in public service by continuously evaluating the assistance provided, identifying areas needing improvement, and implementing mitigation methods.				
Objective	Maintain awareness of service quality by focusing on customers' view of assistance that was provided.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of surveyed residents rating ambulance/EMS services good or excellent	97.00%	95.00%	90.00%	95.00%	95.00%
Percent of surveyed residents rating fire services good or excellent	95.00%	97.00%	90.00%	95.00%	95.00%
Percent of surveyed residents rating fire prevention services good or excellent	85.00%	85.00%	85.00%	85.00%	85.00%
Description	This measure tracks the percent of surveyed residents rating fire and emergency services good or excellent, as well as Fire Prevention Services, as reported monthly from the Customer Satisfaction Survey. Collecting this data allows the Department to compare itself to nationwide benchmarking data prepared by the National Research Center.				
Purpose	Citizen satisfaction with Fire Department services is an important assessment of the overall quality of fire services offered to the community.				
Status	More than 90 percent of surveyed residents have rated fire and EMS/ambulance services good or excellent in each of the last ten years.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Fire calls average response time (Minutes)	6:01	4:57	6:00	5:45	5:45
Medical/rescue calls average response time (Minutes)	5:42	5:11	6:00	5:45	5:45
Number of fire calls for service	150	135	150	150	150
Number of medical/rescue calls for service	4,757	5,270	4,800	5,200	5,200
Number of all other calls for service	2,922	3,143	2,900	2,900	2,950
Total number of calls for service	7,829	8,548	7,850	8,250	8,300
Number of ambulance transports	3,648	3,862	3,650	3,750	3,750

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration	1,945,134	1,981,824	1,370,596	1,063,714	(306,882)	(22.4)%
Emergency Response	23,311,464	22,921,088	23,490,538	26,305,449	2,814,912	12.0%
Environmental Safety Management	1,733,252	119,869	268,617	240,826	(27,791)	(10.3)%
Records and Information Management	297,590	304,232	404,459	310,202	(94,257)	(23.3)%
Training and Personnel	907,407	863,963	997,470	1,480,777	483,308	48.5%
Total	28,194,847	26,190,976	26,531,679	29,400,967	2,869,289	10.8%

Dollars by Category						
Salary & Benefits						
Healthcare	2,027,932	1,856,739	2,055,608	2,220,642	165,035	8.0%
Other Benefits	327,002	307,179	275,716	228,846	(46,870)	(17.0)%
Overtime	2,561,323	2,171,315	1,382,714	1,413,714	31,000	2.2%
Pension	4,017,288	4,208,876	4,295,773	5,421,036	1,125,263	26.2%
Retiree Medical	2,221,868	2,287,736	2,380,926	2,433,066	52,140	2.2%
Salary	11,786,410	10,943,398	10,830,552	13,180,687	2,350,135	21.7%
Workers' Compensation	1,081,608	792,688	914,825	338,640	(576,185)	(63.0)%
Total Salary & Benefits	24,023,431	22,567,930	22,136,114	25,236,631	3,100,517	14.0%
Allocated Charges	2,872,342	2,655,297	2,971,923	2,860,444	(111,478)	(3.8)%
Contract Services	534,692	349,717	591,325	516,325	(75,000)	(12.7)%
Facilities & Equipment	117,488	132,113	207,200	157,200	(50,000)	(24.1)%
General Expense	195,346	180,838	209,472	264,722	55,250	26.4%
Supplies & Material	451,548	305,080	415,645	365,645	(50,000)	(12.0)%
Total Dollars by Expense Category	28,194,847	26,190,976	26,531,679	29,400,967	2,869,289	10.8%

Revenues						
Charges for Services	11,172,052	11,628,005	11,474,300	11,930,157	455,857	4.0%
Charges to Other Funds	192,398	161,322	161,322	161,322	—	—%
From Other Agencies	—	319,454	80,000	129,000	49,000	61.3%
Other Revenue	57,652	221,498	57,000	57,000	—	—%
Other Taxes and Fines	275	—	1,000	1,000	—	—%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Permits and Licenses	528,427	2,970	15,000	15,713	713	4.8%
Total Revenues	11,950,804	12,333,249	11,788,622	12,294,191	505,570	4.3%

Positions by Division

Administration	3.50	4.00	3.00	3.00	—	—%
Emergency Response	103.11	99.07	99.07	99.07	—	—%
Environmental Safety Management	9.66	0.48	0.48	0.48	—	—%
Records and Information Management	1.50	1.50	1.50	1.50	—	—%
Training and Personnel	3.00	3.00	3.00	5.15	2.15	71.67%
Total	120.77	108.05	107.05	109.20	2.15	2.01%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
40-Hour Training Battalion Chief	—	1.00	1.00	1.00	—	156,727
40-Hour Training Captain	1.00	—	1.00	1.00	—	139,796
Administrative Assistant	1.50	1.50	1.00	1.00	—	77,209
Administrative Associate II	3.00	2.00	2.00	2.00	—	135,914
Battalion Chief	3.00	3.00	3.00	3.00	—	447,807
Business Analyst	0.80	0.80	0.80	0.80	—	100,931
Deputy Chief/Fire Marshal	0.84	—	—	0.05	0.05	8,078
Deputy Director Technical Services Division	0.20	0.20	0.20	0.20	—	36,158
Deputy Fire Chief	2.00	2.00	2.00	2.00	—	384,778
Emergency Medical Service Director	1.00	1.00	1.00	1.00	—	137,009
Emergency Medical Services Data Specialist	1.00	1.00	1.00	1.00	—	72,844
Fire Apparatus Operator	30.00	30.00	30.00	30.00	—	3,530,608
Fire Captain	22.00	22.00	21.00	21.00	—	2,815,449
Fire Chief	1.00	1.00	1.00	1.00	—	223,599
Fire Fighter	41.00	40.00	40.00	41.00	1.00	4,518,009
Fire Inspector	4.00	—	—	0.80	0.80	107,047

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	53,205
Hazardous Materials Inspector	1.90	—	—	0.30	0.30	41,938
Police Chief	0.50	0.50	—	—	—	—
Senior Management Analyst	0.50	1.00	1.00	1.00	—	131,601
Sub-total: Full-Time Equivalent Positions	116.24	107.00	106.50	108.65	2.15	13,118,707
Temporary/Hourly	5.03	0.55	0.55	0.55	—	97,569
Total Positions	120.77	108.05	107.05	109.20	2.15	13,216,276

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	107.05	26,531,679	11,788,622	14,743,057
Base Adjustments				
One-Time Prior Year Expenditures Deleted				
Regional Fire and Emergency Medical Services Efficiency Study	—	(75,000)	—	(75,000)
Community Public Health Consultant Study	—	(50,000)	—	(50,000)
Automated External Defibrillator	—	(50,000)	—	(50,000)
Fire Station Furniture, Fixtures, and Equipment - Phase 1	—	(50,000)	—	(50,000)
New Ambulance Build-out and Equipment	—	(30,000)	—	(30,000)
International Fire Department Accreditation - Phase 1	—	(25,000)	—	(25,000)
Emergency Medical Equipment	—	(20,000)	—	(20,000)
One-Time Prior Year Expenditures	—	(300,000)	—	(300,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	2,656,650	—	2,656,650
Medical Transport Reimbursement/Revenue from Other Agencies	—	49,000	49,000	—
Paramedic Services Revenue Adjustment	—	—	270,520	(270,520)
Permits and Licenses Revenue Adjustment	—	—	738	(738)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Stanford Emergency Fire Services Revenue Adjustment (Align Fiscal Year 2017 Expenditures with Stanford Fire Agreement 2nd Amendment)	—	—	454,312	(454,312)
Plan Checking Fee Revenue Correction (Approved in Fiscal Year 2016 Mid Year)	—	—	(269,000)	269,000
Management Development Adjustment	—	(750)	—	(750)
Vehicle Maintenance Allocated Charges Adjustments	—	254,641	—	254,641
General Liability Insurance Allocated Charges Adjustments	—	(187,386)	—	(187,386)
Information Technology Allocated Charges Adjustments	—	(188,987)	—	(188,987)
Print and Mail Allocated Charges Adjustments	—	5,073	—	5,073
Utilities Allocated Charges Adjustments	—	5,180	—	5,180
Adjustments to Costs of Ongoing Activities	—	2,593,421	505,570	2,087,851
Total FY 2017 Base Budget	107.05	28,825,100	12,294,192	16,530,908
Budget Adjustments				
1 Realignment of Fire Prevention Staff from Development Services Department	2.15	412,867	—	412,867
2 Fire Station Furniture, Fixtures, and Equipment - Phase 2	—	125,000	—	125,000
3 California Incident Command Certification System Training	—	38,000	—	38,000
Total Budget Adjustments	2.15	575,867	—	575,867
Total FY 2017 Proposed Budget	109.20	29,400,967	12,294,192	17,106,775

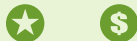


Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Realignment of Fire Prevention Staff from Development Services Department	2.15	412,867	0	412,867

This action reallocates 2.15 FTE to the Fire Department from the Development Services Department. Development Services and its partner departments continue to examine the staffing complement necessary to align the permitting function of Development Services with each individual department's expertise, and this shift represents the iterative effort for FY 2017. This action aligns permitting staffing between Development Services and the Fire Department by reallocating small portions of various positions that were determined not to be directly related to the permitting function of Development Services. There is no service delivery change for this shift, since this represents the portion of Fire positions that are in fire suppression training and not working on fire inspections. Additional discussion regarding this shift can be found in the Development Services Department section of this document. (Ongoing Costs: \$412,867)

Performance Results

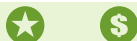


This action ensures that costs for development services permitting are aligned with the work being performed and that the high level of quality of those services is maintained.

2 Fire Station Furniture, Fixtures, and Equipment - Phase 2	0.00	125,000	0	125,000

In Fiscal Year 2015, the Fire Department performed an assessment of the furniture, fixtures, and equipment (FF&E) at all seven fire stations. This study determined that the dorm and day room furniture along with the exercise equipment and the kitchen fixtures were at or beyond their useful life and needed replacement. In Fiscal Year 2016, \$50,000 was appropriated for Phase 1 of the FF&E replacement to purchase bedframes and mattresses for all stations, day room recliners for all stations, dining chairs for three stations, and kitchen fixtures for Fire Station 2. In Fiscal Year 2017, \$125,000 will be appropriated to upgrade exercise equipment at five of the seven fire stations. Annually, the need for further replacement of aging FF&E will be assessed and prioritized based on the replacement schedule and funding will be appropriated as part of future budget processes. (Ongoing Costs: \$0)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund

Replacement of fire station FF&E will increase the quality of the fire stations and increase the morale of the Fire Department personnel who are stationed there. Updated exercise equipment promotes the City's Wellness Program and helps to maintain healthy, fit, and capable fire service personnel throughout their career. In addition, promoting Wellness in the Fire Department is in alignment with national standards for fire personnel safety and wellness and has shown to decrease injury and disability rates.

3 California Incident Command Certification System Training	0.00	38,000	0	38,000

The California Incident Command Certification System (CICCS) sets standard roles and responsibilities for regional firefighting activities to ensure firefighters deployed to Statewide firefighting efforts (strike teams) are safe and appropriately equipped. This funding will allow the Fire Department's Captains and Battalion Chiefs to complete the required ongoing CICCS training to serve in command post positions when deployed to Statewide strike team incidents. (Ongoing Costs: \$38,000)

Performance Results



As part of the Statewide Mutual Aide Program, the Palo Alto Fire Department is expected to send available strike teams to fire incidents around California when requested. Participating in the CICCS training is mandated by the State in order to participate in these strike teams. In addition, this training will enhance the leadership and tactical skills of the Fire Department command staff for higher quality fire fighting in Palo Alto.



CITY OF
**PALO
ALTO**

HUMAN RESOURCES

Mission Statement



The Human Resources Department's mission is to recruit, develop, and retain a diverse, well-qualified, and professional workforce that reflects the high standards of the community we serve, and to lead City departments in positive employee relations, talent management, succession planning, and employee engagement.

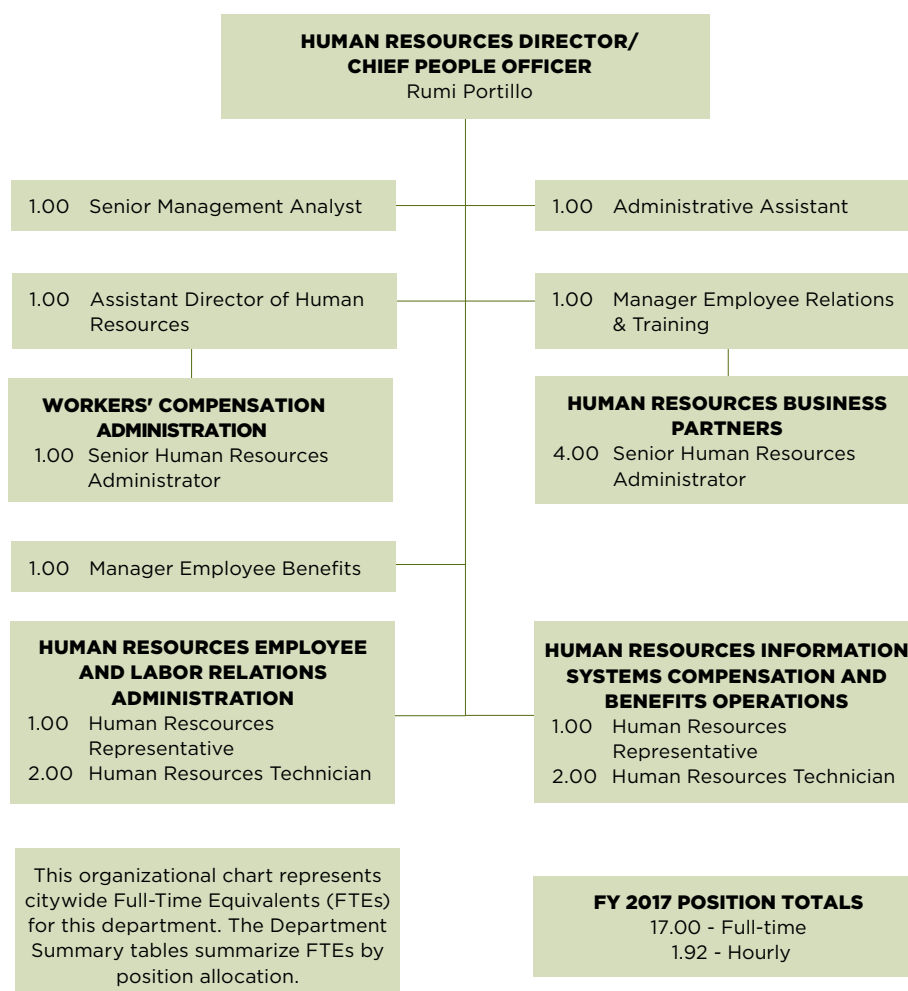


Purpose

The purpose of Human Resources is to lead strategic planning to align employee skills, staffing, and productivity with City goals in order to deliver premier services

to the residents of Palo Alto and to City staff; to support City departments and employees in achieving their key goals and objectives through dedicated Human Resources Business Partners; to provide a range of services to City employees, including new employee orientation, staffing and recruitment management, talent and skill development, performance assessment, and safety and wellness programs; and to deliver employee relations, compensation, job classification, risk management, and organization development services efficiently to City departments.

HUMAN RESOURCES



Description

People Strategy and Operations provides guidance to City departments in the following areas:

TOTAL COMPENSATION

Administer salary, health, pension, and other benefits.

EMPLOYEE AND LABOR RELATIONS

Provide guidance to City staff to enhance performance, create a positive work environment, and effectively resolve complaints, grievances and other problems.

ORGANIZATION AND EMPLOYEE DEVELOPMENT

Identify and implement training and development opportunities to enhance skills, innovation, and leadership of City staff members.

TALENT MANAGEMENT

Recruit, select, and onboard employees who have a passion for public service and the right knowledge, skills, and abilities to take on increasingly complex public service roles.

RISK MANAGEMENT, SAFETY, AND WORKERS COMPENSATION

Support workplace safety, reduce injuries, and actively manage risk and other potential liabilities.

Accomplishments

- Built, tested, and soft launched NEOGOV on-boarding platform for all new hires
- Conducted successful employee health fair
- Introduced online benefits-open enrollment for all benefited City staff
- Conducted bargaining and reached agreement with the International Association of Fire Fighters (IAFF), Palo Alto Peace Officers' Association (PAPOA), Palo Alto Police Management Association (PAPMA), and Service Employees International Union (SEIU)
- Continued contract negotiations with Utilities Managers and Professionals Association of Palo Alto (UMPAPA)
- Recruited 267 positions for the City of Palo Alto including Human Resources Director, Principal Attorney, Budget Manager, and Assistant Library Director
- Coordinated customized Ethics Training for all full-time City Staff in accordance with City Council priorities
- Implemented mandatory Preventing Workplace Harassment e-learning course to ensure staff compliance
- Transitioned to Kaiser-on-the Job for staff occupational medicine needs

HUMAN RESOURCES

- Initiated Employee Wellness program and offered staff healthy living education and a variety of physical activity programs
- Developed an updated on-line Personnel Action Form (PAF) to streamline City-wide transaction approval process
- Updated and configured Human Resources workforce database (SAP) to improve service delivery efficiency related to personnel transactions
- Down-sized physical file space by digitizing archived department files
- Provided succession planning data to business partners
- Provided employee data to meet new Affordable Care Act (ACA) reporting requirements by engaging the services of an IT secure third party vendor
- Implemented paid sick leave for limited hourly employees
- Updated salary schedules for affected hourly employees in accordance with the new minimum wage ordinance

Initiatives

DEPARTMENT EFFECTIVENESS

- Digitize all personnel records
- Complete Human Resources workforce database (SAP) work plan to improve service delivery efficiency of transactions in benefits and salary administration

TALENT MANAGEMENT

- Launch the job application on-boarding platform system (NEOGOV) that will be integrated with the Human Resources workforce database (SAP)
- Collaborate with Public Safety departments to design recruitment outreach
- Update new hire screening process for out-of-state employment candidates

ORGANIZATION AND EMPLOYEE DEVELOPMENT

- Design an updated City-wide employee training program
- Increase e-learning options for City-wide training

RISK MANAGEMENT, SAFETY AND WORKERS COMPENSATION

- Complete Request For Proposal (RFP) for ergonomic services including office and field employee training
- Review and update injury and illness program for effectiveness
- Utilize electronic procurement program to improve efficiencies related to insurance review

BENEFITS

- Improve Employee Self Service process for FY 2017 Open Enrollment

- Continue collaboration with Wellness Committee in support of Healthy City/Healthy Community priorities

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Fund						
General Fund-Operating	3,128,986	3,263,171	3,554,007	3,356,833	(197,174)	(5.5)%
Liability Insurance	340,968	389,202	3,046,942	2,122,100	(924,842)	(30.4)%
Worker's Compensation	3,673,358	1,315,080	3,953,700	3,922,201	(31,499)	(0.8)%
Total	7,143,312	4,967,453	10,554,649	9,401,134	(1,153,515)	(10.9)%
Revenues						
Charges for Services	—	514	—	—	—	—%
Charges to Other Funds	2,215,980	2,956,655	4,111,102	1,597,581	(2,513,522)	(61.1)%
Other Revenue	3,756,280	2,947,701	3,608,500	1,910,901	(1,697,599)	(47.0)%
Return on Investments	495,826	468,865	513,100	492,000	(21,100)	(4.1)%
Total Revenues	6,468,086	6,373,736	8,232,702	4,000,482	(4,232,221)	(51.4)%
Positions by Fund						
General Fund-Operating	16.70	16.70	16.70	17.44	0.74	4.43%
Worker's Compensation	—	—	—	1.00	1.00	—%
Total	16.70	16.70	16.70	18.44	1.74	10.42%

GENERAL FUND

Goals and Objectives

GOAL 1

Implement a Comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce.

Objectives:

- Invigorate the recruitment process to decrease time to fill and increase quality of hires.
- Reduce turnover with higher quality of hires and improved performance coaching.

GOAL 2

Enhance City culture of engagement and innovation.

Objectives:

- Ensure employee attendance rate is high.
- Enhance learning opportunities through a comprehensive employee training program.
- Increase employee communication through all media, including an enhanced department website.
- Continue to implement a Wellness Program with 15 percent employee participation.

GOAL 3

Implement improvements to the department's operational systems especially employment, leave of absence, and benefit administration to ensure responsiveness and effectiveness of Human Resources staff performance.

Objectives:

- Strengthen oversight of benefit plan costs and processes.
- Improve Human Resources ability to meet customer needs and provide superior customer service.

Key Performance Measures

EMPLOYEE ATTENDANCE

Goal	Enhance City culture of employee engagement and innovation.				
Objective	Maintain high employee attendance rate.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Attendance	94.70%	95.28%	96.00%	96.00%	96.00%
Description	This measure will track the attendance of employees in terms of percentage of time present.				
Purpose	Attendance is a proxy metric for engagement and productivity. Absenteeism hinders City operations, and results in inefficiency when employees assume additional responsibilities because of unexpected absences. The Department of Labor benchmark for attendance is 96 percent, allowing for absenteeism rate of 4 percent. Under this standard, absenteeism is defined to include unscheduled time away from work (not including vacations or holidays and scheduled/approved Workers Compensation, ADA or FMLA leave).				
Status	The actual attendance for Fiscal Year 2015 of 95.28% slightly exceeded the Fiscal Year 2015 estimate of 95.10%. Future attendance rates are expected to remain at approximately 96%.				

RECRUITMENT

Goal	Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce.				
Objective	Invigorate the recruitment process to decrease time to fill and increase quality of hires.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Recruitment - Days to fill a position	116	110	80	95	95
Description	This measure will provide the average number of days to fill a position from requisition approval until a hiring decision is made.				
Purpose	A strong recruitment strategy is the foundation of talent management and should be accomplished in a focused, timely manner to provide departments with quality candidates as expeditiously as possible. This measure aligns with the International City/County Management Association's (ICMA) human resource metrics and is a standard tool as defined in the Society of Human Resource Management.				
Status	The number of days to fill a position decreased slightly in Fiscal Year 2015 to 110 days from 114 days in Fiscal Year 2014. This is estimated to decrease again in Fiscal Year 2016 to 95 days and remain at that level in Fiscal Year 2017.				

HUMAN RESOURCES

SUCCESSION PLANNING

Goal	Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce.				
Objective	Develop a strategic staffing plan for each department that identifies key roles and a succession plan.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of key roles with succession plan in place	75.00%	75.00%	95.00%	95.00%	N/A
Description	This measure tracks the number of key senior management roles, defined as Division Manager, Assistant Director, and Director, and technical roles defined by each department director, that have a succession plan in place.				
Purpose	Succession planning is a focused process for keeping talent in the pipeline. The age demographics of the workplace lead the HR Department to expect a turnover of as much as half the staff over the next ten years, making succession planning imperative.				
Status	This measure is recommended to be discontinued as each City department will lead their own succession planning. Human Resources will continue to provide retirement eligibility and assistance as needed.				

TURNOVER

Goal	Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce.				
Objective	Reduce turnover with higher quality of hires and improved performance coaching.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Turnover - Voluntary Turnover	5.10%	4.48%	N/A	6.45%	6.45%
Turnover - Total Turnover	8.44%	8.44%	N/A	9.57%	9.57%
Turnover - Involuntary Turnover	0.21%	1.35%	N/A	0.42%	0.42%
Turnover - Retirement Turnover	3.13%	2.60%	N/A	2.70%	2.70%
Description	This metric provides data to identify trends when there is turnover, including voluntary exits, involuntary separations and retirements.				
Purpose	Employees who are qualified, are a good match for the organization, and who are engaged, are not expected to leave the City. If turnover is high, the City incurs additional costs of hiring new staff. Initiatives such as offering a robust training program provides employees with skills and knowledge to keep productivity at an optimal level.				
Status	It is recommended that this measure be revised from measuring employee turnover during the first year of employment to monitoring overall employee turnover among benefited regular full-time employees within the City in categories identified above.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Employee personnel transactions	3,014	2,665	3,650	3,991	3,800
Percentage of employees participating in Citywide training program*	N/A	N/A	N/A	N/A	85.00%

*This is a new measure for Fiscal Year 2017; historical data is being collected by the department and will be included as part of the 2017 Adopted Budget.

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration, Employee Org Development and HR Systems	1,039,650	1,181,368	1,319,254	1,077,202	(242,052)	(18.3)%
Benefits and Compensation	546,889	517,409	484,875	515,689	30,813	6.4%
Employee and Labor Relations	863,757	870,907	981,725	982,601	875	0.1%
Recruitment	439,857	425,311	477,231	467,526	(9,705)	(2.0)%
Risk Mgmt, Safety, Workers' Compensation	238,833	268,176	290,921	313,816	22,895	7.9%
Total	3,128,986	3,263,171	3,554,007	3,356,833	(197,174)	(5.5)%

Dollars by Category						
Salary & Benefits						
Healthcare	217,517	253,153	255,850	249,523	(6,327)	(2.5)%
Other Benefits	78,007	88,882	90,785	80,549	(10,236)	(11.3)%
Overtime	1,176	1,603	—	—	—	—%
Pension	365,919	406,181	458,634	478,432	19,798	4.3%
Retiree Medical	186,650	174,472	205,000	191,690	(13,310)	(6.5)%
Salary	1,611,985	1,686,158	1,743,194	1,811,523	68,329	3.9%
Workers' Compensation	38,821	8,288	32,832	26,449	(6,383)	(19.4)%
Total Salary & Benefits	2,500,075	2,618,735	2,786,295	2,838,166	51,871	1.9%
Allocated Charges	124,082	132,717	168,334	131,060	(37,274)	(22.1)%
Contract Services	383,496	371,146	483,309	269,309	(214,000)	(44.3)%
Facilities & Equipment	2,680	250	4,150	4,150	—	—%
General Expense	60,329	85,104	49,349	50,490	1,141	2.3%
Rents & Leases	43,000	43,000	43,000	44,088	1,088	2.5%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Supplies & Material	15,323	12,219	19,570	19,570	—	—%
Total Dollars by Expense Category	3,128,986	3,263,171	3,554,007	3,356,833	(197,174)	(5.5)%

Revenues

Charges for Services	—	54	—	—	—	—%
Charges to Other Funds	1,800,290	1,693,299	1,742,260	1,597,581	(144,680)	(8.3)%
Total Revenues	1,800,290	1,693,353	1,742,260	1,597,581	(144,680)	(8.3)%

Positions by Division

Administration, Employee Org Development and HR Systems	4.65	4.65	4.99	5.36	0.37	7.41%
Benefits and Compensation	2.61	2.61	2.51	2.88	0.37	14.74%
Employee and Labor Relations	4.69	4.69	4.60	4.60	—	—%
Recruitment	3.01	3.01	3.00	3.00	—	—%
Risk Mgmt, Safety, Workers' Compensation	1.74	1.74	1.60	1.60	—	—%
Total	16.70	16.70	16.70	17.44	0.74	4.43%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	86,152
Assistant Director Human Resources	1.00	1.00	1.00	1.00	—	179,168
Director Human Resources/CPO	1.00	1.00	1.00	1.00	—	204,001
Human Resources Assistant	4.00	4.00	—	—	—	—
Human Resources Representative	2.00	2.00	2.00	2.00	—	140,129
Human Resources Technician	—	—	4.00	4.00	—	297,447
Manager Employee Benefits	1.00	1.00	1.00	1.00	—	116,188
Manager Employee Relations	1.00	1.00	1.00	1.00	—	133,514
Senior Human Resources Administrator	4.00	4.00	4.00	4.00	—	388,427

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Senior Management Analyst	1.00	1.00	1.00	1.00	—	127,212
Sub-total: Full-Time Equivalent Positions	16.00	16.00	16.00	16.00	—	1,672,238
Temporary/Hourly	0.70	0.70	0.70	1.44	0.74	88,951
Total Positions	16.70	16.70	16.70	17.44	0.74	1,761,189

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	16.70	3,554,007	1,742,260	1,811,747
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Human Resources Data Analytics Consultant	—	(214,000)	—	(214,000)
One-Time Prior Year Expenditures and Revenues	—	(214,000)	—	(214,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	18,066	—	18,066
Management Development	—	(1,000)	—	(1,000)
General Fund Administrative Cost Plan Adjustment	—	—	(144,679)	144,679
Rents and Leases	—	1,088	—	—
General Liability Insurance Allocated Charges Adjustment	—	(19,205)	—	(19,205)
Information Technology Allocated Charges Adjustment	—	(13,912)	—	(13,912)
Printing and Mailing Allocated Charges Adjustment	—	(4,158)	—	(4,158)
Adjustments to Costs of Ongoing Activities	—	(19,121)	(144,679)	124,470
Total FY 2017 Base Budget	16.70	3,320,886	1,597,581	1,722,217
Budget Adjustments				
1 Temporary Staffing Adjustment for Administrative Services	0.74	35,947	—	35,947
Total Budget Adjustments	0.74	35,947	—	35,947
Total FY 2017 Proposed Budget	17.44	3,356,833	1,597,581	1,758,164



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Temporary Staffing Adjustment for Administrative Services	0.74	35,947	0	35,947

This action increases one 0.22 FTE Management Specialist position to 0.48 FTE, and legitimizes another Management Specialist position that was previously funded with vacancy savings to 0.48 FTE in order to align funding with the administrative workload needs of the Department. As a result, the Department will have three 0.48 FTE Management Specialist positions to assist the full-time Human Resources Assistant positions with daily administrative activities such as records maintenance, answering phone calls and correspondence, assisting with recruitments and training sessions, running reports in SAP, and staffing the front desk to assist customers that walk into the office. (Ongoing Costs: \$33,805)

Performance Results



With this staffing alignment, the Department will be able to maintain current service levels while minimizing salary and benefit costs to the City, including long term pension liability.

GENERAL LIABILITIES INSURANCE PROGRAM

Description

The City's General Liability Program provides funding to cover flood, property, public employee crime, and various other insurance policies for City-owned equipment and machinery. The City is self-insured for the first \$1 million in losses per occurrence and participates in a Joint Powers Authority for coverage up to \$150 million per occurrence.

Accomplishments

- Coordinated physical assessment of all City's facilities and update of property insurance values.
- Initiated a City-wide safety committee to research proactive measures to address City vehicle collisions.
- In development of the Fiscal Year 2017 budget, this fund was analyzed by an outside consultant resulting in a more accurate allocation methodology of costs by department and fund. In addition, based on the lower number of incidents and associated expenses experienced over the last couple of years, staff is reducing the actuarial calculation funding from a 90 percent to an 85 percent confidence level. This results in savings to this fund and other City funds throughout the organization.

Initiatives

- Implement safety committee recommendations to decrease annual City vehicle collisions.
- Develop City construction project liability insurance guidelines.
- Research an alternative third party source to obtain DMV driving records.
- As a budget balancing strategy in Fiscal Year 2017, general liability costs will not be allocated to other City departments and funds. See the Internal Service Fund Overview section of this document for further discussion.

Goals and Objectives

GOAL 1

Reduce liability exposure to the City.

Objectives:

- Reduce liability exposure to the City for employee-involved vehicle collision.
- Review DMV records on an annual basis for all employees whose job duties require that they drive City vehicles.
- Provide a proactive defensive driving course to all employees involved in vehicle collisions involving City vehicles regardless of fault.
- Reduce the number of claims related to City vehicle collision losses.

Key Performance Measures

CITY VEHICLE COLLISION LOSS

Goal	Reduce liability exposure to the City.				
Objective	Reduce the number of claims related to City vehicle collision losses.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Annual number of claims related to City vehicle collision losses	12	25	15	20	20
Description	This measure will provide data to identify trends.				
Purpose	Analyzing claim trends will assist risk management staff in developing programs designed to reduce employee involved vehicle collisions.				
Status	The number of employee involved vehicle collisions has increased despite increased attendance in training programs and discussions with staff at department safety meetings. Additional training such as online and onsite training will be implemented targeting specific collisions.				

DEFENSIVE DRIVING TRAINING

Goal	Reduce liability exposure to the City.				
Objective	Provide defensive driver training.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Attendance at mandatory and proactive defensive driver training	39	56	50	50	40
Description	This measure tracks the number of employees completing a proactive defensive driving class.				
Purpose	Providing supplemental training will increase knowledge and awareness about safe driving behavior in order to protect employee and public safety, in addition to preventing future claims against the City.				
Status	Attendance in defensive driving class has remained steady.				

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Other Benefits	—	34,886	—	—	—	—%
Workers' Compensation	—	271,376	—	—	—	—%
Total Salary & Benefits	—	306,262	—	—	—	—%
Contract Services	61,654	28,625	86,500	88,400	1,900	2.2%
General Expense	279,314	54,315	2,960,442	2,033,700	(926,742)	(31.3)%
Total Dollars by Expense Category	340,968	389,202	3,046,942	2,122,100	(924,842)	(30.4)%
Revenues						
Charges for Services	—	460	—	—	—	—%
Charges to Other Funds	415,690	1,263,356	2,368,842	—	(2,368,842)	(100.0)%
Other Revenue	516,796	206,453	40,000	40,000	—	—%
Return on Investments	107,980	95,670	133,900	126,300	(7,600)	(5.7)%
Total Revenues	1,040,466	1,565,939	2,542,742	166,300	(2,376,442)	(93.5)%

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Liabilities Insurance Program
Prior Year Budget	—	3,046,942	2,542,742	504,200
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
General Liability Insurance Claims Adjustments	—	(917,700)	(2,368,842)	1,451,142
Property Loss Adjustments	—	4,448	—	4,448
Audit and Financial Services Adjustments	—	1,900	—	1,900
Umbrella Excess Liability Adjustments	—	(11,990)	—	(11,990)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Liabilities Insurance Program
Special Liability Adjustments	—	(1,500)	—	(1,500)
Return on Investment Adjustments	—	—	(7,600)	7,600
Adjustments to Costs of Ongoing Activities	—	(924,842)	(2,376,442)	1,451,600
Total FY 2017 Base Budget	—	2,122,100	166,300	1,955,800
Total FY 2017 Proposed Budget	—	2,122,100	166,300	1,955,800

WORKERS' COMPENSATION FUND

Description

The Workers' Compensation Program provides wage and medical benefits for employees who sustain an injury or develop an occupational illness within the course and scope of employment.

Accomplishments

- Led New Employee Orientation to ensure employees understand safe work practices and injury prevention strategies.
- Transitioned occupational health provider to improve services and treatment for City employees recovering from workplace injuries.
- In development of the Fiscal Year 2017 budget, this fund was analyzed by an outside consultant resulting in a more accurate allocation methodology of costs by department and fund. In addition, based on the lower number of incidents and associated expenses experienced over the last couple of years, staff is reducing the actuarial calculation funding from a 90 percent to an 85 percent confidence level. This results in savings to this fund and other City funds throughout the organization.

Initiatives

- Conduct regular work-site inspections and safety audits to ensure compliance with policies and procedures.
- Research and develop tracking and metrics for return to work from occupational injuries cases.
- As a budget balancing strategy in Fiscal Year 2017, general liability costs will not be allocated to other City departments and funds. See the Internal Service Fund Overview section of this document for further discussion.

Goals and Objectives

GOAL 1

Provide a safe environment for employees.

Objectives:

- Provide workplace safety training for all departments.
- Comply with all requirements of the Occupational Safety and Health Act (OSHA).

GOAL 2

Minimize loss of productivity and disruption of services.

Objectives:

- Facilitate early return to work program.
- Reduce the number of costly lost time claims filed and days away from work.

Key Performance Measures

DOLLAR AMOUNT OF CLAIMS PAID

Goal	Minimize loss of productivity and disruption of services.				
Objective	Reduce the number of costly lost time claims filed and days away from work.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Total dollar amount of claims paid	2,787,480	2,184,857	2,500,000	1,900,000	
Description	This measure tracks the total cost paid for work-related illness and injury claims in a given fiscal year. As claims develop, prior year total costs paid are revised.				
Purpose	Effective workplace safety and loss control programs lessen the use of public funds for work-related employee injuries and illness.				
Status	In Fiscal Year 2015, the total cost of workers compensation claims decreased and this trend is expected to continue into Fiscal Year 2016. The Fiscal Year 2017 proposed cost is based on preliminary developing data in Fiscal Year 2016. City staff continues to work with third-party administrator to improve analysis and measurement reports.				

NUMBER OF CLAIMS

Goal	Minimize loss of productivity and disruption of services.				
Objective	Reduce the number of costly lost time claims filed and days away from work.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of Workers' Compensation Claims Filed	111	80		75	75
Description	This measure tracks the total employee workers compensation claim volume filed each fiscal year.				
Purpose	Effective workplace safety and injury prevention program lessen the use of public funds for work-related injuries and illness. In addition to claim costs, the expense of paying overtime or hiring additional staff is mitigated.				
Status	It is recommended that the previous measure "Percent of City incident rate in comparison to California local government incident rate" be deleted and replaced with a "Number of Workers' Compensation Claims Filed" measure. The total number of claims has decreased in Fiscal Year 2015 to 80 from the Fiscal Year 2014 level of 111. This trend is anticipated to continue into Fiscal Years 2016 and 2017.				

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Healthcare	—	—	—	26,404	26,404	—%
Other Benefits	232,050	230,006	239,000	243,527	4,527	1.9%
Pension	—	—	—	29,902	29,902	—%
Salary	—	—	—	109,381	109,381	—%
Workers' Compensation	2,982,526	621,334	3,143,300	2,810,086	(333,214)	(10.6)%
Total Salary & Benefits	3,214,577	851,340	3,382,300	3,219,301	(162,999)	(4.8)%
Contract Services	4,750	2,375	5,000	6,900	1,900	38.0%
General Expense	454,032	461,365	566,400	696,000	129,600	22.9%
Total Dollars by Expense Category	3,673,359	1,315,080	3,953,700	3,922,201	(31,499)	(0.8)%
Revenues						
Other Revenue	3,239,484	2,741,248	3,568,500	1,870,901	(1,697,599)	(47.6)%
Return on Investments	387,846	373,195	379,200	365,700	(13,500)	(3.6)%
Total Revenues	3,627,331	3,114,444	3,947,700	2,236,601	(1,711,099)	(43.3)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Positions by Division						
Workers' Compensation	—	—	—	1.00	1.00	—%
Total	—	—	—	1.00	1.00	—%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Senior Human Resources Administrator	—	—	—	1.00	1.00	101,275
Total Positions	—	—	—	1.00	1.00	101,275

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Workers' Compensation in Fund
Prior Year Budget	—	3,953,700	3,947,700	6,000
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Umbrella Excess Liability Adjustments	—	128,600	—	128,600
Workers' Compensation Assessment Adjustments	—	5,000	—	5,000
Audit and Financial Services Adjustments	—	1,900	—	1,900
Workers' Compensation Insurance Claims Adjustments	—	(338,214)	(1,697,599)	1,359,385
Return on Investment Adjustments	—	—	(13,500)	13,500
Adjustments to Costs of Ongoing Activities	—	(202,714)	(1,711,099)	1,508,385
Total FY 2017 Base Budget	—	3,750,986	2,236,601	1,514,385
Budget Adjustments				
1 Workers' Compensation Management Staffing	1.00	171,215	—	171,215
Total Budget Adjustments	1.00	171,215	—	171,215
Total FY 2017 Proposed Budget	1.00	3,922,201	2,236,601	1,685,600

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Workers' Compensatio n Fund
1 Workers' Compensation Management Staffing	1.00	171,215	0	171,215

This action adds a Senior Human Resources Administrator position to manage and oversee the City's Workers' Compensation Program and Workers' Compensation Internal Service Fund. Currently, workers' compensation related issues are handled on an as needed basis by several positions in the Human Resources Department. This position will be a dedicated workers' compensation resource for the City and it will be able to proactively manage workers' compensation issues, instead of just reacting to claims and safety complaints. Some of the processes that will be implemented by this position are as follows, but not limited to: analyzing loss history to identify trends; identifying, evaluating, and developing best practices for the reduction or elimination of workers' compensation and safety exposures; regularly auditing injured employee salary continuation for accuracy; monitoring the return-to-work program; and coordinating the training of employees in safety and loss prevention techniques to prevent workplace injuries and accidents. (Ongoing Costs: \$171,215)

Performance Results



Active management of the Workers' Compensation Fund and related workers' compensation activities citywide by a dedicated position will increase the quality of service provided to employees who file claims, decrease the time it takes to process claims, and focus on preventing workplace injuries and accidents to reduce overall Workers' Compensation program costs throughout the City.



CITY OF
**PALO
ALTO**

INFORMATION TECHNOLOGY

Mission Statement



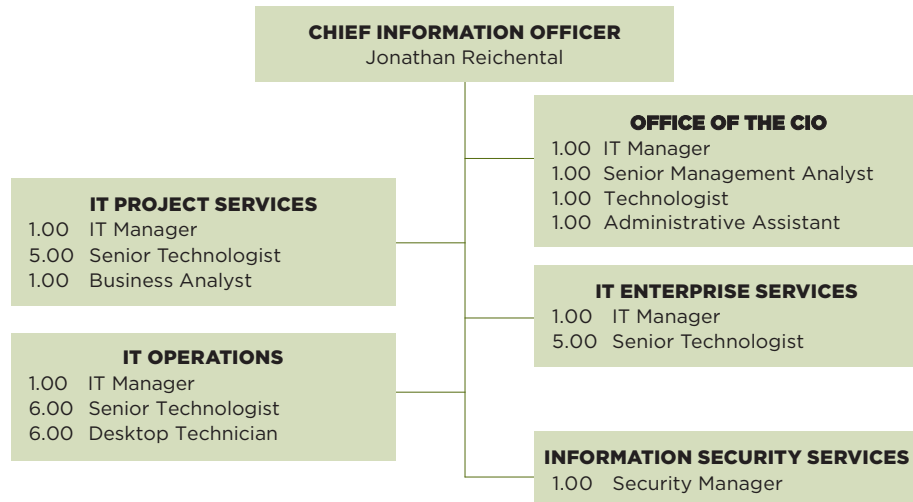
The Information Technology Department's mission is to provide innovative technology solutions that support City departments in delivering quality services to our community.

Purpose

The purpose of the Information Technology Department is to champion an inspiring and forward-leaning vision for citywide technology that reflects the unique role of the City of Palo Alto as a global leader in technology innovation; to provide a broad range of high-quality technology-related solutions to employees, departments, council members, and the community in

order for each to meet their respective goals; to support and continuously improve essential technology infrastructure for enabling the day-to-day operations of the City; and to create and maintain an exciting workplace for the Information Technology Department team that inspires high-performance and provides career growth opportunities.





FY 2017 POSITION TOTALS
32.00 - Full-time
0.48 - Hourly

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

Description

Information Technology's vision statement is, "to build and enable a leading smart and digital city." A digital city broadly adopts innovative Internet-based technologies to enable quality services and processes between city employees, citizens, visitors and businesses. Being smart means using these same digital city capabilities in an intelligent manner, with integrated technology and active citizen participation.

Beginning in Fiscal Year 2013, the Information Technology Department embarked on a multi-year journey to transform itself into being a provider of higher-value information technology solutions and make steady progress towards building a leading digital city.

The Information Technology Department provides a wide range of services for the City of Palo Alto through the following operational divisions:

OFFICE OF THE CIO (OCIO)

The OCIO provides leadership and strategic direction for the City of Palo Alto's use of technology. The OCIO provides advisory services to City Departments regarding opportunities to leverage technology to improve government services. In addition, the division sets IT policies and directions for the IT Department and the City. This division is often the public facing component of the team and is responsible for fostering mutually beneficial public-private, technology related partnerships. The core services include IT strategic planning, financial management, contract management, communications, work force development, overall department administration, and data analytics.

IT PROJECT SERVICES

Provides customer-centric project management services to City departments for technology projects. Services include: business analysis, consultation, project management, project management training, and governance. Our focus is the delivery of business value to our customers. Governance ensures that technology initiatives across the City are visible across the organization. We help IT work on the right things at the right time for the right reasons to increase value delivery to our end-users and reduce the risks associated with technology deployment.

IT OPERATIONS

Maintains and supports all deployed back-end and front-end City technologies including the process of retiring products and services. The team also ratifies standards working alongside other IT divisions. Services include service desk, infrastructure support, server hosting, office automation software support, technical training and support, and asset management.

IT ENTERPRISE SERVICES

Responsible for maintaining a core set of large enterprise-wide ERP systems like SAP and Geographic Information Systems (GIS) for supporting financial business processes, information flow, reporting, and data analytics for the City. These services include all aspects of Enterprise Systems management such as planning, integration, administration, support, maintenance, governance, and change management.

INFORMATION SECURITY SERVICES

Responsible for developing and implementing a citywide information security program that includes the preservation of the availability, integrity, and confidentiality of City information resources. These services include security policy and procedures, legal compliance, risk management, disaster recovery and security audit.

Accomplishments

- Awarded Leading Digital City by the Center for Digital Government - Palo Alto named 5th top City in the category of population of 75,000 or less.
- Fire Station Phone and Police Department Network Upgrades completed.
- Cloud-based Communication and Productivity Suite Implementation - Moved to an online-based communication and collaboration suite, which includes e-mail, calendaring, instant messaging, document storage, forms and workflows, and other communication tools.
- Data Center and Computer Cloud Backup Implementation - Researched, selected and implemented an enterprise, cloud-based data center back-up solution to ensure the availability of data center data in the event that a recovery is necessary.
- Internet Redundancy Implementation - Implemented a redundant internet connection in the event internet services become unavailable.
- Enterprise Mobility Management (EMM) - Implemented Mobile Device Management software to secure, monitor, manage, and support mobile devices deployed.
- SharePoint Online Migration - Upgraded existing internal SharePoint Intranet and collaboration sites to SharePoint Online and migrated the content from all sites to the new version.
- Virtual Private Cloud Implementation - Implemented a primary and redundant Storage Area Network (SAN) to establish a virtual private cloud.
- Electronic Signature Operationalization - Implemented electronic signature citywide and trained key departmental staff.
- Document Scanning and Retrieval System Implementation - Implemented scanning and records retention cloud solution citywide to reduce paper storage space and to provide more efficient and quicker retrieval of information.

Initiatives

The following initiatives will be worked on by the Information Technology Department in Fiscal Year 2017, but not necessarily completed in Fiscal Year 2017. As circumstances dictate, projects will be reprioritized or rescheduled as appropriate:

- Council Chambers Equipment Replacement - Remove the old analog equipment and install a 100 percent digital system. This was budgeted in Fiscal Year 2016, but due to delays, is anticipated to be completed in Fiscal Year 2017.
- Enterprise Asset Management System (EAMS) Implementation - Implemented an EAMS to maintain an up-to-date inventory of the City's infrastructure, its catch-up and keep-up needs, and available funding.
- Service Management System Replacement - Migrate the City's existing technology work order management tool, Track-It, to a next generation cloud-based solution for Work Order management, Asset Management, License Management and CMDB (configuration management database) management.
- Data Center Failover Site Selection & Implementation - Select redundant offsite data center site to be used in case of disaster that will take over if primary data center fails.
- Analytics Platform Implementation - Implement an enterprise-wide business intelligence tool that can be used citywide to help drive the City as a data-driven decision making organization.
- Next Generation City Website - Implement a next generation, best of breed, City of Palo Alto website that will include content redesign, support for mobile device viewing, upgraded architecture, and an upgraded platform.
- Tri-Cities CAD Upgrade - Upgrade existing CAD system to the next available version of the software.
- Project Management Application - Select and install a project management application to view, monitor, and analyze projects to obtain a unified view of current and future projects.

Goals and Objectives

GOAL 1

Design and implement high-priority digital capabilities for City staff, residents, visitors, and local businesses.

Objectives:

- Develop and "pilot" new services that will increase the community's access to online self-services.
- Maintain a governance model and roadmap for mobile application deployment to ensure quality and valuable mobile capabilities are deployed to our community.

INFORMATION TECHNOLOGY

- Deploy and maintain platforms and processes for supporting best-in-class open and participative government to enrich our democracy.
- Maintain an ongoing program of civic innovation activities to be ahead of the curve in government technology and include broad participation from innovators in the public and private sectors.
- Execute the 3-year GIS strategy that will increase GIS capabilities and bring value to a larger number of stakeholders.

GOAL 2

Maintain and mature an IT governance model.

Objectives:

- Maintain and mature a citywide IT governance process to ensure alignment between technology priorities, project risks, City goals, and available funds.
- Maintain and keep current an accurate 3-year IT roadmap.

GOAL 3

Standardize and enhance IT service delivery.

Objectives:

- Organize IT service delivery around the principles of the Information Technology Infrastructure Library (ITIL) in order to provide high quality, consistent, and efficient IT services.
- Establish and maintain division processes, staff responsibilities, and performance measures.
- Execute appropriate training for IT staff to support established processes.
- Maintain an actionable IT dashboard.
- Manage a program to provide a career path and learning opportunities for the City's technology staff.

GOAL 4

Upgrade and enhance technology infrastructure, communications systems, and information security capabilities.

Objectives:

- Upgrade our data center with emphasis on a “cloud-first” approach to lower cost and support needs.
- Decommission all unnecessary systems and rationalize core services with a focus on software-as-a-service.
- Maintain and improve the confidentiality, integrity, and availability of information across the City's system.
- Ensure a fully-tested disaster recovery and continuity program for a core set of City systems.

Key Performance Measures

PERCENT OF SURVEY RESPONDENTS RATING THE SERVICES PROVIDED BY THE INFORMATION TECHNOLOGY DEPARTMENT AS EXCELLENT

Goal	Increase customer satisfaction on the services provided by the Information Technology Department.				
Objective	Establish clear division processes, staff responsibilities, and performance measures.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of survey respondents rating the services provided by the IT Department as excellent	94.00%	89.00%	90.00%	90.00%	90.00%
Description	This measure identifies the overall level of satisfaction internal customers have with telephone, network, application, and desktop support services.				
Purpose	This measure is an important qualitative assessment of how well IT is supporting its internal customers and whether they feel IT is meeting their needs.				
Status	Ongoing outreach and customer relationship management is being employed to ensure high customer satisfaction. Programs such as "Customer Shadowing" have provided excellent feedback and relationship building.				

PERCENTAGE OF SERVICE DESK REQUESTS RESOLVED AT TIME OF CALL

Goal	Track the overall time it takes to resolve service desk work orders.				
Objective	Establish clear division processes, staff responsibilities, and performance measures.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of service desk requests resolved within 8 hours	5.00%	5.00%	5.00%	6.00%	4.00%
Percent of service desk requests resolved within 5 days	26.00%	29.00%	26.00%	28.00%	25.00%
Percent of service desk requests resolved beyond 5 days	17.00%	12.00%	17.00%	10.00%	17.00%
Percent of service desk requests resolved at time of call	31.00%	31.00%	31.00%	34.00%	33.00%
Percent of service desk requests resolved within 4 hours	21.00%	23.00%	21.00%	21.00%	21.00%
Description	This measures tracks the time it takes to resolve service desk work orders.				
Purpose	Ensuring that IT staff are resolving work orders in a timely manner provides a quantitative measurement of one of the important services the department provides.				
Status	There has been minor fluctuation of actuals for help desk work order resolution times; however, with the implementation of self-service and cloud automation tools to address lower level Tier 1 requests, staff will be available to work on more complex work orders. This may result in higher first call resolution times.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
IT expenditure per workstation	\$4,491.00	\$5,226.00	\$4,500.00	\$5,600.00	\$5,808.00
Number of closed help desk requests	9,348	9,885	9,870	10,506	11,556
Number of datasets published on open data platforms	N/A	84	72	90	102

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
CIP Technology Fund	2,004,619	1,235,268	5,160,457	3,374,732	(1,785,725)	(34.6)%
Enterprise Systems	2,557,969	2,339,887	3,226,423	3,611,975	385,552	11.9%
Office of the CIO	4,023,703	2,780,458	3,490,955	3,165,386	(325,569)	(9.3)%
Operations	4,614,178	6,716,926	6,782,891	7,351,849	568,958	8.4%
Project Services	1,062,758	607,169	1,820,892	1,433,174	(387,718)	(21.3)%
Total	14,263,227	13,679,707	20,481,618	18,937,116	(1,544,502)	(7.5)%

Dollars by Category

Salary & Benefits

Healthcare	551,622	531,064	666,547	742,824	76,278	11.4%
Other Benefits	138,862	134,178	186,889	154,168	(32,721)	(17.5)%
Overtime	32,854	17,379	18,585	18,585	—	—%
Pension	785,667	673,950	1,102,084	1,200,041	97,957	8.9%
Retiree Medical	174,510	264,356	320,000	299,224	(20,776)	(6.5)%
Salary	3,299,889	3,464,454	4,322,391	4,591,711	269,321	6.2%
Workers' Compensation	6,165	2,374	5,214	49,078	43,864	841.3%
Total Salary & Benefits	4,989,570	5,087,755	6,621,710	7,055,632	433,922	6.6%
Allocated Charges	1,063,646	952,033	1,118,446	1,114,193	(4,253)	(0.4)%
Capital Improvement Program	2,004,040	1,235,268	5,160,457	3,374,732	(1,785,725)	(34.6)%
Contract Services	3,029,750	3,882,450	5,660,344	5,492,521	(167,823)	(3.0)%
Facilities & Equipment	552,080	1,599,760	874,693	841,573	(33,120)	(3.8)%
General Expense	511,121	496,789	544,480	575,480	31,000	5.7%
Operating Transfers-Out	1,276,638	53,219	53,895	16,485	(37,410)	(69.4)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Rents & Leases	263,153	267,047	342,594	351,501	8,907	2.6%
Supplies & Material	73,894	105,387	105,000	115,000	10,000	9.5%
Transfer to Infrastructure	499,335	—	—	—	—	—%
Total Dollars by Expense Category	14,263,227	13,679,707	20,481,618	18,937,116	(1,544,502)	(7.5)%
Revenues						
Charges to Other Funds	11,245,988	11,718,436	13,253,289	13,788,468	535,179	4.0%
Operating Transfers-In	1,412,959	2,349,175	1,294,328	2,077,785	783,457	60.5%
Other Revenue	53,873	53,576	16,400	130,864	114,464	698.0%
Return on Investments	434,425	352,985	343,300	343,300	—	—%
Total Revenues	13,147,246	14,474,172	14,907,317	16,340,417	1,433,100	9.6%
Positions by Division						
Enterprise Systems	11.00	9.50	9.00	11.50	2.50	27.78%
Office of the CIO	4.10	6.10	8.10	6.10	(2.00)	(24.69)%
Operations	13.96	13.96	13.48	13.48	—	—%
Project Services	5.10	4.10	5.00	5.00	—	—%
Total	34.16	33.66	35.58	36.08	0.50	1.41%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	83,782
Assistant Director Administrative Services	0.10	0.10	—	0.10	0.10	18,445
Business Analyst	—	—	1.00	1.00	—	128,832
Desktop Technician	5.00	5.00	5.00	6.00	1.00	484,270
Director Administrative Services/ CFO	0.10	0.10	0.10	—	(0.10)	—
Director Information Technology/ CIO	1.00	1.00	1.00	1.00	—	210,454
Management Analyst	1.00	1.00	—	—	—	—
Manager Information Technology	4.00	4.00	4.00	4.00	—	549,783

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Manager Information Technology Security	1.00	1.00	1.00	1.00	—	141,855
Principal Business Analyst	—	—	1.00	1.00	—	137,113
Principal Management Analyst	1.00	1.00	—	—	—	—
Senior Business Analyst	2.00	—	2.00	2.00	—	250,701
Senior Management Analyst	—	2.00	1.00	1.00	—	114,940
Senior Technologist	12.00	13.50	15.00	16.00	1.00	1,975,109
Technologist	4.00	2.00	2.00	1.00	(1.00)	116,262
Sub-total: Full-Time Equivalent Positions	32.20	31.70	34.10	35.10	1.00	4,211,546
Temporary/Hourly	1.96	1.96	1.48	0.98	(0.50)	171,222
Total Positions	34.16	33.66	35.58	36.08	0.50	4,382,768

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Technology Fund
Prior Year Budget	35.58	20,481,617	14,907,317	5,574,300
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Council Chamber Recording Equipment	—	(350,000)	(187,145)	(162,855)
Enterprise Resource Planning System Selection	—	(250,000)	—	(250,000)
IT Service Management System	—	(200,000)	—	(200,000)
Docusign First Year Costs	—	(24,500)	(13,100)	(11,400)
Pitney Bowes Utility Bill Printing Upgrade	—	(12,000)	—	(12,000)
Utilities Customer Service Bill Improvements	—	—	(243,000)	243,000
Capital Improvement Project Funding	—	(5,160,457)	—	(5,160,457)
Restoration of Prior Year One-time deletions	—	50,000	—	—
One-Time Prior Year Expenditures and Revenues	—	(5,946,957)	(443,245)	(5,553,712)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	0.50	362,132	—	362,132
Capital Improvement Funding Adjustments	—	3,374,732	1,140,921	4,515,653
Application Replacement and Maintenance	—	197,557	—	197,557

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Technology Fund
Telecommunication Services	—	16,600	—	16,600
Infrastructure Replacement and Maintenance	—	41,877	—	41,877
Rental Expense Adjustment	—	8,907	—	8,907
Desktop Replacement and Maintenance	—	(40,120)	—	(40,120)
Enterprise Systems Service and Maintenance	—	(20,357)	—	(20,357)
Administrative Services Department Staffing Alignment	—	(6,563)	—	(6,563)
General Fund Administrative Cost Plan Allocated Charges Adjustments	—	24,359	—	24,359
General Liability Insurance Allocated Charges Adjustments	—	(35,336)	—	(35,336)
Printing and Mailing Allocated Charges Adjustment	—	(390)	—	(390)
Utilities Allocated Charges Adjustments	—	3,062	—	3,062
Vehicle Allocated Charges Adjustments	—	4,051	—	4,051
Charges to Other Funds - Information Technology Services	—	—	551,943	(551,943)
Transfers to Other Funds	—	(37,410)	—	(37,410)
Information Technology Surcharge Revenue	—	—	69,126	(69,126)
Return on Investment Adjustments				
Adjustments to Costs of Ongoing Activities	0.50	3,893,101	1,761,990	4,412,953
Total FY 2017 Base Budget	36.08	18,427,761	16,226,062	2,201,699
Budget Adjustments				
1 SAP Consultant for Human Resources	—	125,000	—	125,000
2 Data Center Failover Redundancy	—	120,000	—	120,000
3 Accela Enhancements	—	100,000	—	100,000
4 HelpDesk Desktop Staffing	—	59,024	59,024	—
5 Project Management Application Pilot	—	50,000	—	50,000
6 Annual Security Testing	—	35,000	35,000	—
7 Information Technology Operations Staffing	—	20,331	20,331	—
Total Budget Adjustments	—	509,355	114,355	395,000
Total FY 2017 Proposed Budget	36.08	18,937,116	16,340,417	2,596,699



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Technology Fund
1 SAP Consultant for Human Resources	0.00	125,000	0	125,000

This action provides one-time funding of \$125,000 from the Technology Surcharge Fee and the Technology Fund Reserve to continue contractual services for further alignment of SAP functionality with Human Resources' business practices. It is anticipated that the additional work will enable integration of the Personnel Action Form with SAP and DocuSign, as well as redesign the organizational structure and position control systems within SAP. Finally, advances related to integrating SAP with CalPers' system for management of active and retired employees and launch of the Manager Self-Service module to increase management oversight capabilities within SAP. This proposal is subject to the IT Governance process, and although funding is approved as part of this action, the final form of the solution will be determined through the governance process. (Ongoing costs: \$0)

Performance Results



This action will reduce the cost and cycle times associated with employee management through SAP, and increase the quality and customer satisfaction of interactions with SAP.

2 Data Center Failover Redundancy	0.00	120,000	0	120,000

This action allocates \$120,000 from the Technology Surcharge Fee and other non-general fund departments to identify, build-out and deploy the equipment for a redundant, secondary site to deploy and support a small number of critical data center infrastructure, e.g. VPN, SAN, StorSimple, and Internet Connection. The current primary data center for the City is located in a highly vulnerable location. An event such as an earthquake could make our core systems inaccessible for a significantly long period. (Ongoing costs: \$40,000)

Performance Results



This action aligns with the City's commitment to ensure the right level of disaster recovery and business continuity processes are in place. This is a core component of that essential commitment.

3 Accela Enhancements	0.00	100,000	0	100,000

This action allocates \$100,000 from the Technology Fund Reserve to provide enhancements and customization to Accela, which the City of Palo Alto uses for permitting purposes. Additional functionality that would be added includes tracking of performance measures, ability to create and track e-mail campaigns, agenda planning, creation of detailed parcel reports, permit project tracking, consolidate code enforcement (311 activities) to one central repository and the ability to create and maintain dashboards. This proposal is subject to the IT Governance process, and although funding is recommended as part of this action, the final form of the solution will be determined through the governance process. (Ongoing costs: \$0)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Technology Fund
Performance Results    This action will significantly increase the quality of services associated with Accela and the City's permitting efforts and increase customer satisfaction as a result of enhanced functionality.				
4 HelpDesk Desktop Staffing	0.00	59,024	59,024	0
This action reclassifies 1.0 Staff Specialist - H to 1.0 Desktop Technician in order to administratively remedy a position that was incorrectly categorized in previous budgets and more appropriately align the classification of the employee with the body of work being performed. Previously, 1.0 Staff Specialist - H was budgeted, however that position was staffed with a single incumbent that worked 2,080 hours in a single year. This action ensures that the position is classified appropriately and that the City remains in compliance with applicable labor law.				
Performance Results  The correction of this position's classification aligns the classification with the commensurate duties of the position.				
5 Project Management Application Pilot	0.00	50,000	0	50,000
This action allocates \$50,000 from the Technology Fund Reserve to procure and operationalize a Project Management solution for use by the Information Technology Department. This solution will allow IT staff to have a unified view of projects for the Project Management Office (PMO). Currently, the IT project portfolio is not visible as a whole. Capability of keeping projects on-track, and managing projects in the pipeline will be enabled. Governance will be able to use this tool to more effectively engage with the Governance Review Board (GRB). Additionally, the work of individual project managers on any given day can be viewed, enforcing more accurate scheduling for the PMs. With all projects under one roof, the PMO can balance the distribution of projects more efficiently. Use of the Project Management solution will be evaluated for potential use on a city-wide basis. (Ongoing costs: \$10,000)				
Performance Results   This proposal allows for better distribution of projects by the Project Management Office providing better efficiency. Since there is not currently a tool in place that allows for this type of unified view of City projects, ITD will be able to evaluate the usefulness of this tool to inform potential expansion to other City departments.				
6 Annual Security Testing	0.00	35,000	35,000	0
This action adds \$35,000 for security penetration testing to be conducted by an outside contractor. The Information Technology department recently completed a security risk assessment and based on that assessment it was recommended to conduct regular penetration testing against the City's network. Network penetration testing can detect the vulnerabilities associated with the City's network and will enable the Information Technology department to proactively respond to those vulnerabilities. This will increase the resiliency of the City's network against potential threats and ensure continuity of operations. (Ongoing costs: \$35,000)				

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Technology Fund
Performance Results  This action will increase the quality of the City's network security.				
7 Information Technology Operations Staffing	0.00	20,331	20,331	0
This action reclassifies 1.0 Technologist to 1.0 Senior Technologist to increase capacity in ITD Operations. As ITD matures to meet the needs of the City, demands for technology will also increase, therefore needing additional leadership capabilities. This reclassification will facilitate project management, server and cloud services administration, and labor and mobile computing management.				
Performance Results   This reclassification will increase quality of services offered by Information Technology and increase customer satisfaction.				

LIBRARY

Mission Statement



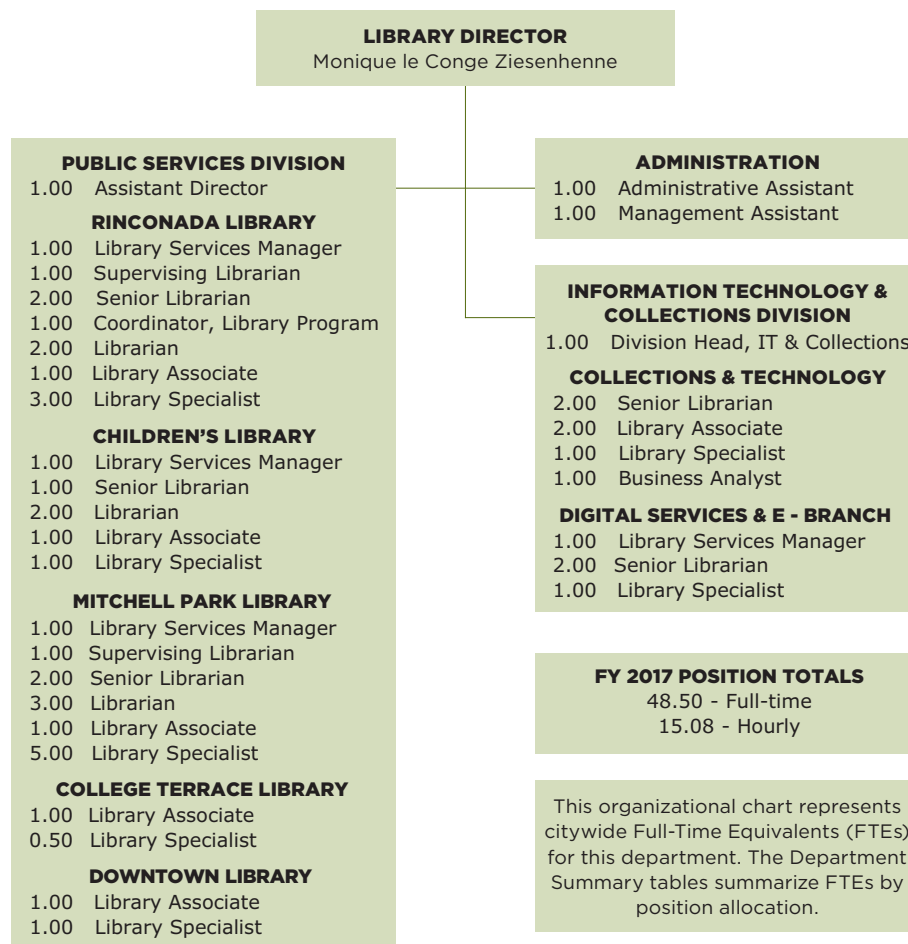
The Library Department connects and strengthens our diverse community through knowledge, resources, and opportunities. We inspire and nurture innovation, discovery, and delight.

Purpose

The purpose of the Library Department is to provide exceptional, responsive public service to Palo Alto residents and employees; to promote exploration of library resources to support learning, recreation, and personal enrichment; to foster a love of reading, creative expression, and community engagement for all ages; and to develop library facilities, technology, and



staff to create a welcoming, inclusive environment in which to share valuable resources and skilled expertise.



Description

The Library provides a wide range of public services for the City of Palo Alto through the following:

PUBLIC SERVICES & PROGRAMS

Offers a variety of programs free of charge to library users of all ages, interests, and abilities, to provide educational, self-help, recreational, technological, and multi-lingual outreach. When appropriate, partners with other civic, non-profit, business, and educational organizations to present these programs.

INFORMATION, TECHNOLOGY, & COLLECTIONS

Provides opportunities for the public to access a variety of technologies, both inside and outside library facilities, including hardware devices, online databases, free WiFi, mobile applications, and experimental partnerships. Library collections include a diverse selection of print and non-print materials, as well as digital resources such as electronic books, magazines, and music, to meet the educational, informational, and recreational needs of its clientele, reflecting the variety of languages, cultures, and interests of our community.

BUILDINGS, SUPPORT, & ADMINISTRATION

Provides information, training, and support for City employees and the public, and ensures that all aspects of library services and policies are delivered with the highest degree of public stewardship in mind. By funding major facility renovations and improvements to three libraries through a dedicated library bond, and two previous renovation projects, Palo Alto has modern libraries offering comfortable, inviting, and flexible spaces for everyone in our community to gather and learn.

Accomplishments

- Implemented Sierra, the replacement Integrated Library System (ILS) in February 2016.
- Initiated two Adult ESL conversation groups (beginning and advanced) with volunteer support as part of the New Americans program. Weekly, non-native speakers meet to learn and practice English language learning.
- Created a Teen Library Advisory Board (TLAB) to advise library staff on collections, programs, and other services relevant to teens.
- Participated in the annual regional Silicon Valley Reads events with author visits on the topic of drought.
- Incorporated tips, for parents and caregivers to practice at home to encourage reading and language development, into story times.
- Received a grant from the Pacific Library Partnership to support Bike Outreach, including a bike mobile, two bicycle repair stations (one each at Mitchell Park and Rinconada Libraries), creation of a Safe Routes to Libraries map, and bicycle safety training for children. The bike

mobile project allows staff to set up at schools, farmers' markets, and other outreach events with a small collection and library card distribution, while modeling practices that are environmentally conscious and limit our contribution to traffic.

- Worked with Public Works Department to evaluate best solutions and install new drive-up book drops at Mitchell Park and Rinconada Libraries. The new drive-up book drops will be installed before the end of Fiscal Year 2016.

Initiatives

- Implement recommendations from workflow analysis and make changes to equipment and procedures related to Circulation functions following completion of lean library practices, completed in Fiscal Year 2016.
- Finalize eBranch requirements and implementation evaluation to enhance Library users' on-line and mobile experience.
- Complete the library's procedure manual to ensure that new processes reflect the completion of updated buildings provide staff with appropriate guidance and align with existing policies.
- Continue development of the New Americans program, including workshops on citizenship, American culture, and similar topics for adult learners.
- Work with the schools to make sure that all Kindergarten students have a library card.
- Implement inclusive programming for children who have differing needs and abilities.

Goals and Objectives

GOAL A

Create a variety of opportunities for learning and provide effective tools for improving all types of literacy.

Strategies:

- Provide early childhood literacy programs based on current research in child development and learning.
- Create opportunities for community members to acquire the necessary skills to succeed in an increasingly digital world.
- Provide a portal to American culture, language, and civic life.
- Ensure that the library's collections, technology, and buildings support the evolving requirements of 21st Century lifelong learning.

GOAL B

Strengthen the community and the library through effective partnerships.

Strategies:

- Support Project Safety Net's programs to promote youth well-being and support the 41 Developmental Assets.

- Increase collaboration with Palo Alto's public and private schools and their school librarians.
- Support library stakeholders in their advocacy and fundraising activities.
- Connect librarians to community organizations in order to support their goals and participate in their activities by bringing library resources and services directly to them.

GOAL C

Facilitate civic participation and effective community engagement.

Strategies:

- Provide a forum to explore issues of local interest and current events.
- Engage community members, with particular attention to teens and seniors, in library services as volunteers and program advisors.

GOAL D

Expand virtual customer experiences.

Strategies:

- Make the library e-branch as usable and useful on mobile devices as on PCs and laptops.
- Grow digital collections to a robust level to meet increasing demand.
- Make discovery and use of library collections, services, and resources more simple.

GOAL E

Foster a culture of excellence, continuous improvement, and risk-taking.

Strategies:

- Attract, develop, and retain the most talented employees.
- Provide opportunities and resources for all employees to continue developing their skills and knowledge.
- Embrace and reward creativity and innovation.

Key Performance Measures

NUMBER OF TEENS WHO PARTICIPATE IN THE LIBRARY'S PROGRAMS FOR TEENS, INCLUDING THE SUMMER READING PROGRAM

Goal	Develop and provide library services and programs supporting the 41 Developmental Assets for Adolescents Model.				
Objective	Encourage adolescents between the ages of 12 and 18 to read for pleasure three or more hours a week (Developmental Asset #25).				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of teens who participate in the Library's reading programs for teens	1,188	2,746	1,089	6,452	6,785
Description	This measure tracks the level of interest and participation in the library's recreational reading programs.				
Purpose	Adolescents who enjoy reading are more likely to grow up into healthy, caring, and responsible adults.				
Status	In Fiscal Year 2015 participation was down because the two largest branch libraries were closed. In Fiscal Year 2016, participation has increased because of the opening of Mitchell Park and Rinconada libraries, with implementation of new teen programs.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Meeting Room Reservations	1,027	4,339	1,863	6,206	6,516
Number of visits to library branches	678,180	810,962	957,338	910,752	956,290
Number of virtual visits to the library	1,041,540	1,163,467	1,309,690	1,264,398	1,327,618
Checkouts of library materials	1,364,872	1,499,406	1,466,018	1,696,528	1,781,354
Turnover rate of library collections	3.77 per year	3.49 per year	2.00 per year	2.67 per year	3.00 per year

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration	883,901	975,012	592,312	845,777	253,465	42.8%
Collection and Technical Services	2,336,044	2,518,152	2,274,430	2,505,504	231,073	10.2%
Public Services	4,120,164	4,486,403	5,688,121	5,640,221	(47,900)	(0.8)%
Total	7,340,109	7,979,566	8,554,864	8,991,501	436,638	5.1%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Healthcare	765,426	763,758	968,420	991,346	22,926	2.4%
Other Benefits	118,164	103,221	121,673	100,627	(21,047)	(17.3)%
Overtime	35,780	43,747	68,783	68,783	—	—%
Pension	673,223	740,890	941,472	1,034,342	92,871	9.9%
Retiree Medical	412,842	441,876	466,000	435,745	(30,255)	(6.5)%
Salary	3,246,616	3,495,803	4,120,962	4,278,886	157,924	3.8%
Workers' Compensation	5,944	9,155	5,037	51,358	46,321	919.6%
Total Salary & Benefits	5,257,995	5,598,450	6,692,347	6,961,088	268,741	4.0%
Allocated Charges	665,188	740,610	586,451	785,733	199,283	34.0%
Contract Services	295,659	282,135	338,580	342,552	3,972	1.2%
Facilities & Equipment	6,860	19,708	46,092	19,400	(26,692)	(57.9)%
General Expense	97,609	91,709	66,780	80,930	14,150	21.2%
Rents & Leases	—	—	500	513	13	2.6%
Supplies & Material	1,016,798	1,246,954	824,114	801,286	(22,828)	(2.8)%
Total Dollars by Expense Category	7,340,109	7,979,567	8,554,864	8,991,501	436,638	5.1%
Revenues						
Charges for Services	18,273	17,130	21,850	22,888	1,038	4.8%
From Other Agencies	72,500	—	7,000	7,000	—	—%
Other Revenue	511,414	354,719	17,100	18,100	1,000	5.8%
Other Taxes and Fines	153,511	125,769	198,800	154,297	(44,503)	(22.4)%
Total Revenues	755,697	497,618	244,750	202,285	(42,465)	(17.4)%
Positions by Division						
Administration	0.40	0.40	0.40	0.40	—	—%
Collection and Technical Services	10.85	10.80	11.64	13.24	1.60	13.75%
Public Services	45.27	48.27	52.52	49.94	(2.58)	(4.91)%
Total	56.52	59.47	64.56	63.58	(0.98)	(1.52)%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	86,340
Assistant Director Library Services	1.00	1.00	1.00	1.00	—	149,714
Business Analyst	1.00	1.00	1.00	1.00	—	128,832
Coordinator Library Programs	1.00	1.00	1.00	1.00	—	86,642
Director Libraries	1.00	1.00	1.00	1.00	—	187,862
Division Head Library Services	1.00	1.00	1.00	1.00	—	119,391
Librarian	5.00	6.70	7.00	7.00	(0.00)	456,885
Library Assistant	5.50	4.50	—	—	—	—
Library Associate	5.00	7.00	7.00	7.00	—	445,998
Library Specialist	7.00	7.00	12.50	12.50	—	726,032
Management Assistant	1.00	1.00	1.00	1.00	—	75,502
Manager Library Services	4.00	4.00	4.00	4.00	—	395,172
Senior Librarian	8.25	8.50	8.50	9.00	0.50	662,255
Supervising Librarian	—	—	2.00	2.00	—	172,014
Sub-total: Full-Time Equivalent Positions	41.75	44.70	48.00	48.50	0.50	3,692,639
Temporary/Hourly	14.77	14.77	16.56	15.08	(1.48)	704,742
Total Positions	56.52	59.47	64.56	63.58	(0.98)	4,397,381

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	64.56	8,554,864	244,750	8,310,114
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Library Opening Hours and Service Enhancements Start-up costs	—	(29,500)	—	(29,500)
One-Time Prior Year Expenditures and Revenues	—	(29,500)	—	(29,500)
Adjustments to Costs of Ongoing Activities				
Revenue and Expenditure Adjustments	—	2,028	(43,465)	45,493
Salary and Benefits Adjustments	—	291,374	—	291,374

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
MakeX Program - Teen Services Program Reallocation to Community Services	(0.48)	(24,941)	—	(24,941)
Pacific Library Partnership Building Up the Bicycles Grant	—	1,000	1,000	—
Centralization of Fingerprinting in Human Resources	—	(300)	—	(300)
Information Technology Allocated Charges Adjustment	—	217,650	—	217,650
Liability Insurance Allocated Charges Adjustment	—	(46,198)	—	(46,198)
Print & Mail Allocated Charges Adjustment	—	9,579	—	9,579
Utilities Allocated Charges Adjustment	—	15,308	—	15,308
Vehicle Replacement Allocated Charges Adjustment	—	2,944	—	2,944
Adjustments to Costs of Ongoing Activities	(0.48)	468,444	(42,465)	510,909
Total FY 2017 Base Budget	64.08	8,993,808	202,285	8,791,523
Budget Adjustments				
1 Senior Librarian at Rinconada Library	(0.50)	(2,307)	—	(2,307)
Total Budget Adjustments	(0.50)	(2,307)	—	(2,307)
Total FY 2017 Adopted Budget	63.58	8,991,501	202,285	8,789,216



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Senior Librarian at Rinconada Library	-0.50	(2,307)	0	(2,307)

This action will convert a half-time Senior Librarian at Rinconada Library to full-time with offsetting allocations in part-time hourly staff. This action will enable 1.0 Senior Librarian to support the Rinconada Library, providing an appropriate level of professional level management support and consistent supervision. These changes are necessary as a result of enhanced hours at Rinconada Library following the facility renovation, and to provide additional resources for work on the reference database, general Library marketing, and the Foundation Center grants collection and services. (Ongoing savings: \$2,307)

Performance Results



The increase in professional level staffing at Rinconada Library will ensure that Library patrons, particularly students, non-profits, and researchers will benefit from more fully developed library services for educational, community, and personal enrichment. This position will interact regularly with a variety of customers and will present library instruction on various specific research topics to improve the public use of paid databases and online resources.

OFFICE OF EMERGENCY SERVICES

Mission Statement

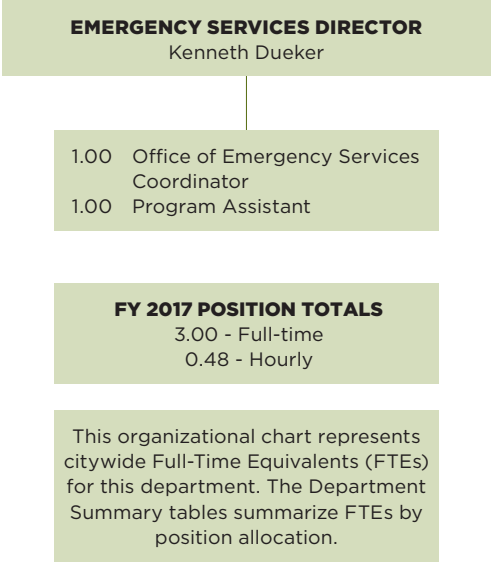


The Office of Emergency Services mission is to prevent, prepare for and mitigate, respond to, and recover from all hazards.

Purpose

The Office of Emergency Services purpose is to develop, maintain, and sustain a city-wide, comprehensive, all-hazard, risk-based emergency management program that engages the whole community.





Description

The Office of Emergency Services develops, maintains, and sustains a citywide, comprehensive, all-hazard, risk-based emergency management program that engages the whole community.

Accomplishments

- Completed City of Palo Alto Emergency Operations Plan (EOP).
- Activated Emergency Operations Center (EOC) as a regional partner in support of Super Bowl 50 operations.
- Spearheaded a community-based winter storm preparedness program using Emergency Services Volunteers (ESVs) to advise individual homeowners on the use of sand bags in preparation for the El Niño season.
- Formed a Multi-Agency Coordination (MAC) system for partner agencies with joint responsibilities for emergencies involving the San Francisquito Creek.
- Obtained certification by the National Weather Service as a “StormReady Community”.
- Continued to develop the Emergency Services Volunteer (ESV) program and general community public safety awareness through ongoing public education sessions, training, and exercises and expanded program training to include creek monitoring.
- Opened a new Public Safety Substation at the Stanford Shopping Center.
- Continued to work with our regional public safety partners on a wide range of events, ranging from visits by the President of the United States and other dignitaries to mass-gatherings and high-risk events, including the Super Bowl. The Mobile Emergency Operations Center (MEOC) and other specialized OES vehicles were deployed to the majority of these events.
- Restructured the Palo Alto/Stanford Citizen Corps Council, an advisory emergency planning and coordination group that includes Stanford University, health care, schools, neighborhoods, private business sector, and other stakeholders.
- Surveyed, mapped, and updated data entry for all sites in the City, including work in partnership with the Palo Alto Unified School District.

Initiatives

- Comprehensive, All-Hazard Planning: Ongoing updates as required to the Local Hazard Mitigation and Adaptation Plan (LHMAP), Threat and Hazard Identification and Risk Assessment (THIRA), and development of other needed plans and documents such as the Continuity of Operations Plan (COOP). OES is also coordinating with the Comprehensive Plan, as applicable.

- Situational Awareness: Implementing technology and other best practices to improve the efficacy of the City's EOC and other facilities.

Goals and Objectives

GOAL 1

Promote operational readiness of the City to implement the emergency management cycle (mitigate, prepare, respond, recover).

Objectives:

- Execute a training and exercise plan for designated staff assigned to the EOC or MEOC.
- Maintain emergency management facilities, critical infrastructure, and equipment to ensure they are fully mission capable.
- Coordinate development of new technologies for emergency management.
- Acquire grant funding to improve capabilities of preparedness and response resources.

GOAL 2

Engage the whole community to prepare for all hazards.

Objectives:

- Administer the City ESV program to provide a cadre of trained volunteer first responders.
- Form business neighborhoods to promote continuity of business operations.
- Outreach to the citizenry to encourage emergency preparedness.

GOAL 3

Maintain policies and plans related to disasters, critical incidents and city safety.

Objectives:

- Lead a process to identify threats and hazards and to assess risks the City faces.
- Maintain awareness of threats through coordination with Law Enforcement agencies and other public safety partners.
- Participate in regional planning efforts.
- Revise the Emergency Operations Plan and associated supporting plans and annexes through an adaptive planning process.

Key Performance Measures

READINESS OF OFFICE OF EMERGENCY SERVICES (OES) RESOURCES

Goal	Promote operational readiness of the City to implement the emergency management cycle (mitigate, prepare, respond, recover).				
Objective	Maintain OES emergency management facilities, critical infrastructure, and equipment fully mission capable.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of Office of Emergency Services resources that are able to respond effectively to hazards	100.00%	97.00%	95.00%	100.00%	95.00%
Description	OES must be able to implement response procedures to an all-hazards threat matrix at any time. OES strives to maintain fully mission capable status to respond effectively to all hazards. However, given the specialized and discrete inventory of equipment, it is not feasible to maintain all systems to a 100 percent readiness standard, although this is estimated to be achieved in Fiscal Year 2016. Therefore, the goal is to meet a 95 percent readiness rate, allowing some flexibility for unscheduled equipment maintenance during the year.				
Purpose	Critical resources will improve the City's ability to manage a response.				
Status	The MEOC was 97 percent fully mission capable in Fiscal Year 2015. The EOC is functioning as an information intelligence center hub and staffed during the day on a regular basis. Other assets, such as the MEOC Support Vehicle were also fully operational.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Grant contributions received	\$13,986.00	\$24,500.00	\$15,000.00	\$0.00	\$15,000.00
Number of presentations, training sessions, and exercises	184	193	80	200	150
Number of deployments of the EOC, MEOC, and ICP	26	47	50	50	50

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Emergency Services	928,257	1,169,201	1,051,358	970,969	(80,389)	(7.6)%
Total	928,257	1,169,201	1,051,358	970,969	(80,389)	(7.6)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Healthcare	29,462	38,817	35,705	36,026	321	0.9%
Other Benefits	12,209	13,064	13,891	12,050	(1,842)	(13.3)%
Overtime	1,227	480	—	—	—	—%
Pension	70,203	80,731	84,894	91,918	7,025	8.3%
Retiree Medical	55,860	61,790	69,157	51,613	(17,545)	(25.4)%
Salary	304,799	364,197	356,729	375,206	18,477	5.2%
Workers' Compensation	4,585	(1,522)	3,879	7,885	4,006	103.3%
Total Salary & Benefits	478,345	557,557	564,254	574,698	10,443	1.9%
Allocated Charges	42,934	37,031	40,104	29,272	(10,832)	(27.0)%
Contract Services	209,934	354,897	230,000	150,000	(80,000)	(34.8)%
Facilities & Equipment	134,914	151,328	139,000	135,000	(4,000)	(2.9)%
General Expense	20,635	22,509	23,500	32,700	9,200	39.1%
Supplies & Material	41,495	45,879	54,500	49,300	(5,200)	(9.5)%
Total Dollars by Expense Category	928,257	1,169,201	1,051,358	970,969	(80,389)	(7.6)%
Revenues						
Charges to Other Funds	94,623	94,623	94,623	94,623	—	—%
From Other Agencies	—	—	40,000	—	(40,000)	(100.0)%
Total Revenues	94,623	94,623	134,623	94,623	(40,000)	(29.7)%
Positions by Division						
Emergency Services	3.48	3.48	3.48	3.48	—	—%
Total	3.48	3.48	3.48	3.48	—	—%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Director Office of Emergency Services	1.00	1.00	1.00	1.00	—	142,147

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Office of Emergency Services Coordinator	1.00	1.00	1.00	1.00	—	116,209
Program Assistant	1.00	1.00	1.00	1.00	—	64,987
Sub-total: Full-Time Equivalent Positions	3.00	3.00	3.00	3.00	—	323,343
Temporary/Hourly	0.48	0.48	0.48	0.48	—	30,365
Total Positions	3.48	3.48	3.48	3.48	—	353,708



Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	3.48	1,051,358	134,623	916,735
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Safe Schools Mapping Project	—	(80,000)	(40,000)	(40,000)
One-Time Prior Year Expenditures and Revenues	—	(80,000)	(40,000)	(40,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	10,443	—	10,443
Vehicle Maintenance Allocated Charges Adjustments	—	7,301	—	7,301

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
General Liability Insurance Allocated Charges Adjustments	—	(3,382)	—	(3,382)
Print and Mail Allocated Charges Adjustment	—	(14,751)	—	(14,751)
Adjustments to Costs of Ongoing Activities	—	(389)	—	(389)
Total FY 2017 Base Budget	3.48	970,969	94,623	876,346
Total FY 2017 Proposed Budget	3.48	970,969	94,623	876,346

OFFICE OF SUSTAINABILITY

Mission Statement



The Office of Sustainability leads the organization, residents, businesses and visitors in promoting a culture of environmental sustainability by developing, coordinating, and leading initiatives citywide, regionally, and through partnerships with the community.



Purpose

The purpose of the Office of Sustainability is to promote and facilitate an environmentally sustainable future in ways that improve quality of life, grow prosperity and build resilience, and provide leadership in

the region and to other communities.

CHIEF SUSTAINABILITY OFFICER
Gil Friend

FY 2017 POSITION TOTALS
1.00 - Full-time

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

Description

The City's Office of Sustainability, led by the Chief Sustainability Officer, focuses on the following areas:

STRATEGIC PLANNING:

Create, update, and organize City department plans that enhance sustainability.

POLICY AND PROGRAM COORDINATION:

Work with City Council and City staff to design and implement policies and programs that advance the City's sustainability goals.

INTERGOVERNMENTAL RELATIONS:

Collaborate with international, federal, state, county, special districts, and other non-governmental organizations to leverage resources and advance these goals.

Accomplishments

- Completed draft Sustainability and Climate Action Plan, informed by 300+ person community climate summit, polls and external Advisory Board.
- Initiated sustainability performance dashboard to streamline collection, analysis and reporting of key sustainability indicators; resolved data access hurdles; loaded utility data.
- Developed Letter of Intent for collaboration with Finland Ministry of Transportation and Communications on development of 'mobility as a service' (MaaS); convened quarterly meetings on MaaS with regional jurisdictions and employers, co-sponsored with Joint Venture Silicon Valley; worked with Planning and Community Environment Department, Transportation Management Association and City's Executive Leadership Team to develop and advance MaaS pilot programs.
- Worked with Fleet and Administrative Services Department to establish 'Electric Vehicle First' policy for City fleet.
- Participated in multi-city collaborations on alternative mobility, sustainable procurement, Zero Net Energy (ZNE) buildings, and municipal sustainability finance.
- Conducted Study Sessions with City Council and Utilities Advisory Commission regarding the Sustainability and Climate Action Plan, shuttle program, and MaaS.
- Worked with the not-for-profit, Empowerment Institute to establish a Memorandum of Understanding for the 'Cool Blocks' program and develop an initial ten block pilot of the program.
- Signed Palo Alto onto the global Compact of Mayors, a global cooperative effort among mayors and city officials committed to reducing local greenhouse gas emissions, enhancing resilience to climate change, and tracking progress transparently.

- Raised \$350,000 in grant funding for City sustainability initiatives, including County Alternative Mobility planning; EV education, outreach and charging stations; Multi-City ZNE peer exchange and a Sustainability Finance Scan.

Initiatives

- Further develop Sustainability and Climate Action Plan (S/CAP)
- Implement sustainability performance dashboard.
- Develop and improve sustainability performance tracking systems.
- Pilot local and regional “mobility as a service” initiatives

Goals and Objectives

GOAL 1:

Establish bold, coherent and grounded direction, goals and plans

Objectives:

- Complete and adopt Sustainability and Climate Action Plan (S/CAP)
- Work with City Departments to develop specific S/CAP implementation strategies and plans
- Assess and refine policies to ensure alignment with City sustainability commitments
- Deploy sustainability performance dashboard, and use to educate and engagement internal and external stakeholders

GOAL 2:

Integrate sustainability policies, programs and practices into City operations and community actions.

Objectives:

- Upgrade existing ‘environmentally preferable purchasing’ (EPP) initiatives to ‘default to green’ wherever feasible.
- Assess and improve operations and processes.
- Review and implement ‘total cost of operations’ (TCO) and externality policies in CIP and operating budgets.
- Explore development of internal carbon pricing in City management and operations.

GOAL 3:

Foster experimentation, alliances and big leaps

Objectives:

- Develop regional ‘mobility as a service’ (MaaS) initiatives and pilot programs.
- Develop external funding resources for sustainability initiatives.
- Develop electrification/fuel switching strategies.

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Sustainability	92,597	496,204	423,116	498,701	75,585	17.9%
Total	92,597	496,204	423,116	498,701	75,585	17.9%
Dollars by Category						
Salary & Benefits						
Healthcare	5,834	9,691	19,152	20,001	849	4.4%
Other Benefits	1,560	4,473	6,842	5,488	(1,354)	(19.8)%
Overtime	—	450	—	—	—	—%
Pension	10,932	18,466	43,390	46,690	3,299	7.6%
Retiree Medical	—	6,572	7,307	12,530	5,223	71.5%
Salary	43,106	146,842	269,251	176,259	(92,992)	(34.5)%
Workers' Compensation	—	—	—	2,257	2,257	—%
Total Salary & Benefits	61,432	186,494	345,943	263,225	(82,718)	(23.9)%
Allocated Charges	210	1,779	673	48,976	48,303	7,177.3%
Contract Services	23,233	287,328	61,750	171,750	110,000	178.1%
General Expense	6,509	19,342	13,500	13,500	(0)	(0.0)%
Supplies & Material	1,214	1,260	1,250	1,250	—	—%
Total Dollars by Expense Category	92,597	496,204	423,116	498,701	75,585	17.9%
Revenues						
Charges to Other Funds	—	—	144,142	124,202	(19,940)	(13.8)%
Total Revenues	—	—	144,142	124,202	(19,940)	(13.8)%
Positions by Division						
Sustainability	0.50	1.00	2.00	1.00	(1.00)	(50.00)%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Chief Sustainability Officer	0.50	0.50	1.00	1.00	—	163,196
Sub-total: Full-Time Equivalent Positions	0.50	0.50	1.00	1.00	—	163,196
Temporary/Hourly	—	0.50	1.00	—	(1.00)	—
Total Positions	0.50	1.00	2.00	1.00	(1.00)	215,196

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	2.00	423,116	144,142	278,974
One Time Prior Year Expenditures Deleted				
Sustainability Temporary Staffing	(1.00)	(105,508)	—	(105,508)
One Time Prior Year Expenditures	(1.00)	(105,508)	—	(105,508)
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	—	22,790	—	22,790
General Liability Insurance Allocated Charges Adjustments	—	(560)	—	(560)
Print & Mail Allocated Charges Adjustments	—	1,294	—	1,294
Information Technology Allocated Charges Adjustment	—	47,569	—	—
General Fund Cost Plan Allocation Charges Adjustments	—	—	(19,941)	19,941
Adjustments to Costs of Ongoing Activities	—	71,093	(19,941)	22,230
Total FY 2017 Base Budget	1.00	388,701	124,201	195,696
Budget Adjustments				
Sustainability Initiatives Contract Funding	—	110,000	—	110,000
Total Budget Adjustments	—	110,000	—	110,000
Total FY 2017 Proposed Budget	1.00	498,701	124,201	305,696



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Sustainability Initiatives Contract Funding	0.00	110,000	0	(110,000)

This action adds funding to the contract budget for the Office of Sustainability. This category of funding will give the Office of Sustainability increased flexibility in how to implement sustainability initiatives, including Climate Action Plan recommendations, sustainability dashboards for measuring performance, mobility as a service (MaaS) programs, and community engagement. The contract funding replaces a 1.0 FTE temporary Management Specialist position that was first established in FY 2015 and continued in FY 2016 with 'one-time' funding. In FY 2016, the Office of Sustainability raised \$350,000 in various grants towards sustainability efforts.

Performance Results



This action will give the Office of Sustainability flexibility to most effectively implement Sustainability programs and initiatives, including the Climate Action Plan.



CITY OF
**PALO
ALTO**

PLANNING AND COMMUNITY

Mission Statement



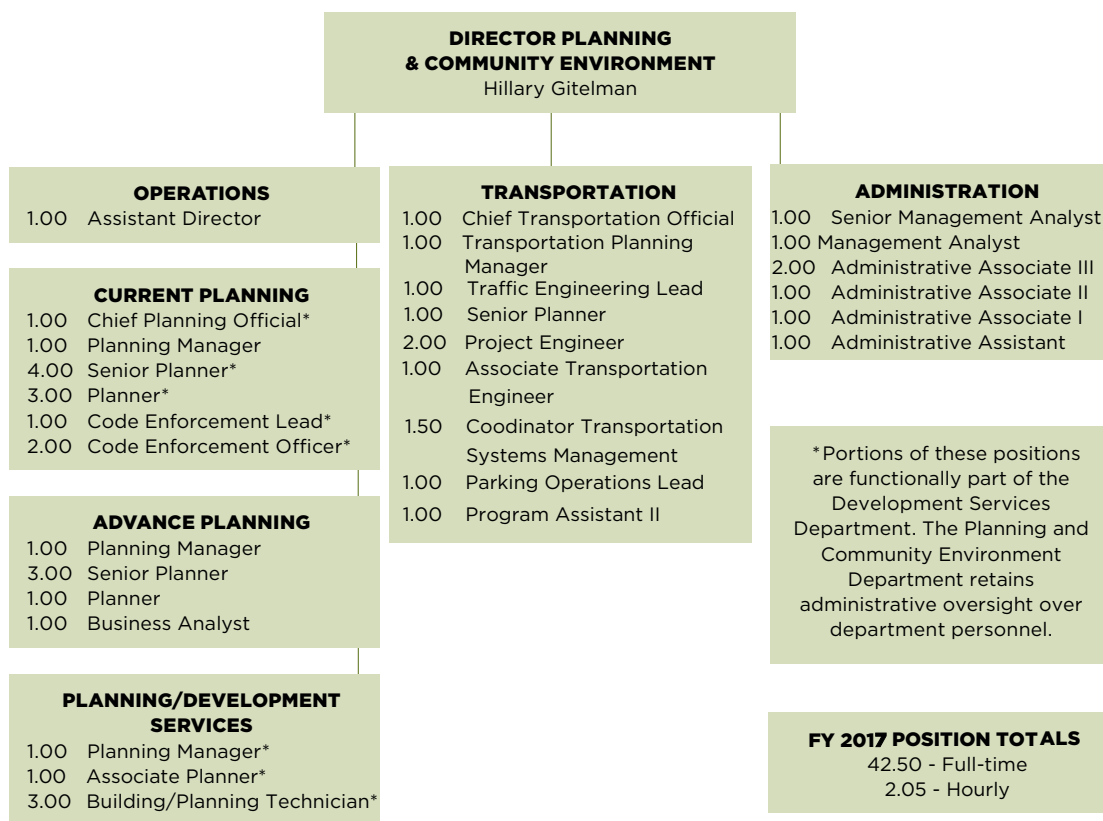
The mission of the Planning and Community Environment Department is to provide the City Council and the community with creative guidance on, and effective implementation of land use development, planning, transportation, housing and environmental policies, and plans and programs that maintain and enhance the City as a safe, vital, and attractive community.



Purpose

The Planning and Community Environment Department is responsible for a range of planning and implementation actions aimed at preserving and enhancing the quality of life in Palo Alto, ensuring wise transportation investments, and facilitating land use and development decisions through consistent and transparent processes.

PLANNING AND COMMUNITY ENVIRONMENT



This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

Description

The Planning and Community Environment Department is responsible for the following functions:

ADVANCE PLANNING

This division is responsible for updating and maintaining the City's Comprehensive Plan, including its Housing Element. The division also prepares zoning ordinance amendments, site-specific plans, and is responsible for data and analysis to support a wide variety of planning projects.

TRANSPORTATION AND PARKING

This division is responsible for transportation planning and for the City's transportation infrastructure. The division also conducts traffic studies and is responsible for traffic engineering, transportation demand management initiatives, shuttle services, parking supply and management, and implementation of the City's Bicycle and Pedestrian Plan.

CURRENT PLANNING

This division is responsible for the review of public and private projects pursuant to the California Environmental Quality Act (CEQA), the City's Zoning Ordinance, and the Comprehensive Plan. Activities include the review of applications submitted for planning entitlements, review of applications for building permits submitted at the Development Center, and providing general information to the public regarding the City's zoning and Comprehensive Plan provisions.

CODE ENFORCEMENT

This division is responsible for enforcement of code requirements and conditions of approval.

ADMINISTRATION

This division provides personnel, contract, budget, and project support for the department and also supports the Planning and Transportation Commission, Architectural Review Board, Historic Resources Board, Bicycle and Pedestrian Advisory Committee, Comprehensive Plan Citizens' Advisory Committee, and other public meetings.

Accomplishments

- Prepared an urgency ordinance to preserve ground floor retail
- Implemented \$2 million traffic signal upgrade
- Convened the Comprehensive Plan Summit and Citizens' Advisory Committee (CAC)
- Implemented Downtown Residential Preferential Parking (RPP) Phase 1
- Conducted a Downtown Commute Survey and launched a Downtown Transportation Management Association (TMA)
- Reviewed Vision and Goals for all Comprehensive Plan Elements with the City Council
- Prepared the first annual zoning code cleanup ordinance

PLANNING AND COMMUNITY ENVIRONMENT

- Processed two Single Story Overlay (SSO) districts and initiated review of the Individual Review (IR) Guidelines
- Prepared an interim ordinance establishing a Office/Research & Development Annual Limit
- Received approval for five Bicycle Boulevard Concept Plans
- Major approvals at 2555 Park, 261 Hamilton, 385 Sherman, 430 Forest, Stanford Shopping Center
- Presented 51 action items to the City Council (55% of the total for 2015) and conducted 9 study sessions
- Convened 82 total meetings of the Planning and Transportation Commission (PTC), Architectural Review Board (ARB), Historic Resources Board (HRB), Director's Hearings, Comprehensive Plan CAC, and Palo Alto Bicycle and Pedestrian Advisory Committee (PABAC), along with 13 additional public meetings and 12 bicycle rodeos
- Reviewed over 1,300 building permits for zoning compliance
- Processed over 70 IR projects, of which 2 were appealed; processed 79 staff-level Architectural Reviews and 23 ARB level reviews

Initiatives

- Make significant progress on the Comprehensive Plan Update
- Implement and monitor Phase 2 of the Downtown RPP
- Replace and enhance parking signage to help drivers locate parking downtown
- Complete a study of paid parking downtown and support planning and design of a new parking structure
- Support the work of the Transportation Management Association and conduct the annual survey of commute patterns downtown
- Complete Concept Plan Line Studies for projects to implement the 2012 Bicycle and Pedestrian Plan
- Initiate traffic safety improvements and complete the first phase of a speed survey
- Develop a “fifth scenario” for analysis as part of the Comprehensive Plan Environmental Impact Report (EIR)

Goals and Objectives

GOAL 1

Increase the public's trust in the City's planning functions, reaffirming the role of the Comprehensive Plan as the City's fundamental land use and transportation policy document, maintaining transparency and objectivity, and providing ample data and a reasonable basis for recommendations.

Objectives:

- Improve the review times for Individual Review (IR) applications, architectural review applications (AR), and building permit applications.
- Improve the review times for Individual Review (IR) applications and building permit applications.

GOAL 2

Deliver ongoing programs that improve people's lives, including code enforcement, housing, historic preservation, community block grant, and transportation and parking programs.

Objectives:

- Continue the City's significant commitment to Safe Routes to School.
- Manage the City's Community Development Block Grant (CDBG) and Below Market Rate (BMR) housing programs.
- Respond to citizen complaints and effectively abate zoning and building code violations.

GOAL 3

Design and implement programs that encourage transportation alternatives to single occupancy vehicle trips and improve traffic flow and parking availability.

Objectives:

- Implement residential parking programs downtown.
- Operate a shuttle system and support a Transportation Management Association dedicated to decreasing the use of single occupant vehicles.
- Respond to work order requests related to parking and traffic and oversee operation of the City's transportation infrastructure.

Key Performance Measures

CODE ENFORCEMENT

Goal	Deliver ongoing programs that improve people's lives, including code enforcement, housing, historic preservation, community block grant, and transportation and parking programs.				
Objective	Respond to citizen complaints and effectively abate zoning and building code violations.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of surveyed residents rating the quality of code enforcement as good or excellent	62.00%	59.00%	60.00%	60.00%	70.00%
Description	This measure tracks residents' opinions through data collected in the National Citizen Survey.				
Purpose	This measure can be used to measure changes in satisfaction as service enhancements to the code enforcement function are implemented.				
Status	The department received a Code Enforcement Lead position in the FY16 budget and filled the position in January, 2016.				

INDIVIDUAL REVIEW AND BUILDING PLAN CHECKS

Goal	Increase the public's trust in the City's planning functions, reaffirming the role of the Comprehensive Plan as the City's fundamental land use and transportation policy document, maintaining transparency and objectivity, and providing ample data and a reasonable basis for recommendations.				
Objective	Improve the review times for Individual Review (IR) applications, architectural review applications (AR), and building permit applications for Single-Family Individual Reviews.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of Planning Review of building plan checks completed within 30 days of application intake	87.00%	81.00%	95.00%	87.00%	95.00%
Percent of IRs and staff level ARs completed within 90 days of complete application	44.00%	31.00%	60.00%	44.00%	85.00%
Description	These measures track the percentage of IRs, staff level ARs, and building plan checks completed within an expected time frame and assures applications of good quality and responsiveness to applicants.				
Purpose	The Single-Family Individual Review process was established by Palo Alto Municipal Code (PAMC) 18.12.110 to preserve the character of Palo Alto neighborhoods by placing specific requirements relating to streetscape, massing, and privacy of new two-story homes and upper story additions within the R-1 zoning district. Staff level architectural reviews and planning review of building plan checks ensure compliance with land use and development standards.				
Status	Staff level architectural reviews (ARs) were not included as a performance measure prior to Fiscal Year 2017; percentages through Fiscal Year 2016 for that measure reflect only the percent of IR applications completed within 90 days of submission of complete application. Factors that affect results in this area include staff vacancy levels, applicant delays, and applicant volume.				

PLANNING AND COMMUNITY ENVIRONMENT

TRANSPORTATION AND PARKING

Goal	Design and implement programs that encourage transportation alternatives to single occupancy vehicle trips and improve traffic flow and parking availability.				
Objective	Implement a suite of short-term parking and Transportation Demand Management programs concurrent with neighborhood parking restrictions in downtown.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of shuttle bus boardings	134,362	152,571	142,000	142,000	142,000
Description	These measures track residents' opinions based on empirical measures.				
Purpose	These measures can be used to track changes in satisfaction and one program (the shuttle program) intended to make a difference.				
Status	The City made a significant investment in expanded shuttle service to relieve traffic and parking demands. One of the routes is not managed by the City, so reductions occurred between FY 2015 and FY 2016, but ridership is anticipated to remain consistent in FY 2017.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of planning and Architectural Review Board applications completed	136	174	130	135	135
Average number of days for Planning to first review building permit applications	19	21	20	20	20
Average number of days from Individual Review (IR) application to approval	134	143	126	140	126

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration	1,107,041	1,209,749	1,351,782	1,738,825	387,043	28.6%
Building	5,802,183	55,175	—	—	—	—%
Planning and Transportation	6,362,180	6,176,863	7,555,518	7,112,050	(443,468)	(5.9)%
Total	13,271,404	7,441,786	8,907,300	8,850,875	(56,425)	(0.6)%
Dollars by Category						
Salary & Benefits						
Healthcare	775,225	425,712	581,037	598,213	17,176	3.0%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Other Benefits	142,775	94,285	114,100	87,926	(26,174)	(22.9)%
Overtime	59,895	44,233	60,754	60,753	(0)	(0.0)%
Pension	1,027,419	659,237	872,420	966,262	93,842	10.8%
Retiree Medical	508,835	287,667	321,025	300,159	(20,866)	(6.5)%
Salary	4,273,514	2,866,179	3,114,802	3,396,040	281,238	9.0%
Workers' Compensation	10,527	14,011	6,731	40,521	33,790	502.0%
Total Salary & Benefits	6,798,190	4,391,324	5,070,870	5,449,874	379,005	7.5%
Allocated Charges	1,064,611	611,709	765,855	677,530	(88,326)	(11.5)%
Contract Services	4,098,213	2,121,541	2,657,873	2,301,339	(356,534)	(13.4)%
Facilities & Equipment	11,865	14,316	22,850	39,350	16,500	72.2%
General Expense	457,084	260,923	343,995	336,925	(7,070)	(2.1)%
Operating Transfers-Out	7,607	7,607	7,607	7,607	—	—%
Rents & Leases	770,223	1,444	—	—	—	—%
Supplies & Material	63,612	32,923	38,250	38,250	—	—%
Total Dollars by Expense Category	13,271,405	7,441,787	8,907,300	8,850,875	(56,425)	(0.6)%
Revenues						
Charges for Services	4,987,868	549,617	581,423	1,023,225	441,802	76.0%
Charges to Other Funds	55,092	6,694	—	—	—	—%
Operating Transfers-In	128,000	128,000	128,000	128,000	—	—%
Other Revenue	7,542	221,280	485,900	220,900	(265,000)	(54.5)%
Other Taxes and Fines	281,768	(1,312)	15,000	15,390	390	2.6%
Permits and Licenses	5,892,017	881,750	605,691	842,239	236,548	39.1%
Rental Income	(77)	83	—	—	—	—%
Total Revenues	11,352,209	1,786,111	1,816,014	2,229,754	413,740	22.8%
Positions by Division						
Administration	1.50	2.30	5.20	6.91	1.71	32.88%
Building	21.85	0.10	—	—	—	—%
Planning and Transportation	30.63	26.53	26.72	25.53	(1.19)	(4.45)%
Total	53.98	28.93	31.92	32.44	0.52	1.63%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	2.00	1.00	1.00	1.00	—	86,340
Administrative Associate I	1.00	1.00	1.00	1.00	—	62,533
Administrative Associate II	3.80	1.00	1.00	—	(1.00)	—
Administrative Associate III	2.00	2.00	2.00	3.00	1.00	206,084
Assistant Director PCE	1.00	1.00	1.00	1.00	—	192,441
Associate Engineer	1.00	1.00	1.00	1.00	—	100,961
Associate Planner	1.00	0.10	0.10	0.10	—	9,377
Building Inspector Specialist	3.00	—	—	—	—	—
Building/Planning Technician	2.00	0.20	0.20	0.70	0.50	43,682
Business Analyst	—	1.00	1.00	1.00	—	128,313
Chief Building Official	1.00	—	—	—	—	—
Chief Planning Official	1.00	0.80	0.80	1.00	0.20	142,416
Chief Transportation Official	0.90	0.50	0.50	0.70	0.20	117,236
Code Enforcement Officer	2.00	1.50	1.60	1.60	—	143,780
Code Enforcement-Lead	—	—	0.80	0.80	—	71,290
Coordinator Transportation Systems Management	0.50	0.90	0.85	0.60	(0.25)	56,726
Development Project Coordinator II	2.00	—	—	—	—	—
Development Project Coordinator III	3.00	—	—	—	—	—
Development Services Director	1.00	—	—	—	—	—
Director Planning/Community Environment	1.00	1.00	1.00	1.00	—	212,720
Engineer	1.00	—	—	—	—	—
Management Analyst	0.40	0.40	0.40	0.88	0.48	104,735
Manager Development Center	1.00	—	—	—	—	—
Manager Planning	3.00	1.20	2.00	2.00	—	249,220
Parking Operations-Lead	—	—	0.30	0.20	(0.10)	20,853
Planner	3.75	3.15	3.00	3.83	0.83	374,738
Plans Check Engineer	1.00	—	—	—	—	—
Program Assistant II	—	—	—	0.35	0.35	21,125
Project Engineer	1.00	1.65	1.65	1.15	(0.50)	140,741
Senior Management Analyst	2.00	1.00	1.00	1.00	—	127,961
Senior Planner	7.00	7.60	7.64	6.70	(0.94)	697,435

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Senior Project Engineer	1.00	0.20	—	—	—	—
Traffic Engineering-Lead	—	—	1.00	0.10	(0.90)	9,426
Transportation Planning Manager	—	—	0.20	0.85	0.65	121,195
Sub-total: Full-Time Equivalent Positions	50.35	28.20	31.04	31.56	0.52	3,441,328
Temporary/Hourly	3.63	0.73	0.88	0.88	—	143,639
Total Positions	53.98	28.93	31.92	32.44	0.52	3,584,967

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	31.92	8,907,300	1,816,014	7,091,286
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Fry's Master Plan Funding	—	(300,000)	(265,000)	(35,000)
Parking Fee Study	—	(100,000)	—	(100,000)
Seismic Inventory Funding	—	(100,000)	—	—
Transportation Management Authority Initialization Funding	—	(100,000)	—	—
Scanning and Storage Contractual Funding	—	(75,000)	—	—
Traffic Impact Fee Nexus Study Finding	—	(55,000)	—	—
Individual Review Process Peer Review Study Funding	—	(50,000)	—	—
Safe Routes to School Biennial Conference Funding	—	(1,500)	—	—
Technology for new positions	—	(11,000)	—	(11,000)
One-Time Prior Year Expenditures and Revenues	—	(792,500)	(265,000)	(146,000)
Adjustments to Costs of Ongoing Activities				
Revenue and Expenditure Adjustments	—	(29,604)	56,778	(86,382)
Salary and Benefits Adjustment	—	261,751	—	261,751
Position Realignment	(1.31)	(163,046)	—	(163,046)
Fiber Optic License Fee Allocated Charges Adjustment	—	2,582	—	2,582

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Information Technology Allocated Charges Adjustment	—	12,380	—	12,380
Liability Insurance Allocated Charges Adjustment	—	(73,399)	—	(73,399)
Print & Mail Allocated Charges Adjustment	—	(29,888)	—	(29,888)
Adjustments to Costs of Ongoing Activities	(1.31)	(19,224)	56,778	(46,114)
Total FY 2016 Proposed Budget	30.61	8,095,576	1,607,792	6,899,172
Budget Adjustments				
1 On-Call Contractual Services	—	165,000	165,000	—
2 Transportation Management Authority	—	100,000	—	100,000
3 Planning/Development Services Staffing Alignment	0.50	95,060	—	95,060
4 Management Analyst Alignment	0.48	86,196	—	—
5 California Avenue Retail Feasibility Study	—	75,000	—	75,000
6 Scanning and Storage Funding	—	75,000	—	75,000
7 Palo Alto Shuttle	—	60,000	—	60,000
8 Planning Technician	0.50	53,474	—	53,474
9 Transportation Program Assistant	0.35	39,214	—	39,214
10 Administrative Associate Classification Alignment	—	6,355	—	6,355
11 Revenue Alignment	—	—	456,962	(456,962)
Total Budget Adjustments	1.83	755,299	621,962	47,141
Total FY 2017 Proposed Budget	32.44	8,850,875	2,229,754	6,946,313

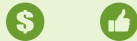


Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 On-Call Contractual Services	0.00	165,000	165,000	0

This net-zero action increases revenues and expenses for on-call contractual services. The Planning and Community Environment Department uses on-call consultants for a number of cost recovery contracts (where the applicant pays for the contract) but these expenses were previously unbudgeted. This action more accurately aligns projected revenues and expenses with the budget, and provides necessary expert resources while augmenting staff resources for expected activity levels. (Ongoing costs: \$0)

Performance Results

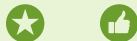


The incorporation of revenues and expenses for on-call consultant contracts into the budget will increase costing accuracy by ensuring that customers are charged an appropriate amount for the body and volume of work performed. Use of consultants to augment staff allows for responsive services and allows the City to effectively respond to fluctuating demand in applications.

2 Transportation Management Authority	0.00	100,000	0	100,000

This action adds \$100,000 in one-time funding for pilot programs of the new of the Transportation Management Association (TMA) and would be subject to a funding agreement between the City and the TMA. This funding augments the funds already included in the FY 2017 Base Budget for the establishment of the TMA. The additional funding will also ensure that the City can pay its share as a member of the TMA and that a commute survey can be conducted in FY 2017 to assess the effectiveness of Transportation Demand Management (TDM) efforts downtown. (Ongoing costs: \$0)

Performance Results



This action will ensure a high level of quality associated with the services of the Transportation Management Authority and assist in mitigating transportation impacts to the City through strengthened relationships with local businesses. Conducting an annual downtown commute survey provides important data to measure the effectiveness of TMA and TDM programs.

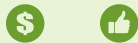
3 Planning/Development Services Staffing Alignment	0.50	95,060	0	95,060

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund

Development Services and its partner departments continue to examine the staffing complement necessary to align the permitting function of Development Services with each individual department's expertise and this shift represents the iterative effort for FY 2017. This action aligns permitting staffing between Planning and Community Environment and the Development Services Department. Small portions of various positions, specifically six Senior Planner positions, two Planner positions, two Project Engineers, and the Chief Planning Official, are all recommended to be shifted from Development Services back to the Planning and Community Environment Department. Additionally, this cost is reflected as a reduction to Development Services in that department's section of this document. (Ongoing costs: \$95,060)

Performance Results

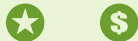


This action will ensure customer satisfaction and appropriate cost of services by making sure that fee supported activities across the City are staffed appropriately.

4 Management Analyst Alignment	0.48	86,196	0	0

This action adds 0.48 Management Analyst to the Planning & Community Environment to provide necessary support for financial tracking and process improvements. This position would assist with the handling and tracking of fees and funds associated with service delivery, including impact fees and in-lieu fees. This position will also track time associated with fees that require a deposit, in order to ensure that staff time and contract costs are tracked accurately and that customers are accurately billed for amounts in excess of the initial deposit resulting in improved cost-recovery. The Management Analyst will analyze departmental business process and make recommendations for improvements, as well as track and report on the status of projects related to fees and process improvements. The Management Analyst will also provide additional oversight capacity for administering the department's budget and contracts, including those associated with capital projects. The full position will be split among the Planning and Community Environment Department (88%), the Residential Housing In-Lieu Fund (1%), the Commercial Housing In-Lieu Fund (1%), and the Capital Improvement Fund (10%). (Ongoing costs: \$86,196)

Performance Results



The addition of the Management Analyst will provide resources necessary to ensure that costs are accurately tracked and that the quality of internal business processes is improved.

5 California Avenue Retail Feasibility Study	0.00	75,000	0	75,000

This action adds \$75,000 in one-time funding in response to the City Council's request for an analysis of retail feasibility on Cambridge Avenue and further study of parking-related issues in the California Avenue area. (Ongoing costs: \$0)

Performance Results

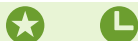


This action will ensure that the cycle time for a retail depth study is timely and that it is done in a high-quality manner.

6 Scanning and Storage Funding	0.00	75,000	0	75,000

This action continues one-time funding of \$75,000 for a scanning and storage contract, originally funded in FY 2016. Planning documents need to be scanned, archived, and electronically uploaded for integration with Geographic Information Systems (GIS) and other planning systems. Digitization will ensure that development-related planning documents are available electronically and indexed in a manner that is consistent with the Planning and Community Environment Department's business practices. The funding provided in FY 2016 reduced the backlog, but additional resources are needed to continue this effort. (Ongoing costs: \$50,000)

Performance Results



This action will provide the Planning & Community Environment Department with on-demand access to digitized development-related planning documents and ensure that records are retained in a high-quality manner consistent with business practices. This contract will minimize staff time dedicated to this activity, allowing department resources to be used most effectively for core functions and services.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
7 Palo Alto Shuttle	0.00	60,000	0	60,000

This action adds \$60,000 in funding to ensure the ongoing operations of the Palo Alto Shuttle. As a result of a loss of grant funding for FY 2017, the City of Palo Alto's share of costs to operate service on existing shuttle routes will increase. A separate item is anticipated to be brought forward for City Council consideration in Spring 2016 to explore potential strategies for enhancing the service delivery of the Palo Alto Shuttle program by increasing the shuttle's routes and level of service. (Ongoing costs: \$60,000)

Performance Results



This action will maintain current levels of customer satisfaction with the shuttle.

8 Planning Technician	0.50	53,474	0	53,474

This action adds 0.5 Planning Technician to the Planning and Community Environment Department to provide front desk support at the Development Services counter for planning application intake appointment. Previously, this function was performed by various planner positions. The service delivery change for those positions is addressed in the Planning/Development Services proposal discussed above. Addition of a full-time Planning Technician, with the other 0.5 budgeted in Development Services as discussed in that section of this document, will provide consistent coverage and ensure a single point of contact for permit applicants at the front counter. (Ongoing costs: \$53,474)

Performance Results



The addition of a Planning Technician to staff the front counter of the Development Services Department will ensure a high level of customer satisfaction among permit applicants.

9 Transportation Program Assistant	0.35	39,214	0	39,214

This action adds 0.35 Program Assistant II to the Planning and Community Environment Department (PCE) to collect and analyze data to support the City's various transportation programs and projects. This analysis will be used to inform the evaluation of existing programs, potential creation of new programs, and will support outreach for new capital improvement projects. The position will also be used to update Council on cost-recovery levels for the parking funds, for developing and monitoring Safe Routes to School Programs, and for coordinating with other Transportation staff as well as Revenue Collections staff. This position will be split among the Planning and Community Environment Department (35%), University Avenue Parking Fund (10%), California Avenue Parking Fund (5%), the Residential Preferential Parking Fund (30%), and the Capital Improvement Fund (20%) for a total cost of \$107,781. (Ongoing costs: \$39,948)

Performance Results



The addition of a Program Assistant II will increase the quality and reliability of data analysis related to the City's parking and transportation programs and projects.

10 Administrative Associate Classification Alignment	0.00	6,355	0	6,355

This action reclassifies 1.0 Administrative Associate II to 1.0 Administrative Associate III to meet the administrative needs of the Planning and Community Environment Department. The department currently has an administrative pool of 2.0 Administrative Associate IIIs, 1.0 Administrative Associate II and 1.0 Administrative Associate I. The Administrative Associate I serves as a receptionist, schedules appointments, answers the phone (including the main number for the City) and maintains the City calendar. The other positions are responsible for more difficult clerical and administrative work. In addition, PCE is responsible for supporting three boards, two advisory committees, and many public workshops. This reclassification would enable any of the three Administrative Associate IIIs to support these activities. This reclassification will also enable each of the three members of the administrative pool to provide general support to department managers, serve as liaisons to other departments, and work on complex administrative tasks. (Ongoing costs: \$6,386)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund

This action will increase the quality of service from the department, decrease cycle time for coordinating with other departments and boards, and increase customer satisfaction from the three Boards that PCE is responsible for supporting.

11 Revenue Alignment	0.00	0	456,962	(456,962)

This action recognizes \$456,692 in additional revenues as a result of the first phase of implementation of the Planning Fee Study. As approved by the City Council in City Manager's Report #6338 significant adjustments were adopted for the Planning and Community Environment's Municipal Fees and a two phase approach for increases was directed. This two phase increase to the Municipal Fees is intended to achieve greater cost recovery for the fee-funded activities, ultimately reducing the current General Fund subsidy of these activities. These new fee levels and associated increases in revenues will be monitored closely throughout Fiscal Year 2017 in order to ensure this additional revenue is realized. As part of the Fiscal Year 2018 budget, the second phase of increases and corresponding revenue adjustments will be brought forward as part of the budget process. (Ongoing savings: \$456,692)

Performance Results



The recognition of additional revenues associated with recommended fee increases will more accurately capture the cost of the department's fee funded activities and help ensure that the expenses are commensurate with the revenue.



CITY OF
**PALO
ALTO**

POLICE

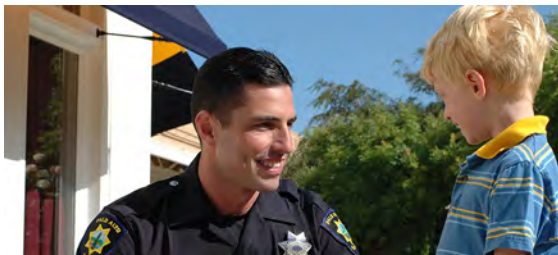
Mission Statement

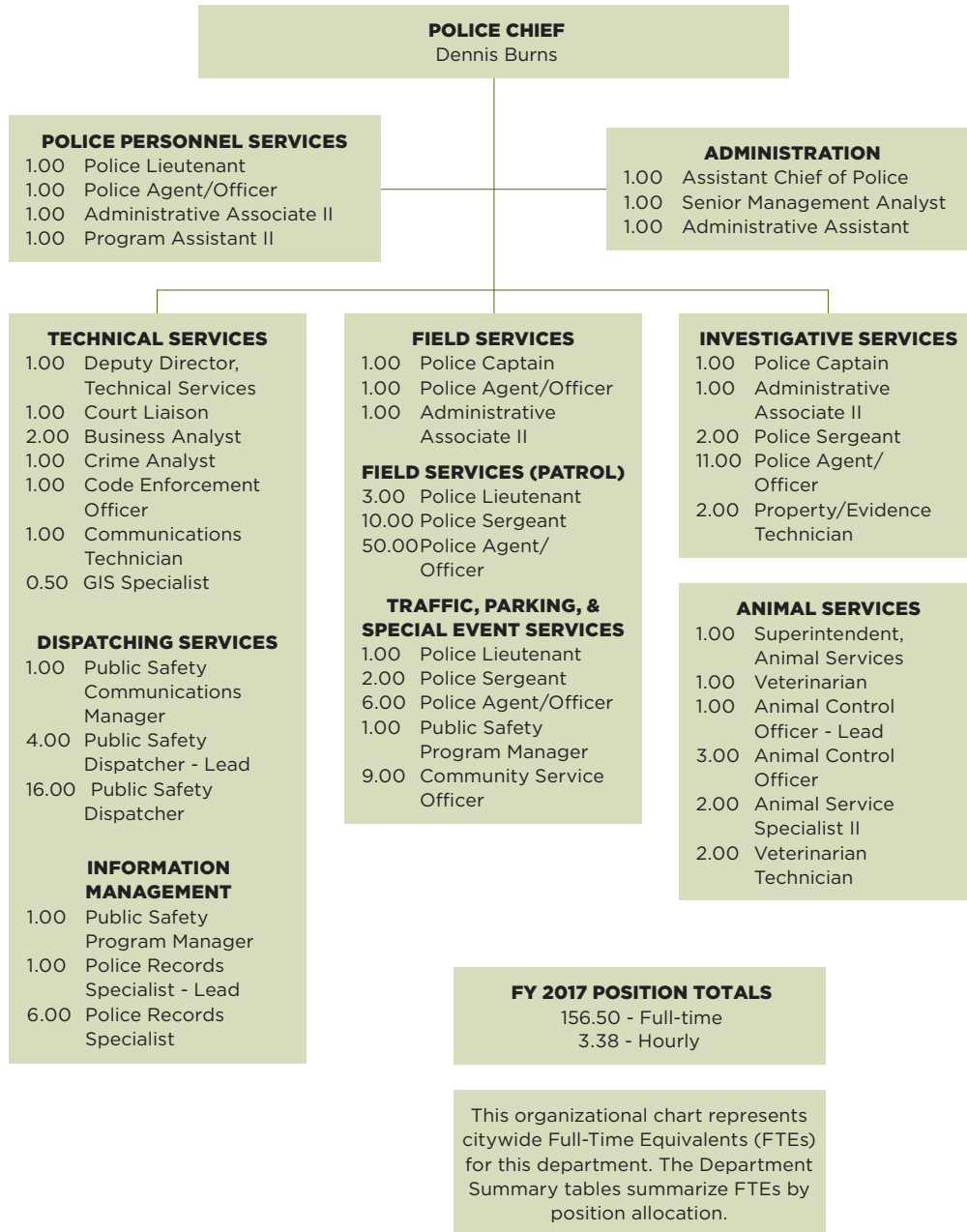


To proudly serve and protect the public with respect and integrity.

Purpose

The purpose of the Police Department is to apprehend and prosecute offenders and resolve investigations in a timely and thorough manner; to provide professional public safety services through comprehensive hiring, training, and development of employees and volunteers; to minimize injury and property damage by promoting a safe and orderly flow of pedestrian, bicycle, and vehicular traffic; to ensure the protection and well-being of animals and people by providing responsive and proactive animal services; and to manage, enforce, and resolve vehicle parking regulations and issues in an effort to facilitate the timely movement of vehicles and provide for public safety within the City.





Description

The Police Department provides a wide range of public safety services for the City of Palo Alto through the following divisions:

FIELD SERVICES

Responsible for police response, critical incident resolution, regional assistance response, and police services for special events.

TECHNICAL SERVICES

Provides 911 dispatch services for police, fire, utilities, public works, Stanford, and police information management.

INVESTIGATIONS

Conducts police investigations, oversees storage and maintenance of evidence, and coordinates some youth services activities.

TRAFFIC SERVICES

Responsible for traffic enforcement, complaint resolution, and school safety.

PARKING SERVICES

Responsible for parking enforcement, parking citations and adjudication, and abandoned vehicle abatement.

POLICE PERSONNEL SERVICES

Oversees police hiring, retention, personnel records, and training.

ANIMAL SERVICES

Provides animal control, pet recovery/adoption services, animal care, animal health and welfare, and regional animal services.

Accomplishments

- Received 135 citizen commendations in Fiscal Year 2015 recognizing members of the Department performing their duties exceeding even the highest standards of the Department.
- Participated in several regional initiatives which promote emergency preparedness and response capabilities, including the Silicon Valley Regional Interoperability Authority.
- Continued the development of the joint Records Management System (RMS) system in partnership with Mountain View and Los Altos.
- Participated in regional and statewide initiatives designed to ensure vehicle occupant safety and combat drunk driving.

Initiatives

- Build-out Tri-City (Mountain View, Los Altos, Palo Alto) Fiber Ring to support shared public safety applications.
- Replace 9-1-1 phone equipment with a new regional system.
- Continue progress on the new Public Safety building.
- Develop new curriculum for Citizens Police Academy.
- Migrate to the new 700 MHz regional radio system as part of the county-wide effort led by the Silicon Valley Regional Interoperability Authority.
- Complete and implement new regional Records Management System.

Goals and Objectives

GOAL 1

Protect and serve the public through proactive and effective policing, animal services, and emergency preparedness.

Objectives:

- Reduce crime rates, traffic violations and accidents.
- Respond promptly to urgent calls for service.
- Apprehend and assist with prosecution of offenders.
- Provide assistance, enforcement, and guidance to the community regarding animal services.
- Provide assistance to the community in the event of a disaster.

GOAL 2

Cultivate, enhance, and foster trustworthy relationships with the community.

Objectives:

- Increase quality and timeliness of response to citizens' complaints regarding use of force, canine investigations, and other internal affairs matters.
- Train and educate all employees in the community policing philosophies.
- Continue to consult with national experts in the field of promoting fair and equitable policing.
- Create opportunities for increased communication, visibility, and interaction with community members.
- Maintain and enhance the community's satisfaction with police services.

GOAL 3

Minimize injury and property damage by promoting a safe and orderly flow of pedestrian, bicycle, and vehicular traffic.

Objectives:

- Enforce traffic laws, with an emphasis on speed reduction, red light violations, and bicycle and pedestrian safety around schools.
- Participate in regional and statewide initiatives designed to ensure vehicle occupant safety through the use of safety belts and to reduce deaths and injuries in crashes involving alcohol, speed, red light running, and aggressive driving.

GOAL 4

Ensure the protection and well-being of animals and people by providing responsive animal services and spay/neuter advocacy.

Objectives:

- Provide assistance, enforcement, and guidance to the community regarding animals.
- Promote responsible pet ownership through adoption counseling, education, and support services.

GOAL 5

Manage, enforce, and resolve vehicle parking regulations and issues in an effort to facilitate the timely movement of vehicles and provide for public safety within the City.

Objectives:

- Monitor compliance with parking regulations and time limits and issue citations for infractions.
- Efficiency process abandoned and stored vehicle complaints.

Key Performance Measures

ANIMAL SERVICES RESPONSE TIMES

Goal	Protect and serve the public through proactive and effective policing, animal services, and emergency preparedness.				
Objective	Respond promptly to animal calls for service.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of Palo Alto live animal calls responded to within 45 minutes	91.00%	88.00%	90.00%	90.00%	90.00%
Description	A 45 minute response time to live animal calls is the threshold of service set by the Animal Services Division.				
Purpose	Live animal calls require the most timely response because they are generally life threatening or represent higher danger crimes in progress.				
Status	The Division responded to 88 percent of live animal calls within 45 minutes in Fiscal Year 2015.				

PERCENT OF SURVEYED RESIDENTS RATING POLICE DEPARTMENT SERVICES GOOD OR EXCELLENT

Goal	Cultivate, enhance and foster trustworthy relationships with the community.				
Objective	Maintain and enhance the community's satisfaction with police services.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Overall Police Services	87.00%	88.00%	90.00%	90.00%	90.00%
Animal Control Services	80.00%	80.00%	80.00%	80.00%	80.00%
Crime Prevention Services	80.00%	79.00%	80.00%	80.00%	80.00%
Traffic Enforcement Services	62.00%	60.00%	66.00%	66.00%	66.00%
Description	These measures track the percent of residents rating overall and division specific police services to the community as good or excellent. This data is collected as part of the National Citizen's Survey that is conducted annually by the International City/County Management Association (ICMA) and allows the City to compare itself to other municipalities.				
Purpose	Community satisfaction with the Police Department is an important assessment of the quality of services provided to the City and its residents.				
Status	Overall the Police Department has maintained a high level of customer satisfaction year over year and looks to continue this trend in Fiscal Year 2017. Compared to other local municipalities the Department ranked similarly for satisfaction with police services, crime prevention services, and traffic enforcement services and ranked higher for satisfaction with animal control services.				

POLICE DEPARTMENT RESPONSE TIMES

Goal	Respond promptly to urgent calls for service.				
Objective	Protect and serve the public through proactive and effective policing, animal services, and emergency preparedness.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of emergency calls responded to within 6 minutes	72.00%	75.00%	90.00%	80.00%	90.00%
Percent of urgent calls responded to within 10 minutes	77.00%	74.00%	90.00%	80.00%	90.00%
Description	Percent of emergency calls responded to within 6 minutes and percent of urgent calls responded to within 10 minutes				
Purpose	Emergency and urgent calls require the most timely police response because they are generally life threatening or represent higher danger crimes in progress.				
Status	The Department's average response time for emergency calls was 5:40 in Fiscal Year 2015, lower than its 6:00 minute target. The Department's average urgent call response time was 8:38, above its 8:00 target. The Department attributes the increase in response times from Fiscal Year 2014 to methodology changes in how response times are calculated associated with the virtual consolidation of Computer Aided Dispatch (CAD) services with the partner cities of Mountain View and Los Altos.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Average response time for emergency calls (Goal: within 6 minutes)	5:34	5:40	5:30	5:30	5:30
Average response time for urgent calls (Goal: within 8 minutes)	7:57	8:38	8:00	8:00	8:00
Number of police calls for service	58,559	59,795	56,000	59,000	59,000
Number of Part I crimes	1,540	1,595	1,600	1,600	1,600
Number of Part II crimes	2,557	3,050	2,400	2,750	2,750
Total number of Palo Alto animal service calls	3,093	2,579	3,100	2,750	2,750
Number of regional animal services calls (Los Altos and Los Altos Hills)	695	566	700	700	700

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Administration	649,829	678,034	601,260	527,862	(73,398)	(12.2)%
Animal Services	1,328,403	1,559,074	1,619,275	1,719,360	100,085	6.2%
Field Services	16,037,164	15,616,047	18,334,452	16,864,818	(1,469,634)	(8.0)%
Investigations and Crime Prevention Services	3,271,354	4,186,251	3,517,240	5,214,939	1,697,699	48.3%
Parking Services	1,090,030	1,192,659	1,298,471	1,418,946	120,475	9.3%
Police Personnel Selection	1,357,838	1,514,692	1,100,394	1,371,056	270,663	24.6%
Technical Services	7,065,609	7,392,315	7,674,213	8,478,991	804,778	10.5%
Traffic Services	2,513,303	2,420,441	2,713,962	2,541,463	(172,500)	(6.4)%
Total	33,313,529	34,559,514	36,859,267	38,137,435	1,278,168	3.5%
Dollars by Category						
Salary & Benefits						
Healthcare	2,684,126	2,775,602	2,924,238	3,068,340	144,103	4.9%
Other Benefits	733,193	721,396	680,686	598,257	(82,429)	(12.1)%
Overtime	1,711,764	1,893,220	1,500,000	1,500,000	—	—%
Pension	4,716,495	5,349,308	5,856,592	6,445,707	589,116	10.1%
Retiree Medical	2,341,090	2,629,988	2,753,111	2,666,651	(86,460)	(3.1)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Salary	15,055,853	15,500,707	16,568,557	17,342,746	774,189	4.7%
Workers' Compensation	1,806,135	1,045,478	1,527,296	407,425	(1,119,871)	(73.3)%
Total Salary & Benefits	29,048,655	29,915,699	31,810,479	32,029,126	218,648	0.7%
Allocated Charges	2,434,764	2,684,022	2,819,405	3,037,440	218,035	7.7%
Contract Services	1,065,685	1,035,064	1,277,928	1,990,528	712,600	55.8%
Facilities & Equipment	56,927	33,429	69,500	69,500	—	—%
General Expense	283,976	361,649	386,605	415,405	28,800	7.4%
Operating Transfers-Out	—	60	—	—	—	—%
Rents & Leases	3,009	3,143	3,350	3,436	86	2.6%
Supplies & Material	420,514	526,448	492,000	592,000	100,000	20.3%
Total Dollars by Expense Category	33,313,528	34,559,512	36,859,267	38,137,435	1,278,168	3.5%

Revenues						
Charges for Services	957,809	1,295,895	1,176,984	1,184,632	7,648	0.6%
Charges to Other Funds	431,534	427,000	427,000	427,000	—	—%
From Other Agencies	115,293	260,037	245,548	260,548	15,000	6.1%
Net Sales	100	—	—	—	—	—%
Operating Transfers-In	42,000	42,000	42,000	—	(42,000)	(100.0)%
Other Revenue	201,772	448,810	273,016	273,016	—	—%
Other Taxes and Fines	1,651,980	1,732,358	1,960,358	1,846,255	(114,103)	(5.8)%
Permits and Licenses	257,558	278,662	198,511	195,302	(3,209)	(1.6)%
Rental Income	645	705	1,067	1,067	—	—%
Total Revenues	3,658,691	4,485,466	4,324,484	4,187,819	(136,665)	(3.2)%

Positions by Division						
Administration	2.80	2.30	3.30	3.30	—	—%
Animal Services	10.66	10.66	10.66	10.66	—	—%
Field Services	63.80	66.80	68.80	61.80	(7.00)	(10.17)%
Investigations and Crime Prevention Services	18.28	15.28	14.28	21.28	7.00	49.02%
Parking Services	8.75	8.75	8.75	8.75	—	—%
Police Personnel Selection	6.20	5.20	4.10	5.10	1.00	24.39%
Technical Services	37.13	37.13	37.00	37.00	—	—%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Traffic Services	10.49	11.49	11.49	10.49	(1.00)	(8.70)%
Total	158.11	157.61	158.38	158.38	0.00	0.00%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	0.50	0.50	1.00	1.00	—	86,340
Administrative Associate II	3.00	3.00	3.00	3.00	—	203,871
Animal Control Officer	4.00	3.00	3.00	3.00	—	192,549
Animal Control Officer-Lead	—	1.00	1.00	1.00	—	68,672
Animal Services Specialist II	2.00	2.00	2.00	2.00	—	139,589
Assistant Police Chief	1.00	1.00	1.00	1.00	—	198,617
Business Analyst	1.20	1.20	1.20	1.20	—	151,396
Code Enforcement Officer	1.00	1.00	1.00	1.00	—	89,862
Communications Technician	1.00	1.00	1.00	1.00	—	93,293
Community Service Officer	8.50	8.50	8.50	8.50	—	557,293
Court Liaison Officer	1.00	1.00	1.00	1.00	—	89,101
Crime Analyst	1.00	1.00	1.00	1.00	—	89,101
Deputy Director Technical Services Division	0.80	0.80	0.80	0.80	—	144,634
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	53,205
Police Agent	19.00	19.00	19.00	19.00	—	2,439,538
Police Captain	2.00	2.00	2.00	2.00	—	369,115
Police Chief	0.50	0.50	1.00	1.00	—	226,449
Police Lieutenant	5.00	5.00	5.00	5.00	—	862,530
Police Officer	50.00	50.00	50.00	50.00	—	5,560,269
Police Records Specialist II	6.00	6.00	6.00	6.00	—	372,266
Police Records Specialist-Lead	1.00	1.00	1.00	1.00	—	70,866
Police Sergeant	14.00	14.00	14.00	14.00	—	1,997,605
Program Assistant II	1.00	1.00	1.00	1.00	—	74,114
Property Evidence Technician	2.00	2.00	2.00	2.00	—	137,008

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Public Safety Communications Manager	—	—	1.00	1.00	—	125,028
Public Safety Dispatcher	16.00	16.00	16.00	16.00	—	1,387,196
Public Safety Dispatcher-Lead	4.00	4.00	4.00	4.00	—	442,600
Public Safety Manager I	2.00	2.00	—	—	—	—
Public Safety Manager II	1.00	1.00	—	—	—	—
Public Safety Program Manager	—	—	2.00	2.00	—	234,498
Senior Management Analyst	1.50	1.00	1.00	1.00	—	138,631
Superintendent Animal Services	1.00	1.00	1.00	1.00	—	82,034
Veterinarian	1.00	1.00	1.00	1.00	—	121,989
Veterinarian Technician	2.00	2.00	2.00	2.00	—	119,912
Sub-total: Full-Time Equivalent Positions	154.50	154.00	155.00	155.00	—	16,919,171
Temporary/Hourly	3.61	3.61	3.38	3.38	—	299,710
Total Positions	158.11	157.61	158.38	158.38	—	17,218,881

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	158.38	36,859,267	4,324,484	32,534,783
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Police Community Services Staffing	—	101,488	—	101,488
Police Field Patrol, Body Worn Cameras	—	(70,000)	—	(70,000)
Parking Citation Handheld Devices	—	(26,400)	—	(26,400)
One-Time Prior Year Expenditures and Revenues	—	5,088	—	5,088
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	—	218,647	—	218,647
Management Development	—	(1,200)	—	(1,200)
Stanford Emergency Communication Services Revenue Adjustment	—	—	35,490	(35,490)
POST Training Reimbursement	—	15,000	15,000	—
Other Taxes and Fines	—	—	(114,103)	114,103

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Transfer from Technology Fund	—	—	(42,000)	42,000
Charges for Services	—	—	(27,843)	27,843
Permits and Licenses	—	—	(3,209)	3,209
Vehicle Maintenance Allocated Charges Adjustments	—	392,345	—	392,345
General Liability Insurance Allocated Charges Adjustments	—	(287,867)	—	(287,867)
Information Technology Allocated Charges Adjustment	—	127,988	—	127,988
Printing and Mailing Allocated Charges Adjustment	—	(15,326)	—	(15,326)
Utilities Allocated Charges Adjustment	—	895	—	895
Rents and Leases	—	86	—	86
Adjustments to Costs of Ongoing Activities	—	450,568	(136,665)	587,233
Total FY 2017 Base Budget	158.38	37,314,923	4,187,819	33,127,104
Budget Adjustments				
1 Project Safety Net - Track Watch Program	—	824,000	—	824,000
2 Police Vehicle Modems	—	100,000	—	100,000
3 Police Community Services Staffing	—	(101,488)	—	(101,488)
Total Budget Adjustments	—	822,512	—	822,512
Total FY 2017 Proposed Budget	158.38	38,137,435	4,187,819	33,949,616



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Project Safety Net - Track Watch Program	0.00	824,000	0	824,000

This action continues funding for contract track guards related to the Project Safety Net Community Collaborative (PSN), commonly referred to as the Track Watch Program, in response to teen fatalities that have occurred along the CalTrain corridor in Palo Alto. The initial allocation of \$2.0 million set aside for PSN from the Stanford Development Fund was largely expended through Fiscal Year 2016 on means restriction such as fencing, brush removal, and track guards (estimated \$1.5 million) and the remainder on the Community Collaborative (estimated \$415,000), leaving a balance of \$85,000 for future PSN costs. Ongoing funding for the Community Collaborative is budgeted and discussed in more detail in the Community Services Department section of this document. The funding in the Police Department will continue the current level of Track Watch services approved by the City Council in November 2015 through June 30, 2017. This service level includes 22 hours of security guard monitoring daily at four CalTrain crossing locations: Charleston, Meadow, Churchill, and the California Avenue Station. The City is also in the process of implementing an Intrusion Detection System (IDS) pilot project in cooperation with CalTrain at the Meadow crossing. This system is intended to provide an additional layer of protection along the corridor and the efficiency of the technology will be evaluated throughout the pilot project period to determine in what capacity, if any, it should be used going forward. Depending on the results of the IDS pilot, the City may be able to reduce the use of contract security guards in the future. The ongoing cost of this action assumes the IDS pilot is successful. (Ongoing Costs: \$250,000)

Performance Results



Continuing the Track Watch Program contract will maintain the current level of track guard monitoring services along the CalTrain corridor through Palo Alto through the end of Fiscal Year 2017.

2 Police Vehicle Modems	0.00	100,000	0	100,000

This action will fund the replacement of modems in 27 police vehicles. The current modems are having problems maintaining connectivity with wireless signals for the in car Mobile Data Computers (MDCs). Losing connection causes multiple issues including possible data loss, inability to connect to various law enforcement systems including the 9-1-1 Emergency Communications Center, and overall safety for sworn personnel in the field. (Ongoing Costs: \$12,000)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund

The new modems will maintain better connectivity between the MDCs and wireless signals, increasing the ability of the sworn personnel in the field to access information from various sources and have the most up to date data at all times.

3 Police Community Services Staffing	0.00	(101,488)	0	(101,488)

The Fiscal Year 2017 Operating Budget includes nine Community Services Officers (CSOs) in the Police Department. CSOs are responsible for enforcing the City's parking regulations, which generates approximately \$1.6 million in revenue annually. In 2011, Stanford University initiated reconstruction of the Stanford Medical Center, which reduced the number of publicly available parking spaces traditionally enforced by the CSOs. As a result, the Police Department has not filled one vacant CSO position since July 2013. This action freezes the vacant CSO position for Fiscal Year 2017. As the Medical Center continues to come online, which should be mostly complete in 2017, additional public parking will become available and may restore the need for parking enforcement in this area. During the construction staff will evaluate other technologies, which may create additional efficiencies for CSOs and may result in budget recommendations for Fiscal Year 2018. After exploring and possibly implementing various efficiency measures, staff will evaluate the appropriate staffing level and determine if the City needs to fill the vacant CSO position when the Medical Center reconstruction project is completed. (Ongoing Savings: \$0)

Performance Results



Freezing this position for an additional year will have minimal impact on the services provided by the Department.



CITY OF
**PALO
ALTO**

PUBLIC WORKS

Mission Statement

To preserve and enhance the quality of life for Palo Alto residents and visitors by providing efficient, safe, and cost effective services in partnership with our citizens while maintaining City assets, and being environmental stewards of the community.

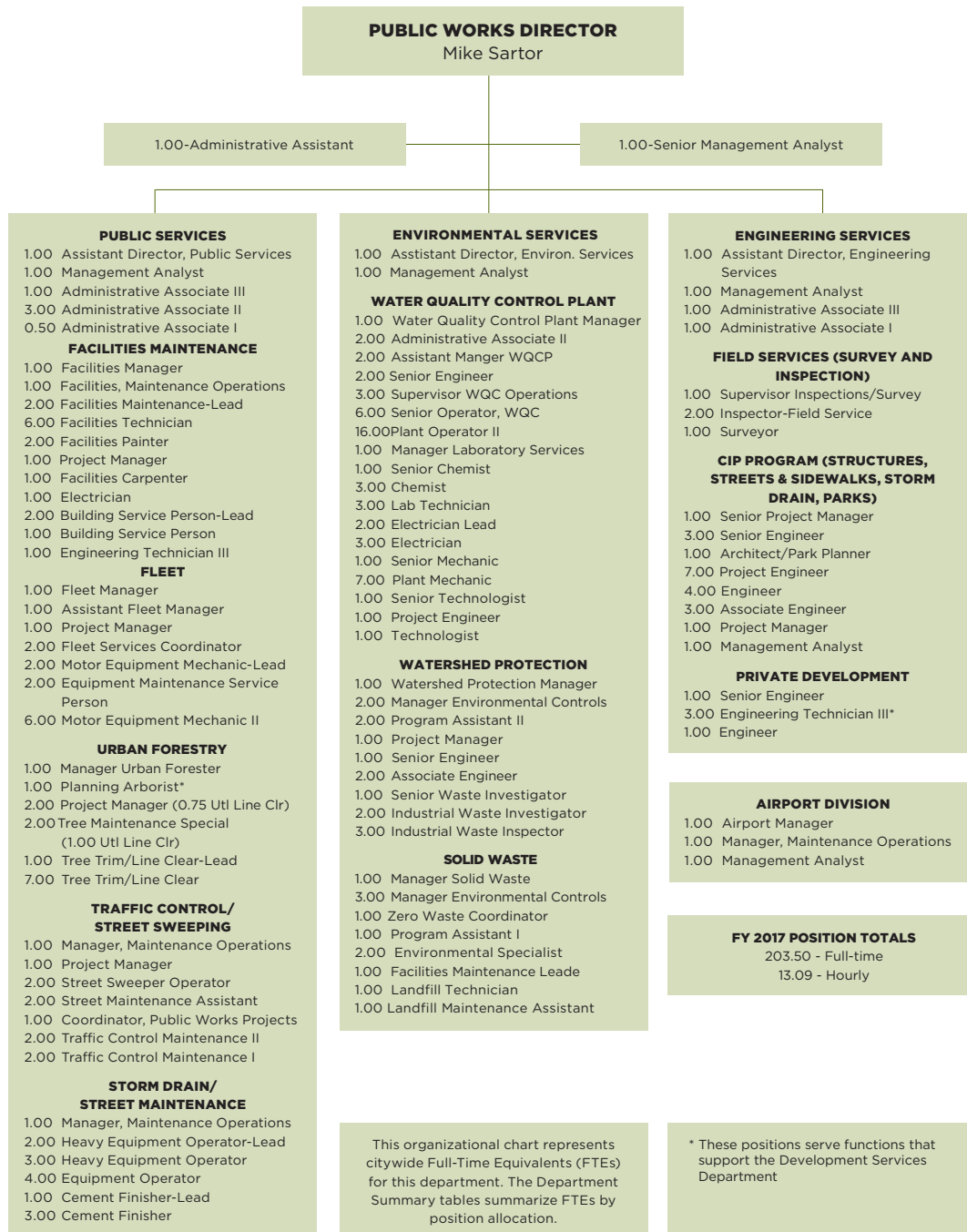


Purpose

The purpose of the Public Works Department is to ensure the City's valuable infrastructure is well-maintained and available well into the future; promote the protection and enhancement of Palo Alto's Urban Forest; enhance the quality of life for residents and visitors to Palo Alto by preventing pollution of the creeks and bay, promoting reuse and recycling, and encouraging use of alternative fuel vehicles; ensure continuous operation of the Regional Water Quality Control Plant; provide efficient and cost effective garbage, recyclables and yard trimmings

collection, processing, and disposal; deliver timely support to City departments in the area of engineering services; operate a safe and financially sustainable general aviation airport; and effectively manage the City's Capital Improvement Fund, including the Council Infrastructure Plan, as well as refuse, wastewater treatment, storm drainage, airport and fleet operations.

PUBLIC WORKS



Description

The Public Works Department is responsible for operations and capital projects in the following areas:

ENGINEERING SERVICES

Designs and constructs City-owned facilities, streets, sidewalks, storm drains, parks, and airport infrastructure; provides engineering support to City departments for construction in the public right of way.

PUBLIC SERVICES

Maintains and renovates City-owned and leased structures, streets, sidewalks, storm drains, street signage and parking lots; manages the City's Urban Forest; street sweeping program; and maintains the City's fleet.

ENVIRONMENTAL SERVICES

Operates and maintains the Regional Water Quality Control Plant; maintains a Pretreatment Program for control of industrial and commercial dischargers; provides pollution and waste prevention information and programs to residents and businesses; manages the City's solid waste programs, household hazardous waste programs, and the post-closure maintenance and monitoring of the City's closed landfill.

AIRPORT OPERATIONS

Operates the Palo Alto Airport which includes maintenance of Airport facilities and grounds; management of contracts with the Fixed Base Operators (tenants/lessees); liaison with the FAA and the Palo Alto flying community; and ensures compliance with FAA regulations.

Accomplishments

- Continued progress toward goal of citywide average Pavement Condition Index score of 85, representing very good to excellent street conditions, by 2019. The 2015 calendar year-end score was 82.
- Continued implementation of the Council Infrastructure Plan, with completion of site selection for the new Public Safety Building and California Avenue Area Parking Garage projects, initiation of design for the Fire Station No. 3 Replacement project, selection of a design team for the Adobe Creek/Highway 101 Bicycle and Pedestrian Bridge project, and continued design progress for the Charleston/Arastradero Corridor project.
- Earned accreditation from the American Public Works Association; the first agency to do so in Silicon Valley.
- Successfully implemented citywide residential food scraps collection program and developed a commercial recycling and composting ordinance.
- Completed Mitigated Negative Declaration environmental documentation for the sludge dewatering and truck loadout facility and completed 100% design of the project.

Initiatives

- Continue implementation of the Council Infrastructure Plan, managing the projects as a program with project management emphasis on maintaining scope, schedule, and budget.
- Complete the Matadero Creek Stormwater Pump Station project and the last phase of the Channing/Lincoln Avenue Storm Drain Improvements project. These projects are the last two of the seven high-priority storm drain projects outlined in the 2005 storm drainage fee measure.
- Complete the initial implementation of the Infrastructure Management System to include Infrastructure Blue Ribbon Commission inventory and cost projections and associated reporting capabilities.
- Continue working toward the goals and objectives identified in the Urban Forest Master Plan.
- Continue implementing organizational efficiencies as outlined in the Facility Study, specifically analyzing the organizational structure and asset management process recommendations for implementation.
- Complete the core tasks of the Advance Water Purification Feasibility Study to improve recycled water quality and award a contract for a recycled water strategic plan and groundwater study of indirect potable reuse.

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Fund						
Airport Enterprise Fund	466,228	1,388,174	1,536,747	3,614,921	2,078,174	135.2%
General Fund-Operating	13,199,355	13,290,684	15,033,587	16,071,018	1,037,431	6.9%
Refuse Fund - Operating	30,095,729	30,326,089	31,030,958	30,733,559	(297,399)	(1.0)%
Storm Drainage - Operating	4,190,250	4,956,193	12,827,774	12,049,963	(777,811)	(6.1)%
Vehicle Replacement & Maintenance Fund	7,534,873	8,540,029	11,322,469	12,152,020	829,551	7.3%
Wastewater Treatment - Operating	21,217,375	22,779,682	36,600,357	52,391,975	15,791,620	43.1%
Total	76,703,809	81,280,851	108,351,892	127,013,456	18,661,566	17.2%
Revenues						
Charges for Services	499,782	215,096	326,214	181,328	(144,886)	(44.4)%
Charges to Other Funds	9,277,400	9,461,509	8,976,472	10,844,390	1,867,918	20.8%
From Other Agencies	—	299,664	126,000	23,518,849	23,392,848	18,565.8%
Net Sales	51,410,399	58,173,949	57,449,071	62,093,754	4,644,680	8.1%
Operating Transfers-In	361,060	1,225,417	500,257	1,391,814	891,557	178.2%
Other Revenue	3,273,640	4,344,241	2,685,650	2,722,150	36,500	1.4%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Other Taxes and Fines	7,270	4,422	6,500	6,500	—	—%
Permits and Licenses	867,513	1,059,930	878,367	1,001,516	123,149	14.0%
Rental Income	—	257,248	164,500	310,000	145,500	88.4%
Return on Investments	954,636	863,147	687,800	687,800	—	—%
Total Revenues	66,651,701	75,904,622	71,800,832	102,758,098	30,957,266	43.1%
Positions by Fund *						
Airport Enterprise Fund	1.00	2.00	5.88	5.88	—	—%
General Fund-Operating	59.92	55.65	56.49	57.85	1.36	2.41%
Refuse Fund - Operating	21.95	16.25	15.20	15.65	0.45	2.96%
Storm Drainage - Operating	10.59	10.19	10.32	10.34	0.02	0.18%
Vehicle Replacement & Maintenance Fund	18.22	18.22	17.26	17.26	—	—%
Wastewater Treatment - Operating	70.42	70.66	70.37	73.47	3.10	4.40%
Total	182.10	172.97	175.52	180.45	4.93	2.81%
* This table does not reflect Capital Improvement Fund positions						

GENERAL FUND

Goals and Objectives

GOAL 1

Ensure the City's assets and infrastructure inventory are updated and well-maintained.

Objectives:

- Implement an Infrastructure Management System (IMS) to support planning, budgeting, and accountability for the City's assets in accordance with the Infrastructure Blue Ribbon Commission's recommendations.
- Maintain and enhance the overall condition of the City's streets while effectively communicating the program's accomplishments to the public.
- Complete Sidewalk Program Evaluation Study to determine potential changes to the current sidewalk repairs program upon completion of the 30-year sidewalk district cycle.

GOAL 2

Provide high quality, cost-effective oversight of the City's capital improvement and facilities maintenance programs.

Objectives:

- Continue implementation of the Council Infrastructure Plan for the Public Safety Building and other key infrastructure needs, managing the projects as a program with project management emphasis on maintaining scope, schedule, and budget.
- Provide cost-effective custodial and facilities maintenance services.
- Complete construction of the Baylands Interpretive Center renovation, while completing design of the boardwalk replacement and initiating applications for regulatory permits.
- Implement the recommendations identified in the Facilities Organization Study.
- Begin implementing improvements to the Municipal Service Center.

GOAL 3

Preserve the public's health and safety to ensure a vibrant, sustainable community for future generations.

Objectives:

- Complete the Environmental Impact Report for and select an alternative to proceed with a Newell Road Bridge flood protection project.
- Ensure compliance with all applicable regulations related to the public's health and safety.
- Maintain the health of the City's urban forest.
- Ensure proper tree clearance of all utility lines.

- Increase the number of City trees planted per year by 100% by increasing from the current 200 annually to 400.
- Modernize City building systems to reduce energy consumption.

Key Performance Measures

CITIZEN SURVEY - QUALITY OF SIDEWALK MAINTENANCE

Goal	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
Objective	Increase rating given by residents for quality of sidewalk maintenance.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of citizens rating the quality of sidewalk maintenance as "good" or "excellent"	62.00%	62.00%	66.00%	63.00%	65.00%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of sidewalk maintenance. The NCS is a collaborative effort between National Research Center, Inc., and the International City/County Management Association. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinion about the quality of life in the community.				
Purpose	To obtain feedback from residents on whether sidewalks are being maintained adequately in order to determine if the program's resources are appropriate.				
Status	The Department had estimated that a 64 rating would be reached. The measured rating of 62 for FY 2015 was less than the estimate. In consideration of the continued higher budgets for sidewalk maintenance that allow for increased sidewalk improvements since FY 2013, the FY 2016 estimated and FY 2017 proposed reflect continued modest increases in this rating.				

CITIZEN SURVEY - STREET MAINTENANCE

Goal	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
Objective	Increase rating given by residents for quality of street maintenance.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of citizens rating the quality of street repair as "good" or "excellent"	54.00%	51.00%	62.00%	53.00%	55.00%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of street maintenance. The NCS is a collaborative effort between National Research Center, Inc., and the International City/County Management Association. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinion about the quality of life in the community.				
Purpose	To obtain feedback from residents on whether streets are being maintained adequately in order to determine if the program's resources are appropriate.				
Status	The Department estimated a 59 percent rating would be reached. The measured rating of 51 for FY 2015 was less than the estimate. In consideration of the continued higher budgets for street maintenance that allow for increased paving since FY 2012, the FY 2016 estimated and FY 2017 proposed reflect continued modest increases in this rating.				

CITIZEN SURVEY - STREET TREE MAINTENANCE

Goal	Preserve the public's health and safety to ensure a vibrant, sustainable community for future generations.				
Objective	Increase rating given by residents for quality of street tree maintenance.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of citizens rating street tree maintenance "good" or "excellent"	80.00%	73.00%	79.00%	75.00%	75.00%
Description	This measure assesses the residents' level of satisfaction with the City's street tree maintenance program.				
Purpose	To obtain feedback from residents on whether street trees are being maintained adequately in order to determine if the program's resources are appropriate.				
Status	The Department has been achieving between 66 and 80 percent satisfaction and is estimating a slightly lower rating for FY 2015 due to drought conditions which has increased the number of tree removals leaving less time for the trimming of trees. Satisfaction numbers should increase slightly for FY16 due to extra watering of trees offered during 2nd year of drought.				

PAVEMENT CONDITION SCORE

Goal	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
Objective	Maintain and enhance the overall condition of the City's streets.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Pavement Condition Score	78	79	81	82	83
Description	This measure tracks the condition of the City's streets based on an index published by the Metropolitan Transportation Commission (MTC) as well as changes in that score.				
Purpose	Improving the condition of our streets reduces overall maintenance costs and increases ride satisfaction.				
Status	PCI scores are rated as follows: 80+= very good or excellent, 70-79 = good, 60-69 = fair, 50-59 = at-risk, 25-49 = poor, and 0-24 = failed. The City Council has a goal of raising the citywide average PCI score to 85 by FY 2019. The FY 2016 estimate PCI is higher than the FY 2016 adopted goal. The Department remains on schedule to meet the citywide average goal. Annual reports by MTC indicate that Palo Alto now has one of the highest citywide average PCI scores in Santa Clara and San Mateo Counties.				

RESPONSE TO POTHOLE NOTIFICATION

Goal	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
Objective	Increase rating.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of potholes repaired within 15 days of notification	75.00%	90.00%	88.00%	88.00%	90.00%
Description	This measure records the number of potholes that are repaired within 15 days of the Department being notified of the problem.				
Purpose	The Department has set a goal of repairing potholes within 15 days in order to ensure streets are maintained and repaired in a timely manner.				
Status	The Department has been making the repairs within 15 days 90 percent of the time. Increased inspection of adjacent areas to increase cost effectiveness and increase PCI scores has resulted in additional work. Since implementation of Palo Alto 311, notifications of potholes has increased substantially. To maintain a 15 day turnaround, increase the percentage repaired in 15 days to 90%, reduce degradation of streets and impacts to drivers additional funding for temporary staff was granted in FY 2016.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Total of trees maintained by the City	35,386	35,281	35,390	35,281	35,390
Number of tree related electrical service disruptions	7	3	3	6	5
Number of street lane miles resurfaced annually	36	31	48	44	50
Percent of lane miles resurfaced annually	8.00%	7.00%	10.00%	9.00%	10.00%
Total square footage of facilities maintained	1,611,432	1,656,280	1,656,280	1,657,480	1,657,480
Cost per square foot for custodial services	\$1.08	\$1.06	\$1.07	\$1.00	\$1.06
Cost per square footage for maintenance services	\$1.89	\$1.85	\$1.86	\$1.86	\$1.86
Number of facilities work order requests completed	7,182	6,987	7,500	7,368	7,200
Number of trees trimmed annually	5,055	6,976	5,500	5,040	5,500

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
General Fund Administration	1,212,005	1,277,626	1,327,085	1,125,088	(201,997)	(15.2)%
General Fund Engineering Services	1,654,651	1,372,467	962,795	1,260,014	297,219	30.9%
General Fund Public Services: Streets	2,638,988	2,789,069	3,572,813	3,703,544	130,731	3.7%
General Fund Public Services: Structures and Grounds	5,094,011	5,110,365	6,237,881	6,361,428	123,547	2.0%
General Fund Public Services: Trees	2,599,698	2,741,156	2,933,013	3,620,944	687,931	23.5%
Total	13,199,355	13,290,684	15,033,587	16,071,018	1,037,432	6.9%

Dollars by Category

Salary & Benefits

Healthcare	970,660	974,952	1,103,803	1,166,476	62,673	5.7%
Other Benefits	175,190	160,606	154,594	120,371	(34,223)	(22.1)%
Overtime	158,054	208,125	172,085	172,085	—	—%
Pension	1,137,524	1,163,507	1,209,290	1,383,966	174,676	14.4%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Retiree Medical	755,589	905,286	965,380	902,348	(63,033)	(6.5)%
Salary	4,337,837	4,407,539	4,533,404	4,972,445	439,040	9.7%
Workers' Compensation	163,353	160,675	138,133	69,461	(68,672)	(49.7)%
Total Salary & Benefits	7,698,207	7,980,691	8,276,689	8,787,150	510,461	6.2%
Allocated Charges	2,595,986	2,509,483	2,684,622	2,845,051	160,429	6.0%
Contract Services	1,746,903	1,764,632	2,814,612	3,051,892	237,280	8.4%
Facilities & Equipment	—	5,664	6,646	2,146	(4,500)	(67.7)%
General Expense	63,694	72,241	111,569	81,029	(30,540)	(27.4)%
Operating Transfers-Out	16,574	16,574	16,574	16,574	—	—%
Rents & Leases	288,061	91,504	170,000	174,302	4,302	2.5%
Supplies & Material	789,930	849,895	952,874	1,112,874	160,000	16.8%
Total Dollars by Expense Category	13,199,355	13,290,684	15,033,587	16,071,018	1,037,432	6.9%
Revenues						
Charges for Services	208,940	115,235	8,714	53,828	45,114	517.7%
Charges to Other Funds	1,635,172	1,834,299	2,037,816	1,631,873	(405,943)	(19.9)%
Operating Transfers-In	164,490	164,490	196,107	196,107	—	—%
Other Revenue	18,400	34,531	6,000	6,000	—	—%
Other Taxes and Fines	—	(975)	—	—	—	—%
Permits and Licenses	867,513	1,059,930	878,367	1,001,516	123,149	14.0%
Total Revenues	2,894,514	3,207,512	3,127,004	2,889,324	(237,679)	(7.6)%
Positions by Division						
General Fund Administration	2.95	2.95	2.95	3.05	0.10	3.39%
General Fund Engineering Services	10.44	6.55	3.47	4.56	1.09	31.41%
General Fund Public Services: Streets	14.88	14.88	18.98	18.02	(0.96)	(5.04)%
General Fund Public Services: Structures and Grounds	18.34	18.34	18.16	18.81	0.65	3.58%
General Fund Public Services: Trees	13.31	12.93	12.93	13.41	0.48	3.71%
Total	59.92	55.65	56.49	57.85	1.36	2.41%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	78,727
Administrative Associate I	0.60	0.60	0.60	0.60	—	31,288
Administrative Associate II	2.65	2.63	2.63	2.65	0.02	180,084
Administrative Associate III	—	—	—	0.01	0.01	707
Assistant Director Public Works	1.30	1.28	0.85	0.87	0.02	139,145
Associate Engineer	0.30	0.30	0.30	0.30	—	28,633
Building Serviceperson	1.00	1.00	1.00	1.00	—	55,180
Building Serviceperson-Lead	1.80	1.80	1.80	1.80	—	106,329
Cement Finisher	—	—	3.00	3.00	—	238,404
Cement Finisher-Lead	—	—	0.26	0.26	—	22,107
Coordinator Public Works Projects	—	—	1.00	0.50	(0.50)	45,408
Director Public Works/City Engineer	1.00	1.00	1.00	1.00	—	204,755
Electrician	0.80	0.80	0.80	0.80	—	75,779
Engineer	0.30	0.30	0.40	0.66	0.26	73,713
Engineering Technician III	3.20	1.20	1.20	1.47	0.27	116,604
Equipment Operator	3.46	3.46	3.46	3.46	—	249,168
Facilities Carpenter	1.00	1.00	1.00	1.00	—	79,468
Facilities Maintenance-Lead	1.85	1.85	1.85	1.85	—	184,453
Facilities Mechanic	5.55	5.55	5.55	—	(5.55)	—
Facilities Painter	1.75	1.75	1.75	1.75	—	139,069
Facilities Technician	—	—	—	5.55	5.55	486,455
Heavy Equipment Operator	2.13	2.13	2.33	2.33	—	191,723
Heavy Equipment Operator-Lead	0.85	0.85	0.85	0.85	—	75,491
Inspector, Field Services	1.33	0.83	0.10	0.11	0.01	9,939
Landscape Architect Park Planner	—	—	0.10	0.10	—	11,864
Management Analyst	0.60	0.60	0.70	0.70	—	73,376
Manager Facilities	—	—	0.90	0.90	—	127,352
Manager Maintenance Operations	1.95	1.95	1.20	1.20	—	158,245
Manager Urban Forestry	1.00	0.96	0.96	0.96	—	132,946
Manager Watershed Protection	—	—	—	0.05	0.05	6,775
Planning Arborist	1.00	0.75	0.75	0.75	—	82,087
Project Engineer	0.30	0.30	0.40	0.50	0.10	56,913

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Project Manager	1.70	1.63	1.93	2.58	0.65	256,214
Senior Engineer	2.10	1.47	0.57	0.79	0.22	115,299
Senior Management Analyst	1.11	1.11	1.11	1.11	—	108,856
Senior Project Manager	0.10	0.10	0.10	0.10	—	14,507
Supervisor Inspection and Surveying	0.80	0.53	0.10	0.10	—	11,477
Surveyor, Public Works	0.78	0.31	0.10	0.33	0.23	30,176
Traffic Controller Maintainer-Lead	1.00	1.00	—	—	—	—
Traffic Controller Maintainer I	1.94	1.94	1.94	1.94	—	141,304
Traffic Controller Maintainer II	2.00	2.00	2.00	2.00	—	123,332
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	75,563
Tree Trim/Line Clear	7.00	7.00	7.00	7.00	—	520,702
Tree Trim/Line Clear-Lead	1.00	1.00	1.00	1.00	—	79,573
Sub-total: Full-Time Equivalent Positions	57.25	52.98	54.59	55.93	1.34	4,939,190
Temporary/Hourly	2.67	2.67	1.90	1.92	0.02	225,919
Total Positions	59.92	55.65	56.49	57.85	1.36	5,165,109

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	56.49	15,033,587	3,127,004	11,906,583
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
University Avenue Enhancements and Funding Realignments	—	(360,000)	—	(360,000)
Urban Forest Master Plan	—	(122,000)	—	(122,000)
Contractual Street Tree Pruning	—	(50,000)	—	(50,000)
Foothills Park Fire Management Plan- Roadside Clearing	—	(9,300)	—	(9,300)
New Position Technology Equipment	—	(3,500)	—	(3,500)
One-Time Prior Year Expenditures and Revenues	—	(544,800)	—	(544,800)
Adjustments to Costs of Ongoing Activities				

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Salary and Benefit Adjustment	—	307,928	—	307,928
Charges for Services Revenue Alignment	—	—	123,563	(123,563)
Public Works Division Reallocations from Development Services	0.60	100,173	—	100,173
Engineering Services Division FTE Reallocations	0.49	68,654	—	68,654
Public Services Division FTE Reallocations	0.65	48,922	—	48,922
Reclass 3.0 FTE Facilities Maintenance Workers to Facilities Technician	—	23,544	—	23,544
Reclass 1.0 FTE Manager Maintenance Operations to Project Engineer	—	15,601	—	15,601
San Francisquito Watershed Project City Contribution	—	6,000	—	6,000
Rents & Leases Expenditure Alignment	—	4,302	—	4,302
Temporary Salaries Adjustment	(0.38)	(47,903)	—	(47,903)
Parking Assessment District Technology Expenditures	—	(650)	—	(650)
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	401,040	—	401,040
Information Technology Allocated Charges Adjustment	—	57,649	—	57,649
Storm Drain Sales Allocated Charges Adjustment	—	27,655	—	27,655
Landfill Charges Allocated Charges Adjustment	—	13,758	—	13,758
Refuse Sales Allocated Charges Adjustment	—	3,572	—	3,572
Fiber Allocated Charges Adjustment	—	6,351	—	6,351
Green Sales to City Allocated Charges Adjustment	—	264	—	264
Print & Mail Allocated Charges Adjustment	—	(10,406)	—	(10,406)
General Liability Insurance Allocated Charges Adjustment	—	(339,453)	—	(339,453)
Public Works Administration Allocated Charges Adjustment	—	—	(405,943)	405,943
Adjustments to Costs of Ongoing Activities	1.36	687,001	(282,380)	969,381
Total FY 2017 Base Budget	57.85	15,175,788	2,844,624	12,331,164
Budget Adjustments				
1 Tree Trimming Services	—	568,930	—	568,930
2 Urban Forest Master Plan	—	200,000	—	200,000

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
3 Library Facilities Bed Bug Inspection and Maintenance	—	52,000	—	52,000
4 Urban Forest Individual Review	—	44,700	44,700	—
5 Municipal Services Center Security Guard Contract	—	29,600	—	29,600
Total Budget Adjustments	—	895,230	44,700	850,530
Total FY 2017 Proposed Budget	57.85	16,071,018	2,889,324	13,181,694



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Tree Trimming Services	0.00	568,930	0	568,930

This action adds \$568,930 to the base budget of \$410,000 for tree trimming services throughout the City. In Fiscal Year 2016, staff rebid the tree trimming contract and the lowest bidder submitted a proposal requiring an additional \$1.0 million to maintain services at current levels, which would provide for a 7-year tree maintenance cycle. With this recommendation, the tree maintenance cycle will be extended to 15 years and include services for parks and open space trees which were not serviced under the previous contract. (Ongoing: \$568,930)

Performance Results



This action will ensure that adequate resources are available to maintain the City's tree canopy; however, the cycle time will be increased as a result and if extended beyond Fiscal Year 2017, may increase tree mortality rates, failure and removals.

2 Urban Forest Master Plan	0.00	200,000	0	200,000

This action provides funding for the second year of the Urban Forest Master Plan in the amount of \$200,000. Funding in the amount of \$39,000 will support hiring of hourly and contract staffing, allowing permanent staff to continue focusing on programmatic elements of the plan. Funding in the amount of \$161,000 provides for expanding the existing Urban Forest software as well as the purchase of new software to better inventory and quantify benefits of the Urban Forest. (Ongoing: \$0)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund

Performance Results



This funding allows for continued implementation of the Urban Forest Master Plan, which serves as a guiding document for ensuring the careful, cost effective, and sustainable management of the City's tree infrastructure.

3 Library Facilities Bed Bug Inspection and Maintenance	0.00	52,000	0	52,000

In Fiscal Year 2016, two Palo Alto libraries were closed due to a bed bug contamination, a recent occurrence in many Bay Area libraries. Although bed bugs are not likely to spread disease, the Environmental Protection Agency (EPA) does classify bed bugs as a public health pest. In order to provide proper treatment for mitigation, this action provides \$52,000 in funding, of which \$30,000 will be used to provide regular inspections of all libraries and the balance of \$22,000 for treatment when and where necessary. (Ongoing: \$22,000)

Performance Results



This action provides sufficient resources for proactive inspections and treatments to ensure Library facilities and operations are not impeded.

4 Urban Forest Individual Review	0.00	44,700	44,700	0

This action adds a new Urban Forest Individual Review (IR) fee to the FY 2017 Municipal Fee Schedule and contract funding to provide Urban Forest Individual Review. The Urban Forestry Section currently reviews Individual Review (planning) applications for new two-story homes; however, there is no fee component included in the current IR fee to recuperate costs of providing this review. Staff is proposing a fee of \$559 to accommodate the estimated 80 Individual Review applications reviewed annually, for a total revenue estimate of \$44,700. In addition, staff is recommending a commensurate amount in contract funding for a qualified consulting arborist to review IR applications with an Urban Forest component. (Ongoing: \$44,700)

Performance Results



With the implementation of the new Urban Forest Individual Review fee, City Council cost recovery goals will be met.

5 Municipal Services Center Security Guard Contract	0.00	29,600	0	29,600

This action provides funding for a security guard contractor at the Municipal Services Center (MSC). Currently, the guard station at the MSC is unmanned and staff has noticed an increase in trespassing into the MSC. The new security guard contractor will ensure that only permitted vehicles and persons enter the MSC. The total cost of the security guard contract is estimated to be \$80,000 annually and will be shared proportionally by the MSC tenants. As a result, the cost sharing is \$29,600 for Public Works General Fund; \$28,800 for Utilities Admin; \$16,000 for Public Works Vehicle Maintenance & Replacement Fund; \$5,600 for Administrative Services General Fund. (Ongoing: \$16,000)

Performance Results



This action ensures that no unauthorized access to the Municipal Services Center will occur which may prevent loss or damage to City property.

REFUSE FUND

Description

Public Works provides refuse related services on a user charge basis to Palo Alto's residents and businesses. Refuse Fund goals are to minimize waste generation, maximize recycling and reuse to meet and exceed the City's Zero Waste goals, to protect the environment by safely collecting and disposing of hazardous household waste, and to maintain and monitor the City's closed landfill.

Accomplishments

- Successfully implemented a residential food scraps collection program citywide. Residents are now able to combine their food scraps, food soiled paper and compostable plastics with their yard trimmings in the green carts. The combined material is transported to a nearby facility where it is anaerobically digested to produce sustainable electricity and compost.
- Developed a commercial recycling and composting ordinance that will require everyone to subscribe to all three waste collection services (garbage, recycling and compost) and to sort their wastes properly. Implemented the first phase of the ordinance that included large generators, food service establishments and multi-family residences.
- Continued promoting an expanded home composting campaign in an effort to increase participation citywide. The expanded home composting campaign is a focused outreach and incentive-based campaign that emphasizes sustainable local composting for those who participate. Compost bins will be given to residents who take a free home composting workshop.
- Continued promoting a food waste reduction campaign focused on building local and regional partnerships and improving message outreach to create behavioral change.
- Completed the capping of the Palo Alto Landfill using an innovative environmentally friendly "evapo-transpirative" soil cap that saved the City \$1 million in costs from the original engineer's estimate and generated over \$1 million in revenue by accepting clean soils at the landfill. Received regulatory agency approval of the closure as well as regulatory agency approval to eliminate the closure financial assurance reserve.
- Completed the settlement repair of the previously closed sections of the landfill by importing soil, establishing drainage features, constructing pathways and seeding with native grasses.
- Began installation of a canopy over the City's Household Hazardous Waste Station unloading and sorting area to reduce stormwater impacts.

- Successfully implemented the transition to automated collection service for residents that resulted in new cart placement requirements, the change-out of all personal cans to carts and some changes to collection days. Conducted extensive outreach to residents and created alternative cart placement arrangements for challenging areas.

Initiatives

- Implement the second phase of the recycling and composting ordinance for mid-sized commercial customers. Continue outreach and training to achieve near 100% compliance with the ordinance on the first phase of commercial customers.
- Continue to develop strategies for and implement outreach campaigns to promote residential customer use of green carts to divert food scraps from landfilling and raise awareness of the benefits of composting and food waste reduction to localize sustainable material management.
- Implement a post closure inspection and maintenance program at the City's closed landfill with a goal of 100% regulatory compliance.
- Continue pilot program working with GoBox to develop and foster reusable takeout container service in the downtown area. Consider expanding the pilot area to other areas if effective in reducing disposable container waste.
- Develop and implement a downtown alley clean-up pilot with the goal of reducing litter and increasing diversion of waste from landfills.
- Develop a pilot to accept residents from PARWQCP partner cities at the City's Household Hazardous Waste (HHW) Station with a goal of offering a more convenient HHW drop off schedule and reduce the disposal of hazardous products down the drain.

Goals and Objectives

GOAL 1

Minimize waste generation and maximize recycling and reuse programs in order to achieve zero waste to landfills by 2021.

Objectives:

- Promote recycling, composting, and reuse through educational programs and outreach in order to increase public participation.
- Reduce landfilled waste by implementing the recycling and composting ordinance approved by Council in January 2016.

GOAL 2

Protect the environment by providing convenient, weekly local household hazardous waste collection services to residents and small businesses.

Objectives:

- Increase participation with the City's household hazardous waste collection services through educational programs and outreach.
- Promote the reuse of good household products to residents at the City's Household Hazardous Waste Station reuse storage cabinets.

GOAL 3

Effectively manage the City's closed landfill to meet all regulatory requirements and to minimize the impacts of post-closure maintenance on Byxbee Park users.

Objectives:

- Perform annual settlement repairs of the landfill areas to minimize the impacts of periodic larger repairs to park users.
- Develop and maintain a comprehensive preventative maintenance program for the landfill environmental control systems.

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percentage of commercial customers with compost service	26.00%	28.00%	N/A	33.00%	40.00%
Tons of materials collected by the City for recycling or composting	49,594	50,546	52,000	52,000	53,000

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
CIP Refuse Fund	1,661,485	2,251,098	1,469,460	240,522	(1,228,938)	(83.6)%
Refuse Administration	4,546,824	4,174,034	4,283,177	4,129,842	(153,335)	(3.6)%
Refuse Collection, Hauling and Disposal: Operations	5,221,628	5,313,757	4,888,959	5,422,561	533,602	10.9%
Refuse Collection, Hauling and Disposal: Payment to GreenWaste	13,942,606	14,381,492	15,779,523	16,252,909	473,386	3.0%
Refuse Solid Waste: Operations	2,918,144	2,637,257	3,301,857	3,291,430	(10,427)	(0.3)%
Refuse Street Sweeping	1,805,042	1,568,451	1,307,982	1,396,295	88,313	6.8%
Total	30,095,729	30,326,089	31,030,958	30,733,559	(297,399)	(1.0)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Healthcare	295,291	214,655	192,487	250,172	57,685	30.0%
Other Benefits	61,117	51,883	51,435	40,028	(11,407)	(22.2)%
Overtime	42,769	42,197	41,789	41,789	—	—%
Pension	372,627	313,090	339,522	385,625	46,103	13.6%
Retiree Medical	344,616	354,975	366,980	361,874	(5,106)	(1.4)%
Salary	1,781,878	1,619,171	1,372,268	1,486,259	113,991	8.3%
Workers' Compensation	34,351	64,275	29,052	20,894	(8,158)	(28.1)%
Total Salary & Benefits	2,932,648	2,660,245	2,393,534	2,586,641	193,107	8.1%
Allocated Charges	2,596,815	2,108,339	2,123,066	1,773,866	(349,201)	(16.4)%
Capital Improvement Program	1,634,687	2,169,658	1,316,750	240,522	(1,076,228)	(81.7)%
Contract Services	5,540,177	5,650,771	6,061,178	6,431,700	370,522	6.1%
Debt Service	616,667	577,583	565,440	564,841	(599)	(0.1)%
Facilities & Equipment	194	—	3,000	3,000	—	—%
General Expense	60,594	68,606	106,525	113,147	6,622	6.2%
Operating Transfers-Out	28,719	42,289	27,915	57,437	29,522	105.8%
Rents & Leases	2,638,452	2,538,983	2,482,251	2,546,790	64,539	2.6%
Supplies & Material	104,170	128,125	143,706	143,706	—	—%
Transfer to Infrastructure	—	—	28,070	19,000	(9,070)	(32.3)%
Utility Purchase	13,942,606	14,381,492	15,779,523	16,252,909	473,386	3.0%
Total Dollars by Expense Category	30,095,729	30,326,088	31,030,958	30,733,559	(297,399)	(1.0)%
Revenues						
Charges for Services	176,535	26,411	187,500	37,500	(150,000)	(80.0)%
Charges to Other Funds	298,322	300,932	250,552	275,932	25,380	10.1%
Net Sales	26,955,936	27,490,337	27,576,342	28,107,116	530,774	1.9%
Operating Transfers-In	124,187	1,060,927	—	13,325	13,325	—%
Other Revenue	3,011,336	3,677,792	2,431,150	2,546,150	115,000	4.7%
Other Taxes and Fines	5,270	5,800	—	—	—	—%
Rental Income	—	78,628	30,000	30,000	—	—%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Return on Investments	227,832	234,454	178,900	178,900	—	—%
Total Revenues	30,799,417	32,875,280	30,654,444	31,188,923	534,479	1.7%
Positions by Division						
CIP Refuse Fund	0.65	0.65	0.65	0.65	—	—%
Refuse Administration	0.54	0.59	0.48	0.43	(0.05)	(10.42)%
Refuse Collection, Hauling and Disposal: Operations	1.00	1.00	1.00	1.00	—	—%
Refuse Solid Waste: Operations	10.37	10.37	10.39	10.89	0.50	4.81%
Refuse Street Sweeping	9.39	3.64	2.68	2.68	—	—%
Total	21.95	16.25	15.20	15.65	0.45	2.96%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Account Specialist	0.15	0.15	0.15	0.10	(0.05)	6,349
Accountant	0.10	0.10	0.10	0.10	—	9,129
Assistant Director Public Works	0.35	0.35	0.35	0.35	—	62,229
Business Analyst	0.11	0.11	—	—	—	—
Chief Sustainability Officer	0.05	0.05	—	—	—	—
Coordinator Public Works Projects	1.00	1.00	1.00	—	(1.00)	—
Deputy Chief/Fire Marshal	0.04	0.04	0.03	0.03	—	4,847
Environmental Specialist	1.00	1.00	1.00	2.00	1.00	192,423
Facilities Maintenance-Lead	—	—	—	1.00	1.00	97,558
Hazardous Materials Inspector	0.02	0.02	0.02	0.02	—	2,794
Heavy Equipment Operator	0.71	—	—	—	—	—
Heavy Equipment Operator-Lead	0.71	—	—	—	—	—
Landfill Technician	1.00	1.00	1.00	1.00	—	91,460
Management Analyst	2.10	1.10	0.10	0.43	0.33	43,303
Manager Environmental Control Program	1.00	2.00	3.00	3.00	—	361,771
Manager Maintenance Operations	0.46	0.46	0.46	0.46	—	60,661
Manager Solid Waste	1.00	1.00	1.00	1.00	—	139,775

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Program Assistant I	1.00	1.00	1.00	1.00	—	68,948
Project Manager	0.20	0.20	0.20	0.20	—	18,416
Senior Accountant	0.10	0.10	0.10	0.10	—	11,144
Senior Management Analyst	0.08	0.08	0.08	0.08	—	9,593
Senior Technologist	0.11	0.11	—	—	—	—
Street Maintenance Assistant	—	—	—	1.00	1.00	50,684
Street Sweeper Operator	5.96	1.63	1.63	1.63	—	119,290
Surveyor, Public Works	0.11	0.11	0.35	—	(0.35)	—
Zero Waste Coordinator	2.00	2.00	2.00	1.00	(1.00)	87,200
Sub-total: Full-Time Equivalent Positions	19.36	13.61	13.57	14.50	0.93	1,437,574
Temporary/Hourly	2.59	2.64	1.63	1.15	(0.48)	111,654
Total Positions	21.95	16.25	15.20	15.65	0.45	1,549,228

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Refuse Fund
Prior Year Budget	15.20	31,030,958	30,654,444	376,514
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Transfer to Capital Improvement Fund for Municipal Services Center Lighting, Mechanical, and Electrical Improvements	—	(28,070)	—	(28,070)
One-Time Prior Year Expenditures and Revenues	—	(28,070)	—	(28,070)
Adjustments to Costs of Ongoing Activities				
Salary and Benefit Adjustment	(0.05)	94,448	—	94,448
GreenWaste Annual Contract Increase	—	473,386	—	473,386
SmartStation Annual Contract Increase	—	410,156	—	410,156
Rents & Leases Expenditure Alignment	—	64,539	—	64,539
Reclassification of 1.0 FTE Zero Waste Coordinator to Environmental Specialist	—	7,512	—	7,512
Management & Professional Development Alignment	—	5,750	—	—

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Refuse Fund
Reclassification of 1.0 FTE Coordinator Public Works to Facilities Maintenance Lead	—	5,187	—	5,187
Janitorial Services Funding Alignment	—	(40,233)	—	(40,233)
Commercial Refuse Hauling Service Rate Structure Modification	—	—	300,000	(300,000)
Residential Refuse Hauling Service Rate Structure Modification	—	—	263,000	(263,000)
Commercial Debris Boxes Rate Structure Modification	—	—	179,500	(179,500)
Industrial Refuse Hauling Service Rate Structure Modification	—	—	(100,000)	100,000
Capital Expenditure Funding Adjustment	—	(1,076,228)	(150,000)	(926,228)
Transfer to Information Technology Fund	—	29,522	—	29,522
Transfer to Capital Improvement Fund	—	(9,070)	13,325	(22,395)
Refuse Fund Capital Project Staffing Alignment	(0.35)	(41,554)	—	(41,554)
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	86,598	—	86,598
Refuse Sales Allocated Charges Adjustment	—	7,504	28,654	(21,150)
Storm Drain Sales Allocated Charges Adjustment	—	2,641	—	2,641
Print & Mail Allocated Charges Adjustment	—	(29,487)	—	(29,487)
General Fund Cost Allocation Plan Adjustment	—	(39,573)	—	(39,573)
Public Works Administration Allocated Charges Adjustment	—	(54,824)	—	(54,824)
Information Technology Allocated Charges Adjustment	—	(132,284)	—	(132,284)
General Liability Allocated Charges Adjustment	—	(189,776)	—	(189,776)
Adjustments to Costs of Ongoing Activities	(0.40)	(425,786)	534,479	(966,015)
Total FY 2017 Base Budget	14.80	30,605,172	31,188,923	(589,501)
Budget Adjustments				
1 Landfill Maintenance Staffing	0.52	71,978	—	71,978
2 Environmental Services Division Administration Staffing	0.33	56,409	—	56,409
Total Budget Adjustments	0.85	128,387	—	128,387
Total FY 2017 Proposed Budget	15.65	30,733,559	31,188,923	(461,114)



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Refuse Fund
1 Landfill Maintenance Staffing	0.52	71,978	0	71,978

This action converts a 0.48 FTE Maintenance Assistant hourly position to a 1.0 full-time equivalent position in response to changing workload requirements as a result of the completion of the Landfill Capping project. Due to the changing nature of the landfill, a full-time position is required to monitor methane gas related to the 109 gas wells at the landfill, service the 23 leachate pumps, 17 condensate submersible pumps and the newly prepared pump cleaning station at the landfill's post-closure maintenance facility. With the additional hours, the Maintenance Assistant will also address minimum staffing requirements needed to service the landfill.

Performance Results

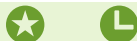


With the additional hours provided, landfill maintenance staff will have the necessary resources to service the landfill in the post-closure environment to ensure all regulatory and safety requirements are met.

2 Environmental Services Division Administration Staffing	0.33	56,229	0	56,229

This action adds a 1.0 FTE Management Analyst position to the Environmental Services Division in the Public Works department and is a 33%/67% cost share between the Refuse Fund and the Wastewater Treatment Fund. Currently, the Environmental Services Division is the only Public Works division without a dedicated full-time analyst to serve as liaison for the division, managing administrative staff, providing operating and capital budget analysis, project tracking, procurement oversight, and providing general administrative oversight. Further, the Management Analyst will assist division managers with ongoing sustainability efforts, rate structure assessments, and serve as a central point of contact for the division.

Performance Results



This addition of this position fills a critical need in the Environmental Services Division to provide vital analytical and administrative support for division managers.

STORM DRAINAGE FUND

Description

The City's Storm Drainage services are funded through user fees charged to property owners of developed parcels in Palo Alto. Storm Drainage Fund activities include operation, maintenance, replacement and augmentation of the storm drainage system to ensure adequate local drainage. Storm Drainage Fund goals include reduction of stormwater runoff and stormwater quality protection for discharge to creeks and San Francisco Bay.

Accomplishments

- Started construction of the final phase of the high-priority Channing/Lincoln Avenue Storm Drain Improvement Project; installation of new storm drain along Lincoln Avenue between Middlefield Road and Alma Street to reduce local street flooding.
- Completed design for capacity upgrades to the Matadero Creek Storm Water Pump Station, improving storm drain system performance for a 1,200-acre low-lying area of the Midtown and Palo Verde neighborhoods.
- Convened a blue ribbon committee of residents to provide recommendations to the city manager on future funding of the Storm Drainage Fund in light of the upcoming June 2017 sunset of the fee structure approved by property owners in 2005.
- Completed projects to-date include San Francisquito Creek Storm Water Pump Station, Gailen/Bibbitts Storm Drain Improvements, Alma Street Storm Drain Improvements, Clara Drive Storm Drain Improvements, Southgate Neighborhood Storm Drain Improvements and phases 1 and 2 of the Channing/Lincoln Storm Drain Improvements (phase 3 is currently under construction).
- Expanded Polystyrene Ordinance, which regulates sale and use of certain polystyrene products in Palo Alto to include food service ware, coolers, and other items.
- Actively participated in the negotiation of the countywide Municipal Regional Permit for stormwater.

Initiatives

- Complete the remaining high-priority storm drain projects outlined in the 2005 storm drainage fee ballot measure.
- Secure City Council approval of the Storm Drain Blue Ribbon Committee recommendations for future Storm Drainage Fund programs and capital improvements and an associated funding plan, potentially including a storm drain funding ballot measure to be presented to property owners for approval in fall 2016.
- Work cooperatively with San Francisquito Creek Joint Powers Authority on implementing the Bay-to-Highway 101 flood control project, providing flood protection to residents and businesses along lower San Francisquito Creek.
- Commence development of a green infrastructure plan for the City to comply with new State of California stormwater regulations.
- Comply with new Municipal Regional Permit for stormwater regulations.

Goals and Objectives

GOAL 1

Effectively manage the storm drain system to ensure adequate local drainage.

Objectives:

- Complete construction of the last phase of the Channing/Lincoln Avenue Storm Drain Improvements project.
- Substantially complete the construction of capacity upgrades to the Matadero Creek Storm Water Pump Station serving the Midtown and Palo Verde neighborhoods.
- Assist San Francisquito Creek Joint Powers Authority with the implementation of the Bay-to-Highway 101 flood control project to protect people and property from flooding along lower San Francisquito Creek.
- Systematically clean storm drain lines to prevent backups and ponding on city streets.

GOAL 2

Reduce storm water runoff and protect the quality of waters discharged to creeks and San Francisco Bay.

Objectives:

- Continue implementation of measures, including green infrastructure planning, to comply with the new Municipal Regional Stormwater Discharge Permit (MRP 2.0) adopted in late 2015.
- Conduct regular inspections of commercial facilities, industrial facilities and construction sites to ensure compliance with storm water discharge regulations.

- Implement our Long-Term Trash Reduction Plan in order to achieve a 70% reduction in the volume of trash entering local creeks and San Francisco Bay through local storm drains, as required in the MRP 2.0.

Key Performance Measures

CITIZEN SURVEY - STORM DRAIN

Goal	Effectively manage the storm drainage system to ensure adequate local drainage.				
Objective	Increase rating given by residents for quality of storm drainage.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent rating the quality of storm drainage good or excellent	80.00%	71.00%	80.00%	80.00%	80.00%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of storm drain management. The NCS is a collaborative effort between the National Research Center, Inc. and the International City/County Management Association. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinion about the quality of life in the community.				
Purpose	To obtain feedback from residents on whether storm drains are being maintained adequately in order to determine if the program's resources are appropriate.				
Status	The Department has been achieving between 71 and 80 percent satisfaction and is estimating to maintain a 80 percent rating, which is above the benchmark of other cities.				

NUMBER OF CAPITAL PROJECTS ON THE 2005 STORM DRAINAGE FEE BALLOT MEASURE COMPLETED

Goal	Effectively manage the storm drainage system to ensure adequate local drainage.				
Objective	To manage a capital improvement program that utilizes annual revenues and staff resources in an efficient manner in order to complete the seven capital improvement projects that were identified in the 2005 storm drainage fee ballot measure before the fee sunsets in June 2017.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of projects completed (Storm Drain)	4	5	5	6	7
Description	Public Works Engineering Services staff manages a capital improvement program to increase the capacity and maintain the condition of the storm drainage system infrastructure in accordance with the 2005 storm drainage fee ballot measure approved by a majority of property owners.				
Purpose	The storm drain system must be improved and maintained on a regular basis so that it will continue to provide service to the community.				
Status	Staff has completed five of the seven capital improvement projects identified in the 2005 Storm Drainage Fee Measure, and has the final two projects scheduled for completion in FY 2017 (prior to the June 2017 fee sunset).				

PERCENT OF INSPECTIONS IN COMPLIANCE WITH STORM WATER REGULATIONS

Goal	Reduce stormwater runoff and protect the quality of waters discharged to creeks and San Francisco Bay.				
Objective	Conduct regular inspections to ensure compliance.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of inspections in compliance with storm water regulations	79.00%	83.00%	80.00%	80.00%	80.00%
Description	Watershed Protection staff conducts a comprehensive program of public outreach and education, site inspections, and enforcement actions in order to prevent pollutants from contaminating stormwater runoff. Inspections are conducted at industrial facilities, commercial facilities, construction sites and other outdoor activities. Industrial facilities include varied activities such as research, laboratories, manufacturing, and other processing. Commercial facilities typically serve the public and include categories such as photo shops, food service establishments, dry cleaners, dentists, and other sales or services.				
Purpose	Stormwater pollution prevention activities are required by the Municipal Regional Stormwater Discharge Permit issued to the City by the San Francisco Bay Regional Water Quality Control Board. Controlling pollutant discharges to the storm drain system helps to improve the water quality in local creeks and San Francisco Bay.				
Status	Watershed Protection staff conducts an inspection program for industrial and commercial facilities and assesses them for compliance with stormwater regulations. In FY 2015, inspected sites included 39 industries, 106 automotive facilities and approximately one third of the 363 restaurants on the inspection list. The FY 2015 estimated compliance rate was reduced from the adopted 87% to 80% based on the previous year as well as data to date, indicating that many new businesses are being inspected that may not yet be aware of the requirements. Watershed Protection staff educates these businesses on what it takes to be in compliance with stormwater regulations.				

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
CIP Storm Drainage Fund	1,450,517	1,997,511	9,001,046	7,705,408	(1,295,638)	(14.4)%
Storm Drainage Administration	592,644	642,955	937,296	1,079,934	142,639	15.2%
Storm Drainage Miscellaneous	441,853	419,956	776,520	961,412	184,892	23.8%
Storm Drainage Operations and Maintenance	1,544,128	1,763,750	1,993,027	2,162,693	169,666	8.5%
Storm Drainage Systems Improvement Flood Control	161,108	132,021	119,885	140,516	20,632	17.2%
Total	4,190,250	4,956,193	12,827,774	12,049,964	(777,810)	(6.1)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Healthcare	199,521	201,833	161,229	155,369	(5,860)	(3.6)%
Other Benefits	26,578	26,763	25,689	22,086	(3,603)	(14.0)%
Overtime	30,098	51,113	49,429	49,429	—	—%
Pension	234,892	198,264	203,204	221,026	17,822	8.8%
Retiree Medical	75,176	45,811	51,214	63,585	12,371	24.2%
Salary	665,991	681,761	779,251	820,955	41,705	5.4%
Workers' Compensation	7,609	6,519	6,434	15,129	8,695	135.1%
Total Salary & Benefits	1,239,863	1,212,064	1,276,448	1,347,579	71,130	5.6%
Allocated Charges	739,196	963,829	995,955	1,176,104	180,148	18.1%
Capital Improvement Program	1,269,045	1,794,596	8,819,746	7,705,408	(1,114,338)	(12.6)%
Contract Services	367,002	447,347	460,754	531,379	70,625	15.3%
Debt Service	435,711	404,493	949,300	949,300	—	—%
Facilities & Equipment	—	—	7,621	7,621	—	—%
General Expense	9,234	16,453	171,900	179,260	7,360	4.3%
Operating Transfers-Out	41,757	15,463	5,970	12,112	6,142	102.9%
Rents & Leases	33,102	34,895	45,079	46,201	1,122	2.5%
Supplies & Material	55,339	67,054	95,000	95,000	—	—%
Total Dollars by Expense Category	4,190,250	4,956,193	12,827,774	12,049,963	(777,810)	(6.1)%
Revenues						
Charges for Services	114,308	70,944	90,000	90,000	—	—%
Net Sales	6,064,331	6,206,943	6,112,770	6,604,644	491,874	8.0%
Operating Transfers-In	13,723	—	—	—	—	—%
Other Revenue	5,553	63	—	—	—	—%
Other Taxes and Fines	—	(1,403)	2,500	2,500	—	—%
Return on Investments	159,627	158,873	129,700	129,700	—	—%
Total Revenues	6,357,542	6,435,420	6,334,970	6,826,844	491,874	7.8%
Positions by Division						
CIP Storm Drainage Fund	2.20	2.20	2.15	2.17	0.02	0.93%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Storm Drainage Administration	0.69	0.69	0.65	0.60	(0.05)	(7.69)%
Storm Drainage Operations and Maintenance	7.00	6.78	6.98	6.98	(0.00)	(0.02)%
Storm Drainage Systems Improvement Flood Control	0.70	0.52	0.54	0.59	0.05	9.26%
Total	10.59	10.19	10.32	10.34	0.02	0.18%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Account Specialist	0.15	0.15	0.15	0.10	(0.05)	6,349
Accountant	0.05	0.05	0.05	0.05	—	4,564
Administrative Associate I	0.10	0.10	0.10	0.10	—	5,362
Administrative Associate II	0.15	0.15	0.15	0.15	—	10,193
Administrative Associate III	0.10	0.10	0.10	0.10	—	7,074
Assistant Director Public Works	0.20	0.20	0.20	0.20	—	32,220
Associate Engineer	—	—	—	0.19	0.19	16,176
Business Analyst	0.02	0.02	—	—	—	—
Electrician	0.10	0.10	0.10	0.10	—	8,548
Electrician-Lead	1.00	1.00	1.00	1.00	—	101,411
Engineer	1.00	1.00	1.00	0.90	(0.10)	102,336
Engineering Technician III	0.30	0.20	0.20	0.25	0.05	18,616
Equipment Operator	0.54	0.54	0.54	0.54	—	39,590
Heavy Equipment Operator	0.90	0.90	0.90	0.90	—	74,720
Heavy Equipment Operator-Lead	1.15	1.15	1.15	1.15	—	102,134
Industrial Waste Inspector	0.20	0.19	0.19	0.19	—	15,753
Industrial Waste Investigator	1.20	0.99	0.99	0.80	(0.19)	74,536
Management Analyst	0.20	0.20	0.20	0.20	—	20,493
Manager Environmental Control Program	0.40	0.40	0.40	0.40	—	48,555
Manager Maintenance Operations	0.50	0.50	0.50	0.50	—	52,842
Project Engineer	0.85	0.81	0.83	0.83	—	101,577
Project Manager	0.15	0.15	0.15	0.15	—	13,812

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Senior Accountant	0.10	0.10	0.10	0.10	—	11,144
Senior Engineer	0.80	0.76	0.76	0.76	—	118,305
Senior Technologist	0.02	0.02	—	—	—	—
Surveyor, Public Works	—	—	—	0.12	0.12	10,973
Technologist	0.30	0.30	0.30	0.30	—	38,649
Traffic Controller Maintainer I	0.06	0.06	0.06	0.06	—	4,370
Sub-total: Full-Time Equivalent Positions	10.54	10.14	10.12	10.14	0.02	1,040,302
Temporary/Hourly	0.05	0.05	0.20	0.20	(0.00)	19,624
Total Positions	10.59	10.19	10.32	10.34	0.02	1,059,926

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Storm Drainage Fund
Prior Year Budget	10.32	12,827,774	6,334,970	6,492,804
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salary and Benefit Adjustment	(0.05)	67,645	—	67,645
Santa Clara Urban Runoff Pollution Prevention Program and National Pollutant Discharge Elimination System Permit Fees	—	20,625	—	20,625
Public Works Division Position Reallocations from Development Services	0.05	5,509	—	—
Management & Professional Development Alignment	—	2,360	—	2,360
Rents & Leases Expenditure Alignment	—	1,122	—	1,122
Transfer to Information Technology Fund	—	6,142	—	6,142
Capital Expenditure Funding Adjustment	—	(1,114,338)	—	(1,114,338)
Storm Drainage Fund Capital Project Staffing Alignment	0.02	(2,024)	—	(2,024)
Technology Fund Allocated Charges Adjustment	—	131,814	—	131,814
General Fund Cost Allocation Plan Adjustment	—	66,215	—	66,215
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	51,869	—	51,869

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Storm Drainage Fund
Storm Drain Sales Allocated Charges Adjustment	—	97	298,151	(298,054)
Print & Mail Allocated Charges Adjustment	—	(7,147)	—	(7,147)
Public Works Administration Allocated Charges Adjustment	—	(41,117)	—	(41,117)
General Liability Insurance Allocated Charges Adjustment	—	(21,583)	—	(21,583)
Adjustments to Costs of Ongoing Activities	0.02	(832,811)	298,151	(1,114,888)
Total FY 2017 Base Budget	10.34	11,994,963	6,633,121	5,377,916
Budget Adjustments				
1 Storm Drainage Fee and Storm Rate Rebate Consumer Price Increase Adjustments	—	5,000	193,723	(188,723)
2 Green Infrastructure Plan	—	50,000	—	50,000
Total Budget Adjustments	—	55,000	193,723	(138,723)
Total FY 2017 Proposed Budget	10.34	12,049,963	6,826,844	5,377,916

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Storm Drainage Fund
1 Storm Drainage Fee and Storm Rate Rebate Consumer Price Increase Adjustments	0.00	5,000	193,723	(188,723)

This action provides \$5,000 in additional expenses for Storm Water Rebates related to rain barrels, permeable pavement, cisterns, and green roofs. The goal of the rebate program is to help Palo Alto residents, businesses, and City departments implement measures that will reduce the amount of runoff flowing into the storm drain system and/or improve the quality of that runoff. Further, this action recognizes an additional \$193,723 in Storm Drainage fee revenue, a factor equivalent to the Consumer Price Index (CPI) for San Francisco Bay Area for 2016. As approved by the voters in the April 2005 ballot initiative, Storm Drainage fees can be increased annually by the CPI. (Ongoing: \$5,000)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Storm Drainage Fund

Storm water runoff quality will improve and the volume of runoff will be reduced. Further, the CPI increase will ensure that the Storm Drain fund has adequate resources for operations and capital investments.

2 Green Infrastructure Plan	0.00	50,000	0	50,000

This action adds \$50,000 in one-time funding for the Green Infrastructure Plan framework to satisfy regulatory requirements for the new Municipal Regional Permit due June 2017. The Plan is intended to describe how co-permittees will shift their impervious surfaces and storm drain infrastructure from traditional, runoff flowing directly into the storm drain, to a green, sustainable system that slows runoff by dispersing it to vegetated areas, harvests and uses runoff, promotes infiltration and evapotranspiration, and uses bio-retention and other green infrastructure practices to clean stormwater runoff. The plan will also identify means and methods to prioritize particular areas and projects within each co-permittee's jurisdiction, at appropriate geographic and time scales, for implementation of green infrastructure projects. (Ongoing: \$0)

Performance Results



The resulting Green Infrastructure Plan will ensure Storm Drain operations are compliant with all current regulatory requirements.

WASTEWATER TREATMENT FUND

Description

The City's Regional Water Quality Control Plant (RWQCP) operates 24 hours a day to treat all wastewater from the five partner cities' regional service area (Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto Sanitary District) and to ensure the compliance with regulations protecting the San Francisco Bay and the environment.

Accomplishments

- Completed implementation of a system to provide permanent alkalinity adjustments that address regulatory limits in the plant's treated final effluent after experiencing two pH violations in late 2014. As the pH of the Water Quality Control Plant's effluent has become too low, magnesium hydroxide is now being added to raise the pH, reduce acidity, and meet the regulatory limit. This addition is a new, ongoing cost to the Water Quality Control Plant.
- Completed an Environmental Impact Report for a new pipeline system to deliver recycled water to south Palo Alto and the Stanford Research Park along Page Mill Road. This new system is the third phase of the Master Plan for Recycled Water approved by Council.
- Kept the plant running while addressing aging infrastructure, including emergency repairs in October at the dual media filter facility upon failure of a bypass isolation plug that led to facility flooding and in the secondary treatment system in July upon the failure of pipe supports for a 42-inch diameter pipe.
- Compliance with new and comprehensive Clean Air Act and Bay Area Air Quality Management District rules and regulations for the Plant's sewage sludge incinerators.
- Completed Mitigated Negative Declaration environmental documentation for the sludge dewatering and truck loadout facility and completed 100% design of the project. When complete, the two sludge-burning incinerators will be retired.
- Awarded a contract for Advanced Water Purification Feasibility Study to improve recycled water quality.

Initiatives

- Complete State Revolving Fund loan financing for sludge dewatering and truck loadout facility. Complete planning and design for fixed film reactor and primary sedimentation tank rehabilitations, and the lab/environmental services building as part of fulfilling the Long Range Facilities Plan.
- Award a construction contract for the sludge dewatering and truck loadout facility.
- Complete core tasks of the Advanced Water Purification Feasibility Study to improve recycled water quality.
- Award a contract for a recycled water strategic plan and groundwater study of indirect potable reuse.

Goals and Objectives

GOAL 1

Protect the environment and the public's health.

Objectives:

- Conduct regular inspections of commercial permittees to ensure compliance with all regulations.
- Complete new capital improvement projects to ensure the plant's reliability.
- Conduct ongoing operation and maintenance.

GOAL 2

Operate high quality, cost-effective and visually neutral facilities.

Objectives:

- Mitigate cost increases through effective maintenance of equipment and analysis of potential operational efficiencies.

Key Performance Measures

DISCHARGE TESTS IN COMPLIANCE

Goal	Protect the environment and the public's health.				
Objective	Maintain 99% discharge test compliance.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of wastewater treatment discharge tests in compliance	99.77%	99.40%	99.00%	99.00%	99.00%
Description	The plant has numerous effluent limits and requirements to meet as part of its NPDES discharge permit for water discharged to the south San Francisco Bay. 100 percent compliance with these limits is the goal of the city; the RWQCP normally achieves these levels of compliance.				
Purpose	The percent discharge tests in compliance is an indicator of the compliance of the RWQCP treatment system's final water with the limits established in the NPDES discharge permit.				
Status	Over 99% of discharge tests are expected to be in compliance with discharge limits.				

PERCENT OF PASSED FISH ACUTE TOXICITY BIOASSAY TESTS

Goal	Protect the environment and the public's health.				
Objective	Obtain fish acute toxicity bioassays with 100% survival.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of passed fish acute toxicity bioassay tests	100.00%	100.00%	100.00%	100.00%	100.00%
Description	Percent of acute fish toxicity bioassay tests passed with 100% survival.				
Purpose	Fish survival in the bioassay is an indicator that plant discharges to the Bay are safe for receiving water marine life.				
Status	In Fiscal Year 2014, all acute toxicity bioassay tests passed with 100% survival rate.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Millions of gallons of recycled water delivered	208	200	250	250	250
Millions of gallons processed by the Palo Alto Regional Water Quality Control Plant	7,186	6,512	7,420	6,692	6,692
Number of inspections performed annually	443	450	355	450	450

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
CIP Wastewater Treatment Fund	3,252,622	3,942,615	15,420,413	29,171,113	13,750,699	89.2%
Wastewater Treatment Systems Improvement Operations	14,026,176	15,454,625	14,706,867	15,242,863	535,996	3.6%
Wastewater Treatment Administration	572,962	150,934	3,210,392	4,392,669	1,182,277	36.8%
Wastewater Treatment Environmental Compliance	3,365,615	3,231,508	3,262,685	3,585,331	322,646	9.9%
Total	21,217,375	22,779,682	36,600,357	52,391,975	15,791,618	43.1%
Dollars by Category						
Salary & Benefits						
Healthcare	1,195,498	1,241,619	1,300,058	1,391,730	91,672	7.1%
Other Benefits	182,239	176,763	185,434	153,519	(31,915)	(17.2)%
Overtime	320,264	319,520	310,126	310,126	—	—%
Pension	1,383,872	1,161,782	1,705,555	1,907,929	202,374	11.9%
Retiree Medical	601,837	818,840	867,451	816,321	(51,130)	(5.9)%
Salary	5,583,274	6,049,547	6,602,553	7,175,029	572,477	8.7%
Workers' Compensation	222,057	126,044	187,771	98,482	(89,289)	(47.6)%
Total Salary & Benefits	9,489,042	9,894,116	11,158,947	11,853,137	694,189	6.2%
Allocated Charges	4,689,962	4,998,053	5,187,010	5,220,764	33,755	0.7%
Capital Improvement Program	3,250,898	3,942,436	15,224,796	29,171,113	13,946,316	91.6%
Contract Services	1,458,586	1,401,097	1,888,354	1,878,354	(10,000)	(0.5)%
Debt Service	546,780	514,387	816,937	1,468,851	651,914	79.8%
Facilities & Equipment	4,809	1,427	7,500	7,500	—	—%
General Expense	450,765	351,575	431,040	479,483	48,443	11.2%
Operating Transfers-Out	—	13,572	—	320,000	320,000	—%
Rents & Leases	12	—	—	—	—	—%
Supplies & Material	1,326,522	1,663,018	1,885,773	1,992,773	107,000	5.7%
Total Dollars by Expense Category	21,217,375	22,779,682	36,600,357	52,391,974	15,791,617	43.1%
Revenues						
Charges to Other Funds	51,968	59,566	51,500	51,500	—	—%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
From Other Agencies	—	—	—	21,340,874	21,340,874	—%
Net Sales	18,390,132	23,958,834	23,205,379	26,848,624	3,643,246	15.7%
Operating Transfers-In	58,660	—	—	—	—	—%
Other Revenue	2,358	102,619	—	—	—	—%
Other Taxes and Fines	2,000	1,000	4,000	4,000	—	—%
Return on Investments	331,731	251,940	199,200	199,200	—	—%
Total Revenues	18,836,849	24,373,959	23,460,078	48,444,198	24,984,120	106.5%

Positions by Division

CIP Wastewater Treatment Fund	0.30	0.30	0.30	1.30	1.00	333.33%
Wastewater Treatment Systems Improvement Operations	55.63	56.13	55.69	56.36	0.67	1.20%
Wastewater Treatment Administration	0.69	0.74	0.64	0.59	(0.05)	(7.81)%
Wastewater Treatment Environmental Compliance	13.80	13.49	13.74	15.22	1.48	10.77%
Total	70.42	70.66	70.37	73.47	3.10	4.40%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Account Specialist	0.15	0.15	0.15	0.10	(0.05)	6,349
Accountant	0.25	0.25	0.25	0.25	—	22,822
Administrative Associate II	2.00	2.00	2.00	2.00	—	135,914
Assistant Director Public Works	0.75	0.75	0.75	0.75	—	139,339
Assistant Manager WQCP	2.00	2.00	2.00	2.00	—	257,335
Associate Engineer	1.50	1.35	1.35	1.80	0.45	169,071
Buyer	1.00	1.00	1.00	—	(1.00)	—
Chemist	3.00	3.00	3.00	3.00	—	267,383
Chief Sustainability Officer	0.05	0.05	—	—	—	—
Deputy Chief/Fire Marshal	0.04	0.04	0.04	0.04	—	6,462
Electrician	2.90	2.90	2.90	2.90	—	266,381
Electrician-Lead	1.00	1.00	1.00	1.00	—	101,410

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Environmental Specialist	1.00	1.00	1.00	—	(1.00)	—
Hazardous Materials Inspector	0.02	0.02	0.02	0.02	—	2,794
Industrial Waste Inspector	2.80	2.80	2.80	2.80	—	232,156
Industrial Waste Investigator	0.80	0.80	0.80	0.35	(0.45)	32,609
Laboratory Technician WQC	2.50	3.00	3.00	3.00	—	230,854
Maintenance Mechanic	7.00	7.00	7.00	7.00	—	613,083
Management Analyst	—	—	—	0.67	0.67	66,446
Manager Environmental Control Program	1.60	1.50	1.50	1.50	—	186,741
Manager Laboratory Services	1.00	1.00	1.00	1.00	—	131,954
Manager Water Quality Control Plant	1.00	1.00	1.00	1.00	—	169,915
Manager Watershed Protection	1.00	0.95	0.95	0.95	—	128,736
Program Assistant II	2.00	2.00	2.00	2.00	—	148,228
Project Engineer	1.00	1.00	1.00	1.00	—	122,384
Project Manager	—	—	—	1.00	1.00	99,840
Senior Accountant	0.10	0.10	0.10	0.10	—	11,144
Senior Buyer	—	—	—	1.00	1.00	90,544
Senior Chemist	1.00	1.00	1.00	1.00	—	101,390
Senior Engineer	1.00	1.00	1.00	3.00	2.00	410,029
Senior Industrial Waste Investigator	1.00	0.99	0.99	0.99	—	98,675
Senior Management Analyst	0.13	0.13	0.13	0.13	—	14,312
Senior Mechanic	1.00	1.00	1.00	1.00	—	96,451
Senior Operator WQC	6.00	6.00	6.00	6.00	—	614,112
Senior Technologist	1.00	1.00	1.00	1.00	—	128,107
Storekeeper	1.00	1.00	1.00	1.00	—	66,098
Supervisor WQCP Operations	3.00	3.00	3.00	3.00	—	326,434
Technologist	0.70	0.70	0.70	0.70	—	90,182
WQC Plant Operator II	16.00	16.00	16.00	16.00	—	1,404,618
Sub-total: Full-Time Equivalent Positions	68.29	68.48	68.43	71.05	2.62	6,990,302
Temporary/Hourly	2.13	2.18	1.94	2.42	0.48	359,291
Total Positions	70.42	70.66	70.37	73.47	3.10	7,349,593

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Treatment Fund
Prior Year Budget	70.37	36,300,357	23,460,078	12,590,634
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salary & Benefit Adjustment	(0.05)	411,822	—	411,822
Tributary Agencies Contribution Adjustment	—	—	3,062,928	(3,062,928)
California Regional Water Quality Control Board Testing Requirements	—	75,000	—	75,000
Wastewater Treatment Plant Maintenance General Expenses	—	32,000	—	32,000
Management & Professional Development Alignment	—	15,389	—	15,389
National Pollutant Discharge Elimination System (NPDES) Permit Fees	—	15,000	—	15,000
Reclass 1.0 FTE Environmental Specialist to Project Manager	—	14,483	—	14,483
Reclass 2.0 FTE Buyers to Senior Buyers (Administrative Services Department)	—	1,266	—	1,266
Watershed Protection Division FTE Funding Shift	—	(11,736)	—	(11,736)
Capital Improvement Funding Adjustment	—	13,946,316	21,340,874	(7,394,558)
Debt Service Principal and Interest Adjustment	—	651,914	—	651,914
Information Technology Allocated Charges Adjustment	—	178,787	—	178,787
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	78,210	—	78,210
Storm Drain Sales Allocated Charges Adjustment	—	28,829	—	28,829
Green Sales to City Allocated Charges Adjustment	—	2,254	—	2,254
Utilities Allocated Charges Adjustment	—	367	—	367
Refuse Sales Allocated Charges Adjustment	—	494	—	494
Print & Mail Allocated Charges Adjustment	—	(7,163)	—	(7,163)
Public Works Administration Allocated Charges Adjustment	—	(54,824)	—	(54,824)
General Liability Insurance Allocated Charges Adjustment	—	(88,511)	—	(88,511)
General Fund Cost Allocation Plan Adjustment	—	(104,688)	—	(104,688)
Adjustments to Costs of Ongoing Activities	—	15,185,209	24,403,802	(9,218,593)
Total FY 2017 Base Budget	70.32	51,485,566	47,863,880	3,372,041

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Treatment Fund
Budget Adjustments				
1 Replace Flatbed Crane Truck	—	320,000	204,864	115,136
2 Wastewater Treatment Capital Program Staffing	1.00	223,107	142,833	80,274
3 Wastewater Treatment Recycled Water Program Staffing	1.00	223,107	142,833	80,274
4 Environmental Services Division Administration Staffing	1.15	140,194	89,788	50,406
Total Budget Adjustments	3.15	906,408	580,318	326,090
Total FY 2017 Proposed Budget	73.47	52,391,974	48,444,198	3,698,131

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Wastewater Treatment Fund
1 Replace Flatbed Crane Truck	0.00	320,000	204,864	115,136

This action provides \$320,000 in one-time funding to replace a 1986 GMC 700 truck with a 23-ton rated flatbed crane used at the Wastewater Treatment Plant to lift various loads. The vehicle is approximately 30 years old and has exceeded its useful life and has been subject to frequent repairs resulting in availability issues. When the crane truck is out of service, the plant must procure contracted and insured crane operator which creates delays and disrupts the workflow of operation and maintenance activities. The proposed replacement boom truck will also be a 23-ton crane truck with a 100-foot boom extension to reach additional wastewater storage tanks not serviceable with the existing crane. The new crane truck will have new safety features and will also be able to: 1. lower workers into locations not accessible by ladder; 2. add filter media (anthracite coal) into the Dual Media Filter facility filters; 3. help position parts and tools at the top of the fixed film reactors; and 4. assist contractors with time sensitive work, safely speeding up projects, additionally saving the cost of contracted crane operators and equipment. The cost of this proposal is offset through the City's partnership agreement with participating tributary agencies. (Ongoing: \$0)

Performance Results

The new crane truck will result in fewer delays in operations and maintenance work at the Wastewater Treatment Plant as well as cost savings for repair, maintenance, and contract support.

2 Wastewater Treatment Capital Program Staffing	1.00	223,107	142,833	80,274

This action adds a 1.0 FTE Senior Engineer to support the Wastewater Treatment Plant's \$200 million capital improvement project. The City's Wastewater Treatment Plant is 44 years old with aging major infrastructure, critically needed to be kept in a state of repair, renewal, and upgrade. The current engineering group consists of a 1.0 FTE Senior Engineer and a 1.0 FTE Project Engineer. Under the current model, resources are allocated to projects related to maintenance of the existing plant while proposed improvements are being deferred. With the additional Senior Engineer position, adequate resources will be available to devote to maintenance projects as well as completing projects related to the \$200 million renovation of the Wastewater Treatment Plant. The cost of this proposal is offset through the City's partnership agreement with participating tributary agencies. (Ongoing: \$220,465)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Wastewater Treatment Fund

With the additional 1.0 FTE Senior Engineer, deferred maintenance projects will be completed in addition to projects related to the overhaul of the plant.

3 Wastewater Treatment Recycled Water Program Staffing	1.00	223,107	142,833	80,274

This action adds a 1.0 FTE Senior Engineer position to support the Watershed Section's Recycled Water Program. The Watershed Protection Group is the regulatory and planning arm of the Wastewater Treatment Plant. The current drought has increased the appeal of producing more recycled water to be used for non-potable sources. In November 2015, City Council approved an Environmental Impact Report to expand recycled water to South Palo Alto and Stanford Research Park. Beginning in 2015, the City became a participating agency in a Joint Recycled Water Committee with the Santa Clara Valley Water District, City of Mountain View and the City of East Palo Alto. Currently, the Watershed Section is without a dedicated staff person to coordinate these initiatives. The new Senior Engineer position will help increase participation in the Recycled Water Truck Fill program, which has increased from less than 10 permits to over 60 permits. The Senior Engineer will also ensure that the Recycled Water program is in compliance with new Recycled Water regulations and will implement future nutrient reduction efforts that may be required in the next permit cycle. The cost of this proposal is offset through the City's partnership agreement with participating tributary agencies. (Ongoing: \$220,465)

Performance Results



This position will represent the City in regional recycled water efforts in addition to providing technical review, project management, and consultant review of the City's Recycled Water program.

4 Environmental Services Division Administration Staffing	1.15	140,194	89,788	50,406

This action adds a 1.0 FTE Management Analyst position to the Environmental Services Division in the Public Works department and is a 33%/67% cost share between the Refuse Fund and the Wastewater Treatment Fund. Currently, the Environmental Services division is the only Public Works division without a dedicated full-time analyst to serve as the administrative liaison for the division, managing administrative staff, providing operating and capital budget analysis, project tracking, procurement oversight, and providing general administrative oversight. Further, the Management Analyst will assist division managers with ongoing sustainability efforts, rate structure assessments, and serve as a central point of contact for the division. Further, this action adds 0.48 FTE Administrative Specialist I - H to support new regulatory requirements for the wastewater and stormwater permits. The cost of this proposal is offset through the City's partnership agreement with participating tributary agencies.

Performance Results



This addition of these positions will fill a critical need in the Environmental Services Division to provide needed administrative support for division managers in support of City operations and regulatory requirements.

AIRPORT FUND

Description

The Palo Alto Airport serves as a general aviation reliever airport to the Bay Area's major air carrier airports. It is the third busiest airport in the Bay Area, averaging 180,000 annual operations; open 24 hours each day, 365 days annually; and has a Federal Aviation Administration staffed air traffic control tower.

Accomplishments

- City Council adopted a resolution establishing interim minimum standards and leasing policies for the airport.
- Initiated evaluation of existing fixed based operator (FBO) leases to identify alternatives for the fee and rental structure for facilities and services and provide options for leasing and managing property after the current 2017 leases expire.
- Initiated the process of replacing the Interim Minimum Standards with permanent standards and the cooperation of airport stakeholders.

Initiatives

- Begin design of the Airport Apron Reconstruction project.
- Develop a transition plan for operating the Palo Alto Airport after the current FBO leases expire in 2017.
- Continue planning for needed capital improvements.
- Continue seeking grant funding opportunities from the Federal Aviation Administration and other appropriate agencies for airport capital improvements.

Goals and Objectives

GOAL 1

Operate a safe and viable airport as an enterprise fund while controlling expenses and generating sufficient revenues to become self-sufficient.

Objectives:

- Develop a transition plan for PAO operations with the objective of increasing revenue to achieve Airport Fund stability after the current FBO leases expire in 2017.

- Develop Minimum Standards for PAO operations and leasing policies.

GOAL 2

Provide high quality, cost-effective oversight of the airport's capital improvement plan.

Objectives:

- Complete design of the FAA sponsored Airport Apron Reconstruction project.
- Submit grant applications to Federal Aviation Administration for multi-phase projects that ensure efficiency and airfield safety.
- Maintain grant funding eligibility by submitting Five-Year Airport Capital Improvement Project work plan to Federal Aviation Administration annually.

Key Performance Measures

AIRCRAFT OPERATIONS

Goal	To maintain number of aircraft operations.				
Objective	To provide a safe, aesthetically pleasing and profitable airport.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number aircraft operations	180,000	181,000	181,000	181,000	180,000
Description	The Palo Alto Airport (PAO) is owned and operated by the City of Palo Alto and is a general aviation field. However, the Federal Aviation Administration (FAA) defines workload measures for airports with a air traffic control tower (ATCT) as the number of aircraft operations (sum of landings and takeoffs). In addition to being the tenth busiest single runway airport in California, PAO is a reliever to three Bay Area airports. PAO has one paved runway 13/31, which measures 2,443 P 70 feet.				
Purpose	Providing a safe, well maintained and attractive airport will appeal to the tenants, pilots, visitors, outside agencies, residents and the flying community at large.				
Status	Total operations was 180,000 in FY 2015 and are down to 172,000 in FY 2016.				

PERCENTAGE OF TIE-DOWNS LEASED

Goal	To maximize vacant tie down spaces.				
Objective	To increase tenant occupancy by providing a safe, aesthetically pleasing and profitable airport.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
	N/A	63.00%	68.00%	68.00%	70.00%
Description	The City of Palo Alto operates and maintains the Palo Alto Airport and provides airport users with safe transportation options with a high level of airport services. The airport has at total of 510 tie-down spaces. Of these, the City administers 350 tie-down spaces for aircraft storage that can be leased directly from the City.				
Purpose	Utilizing the available spaces will increase revenue and will provide funding to revitalize the Palo Alto Airport without changing or increasing the current airport footprint. Tie-down and apron areas that are in disrepair are not available for leasing and unsightly. Providing a safe, well maintained and attractive airport will appeal to the tenants, pilots, visitors, outside agencies, residents and the flying community at large.				
Status	Airport staff are responsible for maintaining 102.4 acres of airport facilities, infrastructure and equipment; and managing over 250 current tenant leases. In FY 2016 the percentage of leased tie-downs is at 68%.				

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Airport Administration	417,278	756,719	713,548	713,668	120	—%
Airport Operations	48,950	249,815	194,315	331,597	137,283	70.6%
CIP Airport Fund	—	381,639	628,884	2,569,655	1,940,771	308.6%
Total	466,228	1,388,174	1,536,747	3,614,921	2,078,174	135.2%

Dollars by Category						
Salary & Benefits						
Healthcare	26,247	55,463	66,327	78,914	12,587	19.0%
Other Benefits	5,702	11,485	12,163	13,588	975	7.7%
Overtime	—	32,946	—	—	—	—%
Pension	33,105	23,933	70,993	81,535	10,542	14.8%
Retiree Medical	—	8,740	8,407	9,053	647	7.7%
Salary	131,084	342,207	400,561	433,679	33,118	8.3%
Workers' Compensation	—	—	—	8,420	8,420	—%
Total Salary & Benefits	196,139	474,774	558,901	625,188	67,913	11.9%
Allocated Charges	112,999	92,487	257,405	299,112	41,706	16.2%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Capital Improvement Program	—	381,639	628,884	2,569,655	1,940,771	308.6%
Contract Services	105,792	385,850	7,500	7,500	—	—%
Facilities & Equipment	—	—	16,500	15,000	(1,500)	(9.1)%
General Expense	51,298	35,935	5,900	30,180	24,280	411.5%
Rents & Leases	—	6,698	5,000	11,630	6,630	132.6%
Supplies & Material	—	10,790	56,656	56,656	—	—%
Total Dollars by Expense Category	466,228	1,388,174	1,536,747	3,614,921	2,078,174	135.2%

Revenues

Charges for Services	—	2,506	40,000	—	(40,000)	(100.0)%
From Other Agencies	—	299,664	126,000	2,177,975	2,051,975	1,628.6%
Net Sales	—	517,835	554,580	533,370	(21,210)	(3.8)%
Operating Transfers-In	—	—	304,150	704,150	400,000	131.5%
Other Revenue	—	—	93,500	15,000	(78,500)	(84.0)%
Rental Income	—	178,620	134,500	280,000	145,500	108.2%
Return on Investments	3,896	848	1,700	1,700	—	—%
Total Revenues	3,896	999,473	1,254,430	3,712,195	2,457,765	195.9%

Positions by Division

Airport Administration	1.00	2.00	2.96	2.00	(0.96)	(32.43)%
Airport Operations	—	—	0.50	2.42	1.92	384.00%
CIP Airport Fund	—	—	2.42	1.46	(0.96)	(39.67)%
Total	1.00	2.00	5.88	5.88	—	—%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Management Analyst	—	1.00	1.00	1.00	—	97,760
Manager Airport	1.00	1.00	1.00	1.00	—	147,783
Manager Maintenance Operations	—	—	1.00	1.00	—	107,680
Sub-total: Full-Time Equivalent Positions	1.00	2.00	3.00	3.00	—	353,223

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Temporary/Hourly	—	—	2.88	2.88	—	104,472
Total Positions	1.00	2.00	5.88	5.88	—	457,695

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Airport Fund
Prior Year Budget	5.88	1,536,747	1,254,430	282,317
Base Adjustments				
One Time Prior Year Expenditures Deleted				
New Position Technology Equipment	—	(1,500)	—	(1,500)
One Time Prior Year Expenditures Deleted	—	(1,500)	—	(1,500)
Adjustments to Costs of Ongoing Activities				
Salary and Benefit Adjustments	—	66,285	—	66,285
Capital Expenditure Funding Adjustment	—	1,940,771	2,051,975	(22,002)
Airport Tie-Down Fees Revenue Adjustment	—	—	(94,210)	94,210
Rental Income Revenue Adjustment	—	—	100,000	(100,000)
General Aviation Liability Insurance Adjustment	—	24,280	—	24,280
Rents & Leases Expenditure Alignment	—	130	—	130
General Fund Cost Allocation Plan Adjustment	—	56,950	—	56,950
Information Technology Allocated Charges Adjustment	—	8,183	—	8,183
Print & Mail Allocated Charges Adjustment	—	3,274	—	3,274
Refuse Allocated Charges Adjustment	—	1,833	—	1,833
General Liability Insurance Allocated Charges Adjustment	—	(1,121)	—	(1,121)
Public Works Administration Allocated Charges Adjustment	—	(27,411)	—	(27,411)
Adjustments to Costs of Ongoing Activities	—	2,073,174	2,057,765	15,409
Total FY 2017 Base Budget	5.88	3,608,421	3,312,195	296,226

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Airport Fund
Budget Adjustments				
1 Airport Day Rental Equipment	—	6,500	—	6,500
2 Transfers from the General Fund	—	—	400,000	(400,000)
Total Budget Adjustments	—	6,500	400,000	(393,500)
Total FY 2017 Proposed Budget	5.88	3,614,921	3,712,195	(97,274)



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Airport Fund
1 Airport Day Equipment Rental	0.00	6,500	0	6,500

This action adds \$6,500 in general expenses for the annual Palo Alto Airport Days event and provides funding for tents, restrooms, and additional recycling containers. The Palo Alto airport is the tenth busiest single runway airport in California and is a general aviation field that is a reliever to three Bay Area airports. There are exhibits and tours of the airport including the Federal Aviation Administration (FAA) Tower that make Palo Alto Airport Day a fun, interesting, and educational outing for the community. This open house offers the community a chance to see the inner workings of their airport and better understand and appreciate its value. (Ongoing: \$6,500)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Airport Fund

Increased funding for this community event will provide a better experience for event patrons.

2 Transfers from the General Fund	0.00	0	400,000	(400,000)

In Fiscal Year 2016, the General Fund loaned the Airport Fund \$304,150, which was the amount required to ensure that the Public Works Department had sufficient staffing and resources to operate and maintain the airport. The General Fund Long Range Financial Forecast assumed a continuation of the loan in the amount of \$304,150. For Fiscal Year 2017, the transfer to the Airport Fund is \$704,150, a net increase of \$400,000, providing the airport with sufficient funds to support ongoing operations and capital improvements, including the creation and implementation of a business plan, ensuring the long-term financial health of the Airport Fund. It is anticipated that after Fiscal Year 2017 there will no longer be a need for a loan from the General Fund and the Airport Fund will be able to begin repayments to the General Fund beginning in Fiscal Year 2019. (Ongoing: \$0)

Performance Results



This action will ensure that the Airport has adequate resources to support operations in Fiscal Year 2017 and begin repayment of General Fund loans in Fiscal Year 2019.

VEHICLE REPLACEMENT AND MAINTENANCE FUND

Description

The Vehicle Replacement and Maintenance Fund is an internal service fund providing fleet management services for City vehicles and heavy equipment. Timely maintenance and replacement of vehicles and equipment ensures safe, reliable, and efficient use of resources. This program also provides for safe, efficient fuel storage and dispensing facilities while pursuing alternative fuel technologies, and minimizing the pollution and carbon footprint generated by the City's vehicle fleet.

Accomplishments

- Delivered 25 vehicles: three hybrid sedans; two electric sedans; one gasoline sedan; four pickups; one patch truck; five SUV's; three vans; one marked police vehicle; one tractor; two vacuum flush trucks; and two pieces of equipment.
- Updated internal Vehicle and Equipment Use, Maintenance and Replacement Policy in response to City Auditor's Fleet Utilization and Replacement Audit.

Initiatives

- Continue implementing Fleet Operational Study recommendations by improving fleet technology, increasing the number of electric and alternative fuel vehicles/equipment in the fleet, performing a cost analysis of fleet functions, updating the replacement rate model and improving staff training.
- Replace older, less fuel efficient vehicles/equipment with newer, more efficient vehicles/equipment to reduce the City's carbon footprint.
- Improve replacement parts inventory management processes

Goals and Objectives

GOAL 1

Ensure the City's vehicles, equipment and storage/dispensing facilities are safe and reliable, and energy efficient to reduce Green House Gas (GHG) emissions.

Objectives:

- Continue increasing the number of electric and alternative fuel vehicles/equipment.
- Continue providing staff training for safe operation and maintenance of vehicles/equipment and fueling stations.
- Annually review and update the 5-year vehicle and equipment replacement CIP to maximize cost-effectiveness, reduce GHG emissions and explore opportunities to reduce the fleet.

GOAL 2

Provide cost-effective preventive maintenance and repair services.

Objectives:

- Continue to implement Operational Study recommendations.
- Investigate parts inventory alternatives, including outsourcing management.

Key Performance Measures

PERCENT OF NON-EMERGENCY VEHICLES IN FLEET THAT ARE USING ALTERNATE FUEL OR TECHNOLOGIES

Goal	Ensure the City's vehicles, equipment, and storage/dispensing facilities are safe, reliable, and energy efficient.				
Objective	Increase the number of alternative fuel and electric vehicles.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percentage of non-emergency vehicles in fleet that are using alternate fuel or technologies	25.00%	26.00%	25.00%	25.00%	26.00%
Description	The City fleet is comprised of vehicles and equipment that are primarily gasoline, diesel and compressed natural gas (cng).				
Purpose	In order to move toward a lower emissions goal the City fleet needs to increase their environmentally friendly fueled and alternative technology vehicles.				
Status	The City's fleet used a total of 315,811 gallons of fuel in 2015 between unleaded, diesel and natural gas. It used 81,025 gallons of compressed natural gas which equates to 26% of alternative fuel use.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of vehicles that are alternatively fueled or electric	61	51	75	55	58
Number of vehicles repair and preventative maintenance work orders	4,741	4,492	4,750	4,642	4,700
Total number of vehicles and equipment in the City's fleet	555	552	553	553	555

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
Vehicle Operations and Maintenance	4,686,571	5,632,076	6,123,988	6,105,646	(18,342)	(0.3)%
Vehicle Replacement and Additions	2,848,302	2,907,952	5,198,481	6,046,374	847,893	16.3%
Total	7,534,873	8,540,029	11,322,469	12,152,020	829,551	7.3%
Dollars by Category						
Salary & Benefits						
Healthcare	220,931	258,993	337,288	309,089	(28,199)	(8.4)%
Other Benefits	29,173	42,091	46,928	37,357	(9,571)	(20.4)%
Overtime	14,475	11,269	52,445	52,445	—	—%
Pension	210,016	169,489	330,282	349,065	18,784	5.7%
Retiree Medical	88,948	77,399	84,577	86,962	2,385	2.8%
Salary	926,538	1,096,352	1,299,835	1,262,605	(37,230)	(2.9)%
Workers' Compensation	124,984	8,176	105,692	20,965	(84,727)	(80.2)%
Total Salary & Benefits	1,615,066	1,663,769	2,257,046	2,118,488	(138,558)	(6.1)%
Allocated Charges	1,049,779	1,225,445	1,655,928	1,385,344	(270,585)	(16.3)%
Capital Improvement Program	2,804,565	2,833,512	5,196,913	6,046,374	849,461	16.3%
Contract Services	310,277	261,007	284,900	354,470	69,570	24.4%
General Expense	44,340	63,760	63,000	66,530	3,530	5.6%
Operating Transfers-Out	—	1,070,249	—	—	—	—%
Rents & Leases	110,288	112,929	178,670	183,316	4,646	2.6%
Supplies & Material	1,600,558	1,309,357	1,654,300	1,354,300	(300,000)	(18.1)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Transfer to Infrastructure	—	—	31,711	643,198	611,487	1,928.3%
Total Dollars by Expense Category	7,534,873	8,540,029	11,322,469	12,152,020	829,551	7.3%
Revenues						
Charges to Other Funds	7,291,939	7,266,712	6,636,604	8,885,085	2,248,481	33.9%
Operating Transfers-In	—	—	—	478,232	478,232	—%
Other Revenue	235,993	529,235	155,000	155,000	—	—%
Return on Investments	231,550	217,032	178,300	178,300	—	—%
Total Revenues	7,759,482	8,012,979	6,969,904	9,696,617	2,726,713	39.1%
Positions by Division						
Vehicle Operations and Maintenance	16.82	16.82	15.86	15.86	—	—%
Vehicle Replacement and Additions	1.40	1.40	1.40	1.40	—	—%
Total	18.22	18.22	17.26	17.26	—	—%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Associate III	1.00	1.00	1.00	1.00	—	72,841
Assistant Director Public Works	0.25	0.25	0.25	0.25	—	39,457
Assistant Fleet Manager	1.00	1.00	1.00	1.00	—	94,885
Equipment Maintenance Service Person	2.00	2.00	2.00	2.00	—	109,831
Fleet Services Coordinator	2.00	2.00	2.00	2.00	—	142,615
Management Analyst	0.20	0.20	0.20	0.20	—	21,153
Manager Fleet	1.00	1.00	1.00	1.00	—	119,222
Mobile Service Technician	1.00	—	—	—	—	—
Motor Equipment Mechanic II	7.00	6.00	6.00	6.00	—	500,440
Motor Equipment Mechanic-Lead	—	2.00	2.00	2.00	—	176,545
Project Manager	1.00	1.00	1.00	1.00	—	83,674

Staffing

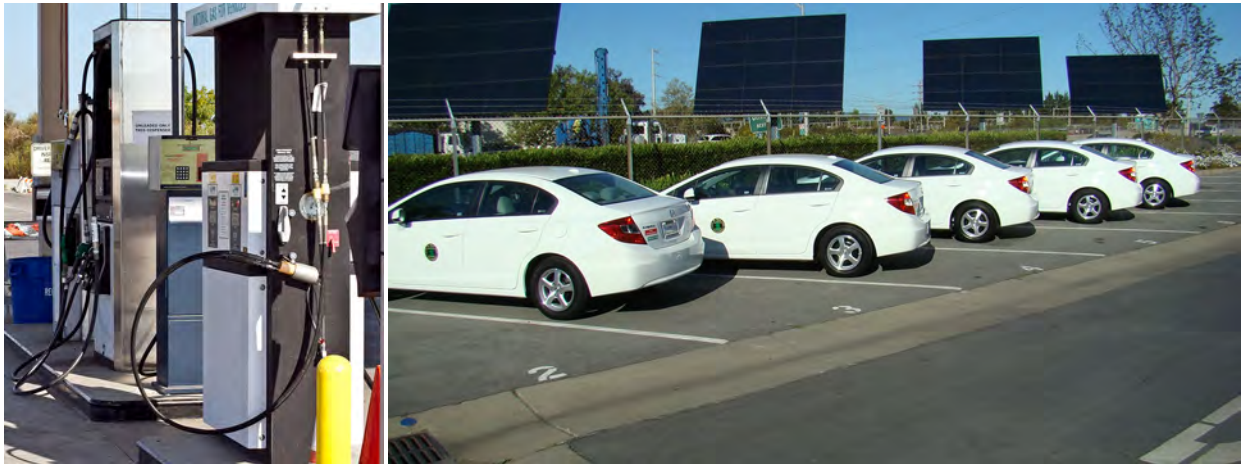
Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Senior Management Analyst	0.08	0.08	0.08	0.08	—	9,593
Sub-total: Full-Time Equivalent Positions	16.53	16.53	16.53	16.53	—	1,370,256
Temporary/Hourly	1.69	1.69	0.73	0.73	—	110,431
Total Positions	18.22	18.22	17.26	17.26	—	1,480,687

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Vehicle Replacement and Maintenance Fund
Prior Year Budget	17.26	11,322,469	6,969,904	4,352,565
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Transfer to Capital Improvement Fund for Municipal Services Center Lighting, Mechanical, and Electrical Improvements	—	(31,711)	—	(31,711)
One-Time Prior Year Expenditures and Revenues	—	(31,711)	—	(31,711)
Adjustments to Costs of Ongoing Activities				
Salary & Benefit Adjustment	—	(107,298)	—	(107,298)
Rents & Leases Expenditure Alignment	—	4,646	—	4,646
Management & Professional Development Alignment	—	3,980	—	3,980
Establish Fuel Reserve	—	(300,000)	—	(300,000)
Capital Expenditure Funding Alignment	—	849,461	320,000	529,461
Transfer to Capital Improvement Fund	—	611,487	—	611,487
Vehicle Replacement and Maintenance Allocated Charges Adjustment	—	32,722	2,248,481	(2,215,759)
Print & Mail Allocated Charges Adjustment	—	870	—	870
Green Sales to City Allocated Charges Adjustment	—	449	—	449
General Liability Insurance Allocated Charges Adjustment	—	(24,471)	—	(24,471)
Information Technology Allocated Charges Adjustment	—	(42,776)	—	(42,776)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Vehicle Replacement and Maintenance Fund
Public Works Administration Allocated Charges Adjustment	—	(95,941)	—	(95,941)
General Fund Cost Allocation Plan Adjustment	—	(141,437)	—	(141,437)
Adjustments to Costs of Ongoing Activities	—	791,692	2,568,481	(1,776,789)
Total FY 2017 Base Budget	17.26	12,082,450	9,538,385	2,575,776
1 Replacement of Co-Owned Fire Truck (VR-17001)	—	—	158,232	(158,232)
2 Installation of GPS Monitoring	—	53,570	—	53,570
3 Municipal Services Center Security Guard Contract	—	16,000	—	16,000
Total Budget Adjustments	—	69,570	158,232	(88,662)
Total FY 2017 Proposed Budget	17.26	12,152,020	9,696,617	2,487,114



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Vehicle Replacement and Maintenance Fund
1 Replacement of Co-Owned Fire Truck (VR-17001)	0.00	0	158,232	(158,232)

This action provides supplemental funding for the replacement of a Pierce Tractor Drawn 100-foot Aerial Ladder Truck shared with the City of Mountain View. The existing truck is a 1998 Spartan Hi-Tech Quint Aerial Ladder Truck and unable to reach the roofs of newer buildings and heights beyond 75-feet for rescue or fire suppression operations. The Stanford University Medical Center and the Palo Alto Veterans Affairs Hospital are two examples where an effective aerial ladder truck, before and after construction, is necessary. This is a backup apparatus for use when a respective agency's primary vehicle is out of service. This apparatus is jointly owned and operated by the Palo Alto Fire and the Mountain View Fire departments and is being acquired through a cooperative purchasing process. The 1998 agreement outlining the 50/50 split of operation and maintenance for this apparatus has worked well and both agencies have agreed to its renewal and extension. As a result, a transfer of \$158,232 from the General Fund to the Vehicle Replacement is required to complete the acquisition of the new fire truck.

Performance Results

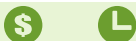


The additional reserve fire truck will provide continuous fire suppression capabilities when the active truck is scheduled for maintenance.

2 Installation of GPS Monitoring	0.00	53,570	0	53,570

This action provides \$27,570 in one-time funding and \$26,000 in ongoing funding, for a total of \$53,570, to install GPS vehicle trackers on 90 General Fund vehicles. According to Policy 4-1 of the City's Policies and Procedures Manual, City vehicles and equipment must be used a minimum 2,500 miles or 75 percent of annual work days (50 hours in the case of equipment with hour meters) each fiscal year to justify their continued use. Currently staff use various manual logs and outdated systems to track this information. Attaching GPS units to vehicles allows for mileage, location, idle time, fuel usage and other pertinent data to be collected and analyzed more efficiently, ultimately managing GHG emissions and informing fleet replacement decisions.

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Vehicle Replacement and Maintenance Fund

With more accurate vehicle tracking information, staff will ensure the fleet is efficient and fully utilized, contributing to a smaller greener footprint.

3 Municipal Services Center Security Guard Contract	0.00	16,000	0	16,000

This action provides funding for a security guard contractor at the Municipal Services Center (MSC). Currently, the guard station at the MSC is unmanned and staff has noticed an increase in trespassing into the MSC. The new security guard contractor will ensure that only permitted vehicles and persons enter the MSC. The total cost of the security guard contract is estimated to be \$80,000 annually and will be shared proportionally by the MSC tenants. As a result, the cost sharing is \$29,600 for Public Works General Fund; \$28,800 for Utilities Admin; \$16,000 for Public Works Vehicle Maintenance & Replacement Fund; \$5,600 for Administrative Services General Fund. (Ongoing: \$16,000)

Performance Results



This action ensures that no unauthorized access to the Municipal Services Center will occur which may prevent loss or damage to City property.



CITY OF
**PALO
ALTO**

UTILITIES

Mission Statement



in sound financial condition.

The City of Palo Alto Utilities' mission is to provide safe, reliable, environmentally sustainable and cost-effective services.

Purpose

The purpose of the City of Palo Alto Utilities is to provide high quality, cost-effective electric, gas, fiber optics, water and wastewater collection services; promote effective energy and water efficiency programs; proactively manage infrastructure needs and replace deteriorated or aging facilities with new technologies to ensure safe and reliable delivery of services; and ensure the City's utilities are



Description

Palo Alto is the only city in California that offers a full array of utility services to its citizens and businesses. Because of this, the City has a unique opportunity to partner with the Palo Alto community to enjoy the benefits and achievements of reliable, home-grown, and environmentally-focused utilities. Palo Alto has a tradition of over 100 years of successful public utility operations. It is a tradition that continues to provide the Palo Alto community with safe and reliable utilities service, local decision-making over policies, utility rate-making, environmental programs, and customized services.

The City of Palo Alto Utilities (CPAU) continues to focus on customer service, infrastructure reliability, regulatory compliance and cost containment. Marketing of energy and water efficiency, increasing renewable energy supplies and promoting technological development for utility efficiency services continue to be focal points, especially in light of the City Council's environmental sustainability priority and state mandated efficiency goals.

ADMINISTRATION

Utilities Administration is responsible for the overall management of the CPAU including communication, regulatory compliance, strategic planning, budget coordination, legislation and regulatory policy analysis, and personnel and administrative support to the entire Department.

CUSTOMER SUPPORT SERVICES

This group annually bills \$250 million for the City's electric, natural gas, water, commercial fiber optic, wastewater collection (operated by CPAU), storm drain and refuse (operated by Public Works) services; operates the Customer Service Call Center with 75,000 annual customer interactions; reads 90,000 utility meters per month; and implements Credit and Collection policies.

ENGINEERING

Engineering is responsible for managing all phases of CPAU's capital improvement projects including providing new or upgrading existing service to customers, and replacing and rehabilitating the City's electric, fiber, water, gas, and wastewater distribution systems.

OPERATIONS

Utilities Operations is responsible for the operations, maintenance, and emergency response for the electric, fiber, water, gas and wastewater distribution systems.

RESOURCE MANAGEMENT

Resource Management is responsible for: the long-term resource acquisition plan, including electricity, natural gas, and water; contract negotiations to acquire renewable resources; financial planning; rate development; energy efficiency and water conservation programs; and management of key accounts.

Accomplishments

- Launched the PaloAltoGreen Gas Program, a new voluntary green program to allow customers to reduce or eliminate the greenhouse gas (GHG) emissions associated with their gas usage.
- Launched and achieved very high participation in Peninsula SunShares program, a local solar program that used the power of group buying to gain a discount in the cost of residential solar systems.
- Increased the City's Renewable Portfolio Standard to 25% of retail energy sales supplied by eligible renewable energy resources by the end of FY 2016.
- Launched a heat pump water heater pilot program to determine the performance and customer satisfaction of this electrification technology.
- Coordinated successful citywide drought response efforts to achieve the state-mandated water use reductions including home water report, increased water efficiency rebates and launched Palo Alto 311 App for drought water waste reporting.
- Completed the Urban Water Management Plan, including the water shortage (drought) contingency plan.
- Launched the Home Efficiency Genie program which provides residents with free expert advice, discounted home assessments and resource for energy-efficiency projects.
- Launched a new customer engagement portal for residential customers to view and manage their energy and water usages.
- Collaborated with Public Works in completion of Environmental Impact Report (EIR) for the recycled water extension to the Stanford Research Park.
- Designated as a Reliable Public Power Provider (RP3) by the American Public Power Association for proficiency, sound business practices, and a utility-wide commitment to safe and reliable delivery of electricity, system improvement, energy efficiency, and workforce development.
- Won the Beacon Award – Silver Level for leading in implementing innovative energy efficiency and resource conservation programs, achieving notable greenhouse gas emissions reductions.

- Recognized in Green Power Leadership Club by the Environmental Protection Agency for demonstrating exemplary environmental stewardship.
- Placed in the Solar Electric Power Association's (SEPA) Top Ten list of utilities that integrated the most solar into the grid. Ranked #3 on the Watts-per-Customer list for 2015.
- Awarded Tree Line USA Utility designation by the Arbor Day Foundation; in recognition of quality tree care, annual worker training, and tree planting and public education.
- Received the highest honor for Sustainability through the Acterra Business Environmental Awards.
- Awarded 30 Palo Alto buildings with the Mayor's Green Business Leader Award – A Palo Alto City Council sponsored annual recognition event – for achieving an Energy Star rating of 75 or above in the Environmental Protection Agency's Portfolio Manager.

Initiatives

- Capital Improvement Programs: Continue replacement of aging infrastructure on Electric, Gas, Fiber, Wastewater Collection, and Water systems; develop a long range master infrastructure plan for Gas and Water utilities.
- Sustainability Programs: Develop two new programs to increase the penetration of local solar systems – a community solar program to allow those without good solar access to participate in local solar projects and a solar donation program to assist schools and non-profits with buying solar systems. Evaluate cost-effective programs to support electrification or fuel-switching from natural gas to electricity.
- Increased the City's Renewable Portfolio Standard to 52.5% of retail energy sales supplied by eligible renewable energy resources by the end of FY 2017.
- When the Net Energy Metering (NEM) cap is reached (expected by the end of 2016), launch a NEM successor program to provide fair compensation for local solar generation.
- Evaluate all water supply alternatives with a focus on recycled water options including nonpotable use, indirect potable reuse, direct potable reuse, on-site water treatment, storm water, and groundwater.
- Expand efforts to compete for the \$5M Georgetown University Energy Prize by reducing energy consumption through innovation, education and community participation.
- Workforce Development: Implement a Succession Development Program to promote talent development and inspire new leaders to ensure a continued level of quality service to the community.
- Collaborate with Development Services to streamline the permit application process and provide timely review and approval of project plan submittals.
- Technology: Implement an interactive voice response system to provide a 24/7 communication and payment option to customers.
- Issue a Request for Proposal for a new best-of-breed customer self-service web application that offers a complete suite of functionality for Utilities specific online processes, mobility, e-billing, and account management services.

UTILITIES

- Communications Outreach: Increase customer feedback by providing a coordinated package of surveys and other market research methods to better evaluate the effectiveness of outreach communications.

Key Performance Measures

COMPARABLE AND COST-EFFECTIVE SERVICES

Goal	Ensure fiscally sound and cost-effective services				
Objective	Reduce the cost of delivering services through best management practices.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Palo Alto's average residential monthly utility bill above/(below) the median of neighboring cities	2.00%	(7.00)%	(6.00)%	(6.00)%	(6.80)%
Description	This compares the average residential monthly utility bill which includes electricity, gas, water, and wastewater services to the nearby communities (Menlo Park \$278.17, Mountain View \$211.84, Santa Clara \$167.32, Hayward \$213.24, Redwood City \$264.45, Los Altos \$206.42).				
Purpose	This measure compares the City's average utility rates charged to residents to other comparable cities (e.g., similar size, similar commodity purchase options, similar geography).				
Status	Our electric rates are significantly lower than PGE and slightly higher than Santa Clara. Natural gas rates are lower than surrounding communities due to PGE increasing its distribution rates for capital improvement and maintenance. Water rates are higher than many neighboring communities primarily because of differing system characteristics and levels of infrastructure investment, but also because some communities have different sources of supply. Palo Alto's pristine high quality supply comes from the SFPUC who is in the middle of a \$4.6 billion improvement project, and Palo Alto is investing more than other areas in improving our local distribution pipelines and enhancing our emergency water supply system. For 2017, the monthly average for nearby communities is \$223.57 and for Palo Alto the average is \$209.25. The Fiscal Year 2017 Proposed Measure is to be 6.8% below the average for the comparable cities.				

CUSTOMER SATISFACTION

Goal	Provide excellent customer service				
Objective	Maintain a high level of customer satisfaction, equal to or greater than 83 percent of Palo Alto citizens rating satisfaction of utility services as "Excellent" or "Good" in the National Citizen Survey.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent rating services (electric, gas, wastewater, and water) "Good" or Excellent	84.00%	84.00%	84.00%	85.00%	85.00%
Description	The National Citizen Survey (NCS) is a collaborative effort between National Research Center, Inc. (NRC) and the International City/County Management Association (ICMA). The NCS was developed by NRC to provide a statistically valid survey of opinions about community and services provided by local governments. The survey results may be used by staff, elected officials and other stakeholders for community planning and resource allocation, program improvement and policy-making. There are ten California communities participating in the survey.				
Purpose	The best way to get feedback on whether our customers are satisfied with the nature, extent and delivery of services we provide them is to ask outright, using random-selection survey processes that include a good cross-section of our customer base.				
Status	Results are statistically weighted to reflect the proper demographic composition of the entire community. A total of 721 completed surveys were obtained, providing an overall response rate of 25 percent. Typically, response rates obtained on citizen surveys range from 25 percent to 40 percent. From Fiscal Year 2012 to Fiscal Year 2015, Utilities has met its target of 83 percent.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Total cost of Capital Improvement Program annually (Millions)	\$34.70	\$27.00	\$41.20	\$30.30	\$42.90

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Fund						
Electric Fund - Operating	47,039,928	47,565,953	63,664,278	68,992,518	5,328,240	8.4%
Electric Supply	81,796,644	91,302,629	89,799,836	101,501,369	11,701,536	13.0%
Fiber Optics	1,975,736	1,999,420	3,785,219	3,993,103	207,885	5.5%
Gas Fund - Operating	24,780,905	22,825,964	25,987,534	25,919,843	(67,690)	(0.3)%
Gas Supply	15,074,561	11,543,034	16,941,780	14,368,358	(2,573,422)	(15.2)%
Wastewater Collection - Operating	16,652,352	15,951,184	20,929,179	21,672,920	743,742	3.6%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Water Fund - Operating	38,422,764	34,451,902	48,051,612	47,550,055	(501,556)	(1.0)%
Total	225,742,890	225,640,086	269,159,438	283,998,166	14,838,735	5.5%
Revenues						
Charges for Services	369,021	529,927	270,000	270,000	—	—%
Charges to Other Funds	728,607	592,102	687,618	682,191	(5,427)	(0.79)%
From Other Agencies	553,014	534,328	576,632	576,632	—	—%
Net Sales	208,163,762	196,794,497	213,662,121	228,776,506	15,114,384	7.1%
Operating Transfers-In	1,553,460	751,521	318,719	2,922,786	2,604,067	817.0%
Other Revenue	10,925,693	11,909,526	9,955,000	18,468,731	8,513,730	85.5%
Other Taxes and Fines	—	112,392	—	—	—	—%
Return on Investments	4,996,993	4,442,020	4,442,200	4,442,200	—	—%
Total Revenues	227,290,550	215,666,313	229,912,290	256,139,046	26,226,754	11.4%
Positions by Fund						
Electric Fund - Operating	104.70	106.11	106.38	104.40	(1.98)	(1.86)%
Electric Supply	8.15	8.15	10.00	8.18	(1.82)	(18.21)%
Fiber Optics	7.24	7.24	6.76	6.82	0.06	0.89%
Gas Fund - Operating	51.08	50.52	49.38	51.05	1.67	3.38%
Gas Supply	2.28	2.28	2.77	1.65	(1.12)	(40.55)%
Utilities Admin - Operating	19.68	19.52	18.12	18.22	0.10	0.53%
Wastewater Collection - Operating	30.22	29.57	29.74	29.17	(0.58)	(1.93)%
Water Fund - Operating	48.18	48.38	46.15	48.58	2.43	5.26%
Total	271.53	271.77	269.31	268.06	(1.25)	(0.47)%

ELECTRIC FUND

Description

On January 16, 1900, the City of Palo Alto began operation of its own electric system. A steam engine was the initial source of the City's electricity, and was replaced by a diesel engine in 1914. As demand for electricity and the population continued to grow, the City of Palo Alto Utilities (CPAU) connected to the Pacific Gas and Electric distribution system and purchased power from additional sources.

The integrity of the infrastructure required for achieving a high level of reliability and value for our customers is of paramount importance to the CPAU. The Electric Fund plans to enhance the customer service connection experience, increase energy efficiency participation, and increase the percentage of electric supply obtained from renewable energy supplies. The City has entered into a number of contracts with producers of wind, landfill gas, and solar energy for more than 15-year terms.

Accomplishments

- Increased renewable supply sources secured through competitive solicitation. The City's qualifying supply for the State's Renewable Portfolio Standard was 24 percent in 2014, 28 percent in 2015, and is expected to grow to 30 percent in 2016 and 57 percent by 2017, well above required levels.
- Launched Peninsula SunShares with a consortium of other cities in the Bay Area, a new solar program under the Local Solar Plan. This program pooled the buying power of the community to offer homeowners discounted pricing on solar systems. Palo Alto had the largest participation of all participating cities to install new solar systems using group buying power.
- Launched a pilot program to install heat pump water heaters to learn about this electrification technology as to system performance and customer satisfaction.
- Expanded the Demand Response (peak demand reduction) Pilot Program to tie into commercial customer building energy management systems.

UTILITIES

- Accepted new applications via the Program for Emerging Technology (PET), including Advanced Lighting, Electric Vehicle Charging, and Smart Grid projects.
- Completed work to provide new electric service to several new buildings and other major improvements in the Stanford Hospital/Lucille Packard Hospital area.
- Upgraded the Supervisory Control and Data Acquisition (SCADA) system use for real time monitoring and control of the utility's electric, water, and gas systems.
- Complete installation of underground substructures necessary to convert the overhead utility lines to underground in Underground Utility District 47 (area bounded by Forest Ave/Middlefield Road/Addison Avenue/Cowper Street).
- Completed substation security measures at two (2) electric substations, with only two remaining to be done.
- Met all Western Electricity Coordinating Council (WECC) and North American Electric Reliability Corporation (NERC) regulatory reporting requirements.
- Completed development of Electric Underground Construction Standards to guide Engineering and Operations staff on construction practices.
- Completed upgrade of the 60 kV protection equipment (Pilot Wire system) between Quarry Substation and Hopkins Substation.
- Completed upgrade of electric substation battery systems, used for backup and operation of protection equipment.

Initiatives

- Develop new solar programs under the Local Solar Plan. These include a new community solar program and a solar donation program to be launched in 2016 or 2017.
- Develop new programs to encourage residential customer 'electrification', or the substitution of natural gas using appliances for those using electricity.
- Implementation new residential and commercial efficiency programs.
- Continue to offer electric safety education presentations to school and community groups.
- Increase the City's Renewable Portfolio Standard (RPS) to 52.2% by the end of FY 2017 as more long-term solar projects come on line. By the end of calendar year 2017, the City's RPS is expected to increase to about 57%.
- Expand the Demand Response (peak demand reduction) Pilot Program to integrate with distributed energy resources.
- Evaluate storage alternatives and develop recommendations regarding goals for installation of storage systems.
- Expand efforts to compete for the \$5 million Georgetown University Energy Prize by saving energy (gas and electricity) in 2015 and 2016.
- Launched new portal for residential customers to view their utilities usage for all commodities at one location.

- Continue discussions on building a second transmission line to provide electric service to Palo Alto.
- Replace deteriorated substation facilities and increase electric system capacity in the Colorado/Hopkins/Quarry load areas to meet projected load growth.
- Improve efficiency of Utility Electric System with installation of Power Factor correction capacitor banks.
- Add new facilities to meet the electric loads proposed by the VA Hospital for their site upgrades.
- Relocate/reconstruct city electric and communication facilities as necessary to facilitate the electrification of the CALTRAIN system.
- Complete General Order 95, 128 and 174 Inspection and Maintenance relating to electrical overhead, underground and substation facilities.
- Completion of District 24, rebuild underground facilities in the downtown area.
- Complete the pole replacement program for 2015/2016.
- Continue to plan and replace electric facilities before they reach the end of their useful and life to maintain high system reliability.

Goals and Objectives

GOAL 1

Provide safe and reliable delivery of electric services to our customers.

Objectives:

- Develop a plan to complete a second electric transmission line source to improve service reliability.
- Provide exceptional system reliability.
- Reduce the backlog of infrastructure assets whose ages are beyond their useful lives.

GOAL 2

Increase environmental sustainability and promote efficient use of resources.

Objectives:

- Achieve a Renewable Portfolio Standard (RPS) of 33 percent by 2015.
- Achieve the ten-year goal for electric energy efficiency of 4.8 percent of the electric load by 2023.
- Measure actual electric energy efficiency achievement.
- Increase the penetration of local solar installations so that 4% of the City's energy use is generated by local solar systems by 2023.

Key Performance Measures

ENVIRONMENTAL SUSTAINABILITY

Goal	Support environmental sustainability and promote efficient use of resources				
Objective	Achieve Renewable Portfolio Standard (RPS) of at least 52% percent by 2017.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of retail electric sales volume provided by renewable supply resources under long-term PPAs	49.80%	25.70%	35.10%	31.00%	52.30%
Description	This measures the fraction of the City's retail electric sales volume that is provided by renewable supply resources that are under long-term agreement.				
Purpose	The California Renewable Energy Resources Act (SBX 1 2) requires that utilities supply 33 percent of their total retail electric sales volume with eligible renewable energy resources by 2020. The City's internal target, established by the Long-term Electric Acquisition Plan (LEAP), is to meet at least 33 percent by 2015. In March 2013, the City also adopted a 100 percent carbon neutral electric supply portfolio target. This measure also supports the City to achieve a 100 percent carbon neutral electric supply portfolio.				
Status	The City established a target by 2015 to have a 33% renewable portfolio. However, the City was unable to reach this 2015 target and plans to meet or exceed the 2017 target of 52.3%. This target will be reached through the execution of additional long-term renewable energy supply agreements, and through the procurement of short-term renewable energy certificates (RECs). The City's goal exceeds California's RPS mandate of 33% by 2020 (California Renewable Energy Resources Act SBX1-2). The City currently meets its 100% carbon neutral electric supply portfolio target since 2013, primarily through long-term renewable energy supply agreements, supplemented by short-term REC purchases.				

SYSTEM RELIABILITY

Goal	Provide safe and efficient delivery of electric services to our customers.				
Objective	Provide exceptional system reliability.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Average duration of customer outages in minutes as reported using industry guidelines	16	47	60	32	29
Description	System Average Interruptible Duration Index (SAIDI) is a measure of outage duration. It measures the number of minutes over the year that the average customer is without power.				
Purpose	Reliability indices were introduced in order to keep track of utility performance. This information will help Utilities prioritize capital and operating spending so that reliability can be improved without increasing costs.				
Status	Despite continuous lineperson and system operator vacancies, The Electric Utility continues to meet the goal of average customer outages being 60 minutes or less in duration for the average customer by minimizing the number of outages and customers directly affected. This can be attributed to the Department's ongoing efforts for infrastructure replacement, outage isolation improvements, system maintenance, and improved response times.				

ENVIRONMENTAL SUSTAINABILITY - SOLAR

Goal	Support environmental sustainability and promote efficient use of resources.				
Objective	Increase the penetration of local solar installations.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Cumulative installed capacity of photovoltaic (PV) systems measured in megawatts (MW)	5	6	8	8	9
Description	This measures the percentage of the cumulatively installed capacity of PV systems in Palo Alto, measured in MW . It includes PV systems installed prior to the passage of Senate Bill 1 (SB1), which enacts the Million Solar Roofs Initiative and expands upon the current California Solar Initiative (CSI) and the Energy Commission's New Solar Homes Partnership (NSHP).				
Purpose	The California Million Solar Roofs Bill (SB1) requires an expanded funding commitment by all California electric utilities, with a Statewide goal to add 3,000 MW of new PV systems over ten years. In addition to complying with state law, PV installations will benefit the environment and expand flexibility to Palo Alto's electric generation portfolio. This measure also supports the City to achieve a 100 percent carbon neutral electric supply portfolio. This measure also supports The City's goal to meet 4% of The City's electricity needs by 2023.				
Status	Solar installations continue to grow with lower installation prices. Rebate funds for residential solar have been fully reserved, and we expect the commercial funds to be reserved well before the 2017 goal set by SB1. Changes to The State net metering regulations may impact electric utility changes to PV customers.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of Customer Accounts (Electric)	29,338	29,299	29,299	29,299	29,299
Number of momentary outages	4	1	1	1	0
Percent of residents surveyed who rate the quality of the Electric Utility as "Good" or "Excellent"	73	83	87	87	88
Total Number of Outages	20	19	20	7	20

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
CIP Electric Fund	12,139,969	11,727,427	16,386,639	21,630,736	5,244,097	32.0%
Electric Administration	19,459,675	20,476,339	24,762,554	25,684,788	922,234	3.7%
Electric Customer Service	2,032,231	1,548,851	2,348,349	2,226,652	(121,697)	(5.2)%
Electric Demand Side Management	3,187,875	3,559,586	7,492,131	6,817,126	(675,005)	(9.0)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Electric Engineering (Operating)	1,280,044	1,405,600	1,929,843	1,841,173	(88,670)	(4.6)%
Electric Operations and Maintenance	9,488,627	10,716,881	12,216,961	13,735,487	1,518,526	12.4%
Electric Resource Management	81,248,152	89,457,201	88,327,636	98,557,925	10,230,288	11.6%
Total	128,836,573	138,891,884	153,464,117	170,493,890	17,029,773	11.1%

Dollars by Category

Salary & Benefits

Healthcare	1,722,630	1,858,579	1,577,720	1,504,340	(73,380)	(4.7)%
Other Benefits	297,786	294,915	239,147	185,936	(53,211)	(22.3)%
Overtime	406,488	519,414	442,173	442,173	—	—%
Pension	2,213,560	1,851,677	2,240,589	2,270,121	29,532	1.3%
Retiree Medical	656,811	1,083,423	1,159,756	1,537,264	377,508	32.6%
Salary	7,051,249	7,873,119	8,708,280	8,634,552	(73,728)	(0.8)%
Workers' Compensation	282,929	241,886	239,250	157,312	(81,938)	(34.2)%
Total Salary & Benefits	12,631,452	13,723,014	14,606,916	14,731,699	124,783	0.9%
Allocated Charges	8,467,472	8,247,863	9,090,404	9,137,388	46,984	0.5%
Capital Improvement Program	7,900,770	7,477,068	16,339,130	21,630,736	5,291,606	32.4%
Contract Services	2,684,756	3,083,615	5,056,414	7,017,914	1,961,500	38.8%
Debt Service	8,923,951	8,940,084	9,142,923	8,957,186	(185,737)	(2.0)%
Equity Transfer	11,203,000	11,412,000	11,659,000	12,035,000	376,000	3.2%
Facilities & Equipment	3,387	—	44,475	44,475	—	—%
General Expense	3,348,605	2,153,071	4,908,817	3,930,817	(978,001)	(19.9)%
Operating Transfers-Out	122,855	661,061	119,415	255,269	135,854	113.8%
Rents & Leases	4,038,332	4,136,105	5,301,728	5,439,572	137,844	2.6%
Supplies & Material	592,329	677,677	873,097	873,097	—	—%
Transfer to Infrastructure	133,687	—	—	—	—	—%
Utility Purchase	68,785,977	78,380,327	76,321,794	86,440,735	10,118,944	13.3%
Total Dollars by Expense Category	128,836,572	138,891,886	153,464,111	170,493,889	17,029,778	11.1%

Revenues

Charges for Services	243,512	421,977	230,000	230,000	—	—%
Charges to Other Funds	390,991	305,151	300,011	289,096	(10,915)	(3.6)%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
From Other Agencies	4,000	—	—	—	—	—%
Net Sales	113,054,403	112,001,079	116,654,061	131,990,403	15,336,342	13.1%
Operating Transfers-In	1,088,463	547,139	135,386	2,678,768	2,543,382	1,878.6%
Other Revenue	8,474,522	7,865,325	7,778,000	15,514,731	7,736,731	99.5%
Other Taxes and Fines	—	112,392	—	—	—	—%
Return on Investments	2,831,222	2,414,464	2,507,700	2,507,700	—	—%
Total Revenues	126,087,109	123,667,528	127,605,158	153,210,698	25,605,530	20.1%

Positions by Division

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
CIP Electric Fund	32.81	32.57	32.14	32.14	—	—%
Electric Customer Service	13.53	13.63	13.54	12.07	(1.46)	(10.81)%
Electric Demand Side Management	6.57	6.57	6.61	6.85	0.23	3.54%
Electric Engineering (Operating)	4.50	4.50	5.73	4.98	(0.75)	(13.09)%
Electric Operations and Maintenance	47.29	48.84	48.36	48.36	(0.00)	(0.00)%
Electric Resource Management	8.15	8.15	10.00	8.18	(1.82)	(18.21)%
Total	112.85	114.26	116.38	112.58	(3.80)	(3.27)%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Account Specialist	0.24	0.24	0.26	0.33	0.07	20,635
Administrative Associate I	1.00	—	—	—	—	—
Administrative Associate II	3.10	4.10	4.10	4.00	(0.10)	265,220
Assistant Director Administrative Services	0.15	0.15	0.15	0.20	0.05	38,837
Assistant Director Utilities Customer Support Services	0.40	0.40	0.40	0.40	—	66,942
Assistant Director Utilities Engineering	0.40	0.40	0.40	0.40	—	76,053
Assistant Director Utilities Operations	0.60	0.60	0.60	0.60	—	114,079
Assistant Director Utilities/Resource Management	0.50	0.50	0.50	0.50	—	105,622
Business Analyst	2.13	2.13	2.89	2.04	(0.85)	255,967

UTILITIES

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Contracts Administrator	0.10	0.10	0.10	0.10	—	10,924
Coordinator Utilities Projects	1.25	1.80	1.80	1.55	(0.25)	126,796
Coordinator Utilities Safety & Security	0.55	—	—	—	—	—
Customer Service Representative	1.62	1.62	1.86	1.62	(0.24)	109,302
Customer Service Specialist	0.66	0.66	0.62	0.66	0.04	48,968
Customer Service Specialist-Lead	0.58	0.58	0.62	0.58	(0.04)	46,024
Electric Project Engineer	1.95	1.95	1.95	1.95	—	229,101
Electric Underground Inspector	2.00	2.00	2.00	2.00	—	177,022
Electric Underground Inspector-Lead	1.00	1.00	1.00	1.00	—	94,853
Electrical Equipment Technician	—	—	—	1.00	1.00	78,623
Electrician Assistant I	4.00	4.00	4.00	3.00	(1.00)	181,241
Engineering Manager - Electric	0.55	0.55	0.55	0.55	—	89,758
Engineering Technician III	2.40	2.40	2.40	2.40	—	186,230
Heavy Equipment Operator	2.00	2.00	2.00	2.00	—	166,042
Inspector, Field Services	—	—	—	0.25	0.25	22,592
Lineperson/Cable Specialist	11.00	11.00	11.00	11.00	—	1,186,085
Lineperson/Cable Specialist-Lead	4.00	4.00	4.00	4.00	—	480,336
Manager Customer Service	—	—	0.33	0.33	—	42,721
Manager Customer Service and Meter Reading	0.33	0.33	—	—	—	—
Manager Electric Operations	1.00	1.00	1.00	1.00	—	157,871
Manager Treasury, Debt & Investments	—	—	—	0.30	0.30	39,879
Manager Utilities Compliance	0.15	0.15	0.15	0.15	—	24,233
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	19,609
Manager Utilities Marketing Services	0.40	0.40	0.40	—	(0.40)	—
Manager Utilities Program Services	—	—	—	0.40	0.40	48,804
Marketing Engineer	1.00	1.00	1.00	—	(1.00)	—
Meter Reader	1.99	1.99	2.41	1.99	(0.42)	115,638
Meter Reader-Lead	0.33	0.33	0.40	0.33	(0.07)	22,324
Metering Technician	2.00	3.00	3.00	3.00	—	317,358

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Metering Technician-Lead	1.00	1.00	1.00	1.00	—	113,197
Offset Equipment Operator	0.48	0.48	0.48	0.48	—	28,972
Overhead Underground Troubleshooter	2.00	2.00	2.00	2.00	—	235,768
Planner	0.15	0.15	—	—	—	—
Power Engineer	2.30	2.30	2.30	2.30	—	255,114
Principal Business Analyst	—	—	0.34	0.34	—	47,672
Principal Management Analyst	—	0.34	—	—	—	—
Project Manager	0.75	0.75	0.75	0.75	—	80,527
Resource Planner	2.65	2.65	3.95	3.65	(0.30)	442,019
SCADA Technologist	1.00	1.00	1.00	1.00	—	126,500
Senior Business Analyst	0.68	0.68	0.68	0.68	—	86,058
Senior Electrical Engineer	3.95	3.95	3.95	3.95	—	557,576
Senior Management Analyst	0.45	0.45	0.45	0.10	(0.35)	12,317
Senior Resource Planner	3.69	3.69	4.08	3.06	(1.02)	445,645
Senior Technologist	0.29	0.29	—	—	—	—
Senior Utilities Field Service Representative	0.10	0.10	0.10	0.10	—	9,629
Street Light, Traffic Signal & Fiber Technician	2.00	2.00	3.00	3.00	—	303,564
Street Light, Traffic Signal & Fiber Technician Apprentice	1.00	1.00	—	—	—	—
Street Light, Traffic Signal & Fiber-Lead	1.00	1.00	1.00	1.00	—	108,271
Substation Electrician	5.50	5.50	5.50	5.50	—	578,827
Substation Electrician-Lead	2.00	2.00	2.00	2.00	—	236,252
Supervising Electric Project Engineer	1.00	1.00	1.00	1.00	—	137,070
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	75,563
Utilities Compliance Technician	2.00	2.00	2.00	2.00	—	179,528
Utilities Compliance Technician-Lead	1.00	1.00	1.00	1.00	—	115,839
Utilities Credit/Collection Specialist	2.00	2.00	2.00	2.00	—	153,678
Utilities Engineer Estimator	3.25	3.25	3.25	3.25	—	340,952
Utilities Field Services Representative	0.50	0.50	0.50	0.50	—	43,314

UTILITIES

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Utilities Key Account Representative	1.90	1.90	1.90	1.60	(0.30)	166,625
Utilities Locator	1.95	1.95	1.95	1.95	—	147,858
Utilities Marketing Program Administrator	2.55	2.55	2.25	1.90	(0.35)	172,880
Utilities Safety Officer	—	0.55	0.55	0.55	—	60,688
Utilities Supervisor	5.00	5.00	5.00	5.00	—	671,629
Utilities System Operator	5.00	5.00	5.00	5.00	—	551,334
Sub-total: Full-Time Equivalent Positions	107.67	109.56	112.02	107.44	(4.58)	11,450,554
Temporary/Hourly	5.18	4.70	4.37	5.15	0.78	663,135
Total Positions	112.85	114.26	116.38	112.58	(3.80)	12,113,689

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Electric Fund
Prior Year Budget	116.38	153,464,114	127,605,158	25,858,956
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	(3.80)	235,058	—	235,058
Capital Improvement Program Adjustments	—	5,291,606	—	5,291,606
Electric Commodity Purchases Expenditure Adjustment	—	10,118,944	—	10,118,944
Overhead Construction Services Contract Expenditure Adjustment	—	1,000,000	—	1,000,000
Rents & Leases Expenditure Adjustment (COLA)	—	137,844	—	137,844
Equity Transfer to General Fund Adjustment	—	376,000	—	376,000
Debt Service Expenditure Adjustment	—	(185,737)	—	(185,737)
Transfer In from Tech Fund for Elwell Rent Share Revenue Adjustment	—	—	4,590	(4,590)
Transfer In from Water and Gas Fund for Capital Project EL-11014 Smart Grid Technology Installation Revenue Adjustment	—	—	272,670	(272,670)
Palo Alto Green Gas Program Sales Revenue Adjustment	—	—	(10,915)	10,915

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Electric Fund
Central Valley Project (CVP) O&M Loan Repayment Revenue Adjustment	—	—	646,731	—
Electric Connection Fee Charges (various Capital Improvement Projects) Revenue Adjustment	—	—	7,090,000	(7,090,000)
Electric Sales Revenue Adjustment (11% rate increase & changes in consumption levels)	—	—	14,736,342	(14,736,342)
Fiber Optic License Fee Allocated Charges Adjustment	—	10,307	—	10,307
General Fund Cost Allocation Plan Charges Adjustment	—	(322,701)	—	(322,701)
General Liability Insurance Allocated Charges Adjustment	—	(131,033)	—	(131,033)
Print & Mail Allocated Charges Adjustment	—	(81,491)	—	(81,491)
Utilities Admin Allocated Charges Adjustment	—	251,600	—	251,600
Utility and Public Works Charges to City Allocated Charges Adjustment	—	15,757	—	15,757
Vehicle Fund Allocated Charges Adjustment	—	304,545	—	304,545
Adjustments to Costs of Ongoing Activities	(3.80)	17,020,699	22,739,418	(5,071,988)
Total FY 2017 Base Budget	112.58	170,484,813	150,344,576	20,786,968
Budget Proposals				
1 Transfer from the General Fund: Traffic Signal and Streetlight Electric Costs	—	—	2,266,122	2,266,122
2 State & Local Solar Program Funding Adjustment	—	(638,500)	—	638,500
3 Reclassification: 1.0 FTE Electric Assistant I to 1.0 FTE Electric Equipment Technician	—	10,150	—	(10,150)
4 Reclassification: 1.0 FTE Marketing Engineer to 1.0 FTE Resource Planner (Two 0.5 FTE)	—	14,103	—	(14,103)
5 Title Change: Manager, Utilities Marketing Services to Manager, Utility Program Services	—	0	—	0
6 Low Carbon Fuel Standard (LCFS) Program	—	600,000	600,000	—
7 Reclassification of 1.0 FTE Senior Management Analyst to 1.0 FTE Utilities Strategic Business Manager	—	26,119	—	(26,119)
8 Reclassification of 1.0 FTE Coordinator, Utility Projects to 1.0 FTE Inspector, Field Services	—	(2,796)	—	2,796
Budget Changes	—	9,076	2,866,122	2,857,046
Total FY 2017 Proposed Budget	112.58	170,493,889	153,210,698	23,644,014



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Electric Fund
1 Transfer from the General Fund: Traffic Signal and Streetlight Electric Costs	0.00	0	2,266,122	2,266,122

This action recognizes a transfer from the General Fund to reimburse the Electric Fund for electricity costs associated with City street light and traffic signal costs. As part of the Electric Fund Cost of Services Analysis (COSA), these costs were identified as more appropriately aligned with the General Fund. This transfer will be evaluated over the next year and the long term implications on staffing and workload impacts will be revisited in the development of the Fiscal Year 2018 budget process. (Ongoing: \$2,266,122)

Performance Results

No impacts to current service levels are anticipated as a result of this funding realignment.

2 State & Local Solar Program Funding Adjustment	0.00	(638,500)	0	638,500

This action reduces the expenditures in the photo voltaic (PV) rebate program mandated by California Million Solar Roofs Bill (SB1, August 2006) for Fiscal Year 2017 based on the number of rebate applications remaining. City committed to funding \$13 million in PV rebates over 10 years. Based upon the applications received, all \$13 million has been reserved, and the City is at the stage of waiting for customers to complete their projects before paying out the rebate. As the state mandated solar program draws to a close, the City will be exploring and proposing new local solar programs to encourage alternative and renewable energy sources. (Ongoing Savings: \$638,500)

Performance Results



The number of residential and commercial businesses in Palo Alto generating solar energy will increase in Fiscal Year 2017 as the rebate program funded projects are completed. Staff currently working on the state mandated program will be absorbed into new local solar initiatives as they are developed.

3 Reclassification: 1.0 FTE Electric Assistant I to 1.0 FTE Electric Equipment Technician	0.00	10,150	0	(10,150)

This action reclassifies 1.0 FTE Electric Assistant I to 1.0 FTE Electric Equipment Technician. The creation of the Electric Equipment Technician classification will provide the Electric Operations personnel with additional career growth and help the division to retain trained and experienced personnel. The addition of this new classification will serve as an optional career path and bridges the gap between the Electric Assistant I position and the Substation Apprentice position. (Ongoing: \$10,150)

Performance Results

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Electric Fund

The position reclassifications reflect the current operational needs of the Electric Ops section.

4 Reclassification: 1.0 FTE Marketing Engineer to 1.0 FTE Resource Planner (Two 0.5 FTE)	0.00	14,103	0	(14,103)

This action reclassifies 1.0 FTE Marketing Engineer position to 1.0 FTE Resource Planner position (that will be filled by two 0.5 FTE) to more accurately reflect how the position have been hired are functioning in practice. (Ongoing \$14,103)

Performance Results

No impacts to current service levels are anticipated as a result of this title change.

5 Title Change: Manager, Utilities Marketing Services to Manager, Utility Program Services	0.00	0	0	0

This action amends the Table of Organization by retitling the Manager, Utilities Marketing Services to Manager, Utility Program Services in the Utilities Customer Service Support section to more accurately reflect the duties of the position. Utility Program Services is where customers can find answers regarding energy efficiency programs, green power programs, water efficiency programs, renewable energy programs, water and energy workshops, key account program and connecting to the City's commercial dark fiber backbone. (Ongoing: \$0)

Performance Results

No impacts to current service levels are anticipated as a result of this title change.

6 Low Carbon Fuel Standard (LCFS) Program	0.00	600,000	600,000	0

This action adds revenue from the estimated sales of Low Carbon Fuel Standard (LCFS) credits, offset by expenditures promoting Electric Vehicle adoption and related EV programs. The California Air Resources Board (CARB) developed the LCFS program to reduce the carbon intensity of transportation fuels used in California by 10% by 2020. Electric utilities that provide electricity to charge electric vehicles (EVs) are eligible to receive LCFS credits based on the number of EVs in their service territory. The City Council approved a Master Agreement to sell LCFS credits on March 14, 2016.

Performance Results

The establishment of this program will promote Electric Vehicle use, contributing to the reduction of carbon emissions.

7 Reclassification of 1.0 FTE Senior Management Analyst to 1.0 FTE Utilities Strategic Business Manager	0.00	26,119	0	(26,119)

This action amends the Table of Organization by reclassifying 1.0 Senior Management Analyst position to 1.0 FTE Utilities Strategic Business Manager position to more accurately reflect the duties of the position. Adopting this reclassification will make permanent the functions of a trial over-strength position created last year to serve in this capacity. This position guides improvements to internal processes, customer focused services, workforce development, and financial stability. This position will oversee Utilities strategic plan, operating and CIP budgets, technology roadmap, workforce development and succession program, and fiber policy.†(Ongoing: \$26,119)

Performance Results

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Electric Fund

No impacts to current service levels are anticipated as a result of this title change.

8 Reclassification of 1.0 FTE Coordinator, Utility Projects to 1.0 FTE Inspector, Field Services	0.00	(2,796)	0	2,796

This action amends the Table of Organization by reclassifying 1.0 Coordinator Utility Projects to 1.0 Inspector Field Services to more accurately reflect the operational needs of the department. In FY 2013, Utilities reclassified one of three Inspector, Field Services positions to Supervisor, Inspection Services who would supervise, oversee, and ensure that all of the inspector's geospatial and pipe/fitting attribute data is consistently accurate, both from staff and contract inspectors and outside developers in compliance with Utilities Standards. As a result of the reclass, there are only two inspectors assigned to WGW Engineering to review project plans and verify contract work are in compliance with specifications. Based on the volume of plan reviews and inspections, Utilities is requesting to add back a third field service inspector. The supervision of the inspectors and oversight of the geospatial database will be reassigned to a Senior Engineer. (Ongoing Savings: \$2,796)

Performance Results



The position reclassifications reflect the current operational needs of the Electric/Water/Gas/Wastewater inspection services group.

FIBER OPTICS FUND

Description

In 1996, the City built a dark fiber ring around Palo Alto that would be capable of supporting multiple network developers and service providers with significant growth potential. The fiber backbone network was routed to pass by and provide access to key City facilities and the Palo Alto business community, including research centers and commercial properties.

Dark fiber optics service consists of providing the fiber optics cabling, splice points, service connections, and other infrastructure providing high-capacity bandwidth needed to transport large quantities of data. It does not include the transmitters, receivers, or data itself, which are owned and operated by each customer.

Accomplishments

- Completed the Fiber-to-the-Premises Master Plan and the Wireless Network Plan.
- Completed the physical audit of the dark fiber optic network to enable system improvements, increase capacity for customer connections, and respond more effectively to outages.
- Upgraded inter-departmental Dark Fiber databases (Engineering, Operations and Business Development) to fully leverage the physical audit data.
- Continuing discussions with Google Fiber to build a fiber optic network.
- Issued Request for Proposal to secure Engineering and Construction Inspection services to meet the needs of the potential Google Fiber project.

Initiatives

- Continue the rebuild of City's dark fiber ring to improve network performance and enable future expansion opportunities for licensing dark fiber to commercial firms and anchor institutions.

- Finalize a Master Encroachment Agreement, Master License Agreement for utility pole attachments and a Cost Recovery Agreement with Google Fiber to build a citywide fiber optic network in Palo Alto.
- Negotiate with Google Fiber to execute a ‘co-build’ agreement for a City-owned fiber network built in parallel with Google Fiber’s network.
- Issue a Request for Information to determine interest in a public-private partnership for deployment of citywide Fiber-to-the-Premises.
- Issue a Request for Proposal to build Wi-Fi and wireless communication facilities for unserved City facilities, Public Safety and Utilities, in addition to offering Wi-Fi connectivity in high-traffic commercial zones such as California Avenue and University Avenue.
- Develop a ‘Dig Once’ policy or ordinance to support the expansion of broadband in Palo Alto and to preserve City infrastructure.
- Complete the conversion of the dark fiber mapping system to AutoCAD AME.

Goals and Objectives

GOAL 1

Increase the value of fiber utility services to customers.

Objectives:

- Provide high-quality and competitively-priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto.
- Manage costs and add new dark fiber license agreements with commercial customers.

GOAL 2

Improve capacity and reliability of the Dark Fiber system.

Objectives:

- Ensure sufficient fiber optic cables are available to meet future customer needs.
- Make system enhancements to prevent damage from outside sources and improve reliability.

Key Performance Measures

CUSTOMER SATISFACTION

Goal	Provide excellent customer service.				
Objective	Provide high-quality and competitively-priced fiber optic utility services to City Departments and commercial customers in the City of Palo Alto.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of commercial fiber connections completed	230	228	240	240	241
Description	This measure shows the growth of the Fiber Enterprise based on customers and connections. Some customers have multiple fiber connections at various locations.				
Purpose	The purpose of this measure is to add value to companies doing business in Palo Alto by providing a cost-effective, world class telecommunications system. The goal is to build out and fully leverage the fiber network to add value to the business and other communities as needed.				
Status	The Fiber Enterprise continues to build out its network to provide more service options to our ever-expanding customer base. For example, a network was completed for the Palo Alto Unified School District (PAUSD) that will not only serve the schools, but provide fiber access to previously unserved areas.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of Wholesale re-sellers	9	11	10	14	14
Number of Connections serving individual users	75	74	220	220	229

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
CIP Fiber Optics Fund	481,898	412,667	1,763,821	1,700,000	(63,821)	(3.6)%
Fiber Optics Administration	186,332	62,472	800,178	755,942	(44,236)	(5.5)%
Fiber Optics Customer Service	398,448	420,523	706,970	1,017,098	310,129	43.9%
Fiber Optics Operations and Maintenance	909,058	1,103,758	514,250	520,063	5,813	1.1%
Total	1,975,736	1,999,420	3,785,219	3,993,103	207,885	5.5%

Budget Summary

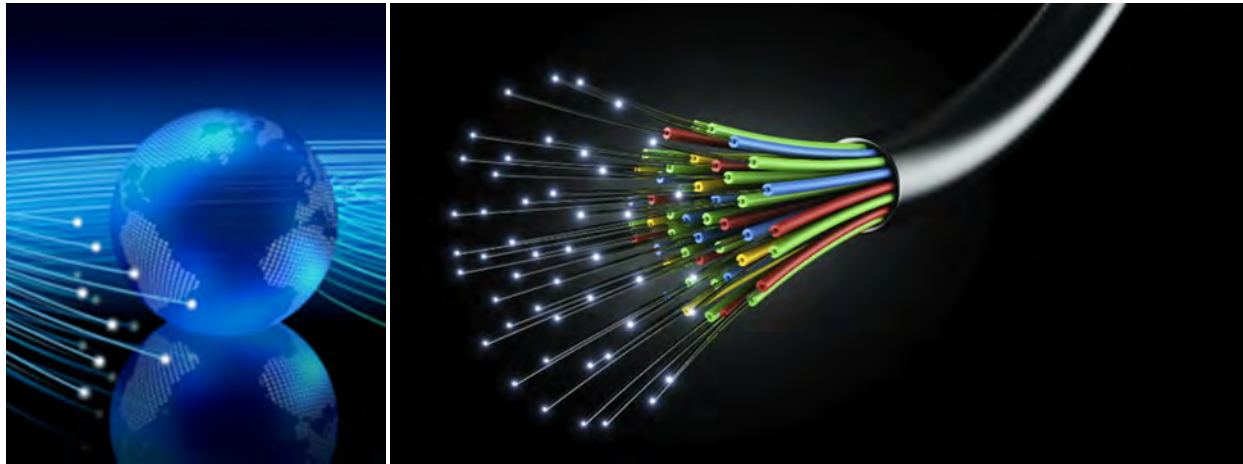
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Healthcare	121,877	140,208	135,983	139,646	3,663	2.7%
Other Benefits	16,204	20,634	18,919	16,310	(2,609)	(13.8)%
Overtime	32,542	28,891	7,854	7,854	—	—%
Pension	134,907	111,875	168,418	186,904	18,486	11.0%
Salary	611,858	523,811	680,717	694,424	13,707	2.0%
Workers' Compensation	—	—	—	10,082	10,082	—%
Total Salary & Benefits	917,387	825,418	1,011,891	1,055,220	43,329	4.3%
Allocated Charges	394,179	693,503	633,044	577,974	(55,070)	(8.7)%
Capital Improvement Program	393,306	309,543	1,763,205	1,700,000	(63,205)	(3.6)%
Contract Services	75,418	99,791	180,300	458,300	278,000	154.2%
General Expense	4,680	2,999	12,000	14,000	2,000	16.7%
Operating Transfers-Out	941	9,441	103,091	104,032	941	0.9%
Rents & Leases	52,468	53,692	72,688	74,577	1,889	2.6%
Supplies & Material	3,671	5,033	9,000	9,000	—	—%
Transfer to Infrastructure	133,687	—	—	—	—	—%
Total Dollars by Expense Category	1,975,736	1,999,420	3,785,219	3,993,103	207,885	5.5%
Revenues						
Charges for Services	4,463	20,026	—	—	—	—%
Net Sales	4,476,533	4,606,321	4,475,388	4,886,920	411,532	9.2%
Operating Transfers-In	204	169	—	—	—	—%
Other Revenue	57	2,752	—	—	—	—%
Return on Investments	380,404	411,870	366,400	366,400	—	—%
Total Revenues	4,861,661	5,041,137	4,841,788	5,253,320	411,532	8.5%
Positions by Division						
CIP Fiber Optics Fund	0.79	0.79	0.79	0.79	—	—%
Fiber Optics Customer Service	3.32	3.32	2.84	2.90	0.06	2.12%
Fiber Optics Operations and Maintenance	3.13	3.13	3.13	3.13	—	—%
Total	7.24	7.24	6.76	6.82	0.06	0.89%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Associate II	—	—	—	0.10	0.10	6,795
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	33,471
Assistant Director Utilities Engineering	0.05	0.05	0.05	0.05	—	9,506
Business Analyst	—	—	0.10	0.20	0.10	24,182
Chief Sustainability Officer	0.10	0.10	—	—	—	—
Electric Project Engineer	0.05	0.05	0.05	0.05	—	5,337
Manager Utilities Compliance	0.10	0.10	0.10	0.10	—	16,155
Manager Utilities Credit & Collection	0.40	0.40	0.40	0.40	—	52,291
Manager Utilities Marketing Services	0.20	0.20	0.20	—	(0.20)	—
Manager Utilities Program Services	—	—	—	0.20	0.20	24,402
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	—	126,880
Power Engineer	0.40	0.40	0.40	0.40	—	46,336
Senior Electrical Engineer	0.05	0.05	0.05	0.05	—	6,764
Street Light, Traffic Signal & Fiber Technician	2.00	2.00	2.00	2.00	—	202,378
Street Light, Traffic Signal & Fiber-Lead	1.00	1.00	1.00	1.00	—	89,764
Utilities Key Account Representative	0.60	0.60	0.60	0.70	0.10	72,975
Utilities Locator	0.03	0.03	0.03	0.03	—	2,478
Utilities Marketing Program Administrator	0.10	0.10	—	—	—	—
Sub-total: Full-Time Equivalent Positions	6.28	6.28	6.18	6.48	0.30	719,714
Temporary/Hourly	0.96	0.96	0.58	0.34	(0.24)	111,759
Total Positions	7.24	7.24	6.76	6.82	0.06	831,473

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Fiber Optics Fund
Prior Year Budget	6.76	3,785,219	4,841,788	1,056,569
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	0.06	43,747	—	(43,747)
Capital Improvement Program Expenditure Adjustments	—	(63,205)	—	63,205
Temporary Fiber Program Manager Contract Expenditure Adjustment	—	228,000	—	(228,000)
Fiber Legal Support Expenditure Adjustment	—	50,000	—	(50,000)
Rents and Leases Expenditure Adjustments	—	1,889	—	(1,889)
Transfer Out From Fiber Optic Fund to Technology Fund Expenditure Adjustment	—	941	—	(941)
Fiber Revenue Adjustment (Rate Increase 3.2% COLA)	—	—	411,532	411,532
General Fund Cost Allocation Plan Charges Adjustment	—	(69,557)	—	69,557
General Liability Insurance Allocated Charges Adjustment	—	(7,145)	—	7,145
Utilities Admin Allocated Charges Adjustment	—	21,632	—	(21,632)
Adjustments to Costs of Ongoing Activities	0.06	206,302	411,532	205,230
Total FY 2017 Base Budget	6.82	3,991,521	5,253,320	1,261,799
Budget Proposals				
1 Reclassification of 1.0 FTE Senior Management Analyst to 1.0 FTE Utilities Strategic Business Manager	—	1,582	—	(1,582)
Budget Changes	—	1,582	—	(1,582)
Total FY 2017 Proposed Budget	6.82	3,993,103	5,253,320	1,260,217



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Fiber Optics Fund
1 Reclassification of 1.0 FTE Senior Management Analyst to 1.0 FTE Utilities Strategic Business Manager	0.00	1,582	0	(1,582)

This action amends the Table of Organization by reclassifying 1.0 Senior Management Analyst position to 1.0 FTE Utilities Strategic Business Manager position to more accurately reflect the duties of the position. Adopting this reclassification will make permanent the functions of a trial over-strength position created last year to serve in this capacity. This position guides improvements to internal processes, customer focused services, workforce development, and financial stability. This position will oversee Utilities strategic plan, operating and CIP budgets, technology roadmap, workforce development and succession program, and fiber policy. (Ongoing: \$1,582)

Performance Results



No impacts to current service levels are anticipated as a result of this title change.

GAS FUND

Description

The municipal natural gas system began operations in 1917 when Palo Alto acquired a privately-owned gas business. During the early years, gas was manufactured from coal tar. This was replaced in the 1920s by natural gas from Pacific Gas and Electric. Today, gas is purchased from several sources. The Gas Utility services include Crossbore Safety, Gas Main Replacements, and Home Energy Audits. The Gas utility infrastructure and its crews maintains an excellent safety record. The gas fund is responsible for planning, designing, budgeting, and constructing major capital improvements to the City's gas distribution system.

Accomplishments

- Completed the PVC gas pipeline study for evaluation of enhanced system reliability. Pipeline improvements recommended from this study will be included in future capital improvement projects.
- Completed the design of gas main replacement project GMR 22 to replace approximately 19,440 linear feet of gas main pipelines and 367 service pipelines. This project will also include approximately 2,700 LF of water main to be placed in the joint-trench with gas main on University Avenue.

Initiatives

- Evaluate the cost-effectiveness and feasibility of 'fuel switching', or substituting electric using appliances for those using natural gas.
- Promote sustainable PaloAltoGreen Gas program with goals of 20% customer participation and 10% greenhouse gas reductions.
- Complete the development of a computer model to perform complex natural gas distribution system analyses.
- Expand efforts to compete for the \$5 million Georgetown University Energy Prize by saving energy (gas and electricity) in 2015 and 2016.
- Continue to enhance outreach for gas safety awareness to all customer groups, as well as non-customers, living around a gas pipeline and/or working with utility services in Palo Alto.

- Implementation of new residential and commercial efficiency programs.
- Launched new portal for residential customers to view their utilities usage for all commodities at one location.

Goals and Objectives

GOAL 1

Provide safe and efficient delivery of natural gas to our customers.

Objectives:

- Continue repairing 100 percent of laterals damaged by crossbore within 24 hours.
- Remove and replace the remaining acrylonitrile butadiene styrene (ABS) pipe from the gas system.
- Complete a walking gas leak survey for 50 percent of the City, and a mobile gas leak survey of services in business districts and 100 percent of the City's gas mains on an annual basis.

GOAL 2

Increase environmental sustainability and promote efficient use of natural gas resources.

Objectives:

- Ten-year goal for natural gas efficiency is a reduction in expected gas use of 2.85 percent by 2023.
- Reduce the carbon intensity of the gas portfolio in accordance with the Climate Protection Plan.

Key Performance Measures

GAS LEAKS REPAIRED

Goal	Provide safe and efficient delivery of natural gas to customers.				
Objective	Respond to and repair all Grade 1 gas leaks immediately.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percentage of Grade 1 leaks responded to within 24 hours	100.00%	100.00%	100.00%	100.00%	100.00%
Description	This measures the total response time to Grade 1 leaks found during the walking and mobile (vehicle) surveys, and any reported leaks classified as Grade 1. The City's policy is to respond and repair Grade 1 leaks within 24 hours. Grade 1 leaks are hazardous leaks that pose an immediate hazard to persons or property and require continuous action until conditions are no longer hazardous.				
Purpose	Leaks are assigned priority gradings according to location, extent of migration, gas concentration, potential for concentration, ignition sources, and potential hazard to the public and property. These priority grades are intended only as guidelines.				
Status	Utilities Operations responds immediately to Grade 1 leaks. The average repair time can vary depending on the size and location of the gas leak.				

UTILITIES

GAS SAFETY

Goal	Provide safe and efficient delivery of natural gas to our customers.				
Objective	Complete a walking gas leak survey for 50 percent of the City, and a mobile gas leak survey of services in business districts and 100 percent of the City's gas mains on an annual basis.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percentage of gas system surveyed by walking	100.00%	100.00%	100.00%	100.00%	100.00%
Percentage of gas system surveyed by mobile (vehicle)	100.00%	100.00%	100.00%	100.00%	100.00%
Description	A walking survey is conducted to check for gas leaks on service/gas meters and covers one-half of the City (approximately 105 miles of gas mains and 36 miles of service lines) every year, so that the entire City's gas service system can be reviewed in a two-year period. Department of Transportation (DOT) regulations require a survey of the entire City once every five years. The City of Palo Alto gas leak survey exceeds the DOT requirements. In addition to walking survey, a mobile (vehicle) survey of all gas mains and some gas service lines (services in the business district) are conducted annually.				
Purpose	To ensure the safety of all who live and work in Palo Alto and to comply with Federal (Department of Transportation) requirements.				
Status	We are meeting the requirements and repairing all discovered gas leaks in a timely manner.				

INCREASE ENVIRONMENTAL SUSTAINABILITY AND PROMOTE EFFICIENT USE OF NATURAL GAS RESOURCES

Goal	Support environmental sustainability and promote efficient use of natural gas resources.				
Objective	Ten-year goals for natural gas are a reduction in expected gas use of 2.85 percent by 2023 (2013 base year).				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Natural gas savings achieved annually through efficiency programs	1.20%	0.50%	0.90%	0.90%	0.55%
Description	We measure specific savings achieved from the installation of natural gas efficiency improvements, which we track through our rebate, audit, loan and other incentive programs. We can also track overall savings by customers class, which include behavioral changes, including those implemented as a results of programs such as the Home Energy Reports, which proved customers information on their energy use and can provide the with comparisons of their home's energy use to others nearby.				
Purpose	The carbon intensity of the natural gas portfolio is a function of where and how the gas is acquired and how much of it then burned in use. Improving gas efficiency directly reduces the gas-related carbon footprint in Palo Alto.				
Status	FY 2015 gas efficiency savings were well above the goal, but below the last two years. Nearly two thirds of the gas savings are attributed to the Home Energy Report program. As the cost of gas continued to decrease, we saw a decline in large commercial gas savings projects.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of Customer Accounts (Gas)	23,592	23,461	23,659	23,659	23,659
Number of gas leaks repaired	137	100	131	131	100

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
CIP Gas Fund	8,879,417	7,460,806	7,134,621	6,306,179	(828,443)	(11.6)%
Gas Administration	9,830,091	9,245,419	10,494,355	12,357,387	1,863,032	17.8%
Gas Customer Service	1,338,432	1,195,633	1,502,959	1,583,952	80,993	5.4%
Gas Demand Side Management	495,782	631,749	1,330,070	1,471,467	141,397	10.6%
Gas Engineering (Operating)	351,558	369,154	474,834	528,730	53,896	11.4%
Gas Operations and Maintenance	4,119,090	4,403,054	5,564,316	4,979,614	(584,703)	(10.5)%
Gas Resource Management	14,841,094	11,074,833	16,428,159	13,060,873	(3,367,286)	(20.5)%
Total	39,855,465	34,380,649	42,929,315	40,288,201	(2,641,113)	(6.2)%

Dollars by Category						
Salary & Benefits						
Healthcare	900,498	898,497	617,414	619,444	2,030	0.3%
Other Benefits	144,028	131,774	101,413	78,007	(23,406)	(23.1)%
Overtime	216,622	187,321	151,865	151,865	—	—%
Pension	996,793	837,860	816,062	905,019	88,957	10.9%
Retiree Medical	248,987	386,978	414,271	594,708	180,437	43.6%
Salary	3,060,672	3,143,294	3,224,270	3,448,611	224,342	7.0%
Workers' Compensation	55,939	43,214	47,300	62,988	15,688	33.2%
Total Salary & Benefits	5,623,538	5,628,938	5,372,595	5,860,642	488,047	9.1%
Allocated Charges	3,563,241	3,683,117	4,359,942	4,317,556	(42,386)	(1.0)%
Capital Improvement Program	7,574,629	6,098,939	6,771,382	6,306,179	(465,204)	(6.9)%
Contract Services	844,916	841,287	2,387,600	1,446,000	(941,600)	(39.4)%
Debt Service	281,866	265,519	802,615	802,615	—	—%
Equity Transfer	5,811,000	5,730,000	5,642,000	6,726,000	1,084,000	19.2%
Facilities & Equipment	—	—	19,790	19,790	—	—%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
General Expense	385,362	522,091	748,161	780,361	32,200	4.3%
Operating Transfers-Out	472,318	150,635	137,659	484,066	346,407	251.6%
Rents & Leases	504,867	512,509	691,967	709,958	17,991	2.6%
Supplies & Material	334,773	428,429	464,114	498,034	33,920	7.3%
Transfer to Infrastructure	133,687	—	—	—	—	—%
Utility Purchase	14,325,269	10,519,185	15,531,489	12,337,000	(3,194,489)	(20.6)%
Total Dollars by Expense Category	39,855,466	34,380,648	42,929,314	40,288,201	(2,641,113)	(6.2)%

Revenues

Charges for Services	27,520	19,698	20,000	20,000	—	—%
Charges to Other Funds	120,157	96,316	202,542	208,104	5,562	2.7%
Net Sales	34,878,848	29,830,007	36,021,524	34,605,526	(1,416,002)	(3.9)%
Operating Transfers-In	151,330	8,221	—	—	—	—%
Other Revenue	745,576	787,248	668,000	1,030,000	362,000	54.2%
Return on Investments	644,722	499,912	526,300	526,300	—	—%
Total Revenues	36,568,153	31,241,400	37,438,366	36,389,930	(1,048,440)	(2.8)%

Positions by Division

CIP Gas Fund	17.12	17.10	17.10	17.10	—	—%
Gas Customer Service	9.52	9.61	8.41	8.78	0.37	4.40%
Gas Demand Side Management	0.34	0.34	0.34	1.34	1.00	294.12%
Gas Engineering (Operating)	1.40	1.40	1.15	1.40	0.25	21.74%
Gas Operations and Maintenance	22.70	22.07	22.38	22.43	0.05	0.22%
Gas Resource Management	2.28	2.28	2.77	1.65	(1.12)	(40.55)%
Total	53.36	52.80	52.16	52.70	0.54	1.04%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Account Specialist	0.26	0.26	0.26	0.23	(0.03)	14,287
Administrative Associate II	0.65	0.65	0.65	0.75	0.10	50,967

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Assistant Director Administrative Services	0.10	0.10	0.10	0.05	(0.05)	9,709
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	33,471
Assistant Director Utilities Engineering	0.20	0.20	0.20	0.20	—	38,026
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	28,519
Assistant Director Utilities/Resource Management	0.25	0.25	0.25	0.25	—	52,811
Business Analyst	1.37	1.37	0.83	1.28	0.45	158,054
Cathodic Protection Technician Assistant	1.00	1.00	1.00	1.00	—	88,568
Cathodic Technician	1.00	1.00	1.00	1.00	—	108,734
Cement Finisher	0.25	0.25	0.25	0.25	—	19,867
Contracts Administrator	0.10	0.10	0.10	0.10	—	10,924
Coordinator Utilities Projects	1.31	1.51	1.51	1.26	(0.25)	120,495
Coordinator Utilities Safety & Security	0.20	—	—	—	—	—
Customer Service Representative	1.62	1.62	1.50	1.62	0.12	109,302
Customer Service Specialist	0.68	0.68	0.50	0.68	0.18	50,452
Customer Service Specialist-Lead	0.58	0.58	0.50	0.58	0.08	46,024
Engineer	2.00	2.00	2.00	2.00	—	207,968
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	24,479
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	51,884
Engineering Technician III	0.70	0.70	0.70	0.70	—	51,187
Equipment Operator	0.43	0.43	0.43	0.43	—	31,527
Gas System Technician	2.00	2.00	2.00	—	(2.00)	—
Gas Systems Technician II	0.90	0.90	0.90	2.90	2.00	236,998
Heavy Equipment Operator	2.57	2.57	2.57	2.52	(0.05)	208,466
Heavy Equipment Operator/Install Repair	—	—	—	0.65	0.65	59,324
Inspector, Field Services	1.17	1.17	1.17	1.42	0.25	128,320
Maintenance Mechanic-Welding	1.00	1.00	1.00	1.00	—	85,416
Manager Customer Service	—	—	0.33	0.33	—	42,721

UTILITIES

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Manager Customer Service and Meter Reading	0.33	0.33	—	—	—	—
Manager Treasury, Debt & Investments	—	—	—	0.10	0.10	13,293
Manager Utilities Compliance	0.25	0.25	0.25	0.25	—	40,388
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	19,609
Manager Utilities Marketing Services	0.20	0.20	0.20	—	(0.20)	—
Manager Utilities Operations WGW	0.20	0.20	0.20	0.20	—	31,212
Manager Utilities Program Services	—	—	—	0.20	0.20	24,402
Meter Reader	1.98	1.98	1.92	1.98	0.06	115,006
Meter Reader-Lead	0.33	0.33	0.32	0.33	0.01	22,324
Principal Business Analyst	—	—	0.33	0.33	—	46,270
Principal Management Analyst	—	0.33	—	—	—	—
Program Assistant I	0.33	0.33	0.33	0.33	—	19,192
Project Engineer	1.00	1.00	1.00	1.00	—	122,383
Resource Planner	1.15	1.15	0.95	0.65	(0.30)	78,220
Restoration Lead	0.43	0.43	0.43	0.43	—	37,677
SCADA Technologist	0.20	0.20	0.20	0.20	—	25,300
Senior Business Analyst	0.66	0.66	0.66	0.66	—	83,527
Senior Engineer	2.70	2.10	2.70	2.70	—	375,872
Senior Management Analyst	0.05	0.05	0.05	—	(0.05)	—
Senior Mechanic	0.33	0.33	0.33	0.33	—	31,829
Senior Project Engineer	—	0.60	—	—	—	—
Senior Resource Planner	0.46	0.46	0.77	0.45	(0.32)	64,751
Senior Technologist	0.29	0.29	—	—	—	—
Senior Utilities Field Service Representative	0.41	0.41	0.41	0.41	—	39,482
Substation Electrician	0.10	0.10	0.10	0.10	—	9,153
Supervisor Inspection Services	0.29	0.29	0.29	—	(0.29)	—
Utilities Engineer Estimator	0.85	0.85	0.85	0.85	—	90,621
Utilities Field Services Representative	1.75	1.75	1.75	1.75	—	151,608
Utilities Install Repair-Lead-Welding Certified	1.30	1.30	1.30	1.30	—	127,456

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Utilities Install Repair-Welding Certified	1.95	1.95	1.95	1.95	—	167,371
Utilities Install/Repair	4.45	4.45	4.45	3.85	(0.60)	325,794
Utilities Install/Repair Assistant	0.65	0.65	0.65	0.65	—	42,609
Utilities Install/Repair-Lead	1.98	1.98	1.98	1.98	—	189,696
Utilities Key Account Representative	0.35	0.35	0.35	0.45	0.10	46,897
Utilities Locator	0.29	0.29	0.29	0.29	—	23,679
Utilities Marketing Program Administrator	0.35	0.35	0.35	0.70	0.35	62,765
Utilities Safety Officer	—	0.20	0.20	0.20	—	22,068
Utilities Supervisor	2.08	2.08	2.08	2.37	0.29	324,141
Water System Operator II	0.66	0.66	0.66	0.66	—	56,766
Sub-total: Full-Time Equivalent Positions	49.67	50.20	49.03	49.83	0.80	4,899,861
Temporary/Hourly	3.69	2.60	3.13	2.88	(0.26)	234,058
Total Positions	53.36	52.80	52.16	52.70	0.54	5,133,919

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Gas Fund
Prior Year Budget	52.16	42,929,314	37,438,366	(5,490,948)
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Cross-bore Inspection Contract	—	(1,000,000)	—	1,000,000
One-Time Prior Year Expenditures and Revenues	—	(1,000,000)	—	1,000,000
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	0.54	260,600	—	(260,600)
Capital Improvement Program Adjustments	—	(465,203)	—	465,203
Gas Commodity Purchases Expenditure Adjustment	—	(3,194,489)	—	3,194,489
Rents and Leases Expenditure Adjustment	—	17,991	—	(17,991)
Hauling/Disposal of Construction Materials Contract Increase Expenditure Adjustment	—	50,000	—	(50,000)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Gas Fund
Debt Service Expenditure Adjustment	—	249,865	—	(249,865)
Equity Transfer to General Fund Expenditure Adjustment	—	1,084,000	—	(1,084,000)
Transfer to Technology Fund Expenditure Adjustment	—	179,780	—	(179,780)
Transfer to Electric Fund Expenditure Adjustment	—	136,335	—	(136,335)
Transfer to Water Fund Expenditure Adjustment	—	30,342	—	(30,342)
Palo Alto Green Gas Program Sales to City Revenue Adjustment	—	—	5,562	5,562
Gas Connection Fees Revenue Adjustment	—	—	362,000	362,000
Gas Sales Revenue Adjustment (Rate Increase, Consumption Decrease, Commodity Cost Decrease)	—	—	(1,415,998)	(1,415,998)
General Fund Cost Allocation Plan Charges Adjustment	—	(149,942)	—	149,942
General Liability Insurance Allocated Charges Adjustment	—	(36,635)	—	36,635
Print & Mail Allocated Charges Adjustment	—	(13,581)	—	13,581
Utilities Admin Allocated Charges Adjustment	—	91,108	—	(91,108)
Utility and Public Works Charges to City Allocated Charges Adjustment	—	13,744	—	(13,744)
Adjustments to Costs of Ongoing Activities	0.54	(1,746,085)	(1,048,436)	697,649
Total FY 2017 Base Budget	52.70	40,183,229	36,389,930	(3,793,299)
Budget Proposals				
1 Contract for Advisory Consultant for Gas and Water Operations	—	65,000	—	(65,000)
2 Reclassification of 2.0 FTE Gas System Technician I to 2.0 FTE Gas System Technician II	—	11,170	—	(11,170)
3 Reclassification of 2.0 FTE Heavy Equipment Operators, 1.0 FTE Installer Repairer and 1.0 FTE Assistant Installer Repairer to 4.0 FTE Heavy Equipment Operator/Installer-Repairer	—	3,256	—	(3,256)
4 Title Change, Manager, Utilities Marketing Services to Manager, Utility Program Services	—	0	—	0

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Gas Fund
5 Reclassification of 1.0 FTE Senior Management Analyst to 1.0 FTE Utilities Strategic Business Manager	—	12,227	—	(12,227)
6 Reclassification of 1.0 FTE Coordinator, Utility Projects to 1.0 FTE Inspector, Field Services	—	(2,796)	—	2,796
7 Reclassification of 1.0 FTE Supervisor, Inspection Services to 1.0 FTE Utilities Supervisor	—	16,115	—	(16,115)
Budget Changes	—	104,972	—	(104,972)
Total FY 2017 Proposed Budget	52.70	40,288,201	36,389,930	(3,898,271)



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Gas Fund
1 Contract for Advisory Consultant for Gas and Water Operations	0.00	65,000	0	(65,000)

This action provides funding for an advisory consulting contract to assist with operational evaluations, updating master plans, create procedures for data collection and reporting to meet compliance requirements, and updating procedure manuals. This service has helped the Sewer Operations improve its processes and meet its compliance obligations. The Gas and Water Operations will benefit from the same type of support. (Ongoing: \$65,000)

Performance Results



The addition of these resources to the Gas and Water operation will increase operation efficiencies and help with compliance regulation.

2 Reclassification of 2.0 FTE Gas System Technician I to 2.0 FTE Gas System Technician II	0.00	11,170	0	(11,170)

This action reclassifies 2.0 FTE Gas System Technician I's to 2.0 FTE Gas System Technician II's to more accurately reflect the duties and work requirements of the position.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Gas Fund

Performance Results

No impacts to current service levels are anticipated as a result of this position reclassification.

3 Reclassification of 2.0 FTE Heavy Equipment Operators, 1.0 FTE Installer Repairer and 1.0 FTE Assistant Installer Repairer to 4.0 FTE Heavy Equipment Operator/Installer-Repairer	0.00	3,256	0	(3,256)

This action would create a new combo Heavy Equipment Operator / Installer-Repairer classification in the Heavy Equipment Operator and Installer-Repairer job families in the Water/Gas/Wastewater group. Currently there are separate sets of duties for heavy equipment operators and installer/repairers who work on the same water, gas, and sewer jobs. This proposal creates a combined position that would enable some employees to perform both sets of duties. This would increase productivity, provide greater flexibility during employee absences, and would provide more job development opportunities. 2.0 FTE Heavy Equipment Operator positions, 1.0 FTE Installer-Repairer, and 1.0 Assistant Installer-Repairer will be reclassified to 4.0 FTE Heavy Equipment Operator/Installer-Repairer positions. (Ongoing: \$3,256)

Performance Results



The position reclassifications reflect the current operational needs of the Water/Gas/Wastewater operation. This would increase productivity, provide greater flexibility during employee absences, and would provide more job development opportunities.

4 Title Change, Manager, Utilities Marketing Services to Manager, Utility Program Services	0.00	0	0	0

This action amends the Table of Organization by retitling the Manager, Utilities Marketing Services to Manager, Utility Program Services in the Utilities Customer Service Support section to more accurately reflect the duties of the position. Utility Program Services is where customers can find answers regarding energy efficiency programs, green power programs, water efficiency programs, renewable energy programs, water and energy workshops, key account program and connecting to the City's commercial dark fiber backbone. (Ongoing: \$0)

Performance Results

No impacts to current service levels are anticipated as a result of this title change.

5 Reclassification of 1.0 FTE Senior Management Analyst to 1.0 FTE Utilities Strategic Business Manager	0.00	12,227	0	(12,227)

This action amends the Table of Organization by reclassifying 1.0 Senior Management Analyst position to 1.0 FTE Utilities Strategic Business Manager position to more accurately reflect the duties of the position. Adopting this reclassification will make permanent the functions of a trial over-strength position created last year to serve in this capacity. This position guides improvements to internal processes, customer focused services, workforce development, and financial stability. This position will oversee Utilities strategic plan, operating and CIP budgets, technology roadmap, workforce development and succession program, and fiber policy. (Ongoing: \$12,227)

Performance Results

No impacts to current service levels are anticipated as a result of this title change.

6 Reclassification of 1.0 FTE Coordinator, Utility Projects to 1.0 FTE Inspector, Field Services	0.00	(2,796)	0	2,796

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Gas Fund

This action amends the Table of Organization by reclassifying 1.0 Coordinator Utility Projects to 1.0 Inspector Field Services to more accurately reflect the operational needs of the department. In FY 2013, Utilities reclassified one of three Inspector, Field Services positions to Supervisor, Inspection Services who would supervise, oversee, and ensure that all of the inspector's geospatial and pipe/fitting attribute data is consistently accurate, both from staff and contract inspectors and outside developers in compliance with Utilities Standards. As a result of the reclass, there are only two inspectors assigned to WGW Engineering to review project plans and verify contract work are in compliance with specifications. Based on the volume of plan reviews and inspections, Utilities is requesting to add back a third field service inspector. The supervision of the inspectors and oversight of the geospatial database will be reassigned to a Senior Engineer. (Ongoing Savings: \$2,796)

Performance Results

The position reclassifications reflect the current operational needs of the Electric/Water/Gas/Wastewater inspection services group.

7 Reclassification of 1.0 FTE Supervisor, Inspection Services to 1.0 FTE Utilities Supervisor	0.00	16,115	0	(16,115)

This action reclassifies 1.0 FTE Supervisor, Inspection Services to 1.0 FTE Utilities Supervisor in the Operations Division. There is a need for coordination between the WGW and Electric businesses. The supervisor position will act as a bridge that will allocate resources across the Divisions. The position will also functionally be able to fill in for the operation supervisors positions and develop skills to assume the duties of the other supervisors upon their retirement, which is key to the Utilities succession planning efforts. (Ongoing: \$16,115)

Performance Results

The position reclassifications reflect the current operational needs of the Water/Gas/Wastewater & Electric operation. This would increase productivity, provide greater flexibility during employee absences, and would provide more job development opportunities.

WASTEWATER COLLECTION FUND

Description

In 1898, Palo Alto approved \$28,000 in bond money to fund construction of the City's first sewer network, which was completed in 1899. Private cesspools and privies were banned, and the City Health Officer had residents connected to the sewer system within a few years.

Wastewater Collection's staff is responsible for design, construction, operation, and maintenance of approximately 216 miles of sewer mains and over 18,000 City-owned laterals. Staff continues overlapping the design and construction elements of rehabilitation and augmentation projects. Wastewater Collection's priorities are: maintaining infrastructure reliability; identifying problems in mains and service laterals through expanded use of video technology; complying with all regulatory requirements; and maintaining its excellent safety record.

Accomplishments

- Surveyed, inspected, and cleaned 3,977 City-owned sewer laterals.
- Continued to minimize Sanitary Sewer Overflows (SSOs) by increasing preventive maintenance work on laterals and mains; reduced total number of SSOs by 22% in 2015 compared to 2014
- Repaired and/or replaced over 136 laterals with structural damage.
- Continue to develop the next phase of the Crossbore program to address partially inspected and uninspected laterals based on a prioritized list and available budget.
- Awarded contract for sanitary sewer replacement project SSR 24/25/26 and replaced 5,100 of the 42,000 linear feet of sanitary sewer mains in University South, Professorville, and Old Palo Alto neighborhoods to date.

- Completed the design of sanitary sewer replacement project SSR 27 to replace approximately 15,753 linear feet of wastewater main pipelines, 259 lateral pipelines, and 46 manholes.

Initiatives

- Implement a more aggressive sewer lateral replacement program as a result of the findings in the crossbore inspection program.
- Continue customer and plumber safety outreach about the importance of calling Utilities prior to clearing a sewer lateral to confirm no risk of crossbore.
- Reduce the total number of Sanitary Sewer Overflows (SSOs) by 5% annually per State Water Resources Control Board's requirement.
- Request proposals and procure a contractor to do Phase II of the Crossbore program to address high priority laterals.
- Replace aging sewer combination cleaning units with new units.
- Continue the multi-year construction of sanitary sewer replacement project SSR 24/25/26 to replace approximately 42,398 LF of wastewater main pipelines, 779 lateral pipelines, and 121 manholes.
- Award the contract and start the construction of sanitary sewer replacement project SSR 27 to replace approximately 15,753 LF of wastewater main pipelines, 259 lateral pipelines, and 46 manholes.

Goals and Objectives

GOAL 1

Maintain and provide reliable wastewater services to our customers.

Objectives:

- Clean and maintain 100 percent of the sewer mains in commercial area on a quarterly basis.
- Clean and video a minimum of 17 percent of the City-owned laterals annually, to comply with City's Sewer Overflow Reduction Plan.
- Maintain a low level of inflow and infiltration of saltwater into the City's wastewater system.
- Maintain the integrity of our wastewater collection system by replacing mains and laterals as identified on our Wastewater Collection System Rehabilitation/Augmentation Capital Improvement Project plan.
- Minimize Sanitary Sewer Overflows and stoppages.

Key Performance Measures

MAINTAIN AND PROVIDE RELIABLE SERVICES

Goal	Maintain and provide a reliable wastewater system to our customers				
Objective	Inspect and clean 100 percent of the sewer mains in commercial areas on a quarterly basis. Clean and video a minimum of 17 percent of the City-owned laterals annually to comply with City's Sewer Overflow Reduction Plan.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of miles of sewer lines cleaned/treated in a fiscal year	108.00%	61.00%	62.00%	63.00%	63.00%
Percentage of sewer laterals inspected annually	16.00%	22.00%	19.00%	18.00%	19.00%
Description	The purpose of the Sewer System Management Plan (SSMP) is to maintain and improve the condition of the collection system infrastructure; control infiltration and provide appropriate sewer capacity; and minimize the number and impact of sanitary sewer overflows. The goal is to perform sewer main cleaning of the entire collection system every 30 months (81.6 miles per year). This measures inspections and maintenance of 17 percent of City-owned laterals annually using closed-circuit television (CCTV) inspection data, including results of the on-going crossbore lateral inspection program, to target sewer mains and lower laterals for rehabilitation and replacement.				
Purpose	To prevent blockage, sewer overflows, and to comply with the City's Sanitary Sewer Management Plan (SSMP), all the City's sewer mains must be cleaned within 30 months.				
Status	The City is meeting the objectives of its Sanitary Sewer Management Plan, and through the implementation of an aggressive sewer main cleaning, the number of blockages and overflows have decreased. WGW Operations is on target to complete inspection of 17% or 3,108 laterals of 18,141 in the City.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Number of Customer Accounts (Wastewater)	22,105	22,241	22,174	22,174	22,174
Number of sewage overflows in a fiscal year	105	96	65	72	64
Percent of sewage spill and line blockage responses within two hours	98.00%	97.00%	100.00%	100.00%	100.00%
Percent of surveyed residents rating the quality of the Sewer Service as good/excellent	89.00%	83.00%	88.00%	88.00%	88.00%
Percent of miles of sewer lines replaced	3.00%	3.00%	2.00%	1.76%	1.94%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
CIP Wastewater Collection Fund	5,074,880	3,090,810	6,055,611	4,827,281	(1,228,330)	(20.3)%
Wastewater Collection Administration	1,701,786	1,454,325	2,562,518	2,696,774	134,256	5.2%
Wastewater Collection Customer Service	132,713	(323,934)	353,076	271,245	(81,831)	(23.2)%
Wastewater Collection Engineering (Operating)	310,374	318,560	391,212	447,371	56,159	14.4%
Wastewater Collection Operations and Maintenance	9,432,600	11,423,074	11,566,762	13,430,249	1,863,487	16.1%
Total	16,652,353	15,962,835	20,929,179	21,672,920	743,741	3.6%
Dollars by Category						
Salary & Benefits						
Healthcare	533,024	539,838	307,130	325,781	18,651	6.1%
Other Benefits	78,231	70,690	40,593	34,417	(6,177)	(15.2)%
Overtime	152,654	146,040	47,554	47,554	—	—%
Pension	558,324	469,096	399,983	426,797	26,814	6.7%
Retiree Medical	86,804	70,919	80,385	136,521	56,136	69.8%
Salary	1,427,205	1,122,447	1,548,070	1,606,009	57,939	3.7%
Workers' Compensation	26,416	18,019	22,339	35,739	13,400	60.0%
Total Salary & Benefits	2,862,659	2,437,050	2,446,054	2,612,817	166,762	6.8%
Allocated Charges	1,953,415	2,184,449	2,579,841	2,814,147	234,306	9.1%
Capital Improvement Program	3,936,230	1,642,939	5,955,478	4,827,281	(1,128,197)	(18.9)%
Contract Services	154,427	86,187	250,990	247,640	(3,350)	(1.3)%
Debt Service	54,376	50,663	129,001	129,001	—	—%
Facilities & Equipment	20	—	3,000	3,000	—	—%
General Expense	73,112	75,022	107,100	122,160	15,060	14.1%
Operating Transfers-Out	107,522	119,173	107,078	285,689	178,611	166.8%
Rents & Leases	269,221	276,107	380,741	390,039	9,298	2.4%
Supplies & Material	244,812	314,451	342,870	386,120	43,250	12.6%
Transfer to Infrastructure	133,687	—	—	—	—	—%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Utility Purchase	6,862,872	8,776,795	8,627,026	9,855,026	1,228,000	14.23%
Total Dollars by Expense Category	16,652,352	15,962,835	20,929,179	21,672,920	743,741	3.55%
Revenues						
Charges for Services	18,121	23,042	10,000	10,000	—	—%
Charges to Other Funds	30,107	30,107	30,107	30,107	—	—%
Net Sales	15,877,228	15,494,811	17,064,999	17,947,509	882,510	5.2%
Operating Transfers-In	42,242	4,467	—	—	—	—%
Other Revenue	696,908	1,251,859	652,000	1,046,000	394,000	60.4%
Return on Investments	309,139	323,123	266,500	266,500	—	—%
Total Revenues	16,973,745	17,127,410	18,023,605	19,300,115	1,276,510	7.1%
Positions by Division						
CIP Wastewater Collection Fund	13.34	13.00	12.52	12.52	—	—%
Wastewater Collection Customer Service	2.47	2.47	3.06	2.19	(0.87)	(28.48)%
Wastewater Collection Engineering (Operating)	1.40	1.40	1.15	1.40	0.25	21.74%
Wastewater Collection Operations and Maintenance	13.01	12.70	13.02	13.06	0.04	0.34%
Total	30.22	29.57	29.74	29.17	(0.58)	(1.93)%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Account Specialist	0.25	0.25	0.25	0.23	(0.02)	14,287
Administrative Associate II	0.40	0.40	0.40	0.40	—	27,183
Assistant Director Utilities Engineering	0.15	0.15	0.15	0.15	—	28,519
Assistant Director Utilities Operations	0.10	0.10	0.10	0.10	—	19,013
Associate Engineer	0.50	0.50	0.50	—	(0.50)	—
Business Analyst	0.75	0.75	0.50	0.75	0.25	91,357

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Cement Finisher	0.50	0.50	0.50	0.50	—	39,734
Contracts Administrator	0.05	0.05	0.05	0.05	—	5,462
Coordinator Utilities Projects	1.25	1.35	1.35	1.10	(0.25)	106,341
Coordinator Utilities Safety & Security	0.10	—	—	—	—	—
Customer Service Representative	1.20	1.20	1.38	1.20	(0.18)	80,964
Customer Service Specialist	—	—	0.46	—	(0.46)	—
Customer Service Specialist-Lead	0.25	0.25	0.46	0.25	(0.21)	19,838
Engineer	1.00	1.00	1.00	1.00	—	113,706
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	24,479
Engineering Manager - WGW	0.34	0.34	0.34	0.34	—	53,457
Engineering Technician III	0.45	0.45	0.45	0.45	—	33,808
Equipment Operator	0.26	0.26	0.26	0.26	—	19,062
Heavy Equipment Operator	2.13	2.13	2.13	0.23	(1.90)	18,383
Heavy Equipment Operator/Install Repair	—	—	—	3.15	3.15	271,895
Industrial Waste Investigator	—	—	—	0.50	0.50	46,585
Inspector, Field Services	1.43	1.43	1.43	1.68	0.25	151,816
Maintenance Mechanic-Welding	0.20	0.20	0.20	0.20	—	17,082
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	19,609
Manager Utilities Operations WGW	0.30	0.30	0.30	0.30	—	46,818
Program Assistant I	0.34	0.34	0.34	0.34	—	19,774
Project Engineer	2.00	2.00	2.00	2.00	—	214,243
Restoration Lead	0.26	0.26	0.26	0.26	—	22,781
Senior Engineer	1.30	1.15	1.30	1.30	—	184,805
Senior Mechanic	0.33	0.33	0.33	0.33	—	31,829
Senior Project Engineer	—	0.15	—	—	—	—
Supervisor Inspection Services	0.42	0.42	0.42	—	(0.42)	—
Utilities Engineer Estimator	0.47	0.47	0.47	0.47	—	50,011
Utilities Field Services Representative	1.25	1.25	1.25	1.25	—	108,290
Utilities Install Repair-Lead-Welding Certified	0.24	0.24	0.24	0.24	—	23,530

UTILITIES

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Utilities Install Repair-Welding Certified	0.36	0.36	0.36	0.36	—	30,898
Utilities Install/Repair	5.50	5.50	5.50	4.25	(1.25)	347,881
Utilities Install/Repair-Lead	2.00	2.00	2.00	2.00	—	191,610
Utilities Locator	0.39	0.39	0.39	0.39	—	31,942
Utilities Safety Officer	—	0.10	0.10	0.10	—	11,034
Utilities Supervisor	1.30	1.30	1.30	1.72	0.42	233,872
Sub-total: Full-Time Equivalent Positions	28.07	28.17	28.77	28.15	(0.62)	2,751,898
Temporary/Hourly	2.15	1.40	0.98	1.02	0.04	65,510
Total Positions	30.22	29.57	29.74	29.17	(0.58)	2,817,408

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
Prior Year Budget	29.74	20,929,179	18,023,605	(2,905,574)
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	(0.58)	119,169	—	(119,169)
Capital Improvement Program Adjustments	—	(1,128,197)	—	1,128,197
Rents and Leases Expenditure Adjustment	—	9,298	—	(9,298)
Off-hauling/Disposal of Materials Cost Adjustments	—	50,000	—	(50,000)
Wastewater Treatment Purchases Expenditure Adjustment	—	1,228,000	—	(1,228,000)
Transfer Out to Technology Fund Expenditure Adjustment	—	148,268	—	(148,268)
Transfer Out to Water Fund Expenditure Adjustment	—	30,343	—	(30,343)
Wastewater Treatment Sales Revenue Adjustment (Rate Increase 9%)	—	—	882,510	882,510
Wastewater Connection Fees Revenue Adjustment	—	—	394,000	394,000
Utilities and Public Works Charges to City Allocated Charges Adjustment	—	235,247	—	(235,247)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
General Fund Cost Allocation Plan Charges Adjustment	—	(150,584)	—	150,584
General Liability Insurance Allocated Charges Adjustment	—	(30,585)	—	30,585
Print & Mail Allocated Charges Adjustment	—	(4,596)	—	4,596
Utilities Admin Allocated Charges Adjustment	—	35,806	—	(35,806)
Vehicle Fund Allocated Charges Adjustment	—	149,017	—	(149,017)
Adjustments to Costs of Ongoing Activities	(0.58)	691,186	1,276,510	585,324
Total FY 2017 Base Budget	29.17	21,620,365	19,300,115	(2,320,250)
Budget Proposals				
1 Reclassification of 2.0 FTE Heavy Equipment Operators, 1.0 FTE Installer Repairer and 1.0 FTE Assistant Installer Repairer to 4.0 FTE Heavy Equipment Operator/Installer-Repairer	—	25,244	—	(25,244)
2 Reclassification of 1.0 FTE Senior Management Analyst to 1.0 FTE Utilities Strategic Business Manager	—	6,768	—	(6,768)
3 Reclassification of 1.0 FTE Coordinator Utility Projects to 1.0 FTE Inspector Field Services	—	(2,796)	—	2,796
4 Reclassification of 1.0 FTE Supervisor, Inspection Services to 1.0 FTE Utilities Supervisor	—	23,339	—	(23,339)
Budget Changes	—	52,555	—	(52,555)
Total FY 2017 Proposed Budget	29.17	21,672,920	19,300,115	(2,372,805)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
1 Reclassification of 2.0 FTE Heavy Equipment Operators, 1.0 FTE Installer Repairer and 1.0 FTE Assistant Installer Repairer to 4.0 FTE Heavy Equipment Operator/Installer-Repairer	0.00	25,244	0	(25,244)

This action would create a new combo Heavy Equipment Operator/Installer-Repairer classification in the Heavy Equipment Operator and Installer-Repairer job families in the Water/Gas/Wastewater group. Currently there are separate sets of duties for heavy equipment operators and installer-repairers who work on the same water, gas, and sewer jobs. This proposal creates a combined position that would enable some employees to perform both sets of duties. This would increase productivity, provide greater flexibility during employee absences, and would provide more job development opportunities. 2.0 FTE Heavy Equipment Operator positions, 1.0 FTE Installer-Repairer, and 1.0 Assistant Installer-Repairer will be reclassified to 4.0 FTE Heavy Equipment Operator/Installer-Repairer positions. (Ongoing: \$1,216)

Performance Results



The position reclassifications reflect the current operational needs of the Water/Gas/Wastewater operation. This would increase productivity, provide greater flexibility during employee absences, and would provide more job development opportunities.

2 Reclassification of 1.0 FTE Sr. Management Analyst to 1.0 FTE Strategic Business Manager	0.00	6,768	0	(6,768)

This action amends the Table of Organization by reclassifying 1.0 Senior Management Analyst position to 1.0 FTE Utilities Strategic Business Manager position to more accurately reflect the duties of the position. Adopting this reclassification will make permanent the functions of a trial over-strength position created last year to serve in this capacity. This position guides improvements to internal processes, customer focused services, workforce development, and financial stability. This position will oversee Utilities strategic plan, operating and CIP budgets, technology roadmap, workforce development and succession program, and fiber policy. (Ongoing: \$6,768)

Performance Results

No impacts to current service levels are anticipated as a result of this title change.

3 Reclassification of 1.0 FTE Coordinator Utility Projects to 1.0 FTE Inspector Field Services	0.00	(2,796)	0	2,796

This action amends the Table of Organization by reclassifying 1.0 Coordinator Utility Projects to 1.0 Inspector Field Services to more accurately reflect the operational needs of the department. In FY 2013, Utilities reclassified one of three Inspector, Field Services positions to Supervisor, Inspection Services who would supervise, oversee, and ensure that all of the inspector's geospatial and pipe/fitting attribute data is consistently accurate, both from staff and contract inspectors and outside developers in compliance with Utilities Standards. As a result of the reclass, there are only two inspectors assigned to WGW Engineering to review project plans and verify contract work are in compliance with specifications. Based on the volume of plan reviews and inspections, Utilities is requesting to add back a third field service inspector. The supervision of the inspectors and oversight of the geospatial database will be reassigned to a Senior Engineer. (Ongoing Savings: \$2,796)

Performance Results

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Wastewater Collection Fund

The position reclassifications reflect the current operational needs of the Electric/Water/Gas/Wastewater inspection services group.

4 Reclassification of 1.0 FTE Supervisor, Inspection Services to 1.0 FTE Utilities Supervisor	0.00	23,339	0	(23,339)

This action reclassifies 1.0 FTE Supervisor, Inspection Services to 1.0 FTE Utilities Supervisor in the Operations Division. There is a need for coordination between the WGW and Electric businesses. The supervisor position will act as a bridge that will allocate resources across the Divisions. The position will also functionally be able to fill in for the operation supervisors positions and develop skills to assume the duties of the other supervisors upon their retirement, which is key to the Utilities succession planning efforts. (Ongoing: \$23,339)

Performance Results

The position reclassifications reflect the current operational needs of the Water/Gas/Wastewater & Electric operation. This would increase productivity, provide greater flexibility during employee absences, and would provide more job development opportunities.

WATER FUND

Description

From 1895 until 1928, the City's water supply came from deep wells. When the groundwater supply started to decline, water was purchased from the San Francisco Regional Water System to supplement the local water system. Since 1962, when Palo Alto's wells were discontinued as the primary water system, 100 percent of the water has come from the Regional Water System: 85 percent derived from snow melt flowing into the Hetch Hetchy Reservoir and the balance from runoff stored in San Francisco Bay Area reservoirs. The Water Fund focuses on increasing infrastructure reliability and responsiveness to meet the City's water supply needs during an emergency; maintaining high-quality and reliable sources of water; updating water efficiency goals; and implementing water efficiency programs and services. Additionally, Engineering is implementing a seismic upgrade to the existing reservoirs, wells and receiving stations to increase supply reliability during catastrophic emergencies.

Accomplishments

- Achieved drought water savings substantially in excess of the 24% water use reduction mandated by the State Water Resources Control Board.
- Led citywide drought response initiative including water conservation education and water use restriction enforcement.
- Completed the 2015 Urban Water Management Plan.
- Certified the environmental impact report for the expansion of the recycled water system to deliver recycled water to City parks and the Stanford Research Park.
- Completed the Water distribution system seismic evaluation and condition assessment master study to determine the reliability of water system and seismic stability of water pipelines in the Foothills. Pipeline improvements recommended from this study will be included in future capital improvement projects.

- Completed the construction of original scope of water main replacement project WMR 25 to replace approximately 12,000 LF of water main pipelines, 225 service pipelines, and 16 fire hydrants. Currently the contractor is working on the additional scope on Hopkins Avenue.

Initiatives

- Complete the business plan to evaluate the potential expansion of the recycled water system to deliver recycled water to City parks and the Stanford Research Park.
- Work with Public Works to complete the Recycled Water Strategic Plan, a comprehensive evaluation of all potential recycled water supply options including nonpotable reuse, indirect and direct potable reuse, on-site treatment and use, storm water use, and groundwater.
- Complete an assessment of potential potable water supplies.
- Respond to drought regulations and implement the Urban Water Shortage Contingency Plan to meet usage reduction targets.
- Complete the construction of Boronda Reservoir concrete water tank rehabilitation by removing the old steel tension cable and rewinding with new cable and shotcrete.
- Assess the current condition of water reservoirs in the Foothills and identify structural integrity issues. Determine the feasibility and cost effectiveness of alternatives to address the structural integrity issues. Develop a work plan to retrofit the existing reservoirs or to build new reservoirs.
- Complete the design of water main replacement project WMR 26 to replace approximately 10,629 water main pipelines, 174 service pipelines, and 40 fire hydrants.
- Continue the multi-year construction for seismic upgrade of 2 water steel tanks and 3 turnouts.
- Initiated two pilot programs with grants from the Santa Clara Valley Water District (SCVWD). One to develop Business Water Reports for restaurants and hotels and another to install real-time water meters for City facilities and selected commercial properties.

Goals and Objectives

GOAL 1

Provide safe and clean drinking water for our customers.

Objectives:

- Ensure drinking water meets all regulatory standards.
- Maintain and update water infrastructure to ensure reliable service.
- Educate customers about backflow prevention as part of the City's Cross Connection Control Program.
- Ensure adequate water supplies are available to meet existing and future water demands.
- Complete seismic upgrades to water system (reservoirs, receiving stations and wells).

GOAL 2

Increase environmental sustainability of the water supply system.

Objective:

- Increase water conservation and efficiency participation.
- Develop updated long-term water efficiency goals as part of the 2015 Urban Water Management Plan update.
- Evaluate expanding the recycled water delivery system to help drought-proof the system, reuse local water supplies, and reduce the City's dependence on the Tuolumne River.

Key Performance Measures

PROVIDE SAFE AND CLEAN DRINKING WATER FOR OUR CUSTOMERS

Goal	Provide safe and clean drinking water for our customers.				
Objective	Ensure drinking water meets all regulatory standards.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percentage of customer-owned water backflow prevention devices in compliance	96.00%	94.00%	90.00%	94.00%	94.00%
Description	Customer-owned and maintained backflow devices are an integral part of the City's Cross Connection Control Program which began in early 2010. The devices help to ensure that no contaminants of any kind (e.g., chemicals, debris, reclaimed water) enter the potable water system.				
Purpose	The California Department of Public Health Services provides regulations for the City and our customers through California Code of Regulations, Title 17. These regulations specify the types of hazards that require backflow devices.				
Status	We are achieving a compliance rate of up to 95-96 percent on an annual basis. There are 3,330 backflow devices. This number is growing every year as current codes require backflow installation for residences as well as Commercial properties.				

WATER EFFICIENCY

Goal	Increase environmental sustainability of the water supply system.				
Objective	Increase water conservation and efficiency participation.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Water savings achieved through efficiency programs.	0.64%	0.91%	0.91%	0.91%	0.91%
Description	We measure specific savings achieved by the installation of water efficiency improvements through methods we can track: our rebate, audit, loan and other incentive programs. We can also track overall savings by customer class, which include behavioral changes, including those implemented as a result of programs such as the Home Water Reports, which provide customers tools to enable them to manage their own water use.				
Purpose	Improving water efficiency for homes and businesses can result in water supply, water operations and wastewater processing savings. This measure supports the Water Fund's ten-year goals for water, to reduce expected water use by 20 percent by 2020.				
Status	Water efficiency program savings were significantly higher in FY 2015 compared to FY 2014 due to the California drought and the Governor's Executive Order mandating water conservation. In order to meet local water restrictions, both CPAU and the SCVWD doubled their landscape rebates, resulting in a program that was very popular and resulted in substantial water savings.				

WATER QUALITY

Goal	Ensure the provision of safe and clean drinking water for our customers.				
Objective	Safe testing of drinking water to meet all regulatory standards.				
	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percentage of samples passed from all sampling stations	100.00%	100.00%	100.00%	100.00%	100.00%
Description	The City of Palo Alto (CPA) regularly collects and tests water samples from connection points between the San Francisco Public Utilities Commission/City of Palo Alto (SFPUC/CPA), storage reservoirs, emergency wells, residential, and sample station locations within the distribution system to ensure that the water quality meets all California Department of Public Health (CDPH) and U.S. Environmental Protection Agency (EPA) prescribed regulations that limit the amount of contaminants in the drinking water. The City has 18 sampling stations and collects 84-105 samples monthly to test levels of chlorine residual, coliform and pH levels are within regulatory guidelines. All sample results are reported to CDPH on a monthly basis.				
Purpose	Complying with regulations guarantees we maintain our high standards of water quality and avoid fines.				
Status	Palo Alto drinking water continues to be in complete compliance with all existing county, state, and federal standards for water quality.				

Workload Measures

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2016 Estimated	FY 2017 Proposed
Percent of miles of water mains replaced	0.10%	0.00%	0.00%	1.00%	0.90%
Number of customer accounts (Water)	20,087	22,421	19,638	19,638	19,638
Percent of surveyed rating the quality of the Drinking Water (Water) as "Good" or "Excellent"	89.00%	83.00%	88.00%	88.00%	88.00%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Division						
CIP Water Fund	8,088,995	4,313,935	10,288,169	9,596,570	(691,599)	(6.7)%
Water Administration	7,003,097	6,528,352	8,135,564	8,626,159	490,595	6.0%
Water Customer Service	1,677,926	1,821,447	2,002,659	2,095,208	92,550	4.6%
Water Engineering (Operating)	391,143	358,128	447,404	504,489	57,085	12.8%
Water Operations and Maintenance	4,986,274	5,283,426	6,345,288	6,866,562	521,275	8.2%
Water Resource Management	16,275,328	16,158,265	20,832,529	19,861,067	(971,460)	(4.7)%
Total	38,422,765	34,463,553	48,051,611	47,550,056	(501,555)	(1.0)%
Dollars by Category						
Salary & Benefits						
Healthcare	765,018	759,274	677,040	709,498	32,458	4.8%
Other Benefits	122,185	108,612	102,592	90,606	(11,986)	(11.7)%
Overtime	206,398	187,046	168,764	168,764	—	—%
Pension	934,755	787,607	894,784	1,073,736	178,953	20.0%
Retiree Medical	304,426	221,560	247,218	285,198	37,980	15.4%
Salary	3,645,983	3,850,986	3,541,733	4,075,232	533,499	15.1%
Workers' Compensation	123,393	76,724	104,320	57,907	(46,413)	(44.5)%
Total Salary & Benefits	6,102,157	5,991,809	5,736,450	6,460,942	724,492	12.6%
Allocated Charges	3,444,985	3,633,073	4,035,313	4,161,168	125,856	3.1%
Capital Improvement Program	7,307,830	3,378,101	10,199,498	9,596,570	(602,928)	(5.9)%
Contract Services	373,478	728,992	682,006	827,806	145,800	21.4%
Debt Service	1,906,221	1,863,964	3,222,606	3,222,606	—	—%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Facilities & Equipment	—	286	2,000	2,000	—	—%
General Expense	385,806	366,062	547,927	568,146	20,220	3.7%
Operating Transfers-Out	388,596	63,612	27,381	324,306	296,925	1,084.4%
Rents & Leases	2,274,743	2,329,829	2,803,606	2,876,500	72,894	2.6%
Supplies & Material	392,244	437,889	566,860	610,010	43,150	7.6%
Transfer to Infrastructure	141,415	—	—	—	—	—%
Utility Purchase	15,705,288	15,669,935	20,227,965	18,900,000	(1,327,964)	(6.6)%
Total Dollars by Expense Category	38,422,763	34,463,554	48,051,611	47,550,055	(501,556)	(1.0)%

Revenues						
Charges for Services	75,405	45,184	10,000	10,000	—	—%
Charges to Other Funds	187,352	160,528	154,958	154,958	—	—%
From Other Agencies	549,014	534,328	576,632	576,632	—	—%
Net Sales	39,876,751	34,862,279	39,446,148	39,346,148	(100,000)	(0.3)%
Operating Transfers-In	271,221	191,525	183,333	244,018	60,685	33.1%
Other Revenue	1,008,630	2,002,342	857,000	878,000	21,000	2.5%
Return on Investments	831,506	792,652	775,300	775,300	—	—%
Total Revenues	42,799,880	38,588,839	42,003,371	41,985,056	(18,315)	(0.0)%

Positions by Division						
CIP Water Fund	9.65	9.53	9.05	9.05	—	—%
Water Customer Service	10.47	10.80	9.01	9.68	0.67	7.44%
Water Engineering (Operating)	1.37	1.37	1.12	1.37	0.25	22.32%
Water Operations and Maintenance	24.98	24.97	25.44	25.44	—	0.02%
Water Resource Management	1.71	1.71	1.53	3.03	1.50	97.98%
Total	48.18	48.38	46.15	48.58	2.43	5.26%

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Account Specialist	0.25	0.25	0.25	0.23	(0.02)	14,287

UTILITIES

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Administrative Associate II	0.85	0.85	0.85	0.75	(0.10)	50,967
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	33,471
Assistant Director Utilities Engineering	0.20	0.20	0.20	0.20	—	38,026
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	28,519
Assistant Director Utilities/ Resource Management	0.25	0.25	0.25	0.25	—	52,811
Business Analyst	1.62	1.62	1.68	1.73	0.05	214,446
Cement Finisher	0.25	0.25	0.25	0.25	—	19,867
Contracts Administrator	0.10	0.10	0.10	0.10	—	10,924
Coordinator Utilities Projects	1.19	1.34	1.34	1.09	(0.25)	104,589
Coordinator Utilities Safety & Security	0.15	—	—	—	—	—
Customer Service Representative	1.56	1.56	1.26	1.56	0.30	105,258
Customer Service Specialist	0.66	0.66	0.42	0.66	0.24	48,968
Customer Service Specialist-Lead	0.59	0.59	0.42	0.59	0.17	46,817
Engineer	1.00	1.00	1.00	1.00	—	113,705
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	24,479
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	51,884
Engineering Technician III	0.45	0.45	0.45	1.45	1.00	102,106
Equipment Operator	0.31	0.31	0.31	0.31	—	22,728
Gas Systems Technician II	0.10	0.10	0.10	0.10	—	8,420
Heavy Equipment Operator	2.00	2.00	2.00	1.95	(0.05)	161,179
Heavy Equipment Operator/Install Repair	—	—	—	0.20	0.20	18,253
Inspector, Field Services	1.40	1.40	1.40	1.65	0.25	149,104
Maintenance Mechanic-Welding	0.80	0.80	0.80	0.80	—	68,332
Manager Customer Service	—	—	0.34	0.34	—	44,016
Manager Customer Service and Meter Reading	0.34	0.34	—	—	—	—
Manager Utilities Compliance	0.50	0.50	0.50	0.50	—	80,776
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	19,609

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Manager Utilities Marketing Services	0.20	0.20	0.20	—	(0.20)	—
Manager Utilities Operations WGW	0.50	0.50	0.50	0.50	—	78,030
Manager Utilities Program Services	—	—	—	0.20	0.20	24,402
Meter Reader	2.03	2.03	1.67	2.03	0.36	117,860
Meter Reader-Lead	0.34	0.34	0.28	0.34	0.06	23,000
Planner	0.15	0.15	—	—	—	—
Power Engineer	0.30	0.30	0.30	0.30	—	36,416
Principal Business Analyst	—	—	0.33	0.33	—	46,270
Principal Management Analyst	—	0.33	—	—	—	—
Program Assistant I	0.33	0.33	0.33	0.33	—	19,192
Project Engineer	2.00	2.00	2.00	2.00	—	244,767
Resource Planner	0.20	0.20	0.10	0.70	0.60	84,156
Restoration Lead	0.31	0.31	0.31	0.31	—	27,162
SCADA Technologist	0.80	0.80	0.80	0.80	—	101,200
Senior Business Analyst	0.66	0.66	0.66	0.66	—	83,527
Senior Engineer	1.00	0.75	1.00	1.00	—	139,127
Senior Mechanic	0.34	0.34	0.34	0.34	—	32,793
Senior Project Engineer	—	0.25	—	—	—	—
Senior Resource Planner	1.05	1.05	0.55	1.69	1.14	246,113
Senior Technologist	0.29	0.29	—	—	—	—
Senior Utilities Field Service Representative	0.49	0.49	0.49	0.49	—	47,186
Senior Water Systems Operator	2.00	2.00	2.00	2.00	—	195,094
Substation Electrician	0.40	0.40	0.40	0.40	—	36,612
Supervisor Inspection Services	0.29	0.29	0.29	—	(0.29)	—
Utilities Engineer Estimator	0.43	0.43	0.43	0.43	—	45,736
Utilities Field Services Representative	1.50	1.50	1.50	1.50	—	129,949
Utilities Install Repair-Lead-Welding Certified	0.46	0.46	0.46	0.46	—	45,100
Utilities Install Repair-Welding Certified	0.69	0.69	0.69	0.69	—	59,222
Utilities Install/Repair	2.05	2.05	2.05	1.90	(0.15)	160,994
Utilities Install/Repair Assistant	0.35	0.35	0.35	0.35	—	22,942

UTILITIES

Staffing

Job Classification	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Salary
Utilities Install/Repair-Lead	1.02	1.02	1.02	1.02	—	97,719
Utilities Key Account Representative	0.15	0.15	0.15	0.25	0.10	26,014
Utilities Locator	0.34	0.34	0.34	0.34	—	27,811
Utilities Marketing Program Administrator	1.00	1.00	0.40	0.40	—	39,637
Utilities Safety Officer	—	0.15	0.15	0.15	—	16,551
Utilities Supervisor	2.62	2.62	2.62	2.91	0.29	398,499
Water Meter Cross Connection Technician	2.00	2.00	2.00	—	(2.00)	—
Water System Operator I	—	—	—	1.00	1.00	66,846
Water System Operator II	3.34	3.34	3.34	3.34	—	280,963
Sub-total: Full-Time Equivalent Positions	45.18	45.66	42.95	45.85	2.90	4,634,431
Temporary/Hourly	3.00	2.72	3.21	2.73	(0.47)	217,144
Total Positions	48.18	48.38	46.15	48.58	2.43	4,851,575

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Water Fund
Prior Year Budget	46.15	48,043,985	42,003,371	(6,040,614)
Adjustments to Costs of Ongoing Activities				
Salaries and Benefits Adjustments	2.43	623,683	—	(623,683)
Capital Improvement Program Expenditure Adjustments	—	(602,928)	—	602,928
Water Commodity Purchases Expenditure Adjustments	—	(1,327,965)	—	1,327,965
Transfer Out to Electric Fund Expenditure Adjustment	—	136,335	—	—
Transfer Out to Technology Fund Expenditure Adjustment	—	160,590	—	(160,590)
Contract Services for Large Water Meter Calibration Cost Adjustments	—	85,000	—	(85,000)
Off-hauling/Disposal of Materials Cost Adjustments	—	50,000	—	(50,000)
Rents and Leases Expenditure Adjustment	—	72,894	—	(72,894)

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Water Fund
Water Utility Sales to the City Revenue Adjustment	—	—	(100,000)	(100,000)
Transfer In from Wastewater Fund Revenue Adjustment	—	—	30,343	30,343
Transfer In from Gas Fund Revenue Adjustment	—	—	30,342	30,342
Water Connection Fees Revenue Adjustments	—	—	21,000	21,000
Utility and Public Works Charges to the City Allocated Charges	—	1,687	—	(1,687)
General Fund Cost Allocation Plan Charges Adjustment	—	(53,044)	—	53,044
General Liability Insurance Allocated Charges Adjustment	—	(51,171)	—	51,171
Print & Mail Allocated Charges Adjustment	—	(6,565)	—	6,565
Vehicle Fund Allocated Charges Adjustment	—	149,371	—	—
Utilities Admin Allocated Charges Adjustment	—	164,325	—	(164,325)
Adjustments to Costs of Ongoing Activities	2.43	(597,788)	(18,315)	579,473
Total FY 2017 Base Budget	48.58	47,446,197	41,985,056	(5,461,141)
Budget Proposals				
1 Contract for Advisory Consultant for Gas and Water Operations	—	65,000	—	(65,000)
2 Reclassification of 2.0 FTE Water Meter Cross Technicians to 1.0 FTE Water System Operator I and 1.0 FTE Engineering Technician III	—	13,053	—	(13,053)
3 Reclassify 2.0 FTE Heavy Equipment Operators, 1.0 FTE Installer Repairer and 1.0 FTE Assistant Installer Repairer to 4.0 FTE Heavy Equipment Operator/Installer-Repairer	—	1,216	—	(1,216)
4 Reclassification of 1.0 FTE Sr. Management Analyst to 1.0 FTE Strategic Business Manager	—	11,271	—	(11,271)
5 Reclassification of 1.0 FTE Coordinator Utility Projects to 1.0 FTE Inspector Field Services	—	(2,796)	—	2,796
6 Reclassification: 1.0 FTE Supervisor, Inspection Services to 1.0 FTE Utilities Supervisor	—	16,115	—	(16,115)
7 Title Change: Manager, Utilities Marketing Services to Manager, Utility Program Services	—	0	—	0
Budget Changes	—	103,859	—	(103,859)
Total FY 2017 Proposed Budget	48.58	47,550,056	41,985,056	(5,565,000)



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Water Fund
1 Contract for Advisory Consultant for Gas and Water Operations	0.00	65,000	0	(65,000)

This action provides funding for an advisory consulting contract to assist with operational evaluations, updating master plans, create procedures for data collection and reporting to meet compliance requirements, and updating procedure manuals. This service has helped the Sewer Operations improve its processes and meet its compliance obligations. The Gas and Water Operations would benefit from the same type of support. (Ongoing: \$65,000)

Performance Results

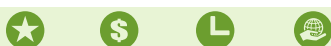


The addition of these resources to the Gas and Water operation will increase operation efficiencies and help with compliance regulation.

2 Reclassification of 2.0 FTE Water Meter Cross Technicians to 1.0 FTE Water System Operator I and 1.0 FTE Engineering Technician III	0.00	13,053	0	(13,053)

This action reclassifies 2.0 Water Meter Cross Technicians to 1.0 Water Systems Operator and 1.0 Engineering Technician III. The water meter cross tech positions (meter installers) are consistently are subjected to repetitive stress, injury and subsequent disability leave. This reclass will shift the function and role of the meter installer positions in supporting the water transmission system, thereby increasing productivity and efficiency. The Water System Operator I would be responsible for occasional meter replacements, meter investigations, and backflow testing that are not part of the planned meter replacement program. The Engineering Tech III position would oversee the new water meter construction. Large meter replacement projects are proposed to be funded (and contracted out) through the CIP. (Ongoing: \$13,053)

Performance Results



The position reclassifications reflect the current operational needs of the Water operation. This would increase productivity, reduce safety/injury hazards which would reduce employee absences, and would provide more job development opportunities.

3 Reclassify 2.0 FTE Heavy Equipment Operators, 1.0 FTE Installer Repairer and 1.0 FTE Assistant Installer Repairer to 4.0 FTE Heavy Equipment Operator/Installer-Repairer	0.00	1,216	0	(1,216)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Water Fund

This action would create a new combo Heavy Equipment Operator / Installer-Repairer classification in the Heavy Equipment Operator and Installer-Repairer job families in the Water/Gas/Wastewater group. Currently there are separate sets of duties for heavy equipment operators and installer/repairers who work on the same water, gas, and sewer jobs. This proposal creates a combined position that would enable some employees to perform both sets of duties. This would increase productivity, provide greater flexibility during employee absences, and would provide more job development opportunities. 2.0 FTE Heavy Equipment Operator positions, 1.0 FTE Installer-Repairer, and 1.0 Assistant Installer-Repairer will be reclassified to 4.0 FTE Heavy Equipment Operator/Installer-Repairer positions. (Ongoing: \$1,216)

Performance Results



The position reclassifications reflect the current operational needs of the Water/Gas/Wastewater operation. This would increase productivity, provide greater flexibility during employee absences, and would provide more job development opportunities.

4 Reclassification of 1.0 FTE Sr. Management Analyst to 1.0 FTE Strategic Business Manager	0.00	11,271	0	(11,271)

This action amends the Table of Organization by reclassifying 1.0 Senior Management Analyst position to 1.0 FTE Utilities Strategic Business Manager position to more accurately reflect the duties of the position. Adopting this reclassification will make permanent the functions of a trial over-strength position created last year to serve in this capacity. This position guides improvements to internal processes, customer focused services, workforce development, and financial stability. This position will oversee Utilities strategic plan, operating and CIP budgets, technology roadmap, workforce development and succession program, and fiber policy. (Ongoing: \$11,271)

Performance Results

No impacts to current service levels are anticipated as a result of this title change.

5 Reclassification of 1.0 FTE Coordinator Utility Projects to 1.0 FTE Inspector Field Services	0.00	(2,796)	0	2,796

This action amends the Table of Organization by reclassifying 1.0 Coordinator Utility Projects to 1.0 Inspector Field Services to more accurately reflect the operational needs of the department. In FY 2013, Utilities reclassified one of three Inspector, Field Services positions to Supervisor, Inspection Services who would supervise, oversee, and ensure that all of the inspector's geospatial and pipe/fitting attribute data is consistently accurate, both from staff and contract inspectors and outside developers in compliance with Utilities Standards. As a result of the reclass, there are only two inspectors assigned to WGW Engineering to review project plans and verify contract work are in compliance with specifications. Based on the volume of plan reviews and inspections, Utilities is requesting to add back a third field service inspector. The supervision of the inspectors and oversight of the geospatial database will be reassigned to a Senior Engineer. (Ongoing Savings: \$2,796)

Performance Results

The position reclassifications reflect the current operational needs of the Electric/Water/Gas/Wastewater inspection services group.

6 Reclassification: 1.0 FTE Supervisor, Inspection Services to 1.0 FTE Utilities Supervisor	0.00	16,115	0	(16,115)

This action reclassifies 1.0 FTE Supervisor, Inspection Services to 1.0 FTE Utilities Supervisor in the Operations Division. There is a need for coordination between the WGW and Electric businesses. The supervisor position will act as a bridge that will allocate resources across the Divisions. The position will also functionally be able to fill in for the operation supervisors positions and develop skills to assume the duties of the other supervisors upon their retirement, which is key to the Utilities succession planning efforts. (Ongoing: \$16,115)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Water Fund

The position reclassifications reflect the current operational needs of the Water/Gas/Wastewater & Electric operation. This would increase productivity, provide greater flexibility during employee absences, and would provide more job development opportunities.

7 Title Change, Manager, Utilities Marketing Services to Manager, Utilities Program Services	0.00	0	0	0

This action amends the Table of Organization by retitling the Manager, Utilities Marketing Services to Manager, Utilities Program Services in the Utilities Customer Service Support section to more accurately reflect the duties of the position. Utility Program Services is where customers can find answers regarding energy efficiency programs, green power programs, water efficiency programs, renewable energy programs, water and energy workshops, key account program and connecting to the City's commercial dark fiber backbone. (Ongoing: \$0)

Performance Results

No impacts to current service levels are anticipated as a result of this title change.

NON-DEPARTMENTAL

Description

The General Fund Non-Departmental budget includes revenue and expenditure appropriations that are not related to a specific department or function. These cost typically benefit the City as a whole and include such items as Cubberley lease payments to Palo Alto Unified School District. The Non-Departmental budget may also include estimated provisions or placeholders for certain revenues and expenditures that have not yet materialized or distributed at the time the budget is developed or adopted. These items can be one-time or ongoing depending on its nature and frequency.

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Salary & Benefits Reserve	—	2,737,960	1,647,599	—	(1,647,599)	(100.0)%
Allocated Charges	—	757	—	719	719	—%
Contract Services	(310)	—	40,000	40,000	—	—%
Debt Service	429,019	428,194	430,791	432,149	1,358	0.3%
General Expense	663,423	271,640	86,756	236,756	150,000	172.9%
Cubberley - Lease Payments to PAUSD	7,094,234	6,446,264	5,583,641	5,751,150	167,509	3.0%
Contingent Accounts						
City Manager	—	—	250,000	250,000	—	—%
City Council	—	—	250,000	250,000	—	—%
City Attorney	—	—	100,000	100,000	—	—%
Human Resources	—	—	50,000	50,000	—	—%
Innovations & Special Events	—	—	50,000	50,000	—	—%
Sustainability	—	—	—	250,000	250,000	100%
Budget Uncertainty Reserve	—	—	—	2,000,000	2,000,000	100%
Operating Transfers-Out	1,547,241	2,573,060	1,801,177	4,872,329	3,071,152	170.5%
Rents & Leases	164,000	169,017	173,411	177,786	4,375	2.5%

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Transfer to Infrastructure	17,234,485	19,678,146	20,877,405	22,813,097	1,935,692	9.3%
Total Dollars by Expense Category	27,132,092	29,546,893	31,340,779	37,273,985	5,933,206	18.9%

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Prior Year Budget	—	31,340,779	—	31,340,779
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Reserve Adjustments	—	(1,647,599)	—	(1,647,599)
Debt Service Expenditure Adjustments	—	1,358	—	1,358
Cubberley Lease Payments to PAUSD Adjustment	—	167,509	—	167,509
Information Technology Transfer Adjustment	—	246,798	—	246,798
Rents and Leases Expenditure Adjustment	—	4,375	—	4,375
Infrastructure Transfer Adjustment	—	3,335,692	—	3,335,629
Vehicle Maintenance Fund Transfer Adjustment	—	158,232	—	158,232
Airport Fund Transfer Adjustment	—	400,000	—	400,000
Print & Mail Allocated Charges Adjustment	—	719	—	719
Adjustments to Costs of Ongoing Activities	—	2,667,084	—	2,667,084
Total FY 2017 Base Budget	—	34,007,863	—	34,007,863
Budget Adjustments				
1 Establish Sustainability Contingency	—	250,000	—	250,000
2 2016 Elections Funding	—	150,000	—	150,000
3 Establish Budget Uncertainty Reserve	—	2,000,000	—	2,000,000
4 Transfer from the General Fund: Traffic Signal and Streetlight Electric Costs	—	2,266,122	—	2,266,122
5 Reduce Transfer to General Capital Improvement Fund	—	(1,400,000)	—	(1,400,000)
Total Budget Adjustments	—	3,266,122	—	3,266,122
Total FY 2017 Proposed Budget	—	37,273,985	—	37,273,985

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Establish Sustainability Contingency	0.00	250,000	0	250,000

Establish a Contingency Account in the amount of \$250,000 to potentially fund specific requests that may be brought forward by the Office of Sustainability. Staff anticipates that such requests could include:

- a. Community engagement around the for S/CAP, including development of supporting presentation materials, web site development, Digital Commenter management and interactive modeling tools (\$50,000)
- b. Additional research and analysis to refine S/CAP implementation scenarios, adoption rates, estimated costs and projected impacts in response to community and Council input (\$100,000);
- c. Management of existing and pending pilots and grants (including EV charging and education, sustainability financing strategies, etc), development and management of MaaS (mobility as a service) and other project pilots, and other short term consulting projects that may be needed (\$100,000)

Performance Results



This funding will increase the Office of Sustainability effectiveness in the implementation of Sustainability programs, including the Climate Action Plan.

2 2016 Elections Funding	0.00	150,000	0	150,000

The action provides funding for the election costs for four City Council Member seats as well as election notification expenses.

Performance Results



This funding supports the democratic process for electing City Council Members.

3 Establish Budget Uncertainty Reserve	0.00	2,000,000	0	2,000,000

This action establishes a one-time \$2.0 million reserve for unanticipated program financial implications that may arise during Fiscal Year 2017. During the development of the FY 2017 Proposed Budget, a number of significant initiatives are underway such as the renovation of the City's Golf Course, the Parks Master Plan, the Junior Museum and Zoo new site build and partnership, and negotiations with Stanford University for fire services. Each of these projects are too early in the planning phases to identify concrete financial implications at this time as analysis and discussions need to continue. Therefore, staff is setting aside this one-time reserve in order to proactively plan for these major initiatives and any variations in financial implications from those assumed in the FY 2017 budget. However, in order to use this reserve, additional actions would need to be brought forward to the City Council for review and approval and identify if the financial implications the reserve is recommended to be used for are one-time or ongoing in nature. (Ongoing costs: \$0)

Performance Results

No impacts are anticipated as a result of this action.

4 Transfer from the General Fund: Traffic Signal and Streetlight Electric Costs	0.00	2,266,122	0	2,266,122

This action recognizes a transfer from the General Fund to reimburse the Electric Fund for electricity costs associated with City street light and traffic signal costs. As part of the Electric Fund Cost of Services Analysis (COSA), these costs were identified as more appropriately aligned with the General Fund. This transfer will be evaluated over the next year and the long term implications on staffing and workload impacts will be revisited in the development of the Fiscal Year 2018 budget process. (Ongoing: \$2,266,122)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund

No impacts to current service levels are anticipated as a result of this funding realignment.

5 Reduce Transfer to General Capital Improvement Fund	0.00	(1,400,000)	0	(1,400,000)

This action reduces the transfer from the General Fund to the General Capital Improvement Fund in the amount of \$1.4 million in recognition of the fact that the Capital Improvement Fund has adequate resources to address its “catch-up” and “keep-up” needs and the increased funding needs in the General Fund. This would budget a \$21.0 million transfer from the General Fund of which \$13.0 million base transfer and an additional \$8.0 million in Transient Occupancy Tax (TOT) revenues. The City Council earmarked the TOT revenues from a voter approved 2 percent Transient Occupancy Tax (TOT) increase plus revenue from new hotels to infrastructure beginning in January 2015. (Ongoing savings: \$1.4 million)

Performance Results



No impacts are anticipated as a result of this action.



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EMPLOYEE INFORMATION



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GENERAL BENEFITS FUND

The General Benefits Fund includes funding for employee pension benefits, health benefits (medical, dental, and vision) for current City employees and several other benefits, such as life insurance, the employee assistance program, and the employee commute program. Funding for retired employees healthcare costs is reflected in the Retiree Health Benefits Fund.

There is an overall net \$4.87 million increase in employee pension, healthcare costs, and other benefits costs from the Fiscal Year 2016 Adopted Budget amount of \$51.0 million to the Fiscal Year 2017 Proposed Budget amount of \$55.87 million. This increase is primarily driven by changes in the pension rate, health care cost increases, and a citywide increase of 12.0 positions, or 1.1 percent (1,040.10 positions in the Fiscal Year 2016 Adopted Budget to 1,052.10 positions in the Fiscal Year 2017 Proposed Budget). It should be noted that two of these positions were already approved by the City Council in Fiscal Year 2016, so 10 positions are recommended to be added in this Proposed Budget document. Lastly, as a Fiscal Year 2017 balancing solution, a one-time freeze on department allocated charges from this fund is recommended. This will result in a reduction of \$1.3 million in the unrestricted fund balance of the General Benefits Fund, from \$2.2 million to \$0.9 million, and commensurate savings to all City funds of \$1.3 million of which approximately \$0.5 million is savings to the General Fund. See the Internal Service Fund Overview section of this document for further discussion.

PENSION COSTS

CalPERS annually prepares an actuarial analysis to determine the City's pension liability and annual required contribution for miscellaneous and safety employees. This budget includes the most recent pension rates from CalPERS which, compared to the Fiscal Year 2016 rates, represent a 1.2 percentage point increase in pension contribution rate for miscellaneous groups (from 27.7 percent to 28.9 percent) and 3.5 percentage point increase in the pension contribution rate for safety groups (from 41.9 percent to 45.4 percent) for Fiscal Year 2017. With the passage of the California Public Employees' Pension Reform Act (PEPRA), the City has three retirement tiers for Miscellaneous and Safety employees. As of March 2016, 34 percent of the City's employees are either in Tier 2 or Tier 3.

As a cost savings measure, the Fiscal Year 2017 Proposed Budget assumes a prepayment towards the required employer contribution, totaling \$31.96 million Citywide as outlined in the CalPERS actuarial valuation as of June 30, 2014. As opposed to paying the City's pension contribution every pay period, this lump sum payment, to be paid in July 2016, will result in a \$1.13 million pension expense savings citywide, of which \$0.72 million is savings in the General Fund. The savings are calculated by CalPERS which assumes an average 7.5 percent investment return versus the City's Fiscal Year 2016 estimated return on its investment portfolio of 1.85 percent. These savings are partially offset by a return on investment loss of approximately \$0.23 million based on the City's average portfolio interest rate of 1.85 percent. It is important to note that the

GENERAL BENEFITS FUND

City is bound by a very conservative investment policy which prohibits investments in equities and that in fiscal year 2015 CalPERS earned 2.4 percent on its investments.

Another pension cost savings measure pursued by the City through labor negotiations and implemented in Fiscal Year 2016 is having employees pay an additional portion of their pension costs above the current employee contribution level of 9 percent. With the adoption of labor contracts with the International Association of Fire Fighters (IAFF), Police Officers Association (POA), and Service Employees International Union (SEIU) labor groups, IAFF and POA employees agreed to increase their share of the pension contribution by 1 percent annually over the term of the agreement, 11 percent in Fiscal Year 2017 and 12 percent in Fiscal Year 2018. SEIU employees agreed to increase their contributions by 0.5 percent annually over the term of the agreement, 9.5 percent in Fiscal Year 2017 and 10 percent in Fiscal Year 2018. These additional employee contributions are estimated to generate \$0.33 million in savings in Fiscal Year 2017 of which \$0.22 million is savings in the General Fund.

HEALTHCARE COSTS

The Fiscal Year 2017 budget for healthcare is based on the health plan choices employees made for calendar year 2016. For calendar year 2017, the budget assumes an 8 percent annual increase in medical costs for labor groups on the 90/10 medical cost plan and a 4 percent annual health care cost increase for the labor groups on the flat rate contribution structure. Further, this budget includes a 4 percent annual increase in dental and vision costs. Based on the recently approved agreements with IAFF, POA, and SEIU, by January 2017 all employees, except those in the Fire Chief's Association (FCA) and the Utilities Management Professional Association of Palo Alto (UMPAPA), will be on the flat rate contribution structure.

A change in the Fiscal Year 2017 Proposed Budget related to healthcare costs, is the treatment and budgeting of the City's implied subsidy for retiree healthcare. There is a new requirement which dictates that government agencies must recognize the true cost of medical health care by active employees and retirees. The health care premiums are the same regardless of age or active status with the exception of medicare premiums. The new requirement is intended to recognize that as people age their medical cost increase; therefore, an actuarial calculation has been completed to recognize the higher cost of medical services for retirees, which is reduced from the active employees' health care costs, also known as the implied subsidy. In Fiscal Year 2017, the full cost of active employee healthcare is budgeted in the various City departments and collected in the General Benefits Fund to be paid to CalPERS. In order to account for the implied subsidy, healthcare costs for active employees have been reduced in the General Benefits Fund by \$2.29 million and a transfer from the General Benefits Fund of \$2.29 million to the Retiree Health Benefits Fund has been established to reflect the full payment of the City's Annual Required Contribution (ARC) for Retiree Healthcare in the Retiree Health Benefits Fund. Additional discussion of Retiree Healthcare costs and the ARC are located in the Retiree Health Benefits Fund section of this document.

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Healthcare	16,734,070	16,584,488	19,100,124	18,059,976	(1,040,148)	(5.4)%
Other Benefits	623,267	768,061	1,066,925	1,090,733	23,809	2.2%
Pension	24,799,284	25,652,887	30,623,592	34,192,389	3,568,796	11.7%
Salary	(105,553)	502,190	19,968	22,963	2,995	15.0%
Total Salary & Benefits	42,051,068	43,507,626	50,810,609	53,366,060	2,555,452	5.0%
Contract Services	148,596	56,819	192,125	215,200	23,075	12.0%
General Expense	2,351	—	—	—	—	—%
Operating Transfers-Out	—	—	—	2,291,745	2,291,745	—%
Total Dollars by Expense Category	42,202,016	43,564,445	51,002,734	55,873,005	4,870,272	9.5%
Revenues						
Other Revenue	41,897,395	44,458,418	50,418,919	54,544,108	4,125,188	8.2%
Return on Investments	236,181	202,973	231,100	4,000	(227,100)	(98.3)%
Total Revenues	42,133,577	44,661,389	50,650,020	54,548,108	3,898,088	7.7%

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Benefits Fund
Prior Year Budget	0.48	51,002,734	50,650,020	352,714
Base Adjustments				
One-Time Prior Year Expenditures and Revenues Deleted				
Employee Wellness Program	(0.48)	(20,232)	—	(20,232)
One-Time Prior Year Expenditures and Revenues	(0.48)	(20,232)	—	(20,232)
Adjustments to Costs of Ongoing Activities				
Citywide Pension Adjustments	—	3,564,932	—	3,564,932
Implied Subsidy Transfer to the Retiree Healthcare Fund	—	2,291,745	—	2,291,745
Service Employee International Union (SEIU) Tuition Reimbursement (Part of SEIU contract adopted by City Council April 11, 2016)	—	100,000	—	100,000
Citywide Dental Insurance Adjustments	—	37,381	—	37,381

Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Benefits Fund
Citywide Fingerprinting Consolidation (Shift from Community Services Department \$10,000 and Library Department \$300) and Adjustments	—	11,875	—	11,875
Public Safety Compliance and Fitness Testing Contract Adjustments	—	11,200	—	11,200
Employee Commute Program	—	5,315	—	5,315
Citywide Employee Paid Retirement Adjustments	—	3,865	—	3,865
Citywide Healthcare Insurance Adjustments	—	(1,072,014)	—	(1,072,014)
Administrative Fees Adjustments	—	(56,550)	—	(56,550)
State Unemployment Tax Adjustments	—	(25,000)	—	(25,000)
Citywide Vision Insurance Adjustments	—	(5,515)	—	(5,515)
Department Charges for General Benefits	—	—	4,125,188	(4,125,188)
Return on Investment Adjustments	—	—	(227,100)	227,100
Adjustments to Costs of Ongoing Activities	—	4,867,234	3,898,088	969,144
Total FY 2017 Base Budget	—	55,849,736	54,548,108	1,301,628
Budget Adjustments				
1 Employee Wellness Program	0.48	23,269	—	23,269
Total Budget Adjustments	0.48	23,269	—	23,269
Total FY 2017 Proposed Budget	0.48	55,873,005	54,548,108	1,324,897

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Benefits Fund
1 Employee Wellness Program	0.48	23,269	0	23,269

This action continues funding for a 0.48 FTE Management Specialist that was added in Fiscal Year 2016 to establish and manage a program to promote Wellness throughout the City. In Fiscal Year 2016, the City signed a three year contract with a consultant to manage the City's wellness website, offer telephone and online health coaching for employees, and online health management resources through the website. This position will continue to work with the consultant and ensure information about the program is properly communicated to employees. (Ongoing Costs: \$23,269)

Performance Results



The Citywide Wellness Program encourages employees to make healthier choices both at work and at home, increasing quality of life and overall satisfaction. In addition, a healthier workforce reduces the potential for injuries and illness, which reduces workers' compensation claims, the amount of time employees are on sick leave, and overall medical insurance claim costs.

RETIREE HEALTH BENEFIT FUND

In addition to providing pension benefits, the City participates in the California Public Employees' Medical and Hospital Care Act (PEMHCA) program to provide certain health care benefits for retired employees. This fund reflects costs for this program as well as payments for the unfunded liability for future medical benefits that will be provided to current and future retirees. Based on the June 30, 2013 actuarial study results updated by an outside consultant for the latest CalPERS mortality rate assumptions, investment gains for the Retiree Healthcare Trust Fund as of June 30, 2015, and the lowering of the assumed investment returns from 7.61 percent to 7.25 percent, the City's Fiscal Year 2017 annual actuarial required contribution (ARC) is \$16.1 million, an increase of \$1.3 million, or 8.8%, from the Fiscal Year 2016 Adopted Budget amount of \$14.8 million.

It should be noted that as of the production of this document, an updated draft actuarial study as of June 30, 2015 was received. Since a number of the significant assumption changes were already captured in the revised \$16.1 million ARC estimate, this draft report is only marginally different than what was assumed in this budget document and indicates that there may be slight savings of approximately \$146,000 in all funds and \$107,000 in the General Fund. Since this study is still in draft form and it was given to the City late in the budget document production process, changes to the City's retiree healthcare costs were not updated based on the June 30, 2015 actuarial data, and may be updated at a later date in Fiscal Year 2017.

The June 30, 2013 actuarial study was performed in accordance with applicable actuarial standards and Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension. The ARC includes the normal cost of the plan for the fiscal year, plus amortization towards the Unfunded Actuarial Accrued Liability (UAAL). According to the valuation as of June 30, 2013, approximately 31 percent of the UAAL is attributable to current active employees and 69 percent is attributable to retirees. The City has established an irrevocable trust fund to account for assets accumulated to offset the retiree medical for current and future retirees. The ARC is fully funded in the City's General Fund, Enterprise Funds, and Other Funds budgets. Respectively, the General Fund, Enterprise Funds, and Other Funds fund 67 percent, 28 percent, and 5 percent of the ARC cost.

As stated above, the ARC assumed for the Fiscal Year 2017 budget is \$16.1 million, however, the charges to the City's funds is budgeted at \$13.8 million. The difference of \$2.3 million represents the City's implied subsidy for retiree healthcare. There is a new requirement which dictates that government agencies must recognize the true cost of medical health care by active employees and retirees. The health care premiums are the same regardless of age or active status with the exception of medicare premiums. The new requirement is intended to recognize that as people age their medical costs increase; therefore, an actuarial calculation has been completed to recognize the higher cost of medical services for retirees, which is reduced from

RETIREE HEALTH BENEFIT FUND

the active employees' health care costs, also known as the implied subsidy. In Fiscal Year 2017, the full cost of active employee healthcare is budgeted in the various City departments and collected in the General Benefits Fund to be paid to CalPERS. In order to account for the implied subsidy, healthcare costs for active employees have been reduced in the General Benefits Fund by \$2.29 million and a transfer from the General Benefits Fund of \$2.29 million to the Retiree Health Benefits Fund has been established to reflect the full payment of the City's Annual Required Contribution (ARC) for Retiree Healthcare in the Retiree Health Benefits Fund.

Budget Summary

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change \$	FY 2017 Change %
Dollars by Category						
Salary & Benefits						
Other Benefits	67,410	71,619	60,000	60,000	—	—%
Retiree Medical	11,577,123	13,643,046	14,445,188	16,100,000	1,654,812	11.5%
Total Salary & Benefits	11,644,533	13,714,665	14,505,188	16,160,000	1,654,812	11.4%
Total Dollars by Expense Category	11,644,533	13,714,665	14,505,188	16,160,000	1,654,812	11.4%
Revenues						
From Other Agencies	95,569	—	—	—	—	—%
Operating Transfers-In	—	—	—	2,291,745	2,291,745	—%
Other Revenue	11,552,330	13,467,895	14,445,188	13,808,255	(636,933)	(4.4)%
Return on Investments	50,438	70,997	25,200	57,700	32,500	129.0%
Total Revenues	11,698,337	13,538,892	14,470,388	16,157,700	1,687,312	11.7%

Budget Reconciliation

	Positions	Expenditures	Revenues	Net Retiree Health Benefits Fund
Prior Year Budget	—	14,505,188	14,470,388	34,800
Base Adjustments				
Adjustments to Costs of Ongoing Activities				
Citywide Retiree Health Benefits Adjustment	—	1,654,812	(636,933)	2,291,745
Implied Subsidy Transfer from the General Benefits Fund	—	—	2,291,745	(2,291,745)
Return on Investment Adjustments	—	—	32,500	(32,500)
Adjustments to Costs of Ongoing Activities	—	1,654,812	1,687,312	(32,500)
Total FY 2017 Proposed Budget	—	16,160,000	16,157,700	2,300

Table of Organization

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
General Fund						
Administrative Services						
Account Specialist	5.95	5.95	4.95	5.88	0.93	18.79%
Account Specialist-Lead	4.59	4.59	4.59	4.05	-0.54	(11.76)%
Accountant	2.00	2.00	3.00	3.00	0.00	0.00%
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate III	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Administrative Services	1.65	1.65	1.75	1.65	-0.10	(5.71)%
Buyer	2.00	2.00	2.00	1.00	-1.00	(50.00)%
Chief Procurement Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Contracts Administrator	1.70	1.70	1.70	1.70	0.00	0.00%
Director Administrative Services/CFO	0.70	0.70	0.70	0.80	0.10	14.29%
Director Office of Management and Budget	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Accounting	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Budget	0.00	0.00	1.00	1.00	0.00	0.00%
Manager Real Property	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Revenue Collections	0.00	0.00	0.70	0.62	-0.08	(11.43)%
Manager Treasury, Debt & Investments	0.00	0.00	1.00	0.60	-0.40	(40.00)%
Payroll Analyst	2.00	2.00	2.00	2.00	0.00	0.00%
Principal Management Analyst	1.00	1.00	0.00	0.00	0.00	0.00%
Senior Accountant	3.00	3.00	3.00	3.00	0.00	0.00%
Senior Buyer	0.00	0.00	0.00	1.00	1.00	0.00%
Senior Management Analyst	5.90	5.90	4.20	4.90	0.70	16.67%
Storekeeper	0.00	0.00	0.00	1.00	1.00	0.00%
Storekeeper-Lead	1.00	1.00	1.00	0.20	-0.80	(80.00)%
Warehouse Supervisor	0.50	0.50	0.50	0.20	-0.30	(60.00)%
Total Administrative Services	37.99	37.99	38.09	38.60	0.51	1.34%
City Attorney						
Assistant City Attorney	1.00	1.00	1.00	1.00	0.00	0.00%
City Attorney	1.00	1.00	1.00	1.00	0.00	0.00%
Claims Investigator	1.00	1.00	1.00	1.00	0.00	0.00%
Legal Fellow	0.00	1.00	1.00	1.00	0.00	0.00%
Legal Services Administrator	1.00	1.00	0.00	0.00	0.00	0.00%
Principal Attorney	0.00	1.00	1.00	1.00	0.00	0.00%
Secretary to City Attorney	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Assistant City Attorney	2.00	2.00	2.00	2.00	0.00	0.00%
Senior Deputy City Attorney	1.00	1.00	1.00	1.00	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Senior Legal Secretary	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Management Analyst	0.00	0.00	1.00	1.00	0.00	0.00%
Total City Attorney	9.00	11.00	11.00	11.00	0.00	0.00%
City Auditor						
Administrative Assistant	1.00	1.00	0.00	0.00	0.00	0.00%
City Auditor	1.00	1.00	1.00	1.00	0.00	0.00%
Performance Auditor	0.50	0.50	0.00	0.00	0.00	0.00%
Performance Auditor I	0.00	0.00	1.00	1.00	0.00	0.00%
Performance Auditor II	0.00	0.00	1.00	1.00	0.00	0.00%
Senior Performance Auditor	2.00	2.00	2.00	2.00	0.00	0.00%
Total City Auditor	4.50	4.50	5.00	5.00	0.00	0.00%
City Clerk						
Administrative Associate III	2.00	2.00	2.00	2.00	0.00	0.00%
Assistant City Clerk	1.00	1.00	1.00	1.00	0.00	0.00%
City Clerk	1.00	1.00	1.00	1.00	0.00	0.00%
Deputy City Clerk	1.00	1.00	1.00	1.00	0.00	0.00%
Hearing Officer	0.75	0.75	0.75	0.75	0.00	0.00%
Total City Clerk	5.75	5.75	5.75	5.75	0.00	0.00%
City Manager						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate III	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant City Manager	1.00	2.00	2.00	2.00	0.00	0.00%
Assistant to the City Manager	1.00	0.00	0.00	0.00	0.00	0.00%
Chief Communications Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Chief Sustainability Officer	0.05	0.05	0.00	0.00	0.00	0.00%
City Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Communications	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Economic Development	1.00	1.00	1.00	1.00	0.00	0.00%
Total City Manager	9.05	9.05	9.00	9.00	0.00	0.00%
Community Services						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate III	0.75	0.75	1.00	1.00	0.00	0.25%
Assistant Director Community Services	2.00	2.00	2.00	2.00	0.00	0.00%
Building Serviceperson	2.00	2.00	2.00	2.00	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Building Serviceperson-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Coordinator Recreation Programs	4.00	4.00	4.00	4.00	0.00	0.00%
Director Community Services	1.00	1.00	1.00	1.00	0.00	0.00%
Division Manager Open Space, Parks and Golf	1.00	1.00	1.00	1.00	0.00	0.00%
Heavy Equipment Operator	0.07	0.07	0.07	0.07	0.00	0.00%
Inspector, Field Services	2.00	2.00	2.00	2.00	0.00	0.00%
Junior Museum & Zoo Educator	2.25	2.75	2.75	2.75	0.00	0.00%
Management Analyst	0.00	1.00	1.00	1.00	0.00	0.00%
Management Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Community Services	6.00	5.00	5.00	5.00	0.00	0.00%
Manager Community Services Senior Program	4.00	5.00	4.00	4.00	0.00	0.00%
Manager Human Services	0.00	0.00	1.00	1.00	0.00	0.00%
Park Maintenance Person	6.00	6.00	6.00	6.00	0.00	0.00%
Park Maintenance-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Park Ranger	5.00	5.00	5.00	5.00	0.00	0.00%
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Producer Arts/Science Programs	11.75	11.75	12.50	12.50	0.00	0.00%
Program Assistant I	6.75	6.75	7.00	8.00	1.00	14.33%
Program Assistant II	4.00	4.00	4.00	4.00	0.00	0.00%
Project Manager	0.00	0.00	0.00	0.10	0.10	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Sprinkler System Representative	4.00	4.00	4.00	4.00	0.00	0.00%
Superintendent Community Services	2.00	2.00	2.00	2.00	0.00	0.00%
Superintendent Recreation	0.00	0.00	1.00	1.00	0.00	0.00%
Theater Specialist	1.00	1.00	1.00	1.00	0.00	0.00%
Volunteer Coordinator	0.75	0.75	0.00	0.00	0.00	0.00%
Total Community Services	74.32	75.82	77.32	78.42	1.10	1.42%
Development Services						
Administrative Assistant	0.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	0.00	3.02	3.02	3.00	-0.02	(0.66)%
Administrative Associate III	0.00	1.01	1.01	1.00	-0.01	(0.99)%
Assistant Chief Building Official	0.00	0.00	1.00	1.00	0.00	0.00%
Assistant Director Public Works	0.00	0.02	0.02	0.00	-0.02	(100.00)%
Associate Engineer	0.00	0.16	0.16	0.02	-0.14	(87.50)%
Associate Planner	0.00	0.90	0.90	0.90	0.00	0.00%
Building Inspector Specialist	0.00	3.00	4.00	4.00	0.00	0.00%
Building/Planning Technician	0.00	1.80	1.80	2.30	0.50	27.78%
Chief Building Official	0.00	1.00	1.00	1.00	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Chief Planning Official	0.00	0.20	0.20	0.00	-0.20	(100.00)%
Code Enforcement Officer	0.00	0.50	0.40	0.40	0.00	0.00%
Code Enforcement-Lead	0.00	0.00	0.20	0.20	0.00	0.00%
Deputy Chief/Fire Marshal	0.00	0.84	0.85	0.80	-0.05	(5.88)%
Development Project Coordinator II	0.00	2.00	2.00	2.00	0.00	0.00%
Development Project Coordinator III	0.00	3.00	3.00	3.00	0.00	0.00%
Development Services Director	0.00	1.00	1.00	1.00	0.00	0.00%
Engineer	0.00	0.62	0.62	0.64	0.02	3.23%
Engineering Technician III	0.00	2.10	2.10	1.78	-0.32	(15.24)%
Fire Fighter	0.00	1.00	1.00	0.00	-1.00	(100.00)%
Fire Inspector	0.00	4.00	4.00	3.20	-0.80	(20.00)%
Hazardous Materials Inspector	0.00	1.90	1.90	1.60	-0.30	(15.79)%
Industrial Waste Inspector	0.00	0.01	0.01	0.01	0.00	0.00%
Industrial Waste Investigator	0.00	0.21	0.21	0.35	0.14	66.67%
Inspector, Field Services	0.00	0.70	0.70	0.68	-0.02	(2.86)%
Management Analyst	0.00	0.01	0.01	1.01	1.00	0.00%
Manager Development Center	0.00	1.00	1.00	1.00	0.00	0.00%
Manager Environmental Control Program	0.00	0.10	0.10	0.10	0.00	0.00%
Manager Planning	0.00	1.80	2.00	2.00	0.00	0.00%
Manager Urban Forestry	0.00	0.04	0.04	0.04	0.00	0.00%
Manager Watershed Protection	0.00	0.05	0.05	0.00	-0.05	(100.00)%
Planner	0.00	0.80	0.25	0.17	-0.08	(32.00)%
Planning Arborist	0.00	0.25	0.25	0.25	0.00	0.00%
Plans Check Engineer	0.00	1.00	0.00	0.00	0.00	0.00%
Project Engineer	0.00	0.15	0.13	0.03	-0.10	(76.92)%
Project Manager	0.00	0.07	0.07	0.07	0.00	0.00%
Senior Engineer	0.00	0.68	0.68	0.46	-0.22	(32.35)%
Senior Industrial Waste Investigator	0.00	0.01	0.01	0.01	0.00	0.00%
Senior Management Analyst	0.00	1.00	1.00	1.00	0.00	0.00%
Senior Planner	0.00	0.40	0.36	0.24	-0.12	(33.33)%
Senior Technologist	0.00	0.50	0.00	0.00	0.00	0.00%
Supervisor Inspection and Surveying	0.00	0.27	0.27	0.27	0.00	0.00%
Surveyor, Public Works	0.00	0.47	0.00	0.00	0.00	0.00%
Total Development Services	0.00	38.59	38.32	36.53	-1.79	(4.67)%
Fire						
40-Hour Training Battalion Chief	0.00	1.00	1.00	1.00	0.00	0.00%
40-Hour Training Captain	1.00	0.00	1.00	1.00	0.00	0.00%
Administrative Assistant	1.50	1.50	1.00	1.00	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Administrative Associate II	3.00	2.00	2.00	2.00	0.00	0.00%
Battalion Chief	3.00	3.00	3.00	3.00	0.00	0.00%
Business Analyst	0.80	0.80	0.80	0.80	0.00	0.00%
Deputy Chief/Fire Marshal	0.84	0.00	0.00	0.05	0.05	0.00%
Deputy Director Technical Services Division	0.20	0.20	0.20	0.20	0.00	0.00%
Deputy Fire Chief	2.00	2.00	2.00	2.00	0.00	0.00%
Emergency Medical Service Director	1.00	1.00	1.00	1.00	0.00	0.00%
Emergency Medical Services Data Specialist	1.00	1.00	1.00	1.00	0.00	0.00%
Fire Apparatus Operator	30.00	30.00	30.00	30.00	0.00	0.00%
Fire Captain	22.00	22.00	21.00	21.00	0.00	0.00%
Fire Chief	1.00	1.00	1.00	1.00	0.00	0.00%
Fire Fighter	41.00	40.00	40.00	41.00	1.00	2.50%
Fire Inspector	4.00	0.00	0.00	0.80	0.80	0.00%
Geographic Information System Specialist	0.50	0.50	0.50	0.50	0.00	0.00%
Hazardous Materials Inspector	1.90	0.00	0.00	0.30	0.30	0.00%
Police Chief	0.50	0.50	0.00	0.00	0.00	0.00%
Senior Management Analyst	0.50	1.00	1.00	1.00	0.00	0.00%
Senior Technologist	0.00	0.00	0.00	0.00	0.00	0.00%
Total Fire	115.74	107.50	106.50	108.65	2.15	2.02%
Human Resources						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Human Resources	1.00	1.00	1.00	1.00	0.00	0.00%
Director Human Resources/CPO	1.00	1.00	1.00	1.00	0.00	0.00%
Human Resources Assistant	4.00	4.00	0.00	0.00	0.00	0.00%
Human Resources Representative	2.00	2.00	2.00	2.00	0.00	0.00%
Human Resources Technician	0.00	0.00	4.00	4.00	0.00	0.00%
Manager Employee Benefits	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Employee Relations	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Human Resources Administrator	4.00	4.00	4.00	4.00	0.00	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Total Human Resources	16.00	16.00	16.00	16.00	0.00	0.00%
Library						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Library Services	1.00	1.00	1.00	1.00	0.00	0.00%
Business Analyst	1.00	1.00	1.00	1.00	0.00	0.00%

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Coordinator Library Programs	1.00	1.00	1.00	1.00	0.00	0.00%
Director Libraries	1.00	1.00	1.00	1.00	0.00	0.00%
Division Head Library Services	1.00	1.00	1.00	1.00	0.00	0.00%
Librarian	5.00	6.70	7.00	7.00	0.00	0.00%
Library Assistant	5.50	4.50	0.00	0.00	0.00	0.00%
Library Associate	5.00	7.00	7.00	7.00	0.00	0.00%
Library Specialist	7.00	7.00	12.50	12.50	0.00	0.00%
Management Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Library Services	4.00	4.00	4.00	4.00	0.00	0.00%
Senior Librarian	8.25	8.50	8.50	9.00	0.50	5.88%
Supervising Librarian	0.00	0.00	2.00	2.00	0.00	0.00%
Total Library	41.75	44.70	48.00	48.50	0.50	1.04%
Office of Emergency Services						
Director Office of Emergency Services	1.00	1.00	1.00	1.00	0.00	0.00%
Office of Emergency Services Coordinator	1.00	1.00	1.00	1.00	0.00	0.00%
Program Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Total Office of Emergency Services	3.00	3.00	3.00	3.00	0.00	0.00%
Office of Sustainability						
Chief Sustainability Officer	0.50	0.50	1.00	1.00	0.00	0.00%
Total Office of Sustainability	0.50	0.50	1.00	1.00	0.00	0.00%
Planning and Community Environment						
Administrative Assistant	2.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate I	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	3.80	1.00	1.00	0.00	-1.00	(100.00)%
Administrative Associate III	2.00	2.00	2.00	3.00	1.00	50.00%
Assistant Director PCE	1.00	1.00	1.00	1.00	0.00	0.00%
Associate Engineer	1.00	1.00	1.00	1.00	0.00	0.00%
Associate Planner	1.00	0.10	0.10	0.10	0.00	0.00%
Building Inspector Specialist	3.00	0.00	0.00	0.00	0.00	0.00%
Building/Planning Technician	2.00	0.20	0.20	0.70	0.50	250.00%
Business Analyst	0.00	1.00	1.00	1.00	0.00	0.00%
Chief Building Official	1.00	0.00	0.00	0.00	0.00	0.00%
Chief Planning Official	1.00	0.80	0.80	1.00	0.20	25.00%
Chief Transportation Official	0.90	0.50	0.50	0.70	0.20	40.00%
Code Enforcement Officer	2.00	1.50	1.60	1.60	0.00	0.00%
Code Enforcement-Lead	0.00	0.00	0.80	0.80	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Coordinator Transportation Systems Management	0.50	0.90	0.85	0.60	-0.25	(29.41)%
Development Project Coordinator II	2.00	0.00	0.00	0.00	0.00	0.00%
Development Project Coordinator III	3.00	0.00	0.00	0.00	0.00	0.00%
Development Services Director	1.00	0.00	0.00	0.00	0.00	0.00%
Director Planning/Community Environment	1.00	1.00	1.00	1.00	0.00	0.00%
Engineer	1.00	0.00	0.00	0.00	0.00	0.00%
Management Analyst	0.40	0.40	0.40	0.88	0.48	120.00%
Manager Development Center	1.00	0.00	0.00	0.00	0.00	0.00%
Manager Planning	3.00	1.20	2.00	2.00	0.00	0.00%
Parking Operations-Lead	0.00	0.00	0.30	0.20	-0.10	(33.33)%
Planner	3.75	3.15	3.00	3.83	0.83	27.67%
Plans Check Engineer	1.00	0.00	0.00	0.00	0.00	0.00%
Program Assistant II	0.00	0.00	0.00	0.35	0.35	0.00%
Project Engineer	1.00	1.65	1.65	1.15	-0.50	(30.30)%
Senior Management Analyst	2.00	1.00	1.00	1.00	0.00	0.00%
Senior Planner	7.00	7.60	7.64	6.70	-0.94	(12.30)%
Senior Project Engineer	1.00	0.20	0.00	0.00	0.00	0.00%
Traffic Engineering-Lead	0.00	0.00	1.00	0.10	-0.90	(90.00)%
Transportation Planning Manager	0.00	0.00	0.20	0.85	0.65	325.00%
Total Planning and Community Environment	50.35	28.20	31.04	31.56	0.52	1.68%

Police

Administrative Assistant	0.50	0.50	1.00	1.00	0.00	0.00%
Administrative Associate II	3.00	3.00	3.00	3.00	0.00	0.00%
Animal Control Officer	4.00	3.00	3.00	3.00	0.00	0.00%
Animal Control Officer-Lead	0.00	1.00	1.00	1.00	0.00	0.00%
Animal Services Specialist II	2.00	2.00	2.00	2.00	0.00	0.00%
Assistant Police Chief	1.00	1.00	1.00	1.00	0.00	0.00%
Business Analyst	1.20	1.20	1.20	1.20	0.00	0.00%
Code Enforcement Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Communications Technician	1.00	1.00	1.00	1.00	0.00	0.00%
Community Service Officer	8.50	8.50	8.50	8.50	0.00	0.00%
Court Liaison Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Crime Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Deputy Director Technical Services Division	0.80	0.80	0.80	0.80	0.00	0.00%
Geographic Information System Specialist	0.50	0.50	0.50	0.50	0.00	0.00%

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Police Agent	19.00	19.00	19.00	19.00	0.00	0.00%
Police Captain	2.00	2.00	2.00	2.00	0.00	0.00%
Police Chief	0.50	0.50	1.00	1.00	0.00	0.00%
Police Lieutenant	5.00	5.00	5.00	5.00	0.00	0.00%
Police Officer	50.00	50.00	50.00	50.00	0.00	0.00%
Police Records Specialist II	6.00	6.00	6.00	6.00	0.00	0.00%
Police Records Specialist-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Police Sergeant	14.00	14.00	14.00	14.00	0.00	0.00%
Program Assistant II	1.00	1.00	1.00	1.00	0.00	0.00%
Property Evidence Technician	2.00	2.00	2.00	2.00	0.00	0.00%
Public Safety Communications Manager	0.00	0.00	1.00	1.00	0.00	0.00%
Public Safety Dispatcher	16.00	16.00	16.00	16.00	0.00	0.00%
Public Safety Dispatcher-Lead	4.00	4.00	4.00	4.00	0.00	0.00%
Public Safety Manager I	2.00	2.00	0.00	0.00	0.00	0.00%
Public Safety Manager II	1.00	1.00	0.00	0.00	0.00	0.00%
Public Safety Program Manager	0.00	0.00	2.00	2.00	0.00	0.00%
Senior Management Analyst	1.50	1.00	1.00	1.00	0.00	0.00%
Senior Technologist	0.00	0.00	0.00	0.00	0.00	0.00%
Superintendent Animal Services	1.00	1.00	1.00	1.00	0.00	0.00%
Veterinarian	1.00	1.00	1.00	1.00	0.00	0.00%
Veterinarian Technician	2.00	2.00	2.00	2.00	0.00	0.00%
Total Police	154.50	154.00	155.00	155.00	0.00	0.00%
Public Works						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate I	0.60	0.60	0.60	0.60	0.00	0.00%
Administrative Associate II	2.65	2.63	2.63	2.65	0.02	0.76%
Administrative Associate III	0.00	0.00	0.00	0.01	0.01	0.00%
Assistant Director Public Works	1.30	1.28	0.85	0.87	0.02	2.35%
Associate Engineer	0.30	0.30	0.30	0.30	0.00	0.00%
Building Serviceperson	1.00	1.00	1.00	1.00	0.00	0.00%
Building Serviceperson-Lead	1.80	1.80	1.80	1.80	0.00	0.00%
Cement Finisher	0.00	0.00	3.00	3.00	0.00	0.00%
Cement Finisher-Lead	0.00	0.00	0.26	0.26	0.00	0.00%
Coordinator Public Works Projects	0.00	0.00	1.00	0.50	-0.50	(50.00)%
Director Public Works/City Engineer	1.00	1.00	1.00	1.00	0.00	0.00%
Electrician	0.80	0.80	0.80	0.80	0.00	0.00%
Engineer	0.30	0.30	0.40	0.66	0.26	65.00%
Engineering Technician III	3.20	1.20	1.20	1.47	0.27	22.50%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Equipment Operator	3.46	3.46	3.46	3.46	0.00	0.00%
Facilities Carpenter	1.00	1.00	1.00	1.00	0.00	0.00%
Facilities Maintenance-Lead	1.85	1.85	1.85	1.85	0.00	0.00%
Facilities Mechanic	5.55	5.55	5.55	0.00	-5.55	(100.00)%
Facilities Painter	1.75	1.75	1.75	1.75	0.00	0.00%
Facilities Technician	0.00	0.00	0.00	5.55	5.55	0.00%
Heavy Equipment Operator	2.13	2.13	2.33	2.33	0.00	0.00%
Heavy Equipment Operator-Lead	0.85	0.85	0.85	0.85	0.00	0.00%
Inspector, Field Services	1.33	0.83	0.10	0.11	0.01	10.00%
Landscape Architect Park Planner	0.00	0.00	0.10	0.10	0.00	0.00%
Management Analyst	0.60	0.60	0.70	0.70	0.00	0.00%
Manager Facilities	0.00	0.00	0.90	0.90	0.00	0.00%
Manager Maintenance Operations	1.95	1.95	1.20	1.20	0.00	0.00%
Manager Urban Forestry	1.00	0.96	0.96	0.96	0.00	0.00%
Manager Watershed Protection	0.00	0.00	0.00	0.05	0.05	0.00%
Planning Arborist	1.00	0.75	0.75	0.75	0.00	0.00%
Project Engineer	0.30	0.30	0.40	0.50	0.10	25.00%
Project Manager	1.70	1.63	1.63	2.58	0.95	58.28%
Senior Engineer	2.10	1.47	0.57	0.79	0.22	38.60%
Senior Management Analyst	1.11	1.11	1.11	1.11	0.00	0.00%
Senior Project Manager	0.10	0.10	0.10	0.10	0.00	0.00%
Supervisor Inspection and Surveying	0.80	0.53	0.10	0.10	0.00	0.00%
Surveyor, Public Works	0.78	0.31	0.10	0.33	0.23	230.00%
Traffic Controller Maintainer-Lead	1.00	1.00	0.00	0.00	0.00	0.00%
Traffic Controller Maintainer I	1.94	1.94	1.94	1.94	0.00	0.00%
Traffic Controller Maintainer II	2.00	2.00	2.00	2.00	0.00	0.00%
Tree Maintenance Person	1.00	1.00	1.00	1.00	0.00	0.00%
Tree Trim/Line Clear	7.00	7.00	7.00	7.00	0.00	0.00%
Tree Trim/Line Clear-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Total Public Works	57.25	52.98	54.29	55.93	1.64	3.02%
Total General Fund	579.70	589.58	599.31	603.94	4.63	0.77%
Enterprise Funds						
Public Works						
Account Specialist	0.45	0.45	0.45	0.30	-0.15	(33.33)%
Accountant	0.40	0.40	0.40	0.40	0.00	0.00%
Administrative Associate I	0.10	0.10	0.10	0.10	0.00	0.00%
Administrative Associate II	2.15	2.15	2.15	2.15	0.00	0.00%
Administrative Associate III	0.10	0.10	0.10	0.10	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Assistant Director Public Works	1.30	1.30	1.30	1.30	0.00	0.00%
Assistant Manager WQCP	2.00	2.00	2.00	2.00	0.00	0.00%
Associate Engineer	1.50	1.35	1.35	1.99	0.64	47.41%
Business Analyst	0.13	0.13	0.00	0.00	0.00	0.00%
Buyer	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Chemist	3.00	3.00	3.00	3.00	0.00	0.00%
Chief Sustainability Officer	0.10	0.10	0.00	0.00	0.00	0.00%
Coordinator Public Works Projects	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Deputy Chief/Fire Marshal	0.08	0.08	0.07	0.07	0.00	0.00%
Electrician	3.00	3.00	3.00	3.00	0.00	0.00%
Electrician-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Engineer	1.00	1.00	1.00	0.90	-0.10	(10.00)%
Engineering Technician III	0.30	0.20	0.20	0.25	0.05	25.00%
Environmental Specialist	2.00	2.00	2.00	2.00	0.00	0.00%
Equipment Operator	0.54	0.54	0.54	0.54	0.00	0.00%
Facilities Maintenance-Lead	0.00	0.00	0.00	1.00	1.00	0.00%
Hazardous Materials Inspector	0.04	0.04	0.04	0.04	0.00	0.00%
Heavy Equipment Operator	1.61	0.90	0.90	0.90	0.00	0.00%
Heavy Equipment Operator-Lead	1.86	1.15	1.15	1.15	0.00	0.00%
Industrial Waste Inspector	3.00	2.99	2.99	2.99	0.00	0.00%
Industrial Waste Investigator	2.00	1.79	1.79	1.15	-0.64	(35.75)%
Laboratory Technician WQC	2.50	3.00	3.00	3.00	0.00	0.00%
Landfill Technician	1.00	1.00	1.00	1.00	0.00	0.00%
Maintenance Mechanic	7.00	7.00	7.00	7.00	0.00	0.00%
Management Analyst	2.30	2.30	1.30	2.30	1.00	76.92%
Manager Airport	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Environmental Control Program	3.00	3.90	4.90	4.90	0.00	0.00%
Manager Laboratory Services	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Maintenance Operations	0.96	0.96	1.96	1.96	0.00	0.00%
Manager Solid Waste	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Water Quality Control Plant	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Watershed Protection	1.00	0.95	0.95	0.95	0.00	0.00%
Program Assistant I	1.00	1.00	1.00	1.00	0.00	0.00%
Program Assistant II	2.00	2.00	2.00	2.00	0.00	0.00%
Project Engineer	1.85	1.81	1.83	1.83	0.00	0.00%
Project Manager	0.35	0.35	0.35	1.35	1.00	285.71%
Senior Accountant	0.30	0.30	0.30	0.30	0.00	0.00%
Senior Buyer	0.00	0.00	0.00	1.00	1.00	0.00%
Senior Chemist	1.00	1.00	1.00	1.00	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Senior Engineer	1.80	1.76	1.76	3.76	2.00	113.64%
Senior Industrial Waste Investigator	1.00	0.99	0.99	0.99	0.00	0.00%
Senior Management Analyst	0.21	0.21	0.21	0.21	0.00	0.00%
Senior Mechanic	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Operator WQC	6.00	6.00	6.00	6.00	0.00	0.00%
Senior Technologist	1.13	1.13	1.00	1.00	0.00	0.00%
Storekeeper	1.00	1.00	1.00	1.00	0.00	0.00%
Street Maintenance Assistant	0.00	0.00	0.00	1.00	1.00	0.00%
Street Sweeper Operator	5.96	1.63	1.63	1.63	0.00	0.00%
Supervisor WQCP Operations	3.00	3.00	3.00	3.00	0.00	0.00%
Surveyor, Public Works	0.11	0.11	0.35	0.12	-0.23	(65.71)%
Technologist	1.00	1.00	1.00	1.00	0.00	0.00%
Traffic Controller Maintainer I	0.06	0.06	0.06	0.06	0.00	0.00%
WQC Plant Operator II	16.00	16.00	16.00	16.00	0.00	0.00%
Zero Waste Coordinator	2.00	2.00	2.00	1.00	-1.00	(50.00)%
Total Public Works	99.19	94.23	95.12	98.69	3.57	3.75%

Utilities

Account Specialist	2.55	2.55	2.55	1.70	-0.85	(33.33)%
Accountant	0.60	0.60	0.60	0.60	0.00	0.00%
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate I	1.00	0.00	0.00	0.00	0.00	0.00%
Administrative Associate II	5.00	6.00	6.00	6.00	0.00	0.00%
Assistant Director Administrative Services	0.25	0.25	0.25	0.25	0.00	0.00%
Assistant Director Utilities Customer Support Services	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Utilities Engineering	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Utilities Operations	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Utilities/Resource Management	1.00	1.00	1.00	1.00	0.00	0.00%
Associate Engineer	0.50	0.50	0.50	0.00	-0.50	(100.00)%
Business Analyst	6.87	6.87	7.00	7.00	0.00	0.00%
Cathodic Protection Technician Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Cathodic Technician	1.00	1.00	1.00	1.00	0.00	0.00%
Cement Finisher	1.00	1.00	1.00	1.00	0.00	0.00%
Chief Sustainability Officer	0.35	0.35	0.00	0.00	0.00	0.00%
Contracts Administrator	0.70	0.70	0.70	0.70	0.00	0.00%
Coordinator Utilities Projects	6.00	7.00	7.00	6.00	-1.00	(14.29)%
Coordinator Utilities Safety & Security	1.00	0.00	0.00	0.00	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Customer Service Representative	6.00	6.00	6.00	6.00	0.00	0.00%
Customer Service Specialist	2.00	2.00	2.00	2.00	0.00	0.00%
Customer Service Specialist-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Deputy Chief/Fire Marshal	0.08	0.08	0.08	0.08	0.00	0.00%
Director Administrative Services/CFO	0.20	0.20	0.20	0.20	0.00	0.00%
Director Utilities	1.00	1.00	1.00	1.00	0.00	0.00%
Electric Project Engineer	2.00	2.00	2.00	2.00	0.00	0.00%
Electric Underground Inspector	2.00	2.00	2.00	2.00	0.00	0.00%
Electric Underground Inspector-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Electrical Equipment Technician	0.00	0.00	0.00	1.00	1.00	0.00%
Electrician Assistant I	4.00	4.00	4.00	3.00	-1.00	(25.00)%
Engineer	4.00	4.00	4.00	4.00	0.00	0.00%
Engineering Manager - Electric	1.00	1.00	1.00	1.00	0.00	0.00%
Engineering Manager - GWG	1.00	1.00	1.00	1.00	0.00	0.00%
Engineering Technician III	4.00	4.00	4.00	5.00	1.00	25.00%
Equipment Operator	1.00	1.00	1.00	1.00	0.00	0.00%
Gas System Technician	2.00	2.00	2.00	0.00	-2.00	(100.00)%
Gas Systems Technician II	1.00	1.00	1.00	3.00	2.00	200.00%
Hazardous Materials Inspector	0.06	0.06	0.06	0.06	0.00	0.00%
Heavy Equipment Operator	8.70	8.70	8.70	6.70	-2.00	(22.99)%
Heavy Equipment Operator/Install Repair	0.00	0.00	0.00	4.00	4.00	0.00%
Industrial Waste Investigator	0.00	0.00	0.00	0.50	0.50	0.00%
Inspector, Field Services	4.00	4.00	4.00	5.00	1.00	25.00%
Lineperson/Cable Specialist	11.00	11.00	11.00	11.00	0.00	0.00%
Lineperson/Cable Specialist-Lead	4.00	4.00	4.00	4.00	0.00	0.00%
Maintenance Mechanic-Welding	2.00	2.00	2.00	2.00	0.00	0.00%
Manager Communications	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Customer Service	0.00	0.00	1.00	1.00	0.00	0.00%
Manager Customer Service and Meter Reading	1.00	1.00	0.00	0.00	0.00	0.00%
Manager Electric Operations	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Treasury, Debt & Investments	0.00	0.00	0.00	0.40	0.40	0.00%
Manager Utilities Compliance	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Utilities Credit & Collection	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Utilities Marketing Services	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Manager Utilities Operations GWG	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Utilities Program Services	0.00	0.00	0.00	1.00	1.00	0.00%
Manager Utilities Strategic Business	0.00	0.00	0.00	1.00	1.00	0.00%
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Marketing Engineer	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Meter Reader	6.00	6.00	6.00	6.00	0.00	0.00%
Meter Reader-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Metering Technician	2.00	3.00	3.00	3.00	0.00	0.00%
Metering Technician-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Offset Equipment Operator	0.48	0.48	0.48	0.48	0.00	0.00%
Overhead Underground Troubleshooter	2.00	2.00	2.00	2.00	0.00	0.00%
Planner	0.30	0.30	0.00	0.00	0.00	0.00%
Power Engineer	3.00	3.00	3.00	3.00	0.00	0.00%
Principal Business Analyst	0.00	0.00	1.00	1.00	0.00	0.00%
Principal Management Analyst	0.00	1.00	0.00	0.00	0.00	0.00%
Program Assistant I	2.50	2.50	2.50	2.50	0.00	0.00%
Project Engineer	5.00	5.00	5.00	5.00	0.00	0.00%
Project Manager	0.75	0.75	0.75	0.75	0.00	0.00%
Resource Planner	5.00	5.00	5.00	6.00	1.00	20.00%
Restoration Lead	1.00	1.00	1.00	1.00	0.00	0.00%
SCADA Technologist	2.00	2.00	2.00	2.00	0.00	0.00%
Senior Accountant	0.70	0.70	0.70	0.70	0.00	0.00%
Senior Business Analyst	2.00	2.00	2.00	2.00	0.00	0.00%
Senior Deputy City Attorney	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Electrical Engineer	4.00	4.00	4.00	4.00	0.00	0.00%
Senior Engineer	5.00	4.00	5.00	5.00	0.00	0.00%
Senior Management Analyst	2.40	2.40	2.40	0.70	-1.70	(70.83)%
Senior Mechanic	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Performance Auditor	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Project Engineer	0.00	1.00	0.00	0.00	0.00	0.00%
Senior Resource Planner	6.00	6.00	6.00	6.00	0.00	0.00%
Senior Technologist	0.87	0.87	0.00	0.00	0.00	0.00%
Senior Utilities Field Service Representative	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Water Systems Operator	2.00	2.00	2.00	2.00	0.00	0.00%
Storekeeper	2.00	2.00	2.00	1.00	-1.00	(50.00)%
Storekeeper-Lead	0.00	0.00	0.00	0.80	0.80	0.00%
Street Light, Traffic Signal & Fiber Technician	4.00	4.00	5.00	5.00	0.00	0.00%
Street Light, Traffic Signal & Fiber Technician Apprentice	1.00	1.00	0.00	0.00	0.00	0.00%
Street Light, Traffic Signal & Fiber-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Substation Electrician	6.00	6.00	6.00	6.00	0.00	0.00%
Substation Electrician-Lead	2.00	2.00	2.00	2.00	0.00	0.00%
Supervising Electric Project Engineer	1.00	1.00	1.00	1.00	0.00	0.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Supervisor Inspection Services	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Tree Maintenance Person	1.00	1.00	1.00	1.00	0.00	0.00%
Utilities Compliance Technician	2.00	2.00	2.00	2.00	0.00	0.00%
Utilities Compliance Technician-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Utilities Credit/Collection Specialist	2.00	2.00	2.00	2.00	0.00	0.00%
Utilities Engineer Estimator	5.00	5.00	5.00	5.00	0.00	0.00%
Utilities Field Services Representative	5.00	5.00	5.00	5.00	0.00	0.00%
Utilities Install Repair-Lead-Welding Certified	2.00	2.00	2.00	2.00	0.00	0.00%
Utilities Install Repair-Welding Certified	3.00	3.00	3.00	3.00	0.00	0.00%
Utilities Install/Repair	12.00	12.00	12.00	10.00	-2.00	(16.67)%
Utilities Install/Repair Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Utilities Install/Repair-Lead	5.00	5.00	5.00	5.00	0.00	0.00%
Utilities Key Account Representative	3.00	3.00	3.00	3.00	0.00	0.00%
Utilities Locator	3.00	3.00	3.00	3.00	0.00	0.00%
Utilities Marketing Program Administrator	4.00	4.00	3.00	3.00	0.00	0.00%
Utilities Safety Officer	0.00	1.00	1.00	1.00	0.00	0.00%
Utilities Supervisor	11.00	11.00	11.00	12.00	1.00	9.09%
Utilities System Operator	5.00	5.00	5.00	5.00	0.00	0.00%
Warehouse Supervisor	0.50	0.50	0.50	0.80	0.30	60.00%
Water Meter Cross Connection Technician	2.00	2.00	2.00	0.00	-2.00	(100.00)%
Water System Operator I	0.00	0.00	0.00	1.00	1.00	0.00%
Water System Operator II	4.00	4.00	4.00	4.00	0.00	0.00%
Total Utilities	255.36	258.36	255.97	257.92	-1.05	(0.41)%
Total Enterprise Fund	354.55	352.59	351.09	353.61	2.52	0.72%

Other Funds

Capital Improvement Fund

Administrative Associate I	0.80	0.80	0.80	0.80	0.00	0.00%
Administrative Associate III	0.90	0.89	0.89	0.89	0.00	0.00%
Assistant Director Public Works	0.15	0.15	0.58	0.58	0.00	0.00%
Associate Engineer	2.70	2.69	2.69	2.69	0.00	0.00%
Cement Finisher	3.00	3.00	0.00	0.00	0.00	0.00%
Cement Finisher-Lead	1.00	1.00	0.74	0.74	0.00	0.00%
Chief Transportation Official	0.00	0.50	0.50	0.30	-0.20	(40.00)%
Contracts Administrator	0.60	0.60	0.60	0.60	0.00	0.00%
Coordinator Public Works Projects	0.00	0.00	1.00	1.50	0.50	50.00%

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	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Coordinator Transportation Systems Management	0.00	0.10	0.15	0.90	0.75	500.00%
Engineer	2.70	2.08	2.98	2.80	-0.18	(6.04)%
Engineering Technician III	0.50	0.50	0.50	0.50	0.00	0.00%
Heavy Equipment Operator	0.20	0.20	0.00	0.00	0.00	0.00%
Inspector, Field Services	0.67	0.47	1.20	1.21	0.01	0.83%
Landscape Architect Park Planner	1.00	1.00	0.90	0.90	0.00	0.00%
Management Analyst	1.50	1.49	1.39	0.89	-0.50	(35.97)%
Manager Facilities	0.00	0.00	0.10	0.1	0.00	0.00%
Manager Maintenance Operations	0.90	0.90	1.65	0.65	-1.00	(60.61)%
Parking Operations-Lead	0.00	0.00	0.00	0.30	0.30	0.00%
Program Assistant I	1.00	1.00	0.00	0.00	0.00	0.00%
Program Assistant II	0.00	0.00	0.00	0.20	0.20	0.00%
Project Engineer	4.85	5.09	4.99	6.49	1.50	30.06%
Project Manager	1.20	1.20	1.20	1.15	-0.05	(4.17)%
Senior Engineer	1.10	1.09	1.99	1.99	0.00	0.00%
Senior Management Analyst	0.60	0.60	0.60	0.60	0.00	0.00%
Senior Planner	0.00	0.00	0.00	0.70	0.70	0.00%
Senior Project Engineer	0.00	0.70	0.00	0.00	0.00	0.00%
Senior Project Manager	0.90	0.90	0.90	0.90	0.00	0.00%
Supervisor Inspection and Surveying	0.20	0.20	0.63	0.63	0.00	0.00%
Surveyor, Public Works	0.11	0.11	0.55	0.55	0.00	0.00%
Traffic Engineering-Lead	0.00	0.00	0.00	0.90	0.90	0.00%
Transportation Planning Manager	0.00	0.00	0.70	0.15	-0.55	(78.57)%
Total Capital Improvement Fund	26.58	27.26	28.23	30.61	2.38	8.43%

Information Technology Fund

Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Administrative Services	0.10	0.10	0.00	0.10	0.10	0.00%
Business Analyst	0.00	0.00	1.00	1.00	0.00	0.00%
Desktop Technician	5.00	5.00	5.00	6.00	1.00	20.00%
Director Administrative Services/CFO	0.10	0.10	0.10	0.00	-0.10	(100.00)%
Director Information Technology/CIO	1.00	1.00	1.00	1.00	0.00	0.00%
Management Analyst	1.00	1.00	0.00	0.00	0.00	0.00%
Manager Information Technology	4.00	4.00	4.00	4.00	0.00	0.00%
Manager Information Technology Security	1.00	1.00	1.00	1.00	0.00	0.00%
Principal Business Analyst	0.00	0.00	1.00	1.00	0.00	0.00%
Principal Management Analyst	1.00	1.00	0.00	0.00	0.00	0.00%
Senior Business Analyst	2.00	0.00	2.00	2.00	0.00	0.00%

TABLE OF ORGANIZATION

Table of Organization

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Senior Management Analyst	0.00	2.00	1.00	1.00	0.00	0.00%
Senior Technologist	12.00	13.50	15.00	16.00	1.00	6.67%
Technologist	4.00	2.00	2.00	1.00	-1.00	(50.00)%
Total Information Technology Fund	32.20	31.70	34.10	35.10	1.00	2.93%

Printing and Mailing Fund

Manager Revenue Collections	0.00	0.00	0.10	0.10	0.00	0.00%
Offset Equipment Operator	1.52	1.52	1.52	1.52	0.00	0.00%
Senior Management Analyst	0.10	0.10	0.00	0.00	0.00	0.00%
Total Printing and Mailing Fund	1.62	1.62	1.62	1.62	0.00	0.00%

Special Revenue Funds

Account Specialist	1.55	1.55	1.55	1.62	0.07	4.52%
Account Specialist-Lead	0.41	0.41	0.41	0.95	0.54	131.71%
Administrative Associate II	0.40	0.20	0.20	0.20	0.00	0.00%
Building Serviceperson-Lead	0.20	0.20	0.20	0.20	0.00	0.00%
Chief Transportation Official	0.10	0.00	0.00	0.00	0.00	0.00%
Community Service Officer	0.50	0.50	0.50	0.50	0.00	0.00%
Electrician	0.20	0.20	0.20	0.20	0.00	0.00%
Facilities Maintenance-Lead	0.15	0.15	0.15	0.15	0.00	0.00%
Facilities Mechanic	0.45	0.45	0.45	0.00	-0.45	(100.00)%
Facilities Painter	0.25	0.25	0.25	0.25	0.00	0.00%
Facilities Technician	0.00	0.00	0.00	0.45	0.45	0.00%
Heavy Equipment Operator	0.29	0.00	0.00	0.00	0.00	0.00%
Heavy Equipment Operator-Lead	0.29	0.00	0.00	0.00	0.00	0.00%
Management Analyst	0.00	0.00	0.00	0.02	0.02	0.00%
Manager Community Services Senior Program	0.00	1.00	1.00	1.00	0.00	0.00%
Manager Maintenance Operations	0.19	0.19	0.19	0.19	0.00	0.00%
Manager Revenue Collections	0.00	0.00	0.20	0.28	0.08	40.00%
Parking Operations-Lead	0.00	0.00	0.70	0.50	-0.20	(28.57)%
Planner	0.95	0.75	0.75	0.00	-0.75	(100.00)%
Program Assistant II	0.00	0.00	0.00	0.45	0.45	0.00%
Senior Management Analyst	0.20	0.20	0.00	0.00	0.00	0.00%
Senior Planner	0.00	0.00	0.00	0.36	0.36	0.00%
Senior Project Engineer	0.00	0.10	0.00	0.00	0.00	0.00%
Street Maintenance Assistant	2.00	2.00	2.00	2.00	0.00	0.00%
Street Sweeper Operator	1.04	0.37	0.37	0.37	0.00	0.00%
Transportation Planning Manager	0.00	0.00	0.10	0.00	-0.10	(100.00)%
Total Special Revenue Funds	9.17	8.52	9.22	9.69	0.47	5.10%

Table of Organization

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted Budget	FY 2017 Proposed Budget	FY 2017 Change FTE	FY 2017 Change %
Vehicle Replacement Fund						
Administrative Associate III	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Public Works	0.25	0.25	0.25	0.25	0.00	0.00%
Assistant Fleet Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Equipment Maintenance Service Person	2.00	2.00	2.00	2.00	0.00	0.00%
Fleet Services Coordinator	2.00	2.00	2.00	2.00	0.00	0.00%
Management Analyst	0.20	0.20	0.20	0.20	0.00	0.00%
Manager Fleet	1.00	1.00	1.00	1.00	0.00	0.00%
Mobile Service Technician	1.00	0.00	0.00	0.00	0.00	0.00%
Motor Equipment Mechanic II	7.00	6.00	6.00	6.00	0.00	0.00%
Motor Equipment Mechanic-Lead	0.00	2.00	2.00	2.00	0.00	0.00%
Project Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Management Analyst	0.08	0.08	0.08	0.08	0.00	0.00%
Total Vehicle Replacement Fund	16.53	16.53	16.53	16.53	0.00	0.00%
Workers' Compensation Fund						
Senior Human Resources Administrator	0.00	0.00	0.00	1.00	1.00	0.00%
Total Workers' Compensation Fund	0.00	0.00	0.00	1.00	1.00	0.00%
Total Other Funds	86.10	85.63	89.70	94.55	4.85	5.41%
Total Citywide Full-Time Positions	1,020.35	1,027.80	1,040.10	1,052.10	12.00	1.15%



SUPPLEMENTAL INFORMATION



CITY OF
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FINANCIAL POLICIES

Reserve Policies

One of the key components of a financially stable organization is the adherence to a policy of maintaining an appropriate level of reserves. The Government Finance Officers Association (GFOA) recommends, at a minimum, that general purpose governments, regardless of size, maintain reserves (unrestricted fund balance) in their General Fund of no less than two months of operating revenues or expenditures, or a minimum of approximately 16.6 percent of General Fund operating expenditures. The GFOA further recommends that reserve levels be directly related to the degree of uncertainty the local government faces; specifically, the greater the uncertainty, the greater the financial resources necessary. Since reserves are used to mitigate risk, during these uncertain economic times, it is crucial that the City continue its practice of adhering to this GFOA guidance. This will provide the City with resources to cope with unforeseen expenditures, unanticipated events, or revenue shortfalls.

General Fund Budget Stabilization Reserve

The City's Budget Stabilization Reserve (BSR) serves as the primary General Fund reserve. By policy, the BSR is maintained in the range of 15 to 20 percent of General Fund operating expenditures, with a target of 18.5 percent. Any reduction to the reserve below 15 percent requires City Council approval. At the discretion of the City Manager, any BSR balance above 18.5 percent may be transferred to the Infrastructure Reserve (IR), which was established to provide funding for maintenance and rehabilitation of the City's capital assets. The BSR is used to fund unanticipated one-time costs as opposed to ongoing or recurring operating expenditures. The City's intent is to fund ongoing programs and services with ongoing dollars.

The City has held a long-standing practice of maintaining a BSR balance of no less than 15 percent of General Fund operating expenses. The table below depicts the BSR balances for seven years, last five years of actual ending BSR balances and two years of budgeted ending BSR balances. As discussed in this document, the Fiscal Year 2017 Proposed Budget assumes a BSR ending balance of \$35.6 million or 18.0 percent.

	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Adopted	FY 2017 Proposed
Ending BSR Balance (in millions)	\$26.5	\$27.1	\$30.4	\$33.1	\$48.2	\$34.6	\$35.6
% of Total Expenses	19.00%	18.50%	18.50%	19.33%	25.96%	18.70%	17.96%

Over the years, the City's BSR has served as a repository for unspent operating funds at year-end and to fund one-time unexpected needs that arise outside of the regular budget prepara-

tion process. Prudent financial management practices dictate that the BSR not be used to fund or solve on-going, recurring financial needs. The City has adhered to this practice and has not used the BSR to provide ongoing budget stabilization during periods of economic downturns. In Fiscal Year 2014-2015, the BSR closed with an additional \$13.5 million set aside pending Council direction. A total of \$8.0 million was reserved for additional capital expenditures, \$4.2 million dedicated to Fiscal Year 2015-2016 one-time expenditures, and \$1.3 million dedicated to potentially address the unfunded pension liability.

HUMAN SERVICES RESOURCE ALLOCATION PROCESS (HSRAP) RESERVE

In Fiscal Year 2015, the City Council set aside an earmarked reserve for the Human Resource Allocation Process (HSRAP) in the amount of \$50,000 to be used during future budget cycles. As part of the annual reappropriations process, staff will bring forward for Council consideration a recommendation to carry-forward this reserve to Fiscal Year 2017.

Credit Rating Agencies

Credit rating agencies view General Fund reserves as a critical component of strong municipal management. According to Moody's Investors Service, reserves are an important factor in the analysis of a municipality's fiscal health and, therefore, a jurisdiction's fiscal policies should include a plan for maintaining reserves. Rating agencies view sound reserves favorably, thus improving a municipality's rating and its ability to obtain low-cost financing for important projects. The City is proud to report that both Moody's and Standard and Poor's (S&P) awarded their highest credit ratings, Triple A, to the City's General Obligation Bonds for library and community center capital improvements in 2010 and it was reaffirmed in 2013. These ratings demonstrate that Palo Alto's prudent financial management and fiscal strength are viewed most favorably by credit agencies.

Capital Fund Reserve

Infrastructure Reserve (IR)

The Infrastructure Reserve (IR) provides a mechanism for financing the City's infrastructure maintenance and rehabilitation requirements and allows for the City to apply for reimbursable infrastructure grants and respond to urgent infrastructure needs. The primary purpose of the IR is to fund projects which are critical to the maintenance of existing infrastructure. As part of the Council approved Infrastructure Plan, the Infrastructure Reserve will fund \$12.5 million of the plans funding needs. Unspent monies from General Fund capital projects are returned to the IR and retained within the Capital Fund. Over the last four fiscal years, General Fund Operating Budget surpluses of \$32.6 million have been transferred to the Infrastructure Reserve beyond base budget transfers. Investment income from this reserve is also retained within the IR to fund future capital project needs.

Other Policies

Debt

The City of Palo Alto recognizes the need for spending a prudent amount every year for the ongoing maintenance and replacement of capital assets. An ongoing capital improvement plan is vital to ensure the future viability of services and the City places priority on funding its regular and ongoing capital needs on a pay-as-you-go basis. However, there are times when it is appropriate to consider debt financing.

The guidelines below support the decision-making process on issuing debt. These guidelines were adopted by the City Council on May 13, 1997 (City Manager's Report 210:97). Staff revised the guidelines at the August, 8, 2015 Finance Committee and is incorporating the changes for Council approval as part of the 2017 Proposed Budget process in the Debt Service Funds Section and in part below.

Debt financing is only appropriately considered for capital improvements and not for operating expenses. Annual debt service payments should not exceed 10 percent of the annual expenditure budget of the General Fund and 15 percent for Enterprise Funds with exceptions needing Council approval. The term of the debt issuance should not exceed the useful life expectancy of the asset acquired, constructed, or improved.

It is appropriate to consider debt financing under the following circumstances:

The project financing can be paid for directly by the users of the facility. One example is capital improvements made to the City's golf course, where debt service payments can be made from the green fees paid by golfers. A second example is capital improvements paid for by assessments to property owners, such as a parking assessment for a downtown parking garage.

A significant backlog of Enterprise Fund capital improvement projects has developed and cannot be addressed through the ongoing capital budget without a significant impact on utility rates.

Funding a large project (or grouping of similar projects) would have a significantly negative impact on the availability of financing for other ongoing capital needs.

Capital leases may also be considered for the purchase of large pieces of equipment.

Investments

The basic principles underlying Palo Alto's investment philosophy are to ensure the safety of public funds, provide that sufficient money is always available to meet current expenditures and achieve a reasonable rate of return on its investments. Safety is the top priority, followed by liquidity and yield.

The City pools cash from all sources and funds - except restricted bond proceeds with fiscal agents - and invests its pooled idle cash in accordance with state law and the City's charter. The City follows the "Prudent Investor Standard" cited in State Government Code (Section 53600.3). Under this standard, all governing bodies of local agencies or persons authorized to

FINANCIAL POLICIES

make investment decisions on behalf of the City are trustees and, therefore, fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with the same care, skill, prudence and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiarity with those matters would use in the same circumstances to safeguard the principal and maintain the liquidity needs of the agency. Prevailing circumstances include, but are not limited to, economic conditions and the anticipated needs of the agency.

The City's preferred and chief practice is to buy securities and to hold them to their date of maturity rather than trade or sell securities prior to maturity. The City may, however, elect to sell a security prior to its maturity date should there be a significant financial need. If securities are purchased and held to their maturity date, then any changes in the market value of those securities during their life will have no effect on the principal value. Under a buy and hold philosophy, the City is able to protect its invested principal. The economy, money markets and various financial institutions (such as the Federal Reserve System) are monitored carefully to make prudent investments and assess the condition of the City's portfolio.

A detailed explanation of investment objectives, applicability and general investment guidelines can be found on the City's website. The Investment policy also delineates authorized investments, authorized investment personnel and administrative procedures.

GLOSSARY

Key Budget Terms

Accrual Accounting: A method of accounting that recognizes expenses when incurred and revenues when earned rather than when payment is made or received

Adopted Budget: The budget that is approved and enacted by the City Council annually on or before June 30th.

Appropriation: The allocation of an expense budget for a particular project or program usually for a specific period of time.

Balanced Budget: A balanced budget exists when total revenues are equal to, or greater than, total expenses.

Bond: A debt investment in which an investor loans money to an entity (governmental or otherwise) that borrows the money for a defined period of time at a fixed interest rate to pay for a variety of projects.

Budget Stabilization Reserve (BSR): The BSR was established as a prudent measure to maintain the City's fiscal stability in the event that unanticipated events reduce revenue or create obligations that significantly impact the current-year budget. Examples of such events include a downturn in the economy, a natural disaster or actions that may be taken by another governmental agency that reduce revenues and/or increase expenses for the City.

Capital Budget: A plan of proposed capital outlays and the means of financing them for the current fiscal period. In a two-year budget, the second year of the Capital Improvement Program is adopted-in-concept.

Capital Improvement Program (CIP): The City's plan for current and future projects related to the acquisition, expansion, or rehabilitation of buildings, equipment, parks, streets, and other public infrastructure.

Capital Projects Fund: A fund created to account for all resources to be used for the construction or acquisition of designated fixed assets by a governmental unit except those financed by proprietary or fiduciary funds.

City Manager's Report (CMR): Staff reports for City Council meetings as well as boards and commissions that are prepared by City staff and submitted through the City Manager's Office.

Comprehensive Plan: The Palo Alto Comprehensive Plan contains the City's official policies on land use and community design, transportation, housing, natural environment, business and economics, and community services. Its focus is on the physical form of the City and is applicable to both public and private properties. The Proposed Budget integrates the 1998-2010 Comprehensive Plan into the budget process.

GLOSSARY

Cost Accounting: The branch of accounting that provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, carry on an activity or operation, or complete a unit of work or a specific job.

Enterprise Funds: Funds used to account for services that are provided to the public on a user charge basis, similar to the operation of a commercial business. The City's enterprise funds include the gas, electric, water, fiber optics and wastewater collection and treatment funds.

Fiduciary Fund: A fund used to account for assets held by the City acting in a fiduciary capacity for other individuals or entities. These funds are operated to carry out the specific actions required by the trust agreements, ordinances and other governing regulations.

Fiscal Agent: A bank or other corporate fiduciary that performs the function of paying, on behalf of the governmental unit, or other debtor, interest on debt or principal of debt when due.

Fiscal Year: A 12-month period of time to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of operations. Palo Alto's fiscal year begins on July 1st and ends on June 30th.

Fixed Assets: Assets such as land, structures and improvements, furniture and/or equipment that are expected to last and/or be used for more than one year.

Full-Time Equivalent (FTE): Used to quantify staffing hours for permanent and temporary employees. A 1.0 FTE employee works full time; a .50 FTE employee works half-time.

Fund Balance: An excess of the assets of a fund over its liabilities.

General Fund: The primary fund used to account for the City's general purpose revenues such as sales, property, utility users and transient occupancy taxes. General Fund revenues typically pay for citywide services such as public safety, community development, recreation, libraries and parks. The General Fund is distinguished from Special Funds in that the latter are used to account for revenues that have restricted uses (e.g. gas tax funds that must be used for street maintenance or repair).

Governmental Funds: A generic classification used to refer to all funds other than proprietary and fiduciary funds. Governmental funds include the general fund, capital fund, special revenue funds and debt service funds.

Infrastructure Assets: Roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems installed for the common good.

Infrastructure Management Plan (IMP): A portion of the General Fund capital improvement program which focuses on rehabilitating the City's infrastructure. In 1998-99, an outside consultant on the City's infrastructure prepared a report known as the Adamson report. Within this report the City's infrastructure was cataloged and ranked based on when the infrastructure needed to be upgraded or replaced and the cost for each item. At that time, the City Council decided to establish a plan using the Adamson report as a guide for both timeline and cost.

Internal Service Funds: These funds provide services to City departments and recover their costs through user charges. For example the Vehicle Replacement Fund is an Internal Service Fund managing the replacement and maintenance of the City fleet.

Method of Accounting: The City's General Fund budget is developed using a modified accrual basis of accounting, with revenues being recorded when measurable and available, and expenditures recorded when the liability is incurred. Enterprise Funds and Internal Service Funds are budgeted on a generally accepted accounting principles (GAAP) basis, which for Proprietary Funds is on a full accrual accounting basis.

Operating Transfer: Amounts transferred between funds, not considered a revenue or expense. For example, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

Pay-As-You-Go-Basis: A term used to describe the financial policy of a governmental unit that finances all of its capital outlays from current revenues rather than by borrowing.

Proposed Budget: The proposed budget is the budget that is sent to the Finance Committee by the City Manager. The proposed budget, including changes made by the Finance Committee during their review, is reviewed and then adopted by the City Council.

Proprietary Funds: A generic classification used to refer to all funds other than governmental funds or fiduciary funds. Proprietary funds include internal service funds and enterprise funds.

Reimbursements: Inter-fund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund. For example, the Enterprise Funds reimburse the Technology Fund for CIP projects from which the Enterprise Funds benefit.

Reserve: Represents the portion of fund balance set aside for financing future financing needs and addressing one-time emergency or unanticipated events.

Revenues: Revenues include compensation received by the project for specific services to the public (external revenues), as well as revenues received from other funds (internal revenues).

Special Revenue Funds: These funds account for the proceeds derived from specific revenue sources that are legally restricted to expenditures for specified purposes. The Street Improvement Fund (SIF) is a Special Revenue Fund that derives its funding from state gas tax revenues. Capital appropriations from the SIF must be spent on the construction and maintenance of the road network system of the City.



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