



FISCAL YEAR 2020

# PROPOSED OPERATING BUDGET



CITY OF  
**PALO  
ALTO**

April 22nd, 2019

To the Honorable Mayor and City Council  
2020 Fiscal Year Operating Budget Transmittal

Dear Mayor and Council Members:

In accordance with the City Charter, I am presenting the City of Palo Alto's Fiscal Year 2020 Proposed Operating Budget. This budget totals \$699.2 million and reflects the City Council's direction to proactively fund the City's long-term pension obligations and adjust services as needed to fulfill this obligation. As such, this year's budget balances meeting immediate needs with repositioning services for long-term value. Council's approach to fiscal sustainability sets the foundation for operating within our means for the future, but as such requires a closer look at the services we deliver and the value they provide. Parallel to the release of this budget, we anticipate releasing our first "Services Inventory" that will enable a comprehensive discussion of city services and the value provided to the community through our investments citywide.

## Long-Term Financial Planning

During the development of the FY 2019 Operating Budget, the City Council expressed its interest and desire to structurally address the City's long-term pension liabilities through proactive contributions beyond those required by CalPERS. As part of the FY 2019 Operating Budget, \$4.0 million was transferred to the City's Pension Trust Fund for the General Fund. As part of the FY 2020 proposed budget, an additional \$3.8 million will be added to the Pension Trust Fund from the General Fund with an additional \$2.4 million contributed from other funds. A "catch-up" payment of \$2.3 million from other funds is also included in the FY 2020 budget proposal to align with the General Fund's \$4.0 million contribution in FY 2019. This brings to \$22.0 million total contributions to the City's Pension Trust Fund since its creation in January 2017, representing significant progress toward pre-funding the City's long-term pension obligations.

## Reality of Today

To accommodate the contribution toward the City's long-term pension obligations, adjustments to service delivery levels will be necessary. Reductions have been made across the organization over the past several years with the goal of containing costs while minimizing impacts on services. This budget makes progress towards ongoing cost containment, with specific resulting service impacts. The FY 2020 budget also includes a number of one-time actions in FY 2020 that are designed to contain costs while departments continue to evaluate service delivery options and redeployment of resources. These actions are discussed in greater detail below. Additionally, the proposed budget reflects approved service delivery changes, such as the animal shelter transition to a public/private partnership with Pets in Need.

These result in a net reduction of 8.5 full time positions to a total workforce of 1,033. This is significantly less than the peak level of 1,076 in 2009. In the General Fund, positions have decreased 12.2%, from 651 to 572, since 2009. This represents the City's continued dedication to addressing community priorities and providing high quality services in an efficient and cost effective manner.

### City Council Priorities - Positioning for the Future

Both the operating and capital budgets reflect continued support of the City Council priorities for the year that were adopted in February 2019. These include:

- Climate Change/Sustainability and Climate Action Plan
- Grade Separations
- Transportation and Traffic
- Fiscal Sustainability

While each of these priorities require long-term strategies, progress will be made on all through this FY 2020 Budget. The City has several key decisions to make in the near term including choosing a “preferred alternative” for grade separation to address increased traffic congestion at rail crossings with Caltrain electrification and more frequent trains. Staff has presented the “Fiscal Sustainability” workplan to the Finance Committee, articulating the ecosystem of available resources, desired outcomes, and long-term solvency of the City. Against this backdrop, we have better positioned the City to address pension costs, new labor agreements, and the rising cost of completing infrastructure projects.

Some highlights of the FY 2020 Proposed Budget include:

- Progress towards Fiscal Sustainability: This budget makes progress towards fiscal sustainability through various cost containment actions, including elimination of positions throughout the organization, including in the Auditor’s Office, Library Department, and Public Works, changes in Fire’s deployment model, and reductions in non-salary funding in the Office of Emergency Services, Community Services, Information Technology, and the Library Department.
- Workforce Stabilization: The region continues to experience robust economic growth with rising housing costs and longer employee commutes, and Palo Alto is at the epicenter of this challenge. In addition to reflecting recently completed labor agreements, this budget includes \$750,000 in the General Fund to be used towards workforce recruitment and retention initiatives.
- Establishing an Office of Transportation: This budget establishes an Office of Transportation to address the growing complexity and demands associated with parking, traffic, and pending decisions regarding grade separation. Transportation was previously a division in the Planning and Community Environment Department. This budget allocates additional resources and consolidates the management and operations of various Transportation initiatives, including the administration of parking functions and transportation infrastructure projects into a new office. This new office will be better able to proactively engage the community and address critical transportation needs.
- Continued contributions to the City’s irrevocable Section 115 Pension Trust Fund: As discussed earlier, this budget incorporates City Council direction to more conservatively budget pension costs. Budget assumptions now use a lower discount rate than the CalPERS provided actuarial assumptions. If CalPERS does not meet its stated investment returns in

the future, the City will be better positioned to incorporate increasing pension costs without service delivery crowd-out.

- Continued Leadership in Public-Private Partnerships: This budget reflects the City's commitment to ensuring high-quality, cost-effective service delivery, including through public-private partnerships. This budget includes the animal shelter transition from City staff to a contract with Pets In Need, the first steps of transitioning Project Safety Net to a community collaborative with the City as a partner instead of the primary funder, and continued partnership on the new Junior Museum and Zoo.

## Fiscal Sustainability

This budget includes significant reductions across the organization, especially in the General Fund, to balance the FY 2020 budget and better position the City in FY 2021. Proactively contributing to the City's supplemental pension trust fund will help ensure pension funding and minimize the need for future service reductions. But it also means making some choices today. This budget includes a reduction in overtime in the Fire Department associated with a change in deployment, position eliminations in the Library Department and Public Works, as well as ongoing expense reductions in the Office of the City Clerk, the City Manager's Office, the Office of Emergency Services, and Information Technology. In addition to position eliminations, this budget includes taking actions such as freezing a variety of positions across the organization that will save nearly \$2.0 million in the General Fund. This budget contributes more than \$1.25 million to the Budget Stabilization Reserve (BSR) to maintain it at the City Council target of 18.5 percent consistent with previous City Council direction.

Addressing immediate FY 2020 needs is critical, but we also need to structurally balance revenues and expenses. To that end, this budget includes actions that will start in FY 2021, including the transition of Project Safety Net to a community-funded model with the City as a partner instead of the primary funding provider and the realization of approximately \$450,000 in additional savings in the Police Department. When combined with other ongoing actions recommended in this Budget throughout the General Fund, such as the change in Fire deployment and the elimination of various positions, the City will be better positioned for FY 2021 and beyond.

## Summary of Other Funds

The City's Enterprise and other funds, including the General Capital Fund, remain healthy through FY 2020. The City will continue to maintain services and facilities for the community and the region, such as Utilities, Palo Alto Airport, and Wastewater Collection and Treatment plant. The Airport is making significant strides toward operating in the black, as reflected in the repayment schedule to the General Fund for the loans it received over years. The City will focus its efforts on parking operations, through the parking funds, as discussed above with the establishment of a new Office of Transportation. The City will also continue to work on its Capital Improvement Program, discussed in greater detail in the Capital Budget.



### Acknowledgments

I would like to thank the City Council for your leadership and our Executive Leadership Team and the entire staff of the City for providing outstanding services to our community.

A proposed budget takes countless hours of teamwork, collaboration, and patience to produce. I would like to offer special thanks to Kiely Nose, our interim Chief Financial Officer, Steve Guagliardo, interim Director, Office of Management and Budget, and the dedicated Office of Management and Budget Team – Paul Harper, Jessie Deschamps, Alexandra Harris, Jamie Perez, Kayla Shapiro, and Chaitali Paliwal. Completing this budget could not have been accomplished without the skill, dedication, and professionalism of this team. Their willingness to work through adverse circumstances and sacrifice many hours of their lives over the past few months are a testament to their commitment to this organization and to the community. Thanks are also due to Christine Paras, Assistant Director, Administrative Services Department, and Tarun Narayan, Treasury Manager. I am also grateful to the Department Directors of our Executive Leadership Team and the department personnel who worked on the material. There are too many to list here by name, but the budget could not have been produced without the senior/management analysts, division managers, administrative assistants, and others throughout the organization who helped produce this budget.

Respectfully Submitted,



Ed Shikada  
City Manager

## Attachment A: Fiscal Year 2020 Budget Balancing

The FY 2020 Operating Budget of \$699.2 million reflects a 1.7 percent decrease from the FY 2019 Operating Budget of \$711.2 million. The decrease is primarily attributable to Capital Improvement Program costs being refined/shifted/moved in FY 2020 to future years of the Capital Improvement Plan. The General Fund has \$230.8 million in budgeted expenses, and represents 33.0% of the City's total expenditures. This budget has been proposed to balance the FY 2020 Operating Budget, however, there are one-time balancing actions recommended within it. For FY 2021, additional work remains to continue to close the gap between revenues and expenses to continue to work towards sustainably and proactively funding the City's long-term pension liabilities. This proposed budget does make strides to accomplish this financial sustainability by taking a strategic multiyear look at service evolutions. As a result of that direction, service delivery impacts are anticipated in FY 2020, and discussed in greater detail below for the City's various funds.

### General Fund

The FY 2020 Operating Budget includes revenues of \$232.1 million in the General Fund, representing an 8.2% increase over FY 2019 Adopted Budget revenues of \$214.5 million. General Fund Expenses are \$230.8 million representing an increase of 9.5% from the FY 2019 Adopted Operating Budget for the General Fund (\$210.7 million). However, that increase is not exclusively representative of increased costs. The General Fund had one-time savings included in FY 2019 of almost \$2 million for payments to the City's self-insured workers' compensation and general liability insurance funds; it also had a \$4 million reduction included in the Adopted Budget as a placeholder for future council action. Once we adjust the FY 2019 Adopted Budget for these one-time actions, the year-over-year growth would be 6.5%, from \$216.7 million to \$230.8 million. After the adoption of the FY 2019 Operating Budget, City Council ratified new contracts with the safety labor bargaining groups, with resultant increases. If these figures were restored to the FY 2019 budget starting point, the year-over-year increase would be much less in the General Fund.

The FY 2020 Budget Stabilization Reserve (BSR) is anticipated to be \$42.7 million to reach City Council's target of 18.5 percent of the General Fund budgeted expenses. The General Fund Budget includes a contribution of \$1.3 million to the BSR in order to maintain the reserve at the targeted level.

The balancing strategy for the General Fund is discussed below; as discussed above the FY 2020 Operating Budget and ongoing actions included in it continue to make progress towards ongoing fiscal sustainability in FY 2021 and beyond.

## General Fund Balancing Strategy

### REVENUES

Revenues of \$232.1 million in the General Fund are based on continued economic growth in the region. This economic growth is best reflected in the City's anticipated revenues from various taxes comprising approximately 75 percent of the year over year growth in revenue.

- Sales Tax is projected to increase by 9.9% (from \$31.2 million to \$34.3 million),
- Property Taxes are anticipated to increase by 7.3% (from \$45.3 million to \$48.6 million), and
- Transient Occupancy Tax (TOT) is expected to increase by 17.0% (from \$25.0 million to \$29.3 million). These FY 2020 estimates for the first time include estimates from the passage of Measure E in November 2018 which increased the TOT tax rate from 14% to 15.5%.

When the major tax categories are combined, including the above taxes as well as documentary transfer tax and Utilities User Tax, their revenues are anticipated to increase by \$13.1 million, or approximately 10.5%, from FY 2019 Adopted Budget of \$125.1 million to \$138.2 million.

The City will continue to monitor current revenues and analyze the sensitivity to various factors. Concerns over the growth rates of various sectors factor prominently into the risk analysis; however the diverse mix of tax revenues does provide some insulation. Additionally, as part of the Fiscal Sustainability workplan, the City will analyze options for additional revenue and the resulting implications from those options. As new revenue generators, such as car dealerships or hotels, begin operating in Palo Alto they will be factored into future forecasts. Funding from other sources, such as Measure B and SB1, are included in this budget to provide resources for Capital Infrastructure. They are discussed more in the FY 2020 - FY 2024 Capital Budget.

### EXPENSES

The City's FY 2020 General Fund Expense Budget is \$230.8 million. As a service-driven organization, salaries and benefits represent 58.2% of total General Fund Expenses. This percentage is slightly lower than prior years. The next largest expense from the General Fund is transfers out of the General Fund, which is increasing 10% from \$30.9 million in FY 2019 to \$34.0 million in FY 2020. This reflects the increase in transfers to the infrastructure fund associated with increased TOT revenues that have been allocated for that purpose, increasing \$3.8 million from prior year levels.

In FY 2019, the City structurally balanced the General Fund, made hard decisions to eliminate 17.60 full time positions, and positioned the City to address future unknown liabilities. This budget builds on the work of the past few years as it works to address new cost escalation and achieve a more proactive position in confronting the City's long term pension liability. Although reductions in the past few years have been made with minimal impacts to service delivery, the FY 2020 Budget contains service delivery impacts. These impacts are necessitated, in part, by City Council's direction to more conservatively budget for pension costs and proactively contribute to the City's long-term pension liability. This direction results in \$3.8 million in additional costs in the General Fund in FY 2020 that have not been included in previous budgets. To address this, the General Fund includes a number of ongoing reductions and one-time actions that will ensure the City can address fiscal sustainability in a manner that does not unduly handicap its ability to deliver services.

Significant highlights of the General Fund Balancing Strategy include service delivery evolutions such as:

- Adjusting the Fire Department's deployment model, generating overtime savings while only minimally impacting response times.
- Eliminating a librarian, impacting the Library's ability to conduct special programming.
- Increasing the replacement cycle for emergency response equipment in OES.
- Consolidating landscape maintenance in the Community Services Department and reducing the 'Know Your Neighbor' grant funding.
- Project Safety Net transitioning from a City-funded program to a community collaborative program, functioning with the City as a partner rather than a provider.

In total, positions in the General Fund decrease 9.95 FTE, including an elimination of 8.85 FTE and a shift of 2.06 FTE to other funds to better align the work being performed with the funding source. These are discussed in greater detail in Attachment B.

In addition to these ongoing reductions, significant savings is generated in FY 2020 from holding positions vacant, a total of nearly \$2.0 million. Departments holding vacancies include Administrative Services, Community Services, the Fire Department, Planning and Community Environment, and the Police Department.

Each of these actions will have an impact on service delivery; as staff capacity is reached, existing projects, and any potential new project, will require a reprioritization of resources impacting quality and pace of work. Many of these vacancy savings have projected ongoing savings to be realized in FY 2021 such as the Police Department, however, the specifics of the FY 2021 changes require further refining by staff during the next year.

Only minor one-time funding is recommended for necessary business including new hire costs in the Fire Department, a nexus study for the development impact fee for Parks, Community Centers, and Libraries, and the grant-funded purchase of a mobile solar energy generator and storage trailer. The FY 2020 Budget also proposes an investment in human capital (\$750,000) split between the City Manager's Office and the non-departmental reserve.

## All Funds

This budget focuses not only on the General Fund but also on the City's other funds. The other funds also include City Council's directions to proactively address the City's long-term pension liabilities. This is made up of \$2.4 million in costs representing their share of FY 2020 costs, as well as \$2.2 million in a 'catch-up' payment for FY 2019, consistent with the \$4.0 million that the General Fund contributed in FY 2019.

Major activities in non-general funds include:

### Wastewater Treatment Fund

The FY 2020 Budget includes significant funding for the Wastewater Treatment plant's seven capital projects programmed through the FY 2020 - FY 2024 Capital Improvement plan. \$28.4 million is budgeted in FY 2020 for these projects, including \$11.1 million for the Advanced Water Purification Facility and \$6.1 million for the Primary Sedimentation Tank Replacement. Through



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the five year CIP, expenses of \$131.8 million are programmed across the seven projects. It is important to note that approximately 64 percent of expenditures in the Wastewater Treatment Fund are reimbursed by five contributing partner agencies outside of the City of Palo Alto, based on each agency's expected capacity share. Details of these capital projects and expenses can be found in the Wastewater Treatment Fund section of the FY 2020 – FY 2024 Proposed Capital Budget.

### **Airport Fund**

Total revenues in the Airport Fund are anticipated to be \$2.46 million with corresponding expenses. The Airport has worked to sign new leases with clients as old leases have expired, and anticipates increasing charges by 4.5%. Expenses are also projected to increase due to major construction projects that incur costs; however, 90% of these costs are offset by grants from the Federal Aviation Administration. The Airport has reprioritized capital improvements to ensure that there is sufficient funding for operating costs and continued services with minimal service delivery impact. In the past, the Airport Fund has received loans from the General Fund, totaling \$3.1 million as of FY 2019 since the City took over operations. The Airport Fund will begin repayment to the General Fund in FY 2020 in the amount of \$272,000 annually for the next fifteen years as part of its commitment to fiscal sustainability and financial viability.

### **Various Parking Funds**

This FY 2020 budget recommends establishing a separate Office of Transportation (OOT), previously housed in the Planning and Community Environment Department. This is in recognition of the significant need to develop and implement strategies that address City Council's priority to resolve traffic and transportation challenges. This FY 2020 budget recommends the net addition of 2.0 positions to this new established OOT, including 1.0 Parking Manager to oversee shuttle and parking programs (\$265,000 and is recommended to be equally allocated 50% to the OOT General Fund Operating Budget and 50% to parking funds). The RPP program is currently operating with a significant deficit and in FY 2020 requires a General Fund subsidy of \$721,000 to ensure the fund and program remain solvent. A more detailed presentation of the FY 2020 Budget for the University Avenue Parking District Fund and California Avenue Parking District Fund are available at the end of the Special Revenue Funds Overview section. Additional information about the establishment of OOT can be found in the subsequent section for City Departments..

### **Stormwater Management Fund Fund**

In FY 2020, the Stormwater Management fee is scheduled to increase by 4.5 percent. The Stormwater Management fee was approved by property owners through a ballot measure in April 2017. The projects and infrastructure component of this fee has a sunset date of June 1, 2032 unless extended through a subsequent ballot measure. This fee provides financial resources for a number of projects and infrastructure components as outlined in the Storm Drain Blue Ribbon Committee's recommendations, which identified 13 Capital Improvement projects. Work on those projects began in FY 2019 and is programmed in the FY 2020 -FY 2024 Proposed Capital Budget.

**UTILITY RATE CHANGES**

FY 2020 continues the rate increases forecast in the most recent financial plans in order to ensure the City's ability to replenish lower reserves, provide sufficient funding to cover increasing expenses for commodity costs, and repair and replace the City's aging utility infrastructure. The median monthly residential utility bill is expected to increase by 5.0 percent, or \$15.65, from \$312.15 to \$327.8. FY 2017 was the first year in recent years that rate increases have been necessary across the City's utilities, resulting in an 8.7 percent increase in the average residential utility bill. Electric rates had not increased since FY 2009. The individual utility rate increases for FY 2020 can be found in the Enterprise Funds Summary section of this document. These rate adjustments are preliminary and are in the process of being approved by the Utilities Advisory Commission and the Finance Committee.

## Attachment B:

# Fiscal Year 2020 Salaries, Benefits, and Position Details

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. Therefore, it should not be surprising that nearly 60 percent of the Fiscal Year 2020 General Fund Budget is attributable to salaries and benefits. In FY 2019, the City negotiated new labor agreements with safety units that extend through FY 2021. As in prior years, the FY 2020 Budget also includes funding for contracts currently being negotiated, consistent with City Council authority and the current status of negotiations. In FY 2020, the City also anticipates tackling recruitment and retention challenges through a variety of initiatives, discussed further in the City Manager's departmental section and the Non-Departmental section of this document.

## Position Changes

This budget includes the net reduction of 8.50 FTEs across all funds from FY 2019 Adopted levels. This representing a decrease of 0.8 percent from the FY 2019 Adopted Budget, from 1,041.35 to 1,032.85 full-time equivalent (FTE) positions. These adjustments are summarized in the following table and discussed in more detail below.

### Position Changes

#### FY 2019 Adopted to FY 2020 Adopted Budget

	General Fund	Enterprise Funds	Other Funds*	Total
<b>Fiscal Year 2019 Adopted Budget</b>	<b>585.43</b>	<b>357.86</b>	<b>98.06</b>	<b>1,041.35</b>
Fiscal Year 2019 Approved Adjustments	(3.15)	-	2.15	(1.00)
<b>Fiscal Year 2019 Modified Budget</b>	<b>582.28</b>	<b>357.86</b>	<b>100.21</b>	<b>1,040.35</b>
Fiscal Year 2020 Increase	0.96	0.75	1.54	3.25
Fiscal Year 2020 Decrease	(8.85)	-	(1.9)	(10.75)
Fiscal Year 2020 Reallocation	(2.06)	-	2.06	0.00
<b>Fiscal Year 2020 Adopted Budget</b>	<b>572.33</b>	<b>358.61</b>	<b>101.91</b>	<b>1,032.85</b>
<b>Net Difference</b>	<b>(13.10)</b>	<b>0.75</b>	<b>3.85</b>	<b>(8.50)</b>

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

NOTE: This table does not include Hourly positions.

This year-over-year net reduction of 8.50 full-time positions includes the net reduction of 1.00 position already approved by the City Council as part of staff recommendations to identify \$4.0 million in General Fund savings (CMR 9925).

This budget recommends various net position changes, detailed below. In the General Fund, 8.85 FTE eliminations are partially offset by the addition of 0.96 FTE, and an additional 2.06 FTE are recommended to be shifted to other funding sources resulting in a total decrease of 9.95 FTE from the FY 2019 Modified Budget. In the enterprise Funds, a total of 0.75 FTE is recommended to be added, and in Other Funds (including Internal Service Funds, Capital Improvement Funds, and Special Revenue Funds) a net 1.7 full-time positions are recommended to be added.

Position Changes recommended in this budget include eliminations, reclassifications, and augmenting existing positions in order to best align the workforce with organizational needs.

Position eliminations recommended in the Budget include:

- Elimination of 1.0 Auditor I, as approved by City Council through CMR #9925 on December 17, 2018
- Elimination of 1.0 Chief Sustainability Officer, reflecting the shift in resources from a single Chief Sustainability Officer to a program that spans the organization.
- Elimination of 1.0 Librarian, further impacting the Library's ability to do special programming events and effectively and promptly respond to reference requests.
- Elimination of 1.0 Associate Engineer in the Capital Fund to align with the anticipated workload needs of the Public Works Engineering division.
- Elimination of a 0.5 Administrative Associate I in the Public Works Department; the work will be absorbed by other staff.
- Elimination of 1.0 Fleet Services Coordinator in the Vehicle Replacement and Maintenance Fund as part of a realignment in work related to Vehicle Replacement and Maintenance.
- Elimination of 1.0 Veterinarian, 2.0 Veterinarian Technicians, 1.0 Superintendent Animal Services, and 2.0 Animal Services Specialist II; this elimination of 6.0 FTE is due to the shift in service delivery for Animal Services to the partnership with Pets in Need and the savings is offset by contractual expenses in the Community Services Department.

There are also certain realignments, augmentations, and additions included in this budget.

- Addition of 1.0 Parking Manager and 1.0 Senior Engineer to help establish the new Office of Transportation which is anticipated to be a central resource for all community issues related to Transportation.
- Augmenting an existing 0.5 FTE Transportation Systems Coordinator position by an additional 0.5 FTE in order to enhance the capacity of the newly established Office of Transportation.
- Elimination of 1.0 Assistant City Manager/Utilities General Manager and 1.0 Deputy City Manager, offset by the creation of 1.0 Assistant City Manager in the City Manager's Office and 1.0 Utilities General Manager in the Utilities Funds to better align with organizational needs in the City Manager's Office. (This action results in a net 0.25 FTE decrease in the



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General Fund and a net 0.25 FTE increase in the Enterprise Funds due to the previous funding alignments.)

- As part of the realignment in the City Manager's Office, a reclassification from 1.0 Administrative Associate III to 1.0 Administrative Assistant is also recommended.
- Realignment in the Utilities Resource Management division, including: augmentation of an existing 0.5 Resource Planner in the Utilities Funds to 1.0 Resource Planner; reclassification of 1.0 Administrative Associate II to 1.0 Program Assistant II; and realignment of two 0.5 Resource Planners into 1.0 Utilities Marketing Program Administrator. These actions will facilitate better implementation and monitoring of new programs related to the City's sustainability goals and help succession planning efforts.
- Reclassification of 2.0 Power Engineers to 2.0 Electric Project Engineers in the Utilities funds to better align with organizational needs and facilitate succession planning.
- Reclassification of 1.0 Administrative Associate III in the Vehicle Replacement and Maintenance Fund as part of realignment in work related to Vehicle Replacement and Maintenance.
- Reclassification of 1.0 Manager, Library Services and 1.0 Senior Librarian to 2.0 Supervising Librarians.

This budget also includes a net addition of 0.62 part-time positions. More information on each of these position changes can be found in the individual department and fund summaries later in this document.

These changes in positions may be subject to meet and confer and reflect the recommended actions to the Finance Committee at this time. The Human Resources Department will evaluate all actions and the implications of them based on the City's current memoranda of agreement with various employee units and address them as appropriate.

In addition, on a one-time basis, this Budget includes numerous position freezes, recognizing savings equivalent to various positions throughout the organization in different departments. These positions will be held vacant through the duration of FY 2020 while the organization addresses the critical issue of long-term fiscal sustainability. This is beyond the normal vacancy savings presumed by the City as part of its regular budget process and will generate an additional \$2.0 million in savings on a one-time basis in FY 2020.

- 4.0 Police Officers in the Police Department (which currently has 13 vacancies)
- 1.0 Deputy Fire Chief in the Fire Department
- 1.0 Division Manager in the Community Services Department.
- 1.0 Senior Management Analyst and 1.0 Account Specialist in the Administrative Services Department
- 1.0 Associate Planner in the Planning and Community Environment Department

## Salary & Benefits

The City Council has implemented multiple efforts to minimize the growth of pension and other benefit expenses through labor negotiations. These are an important part of the City's overall cost-containment strategies. Past successful steps include:

- Continued employee payment of the CalPERS employee contribution for all bargaining groups.
- Employees contributing an additional amount between 1% and 4% of the employer portion of CalPERS.
- Employees sharing the cost of health plans with almost all bargaining units receiving a flat-rate medical benefit.
- Implementing a less costly second-tier pension plan, parallel to the state's implementation of a third tier that went into effect January 1, 2013. As expected, new employees are hired into the lower tiers as existing employees retire, thereby lowering the City's overall pension liability.

### PENSION

Even with the efforts discussed above, the City's pension costs continue to escalate. This is largely due to circumstances beyond the City's control as a member of CalPERS. CalPERS has taken a number of steps over the past few years that are intended to mitigate future impacts to cities even as they result in greater near-term costs. In December 2016, the CalPERS board voted to lower the discount rate (used in calculating investment returns) from 7.5 percent to 7.0 percent, phasing in the reduction over three years. This phase-in began in 2019, continues in FY 2020, and will have its final phase in FY 2021. The discount rate used by CalPERS to calculate the City's FY 2020 Actuarially Determined Contribution (ADC) was 7.25 percent, down from 7.375 percent used in FY 2019. This budget includes the most recent pension rates from the CalPERS valuation reports as of June 30, 2017. When compared to Fiscal Year 2019, Fiscal Year 2020 employer contribution rates increased in line with previous CalPERS projections.

- The Miscellaneous Plan increased by 3.0 percentage points, an increase of 9.2%, from 32.6% of payroll in FY 2019 to 35.6% of payroll in FY 2020.
- The Safety plan increased by 3.4 percentage points, an increase of 6.8%, from 55.6% of payroll in FY 2019 to 59.4% of payroll in FY 2020.

CalPERS projected pension rates through FY 2025 are included in the table below:

### Pension Rates By Plan (Fiscal Year) - CalPERS

FY	2019	2020	2021	2022	2023	2024	2025
<b>Miscellaneous (%)</b>	32.6	35.6	38.2	40.0	41.4	41.9	42.5
<b>Safety (%)</b>	55.7	60.8	65.0	68.6	71.6	73.2	74.8
<b>Discount Rate (%)</b>	7.375	7.25	7.0	7.0	7.0	7.0	7.0

As the above table indicates, the city's pension costs will continue to increase through FY 2025. CalPERS use of a 7.0% discount rate results in greater costs than when it had used a higher discount rate (7.5%). This is representative of CalPERS' efforts to meet its investment return more

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frequently. In a given year, if CalPERS meets or exceeds its investment return, the City's Unfunded Accrued Liability would shrink. This is because CalPERS provides, as part of its ADC to cities, not only a normal cost (pay as you go) but also a UAL (catch-up) payment. Thus, if CalPERS investment target is met, the normal cost covers the pay as you go portion, and the UAL payment lessens the long-term liability.

Conversely, in a year when CalPERS does not meet its investment return, the UAL of the City would grow. In order to address this potential gap, the City Council directed that the City of Palo Alto fundamentally change its budgeting practice. Beginning in FY 2020, rather than use the CalPERS ADC (which is the standard practice for calculating pension costs in a given year) the City Council directed that the City use a discount rate lower than 7.0 percent. In order to make proactive contributions to the City's long term pension liability and prevent service delivery crowdout in the long-term, the City has calculated pension costs for FY 2020 using a 6.2 discount rate, in line with the estimated discount rate used by CalPERS' outside consultant (Wilshire Associates). This effectively decreases the City's sensitivity to lower CalPERS returns, ensuring that the UAL does not worsen.

This additional normal cost (pay as you go) is included in the FY 2020 budget and will be sent to the City's irrevocable section 115 trust. The FY 2020 budget sends \$6.2 million for FY 2020 costs across all funds and \$2.3 million as catch-up funds, so all funds keep pace with the General fund, to the PARS trust fund. This brings total contributions to \$22.0 million since the trust was created in FY 2017. The General Fund has \$14.3 million of that \$22.0 million. This funding represents the City's commitment to proactively contributing to the City's long-term pension liability and will help insulate the City against potential future increases to the UAL. In comparison to the \$44.6 million in CalPERS projected pension costs, this additional pay-as-you-go cost of \$6.2 million is roughly 14% of the City's annual pension costs.

Through FY 2020, the City will bring forward a pension policy for City Council consideration, as discussed in the Fiscal Sustainability work plan, in order to provide parameters and recommendations for the use of the PARS trust.

Additional information regarding the City's plan for proactively addressing escalating pension costs, and the discussions that the City Council has already conducted to date, can be found in the Employee Information section of this document.

### RETIREE HEALTHCARE

Consistent with past practice, this budget assumes the full payment of the Actuarial Determined Contribution (ADC) for not only retiree pension but also healthcare costs. With the payment of the ADC it is assumed that, all else being equal, the City will fully pay off its obligations for retiree healthcare costs. The City's outside actuarial consultant (Bartel Associates) performs an actuarial analysis of the City's OPEB funding every two years. The last study was done in FY 2018 with a valuation of assets as of June 30, 2017. The valuation had a net positive outcome on the City's finances. Despite a lower discount rate (6.75 percent was used in the most recent valuation while 7.5 percent had been used previously) the overall contribution was lowered from \$16.9 million in FY 2018 to \$16.0 million in FY 2019. This was largely due to premium caps, changes in mortality assumptions, and increases in eligibility for medicare premium plans, which are less expensive. The projected contributions through FY 2028 are presented below.

## Retiree Healthcare Annual Required Contributions (by Fiscal Year)

Fund	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>General Fund</b>	10.3	10.2	10.5	10.8	11.2	11.5	11.9	12.2	12.6	13.0	13.4
<b>Non-General Funds</b>	6.7	5.8	6.0	6.2	6.3	6.5	6.7	6.9	7.2	7.4	7.6
<b>TOTAL</b>	16.9	16.0	16.5	17.0	17.5	18.1	18.6	19.2	19.8	20.4	21.0

As seen in the chart above, costs for FY 2020 for Retiree Healthcare increase by slightly more than 3.0% from \$16.0 million in FY 2019 to \$16.5 million in FY 2020, in line with the most recent actuarial study.

A more in-depth discussion of the City's ongoing efforts with regards to OPEB liabilities took place on May 15th, 2018 with the Finance Committee (CMR 9213) as part of the adoption of the FY 2019 Operating Budget. Additional information regarding Retiree Healthcare can be found in the Employee Information section of this document.





CITY OF  
**PALO  
ALTO**



CITY OF  
**PALO  
ALTO**

# Fiscal Year 2020 Proposed Operating Budget

## City Council

Eric Filseth, Mayor

Adrian Fine, Vice Mayor

Alison Cormack

Tom DuBois

Liz Kniss

Lydia Kou

Greg Tanaka

**Ed Shikada**, City Manager

**Kiely Nose**, Director of Administrative Services/Chief Financial Officer (Interim)

**David Ramberg**, Assistant Director of Administrative Services

**Christine Paras**, Assistant Director of Administrative Services

**Steve Guagliardo**, Budget Director, Office of Management and Budget (Interim)

**Paul Harper**, Budget Manager, Office of Management and Budget

**Tom DuBois**, Finance Committee Chair

# 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  
**PALO  
ALTO**

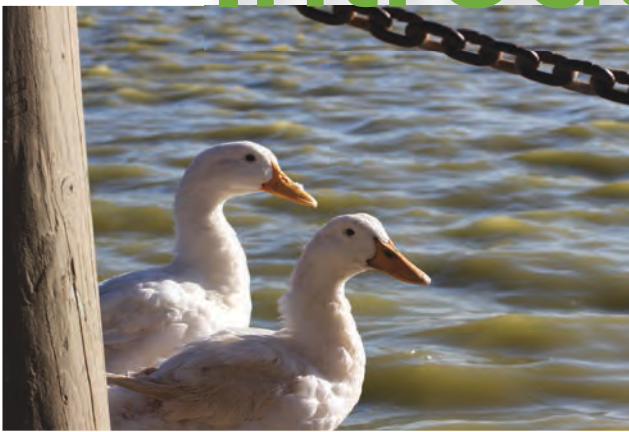
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# Introduction





CITY OF  
**PALO  
ALTO**

# Budget Acknowledgments

## Department Budget Coordinators

### **Administrative Services**

David Ramberg

### **City Attorney**

Stacy Lavelle

### **City Clerk**

David Carnahan

### **City Manager**

Chantal Gaines

Rachael Tanner

Judy Ng

### **Community Services**

Jazmin LeBlanc

Bobby Rodrock

### **Fire**

Amber Cameron

### **Human Resources**

Frank Lee

### **Information Technology**

Sherrie Wong

### **Library**

Giovanna Erkanat

### **Office of Transportation**

Chantal Gaines

### **Planning & Community Environment**

Khashayar Alaei

Sherry Nikzat

Katie Whitley

### **Police/Office of Emergency Services**

Eric Jensen

### **Public Works**

Michelle Austin

Maybo AuYeung

### **Utilities**

Anna Vuong

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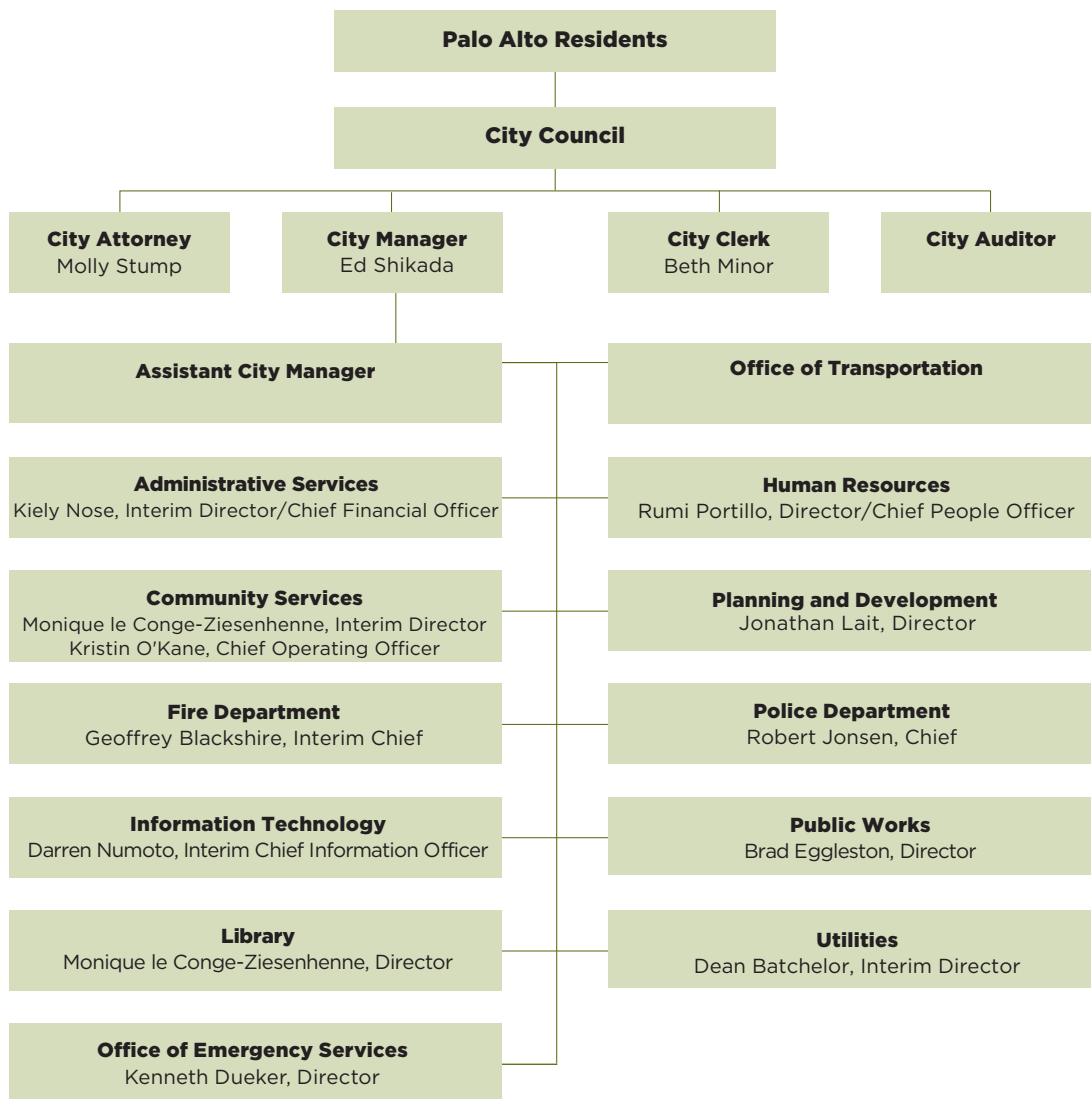
Kayla Shapiro



CITY OF  
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ALTO**



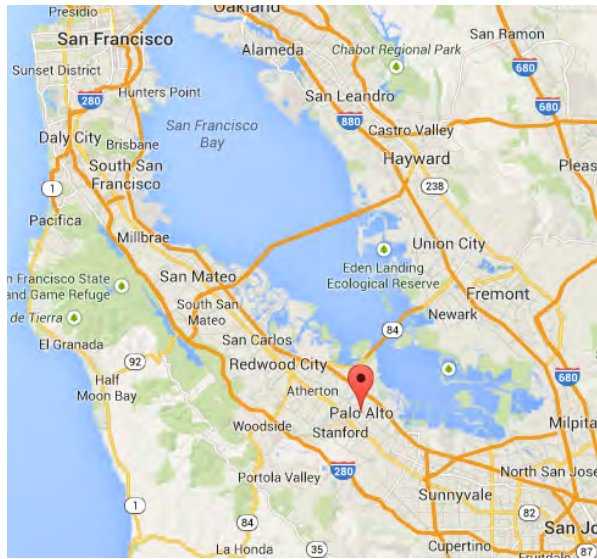
## City of Palo Alto Organizational Chart





CITY OF  
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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](http://www.sccsgov.org)

## SCHOOL DISTRICT

Palo Alto Unified School District

[www.pausd.org](http://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

4,385 acres

## CREDIT RATING

AAA

## PALO ALTO AT A GLANCE

### POPULATION

Palo Alto's population was 67,082 in 2018. This represents a 0.64 percent increase over the previous year and a 13.88 percent increase since 2000. Approximately 23.3 percent of the population is under the age of 18, and the median age is 41.8. Approximately 50.6 percent of the population is female, and 49.4 percent of the population is male.



### EDUCATION

Palo Alto has one of the most outstanding educational systems in the nation. Palo Alto was recently named one of California's most educated cities. Over 97.2 percent of Palo Alto residents aged 25 or over have received a high school diploma. Over 81.1 percent have obtained a bachelor's degree and 51.9 percent have earned a post-graduate or professional degree.



School enrollments in Palo Alto decreased to 12,230, or 7.98 percent, between 2008 and 2018. In school-year 2015-16, Palo Alto and Gunn high schools had a combined average SAT score of 1,883. The average scores for the United, California, and Santa Clara County were 1,484, 1,476, and 1,606, respectively.

### INCOME

Palo Alto's median household income on average for 2017 was \$147,537 and the per capita income in 2017 was \$82,576. As of 2017, 62.7 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 2.70 in 2017, compared to 2.26 per household in 2000.



### HOUSING UNITS

In 2017, 54.9 percent of the 26,238 housing units were owner-occupied and 45.1 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 0.73 percent more total housing units from 2000 to 2017.

## DEVELOPMENT

The City issued approximately 2,249 residential and 554 commercial building permits in Fiscal Year 2018. The combined valuation for all permits was \$493.7 million.

## OFFICE AND INDUSTRIAL RENTAL ACTIVITY

Palo Alto's net rentable office space totaled approximately 7.70 million square feet as of the fourth quarter of 2018. The vacancy rate during this same time period was 3.0 percent compared to 8.0 percent for the Silicon Valley market. Average asking rents in Palo Alto and the Silicon Valley were, respectively, \$9.37 and \$5.01 per square foot, as of the fourth quarter of 2018.

Net rentable square footage for industrial facilities in Palo Alto was 1.56 million, with a vacancy rate of 2.2 percent and average asking rent of \$2.76 per square foot for manufacturing and \$1.91 per square foot for warehouse. The Silicon Valley market had an average vacancy rate of 1.7 percent and asking rent averaged \$1.04 per square foot for manufacturing and \$1.16 for warehouse.

Net rentable space for Research and Development (R&D) facilities in Palo Alto totaled 10.16 million square feet with a vacancy factor of 2.2 percent and average asking rent of \$6.35 per square foot. The vacancy rate for the Silicon Valley market was 7.0 percent with an average asking rent of \$2.47 per square foot.



## Top 25 Major Sales/Use Tax Contributors, FY 2018

Anderson Honda	Lucile Packard Children's Hospital	Tesla Lease Trust
Apple Stores	Macy's Department Store	Tesla Motors
Audi Palo Alto	Magnussen's Toyota	Tiffany & Company
Bloomingdales	Neiman Marcus Department Store	Urban Outfitters
Fry's Electronics	Nest Labs	USB Leasing
Hewlett-Packard Enterprise Comp.	Nordstrom Department Stores	Varian Medical Systems
Hewlett-Packard	Shell Service Stations	Volvo Cars Palo Alto
Houzz Shop	Space Systems Loral	
Integrated Archive Systems	Stanford University Hospital	

## RETAIL SALES AND SALES TAX REVENUE

Sales and use tax totaled \$31.1 million in FY 2018, a healthy increase of \$1.2 million or 3.9 percent. This growth is primarily attributable to growth in electronic equipment, restaurants, furniture/appliance, and auto leases. There is continued erosion of brick and

mortar receipts by steady growth in on-line retail sales, however increased receipts from the county pool which includes a growing number of on-line retailers collecting sales and use tax has been offsetting these losses.



## Principal Property Taxpayers, FY 2018

Rank	Taxpayer	Taxable Assessed Value
1	Leland Stanford Jr. University	\$5,119,879
2	Loral Space and Communications	\$235,175
3	Google Inc.	\$209,211
4	EOSII Palo Alto Technology Center LLC	\$126,019
5	Whisman Ventures, LLC	\$115,984
6	Hudson Embarcadero Place LLC	\$112,328
7	Hobach Realty Co. LP	\$92,081
8	SI 43 LLC	\$79,954
9	BVK Hamilton Ave LLC	\$71,754
10	Ronald & Ann Williams Charitable Foundation	\$69,744
<b>Total</b>		<b>\$6,232,129</b>

### 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 Partners, Facebook, Google, Genencor, Tencent America, Skype Technologies, Nest, the Institute for the Future and many other leading technology and business services firms.

Palo Alto was again named among the top 6 most livable U.S. cities in 2018 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 32,549 employed residents in 2019. 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 97,549. Palo Alto's unemployment rate was 2.5 percent in 2018, which was considerably lower than the nation (3.9 percent), state (4.1 percent), and county (2.7 percent), during the same period.

## LARGEST EMPLOYERS

Palo Alto's top ten employers reflect jobs in industries ranging from education and health-care to technology and research and development, as of June 30, 2018.



## Principal Employers, FY 2018

Rank	Employer	Number of Employees
1	Stanford Healthcare	5,500
2	Lucille Packard Children's Hospital	5,400
3	Stanford University	4,300
4	Veteran's Affairs Palo Alto Healthcare System	3,900
5	VMware, Inc	3,500
6	SAP Labs Inc	3,500
7	Space Systems/Loral	2,800
8	Hewlett-Packard Company	2,500
9	Palo Alto Medical Foundation	2,200
10	Varian Medical Systems	1,400
<b>Total</b>		<b>35,000</b>



## Parks, Recreation & Community Centers

Item (FY 2018)	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 2018)	Number
Library Branches	5
Items Checked Out (Circulation)	1,538,118
Books (Inventory)	254,678
eBooks & eMusic (Inventory)	128,246
Audio/Visual - DVD/CDs (Inventory)	48,830
Reference Questions	33,020

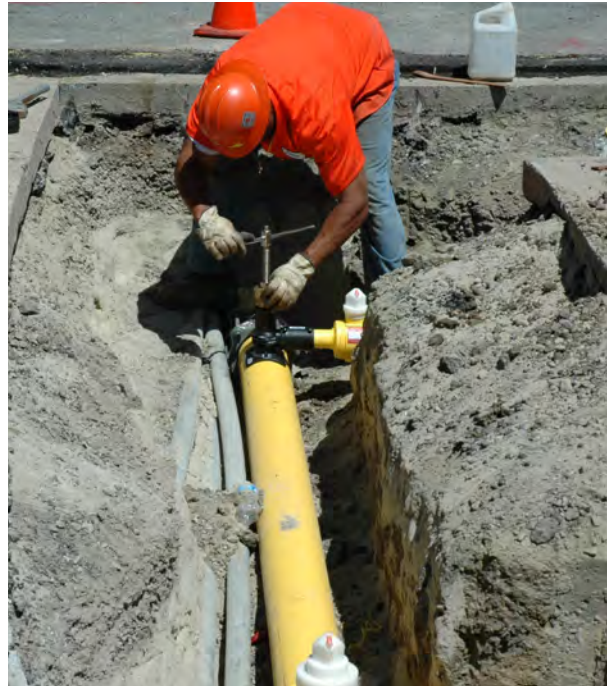
## Public Safety

Item (FY 2018)	Number
<b>Police</b>	
Police Stations	1
Sworn Police Personnel	93
Police Vehicles	25
Motorcycles	4
Canine Units	1
Number of Calls for Service	52,966
Item (FY 2018)	Number
<b>Fire</b>	
Fire Stations	7
Sworn Fire Personnel	96
Fire Engines	9
Fire Trucks	2
Ambulances	6
Number of Calls for Service	8,983



## Infrastructure, Maintenance & Development Activity

Item (FY 2016)	Number
Street Miles	471 miles
Lane Miles Resurfaced Annually	30.6 miles
Building Permits Issued Annually	3,103 permits
Number of Fire Inspections	9,746
Active Capital Improvement Projects	223 projects
Capital Improvement Projects Exp.	\$94.58 million
Miles of Water Municipal Mains	236 miles
Gallons of Water Delivered (Daily)	9.9 million
Miles of Municipal Wastewater Mains	217 miles
Gallons of Wastewater Treated	2,340 million
Miles of Gas Mains	211 miles
Overhead Electrical Line Miles	117 miles
Underground Electrical Line Miles	190 miles
Fiber Optic Backbone Miles	48 miles



## Sustainability

Item (FY 2018)	Number
Total Tons of Material Recycled or Composted	57,744 tons
Total Megawatt-hours Purchased from Eligible Renewable Sources*	552,942 hours
Percent of Electric Portfolio Purchased from Eligible Renewable Sources	59.87%
Percent of Electric Portfolio Purchased from Carbon Neutral Sources**	100%

\* Calendar year 2018. "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 2018. "Carbon Neutral Sources" include eligible renewable (59.8%) and large hydroelectric power (50.8%). Due to the bountiful hydro conditions in 2018, the City was able to sell surplus carbon neutral electricity supplies to other utilities.

### SOURCES:

#### POPULATION:

U.S. Census Bureau, 2013-2017 American Community Survey, Demographic and Housing Estimates, 5-Year Estimates, Table DP05. 2019 Official City Data Set.

#### EDUCATION:

U.S. Census Bureau, 2013-2017 American Community Survey, Educational Attainment, 5-Year Estimates, Table S1501.

City of Palo Alto 2017-2018 CAFR (Demographic and Economic Statistics- Last Ten Fiscal Years).

California Department of Education -Data & Statistics-school performance-secondary education for Palo Alto Schools and County SAT score.

2016 average SAT scores by State on Prescholar.com for State level SAT scores.

#### INCOME:

2013-2017 American Community Survey 5-Year Estimates, Selected Economic Characteristics, Table DP03.

#### PERSONS PER HOUSEHOLD AND HOUSING UNITS:

2013-2017 American Community Survey 5-Year Estimates, Selected Housing Characteristics, Tables, DP04.

#### DEVELOPMENT:

City of Palo Alto Planning and Development Department

#### OFFICE AND INDUSTRIAL RENTAL ACTIVITY:

CBRE Silicon Valley MarketView Q4 2018

#### RETAIL SALES AND SALES TAX REVENUE:

City of Palo Alto Sales Tax Digest Summary 2018 (Office of the City Auditor)

City of Palo Alto 2017-2018 CAFR

#### TOP 25 MAJOR SALES/USE TAX CONTRIBUTORS:

City of Palo Alto Sales Tax Digest Summary First Quarter Sales (Jan-March- 2018)-Top 25 Major Sales/Use Tax Contributors.

#### PRINCIPAL PROPERTY TAXPAYERS:

City of Palo Alto 2017-2018 CAFR- Principal Property Taxpayers-Current Year and Nine Years Ago.

#### EMPLOYMENT:

2019 Official City Data Set. California Employment Development Department- Labor Market Information Division for State and County unemployment rate, US Department of Labor-Bureau of Labor Statistics for Nation unemployment rate.

#### PALO ALTO BUSINESSES:

Livability, Top 100 Best Places to Live

City of Palo Alto Economic Development

#### LARGEST EMPLOYERS:

City of Palo Alto 2017-2018 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
- Budget development status and guidelines
- 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 City Council adoption of the budget in order to incorporate community input into the decision making process.

### City Council Top 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 2019:

hat were adopted in February 2019. Those include:

- Climate/Sustainability and Climate Action Plan
- Grade Separations
- Transportation and Traffic
- Fiscal Sustainability



### 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 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 are developed and distributed for the operating and capital budgets as well as the annual municipal fee schedule.

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 reviews 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

<b>BUDGET HEARINGS</b> <b>With City Council and Finance Committee</b> <b>FY 2020 Proposed Budget (Tentative)</b>			
Date	Description	Time/Location	Departments Attending
<b>Monday, April 22</b>	<b>City Council</b>	<b>6:00 PM</b> Council Chambers	City Manager Comments reviewing the proposed capital and operating budgets and notice the start of Finance Committee for discussions in May
<b>Wednesday, May 15</b>	<b>Finance Committee Special Meeting</b>	<b>1:00 PM</b> Council Chambers	Budget Kickoff; Departments/Funds: <ul style="list-style-type: none"> <li>- Non-Departmental</li> <li>- Council Appointed Officials &amp; Council</li> <li>- Information Technology (Capital &amp; Operating)</li> <li>- Human Resources (including Employee Benefits Funds, Worker's Compensation Fund, and General Liabilities)</li> <li>- Administrative Services, Print &amp; Mail Fund</li> <li>- Planning &amp; Community Environment (including Stanford Development Agreement and Other Special Revenue Funds)</li> <li>- Office of Transportation (including Parking District)</li> <li>- Utilities (Capital &amp; Operating)</li> </ul>
<b>Thursday, May 23</b>	<b>Finance Committee Special Meeting</b>	<b>1:00 PM</b> Community Meeting Room	Budget Continuation; Departments/Funds: <ul style="list-style-type: none"> <li>- Municipal Fee Schedule</li> <li>- Fire</li> <li>- Police</li> <li>- Office of Emergency Services</li> <li>- Library</li> <li>- Community Services</li> <li>- General Fund Capital</li> <li>- Public Works: General Fund, Airport, Refuse, Stormwater Management, Vehicle Replacement, Wastewater Treatment, related Capital</li> </ul>
<b>Tuesday, May 28</b>	<b>Finance Committee Special Meeting</b>	<b>1:00 PM</b> Community Meeting Room	- Wrap-up with Finance Committee
<b>Monday, June 17</b>	<b>City Council</b>	<b>6:00 PM</b> Council Chambers	Public Hearing - Budget Approval & Adoption

### Understanding the Budget Document

The operating budget document includes citywide 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 funds 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.

**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, general 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 Funds:** 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 with 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 Funds:** 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](http://www.paloalto.opengov.com). The City invites you to use the online tool to:

- Search 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

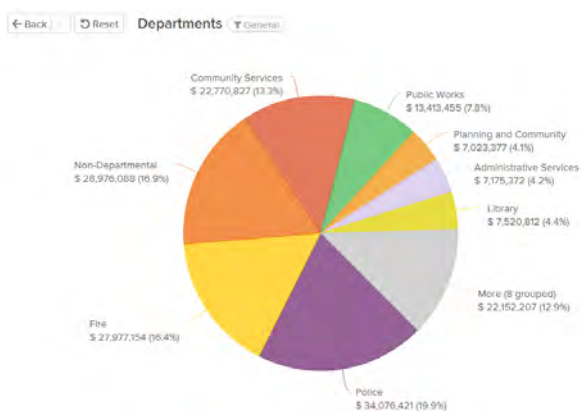
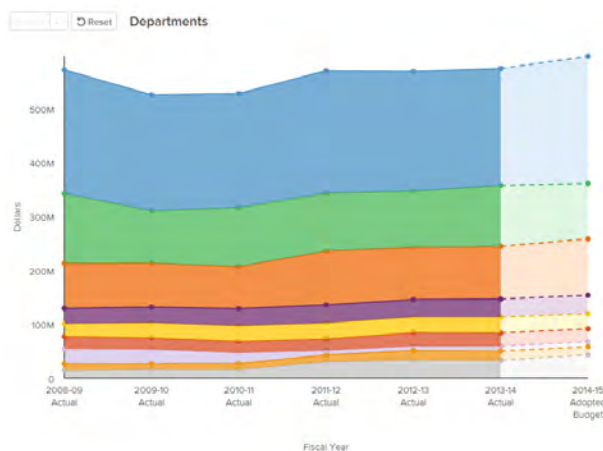
### HOW DOES IT WORK?

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.



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 so it is included on the organizational chart, but the positions are budgeted in the Technology Fund so they do not appear in the ASD departmental budget summary.

Accomplishments: identifies the department's noteworthy accomplishments over the past fiscal year.

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 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 (for example, in the FY 2020 Proposed Budget you will see FY 2017 Actuals, FY 2018 Actuals, FY 2019 Adopted and FY 2020 Proposed 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. In FY 2020 it should be noted that a variance will be seen between FY 2018 Actuals and the FY 2019 Adopted Budget columns in the salary and benefits total expenses. This variance reflects the difference between estimated vacancies and staff costs actually incurred as well as the changes in labor terms from year to year.

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 by the City Council, deletion of one-time expenditures, and/or the 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.

## THE BUDGET PROCESS AND DOCUMENT

### **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.

*California Society of  
Municipal Finance Officers*

*Certificate of Award*

***Excellence Award  
Fiscal Year 2018-2019 Operating Budget***

*Presented to the*

***City of Palo Alto***

For meeting the criteria established to achieve the CSMFO Excellence Award in Budgeting

***January 4, 2019***



*Margaret Moggia*

***Margaret Moggia  
CSMFO President***

*Sara J. Roush*

***Sara Roush, Chair  
Recognition Committee***

***Dedicated Excellence in Municipal Financial Reporting***



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

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California**

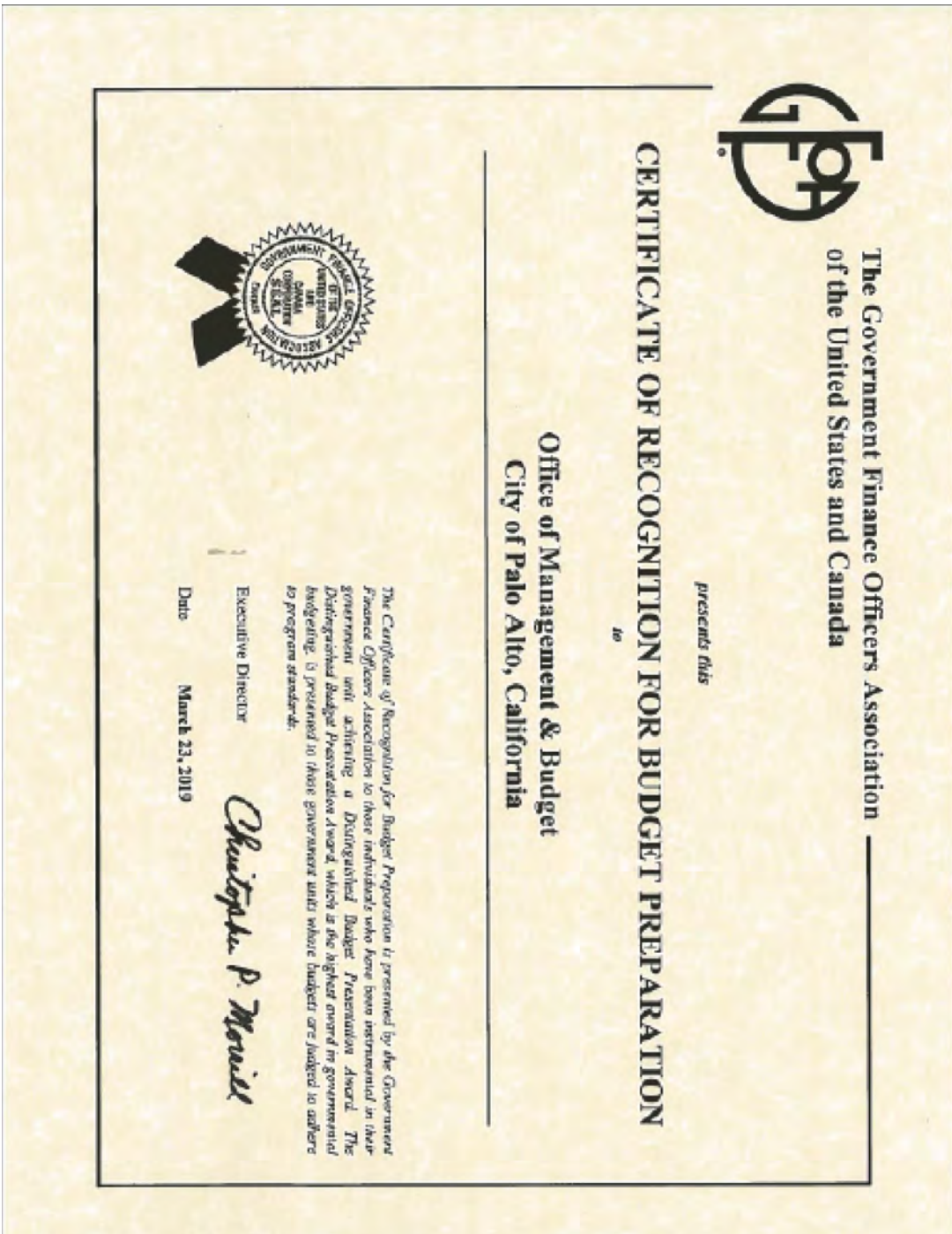
For the Fiscal Year Beginning

**July 1, 2018**

*Christopher P. Morill*

Executive Director







CITY OF  
**PALO  
ALTO**

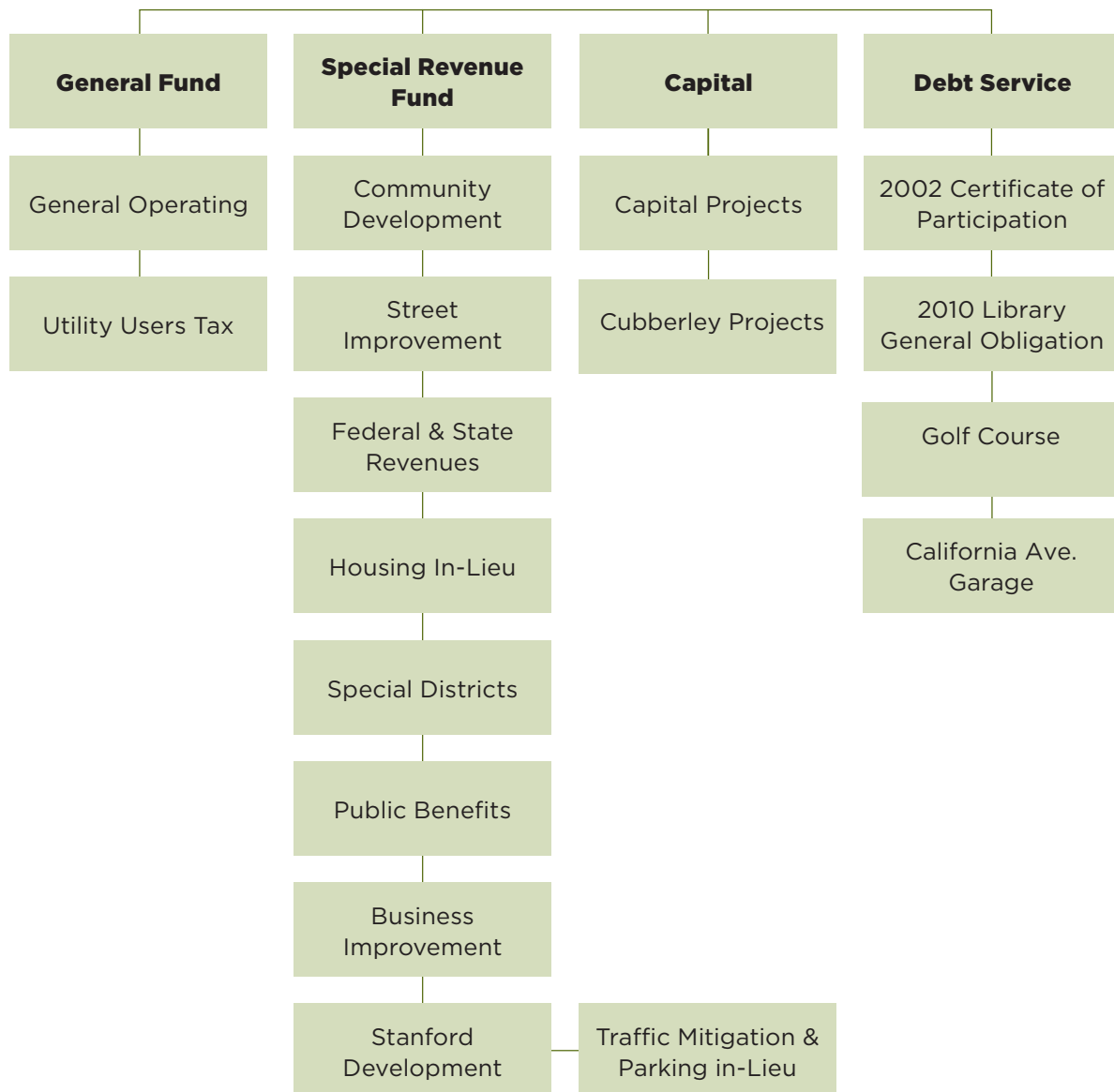
# Citywide Funds



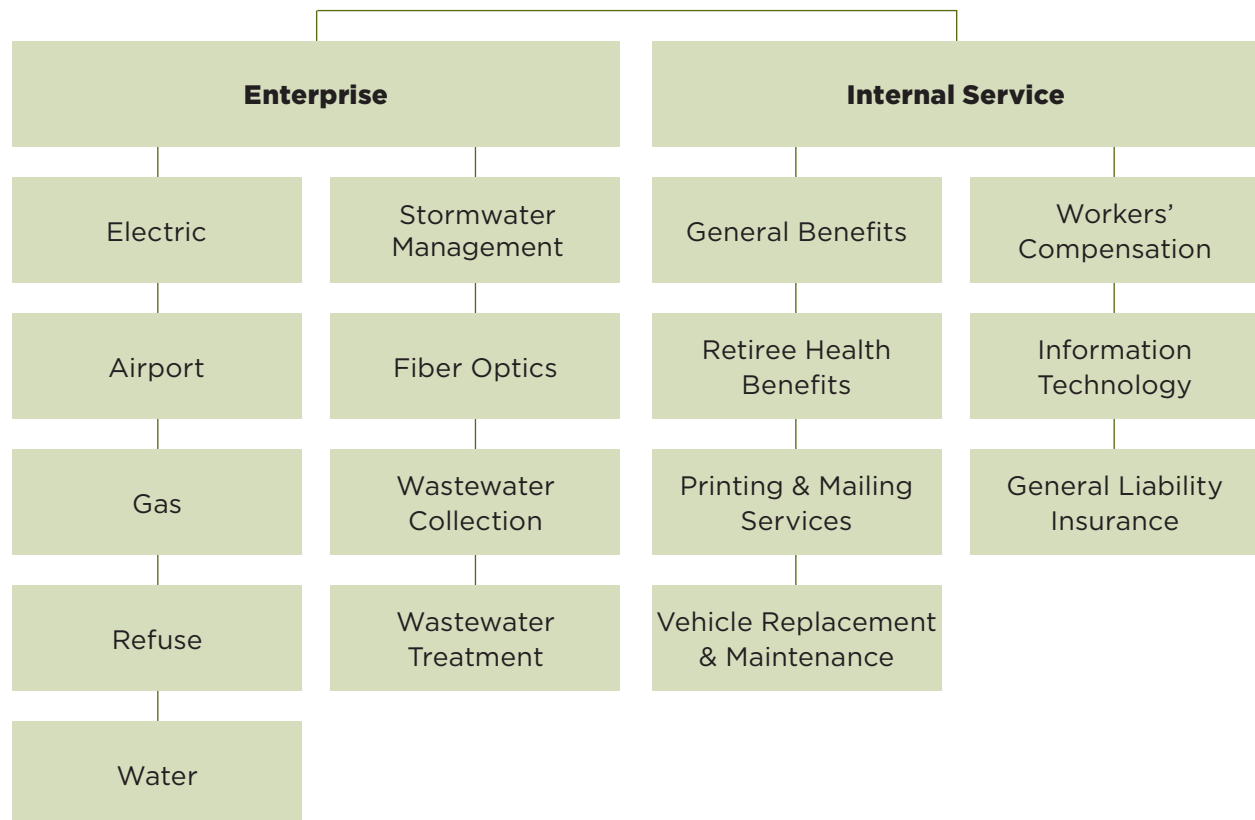


CITY OF  
**PALO  
ALTO**

## Fund Structure



## Fund Structure



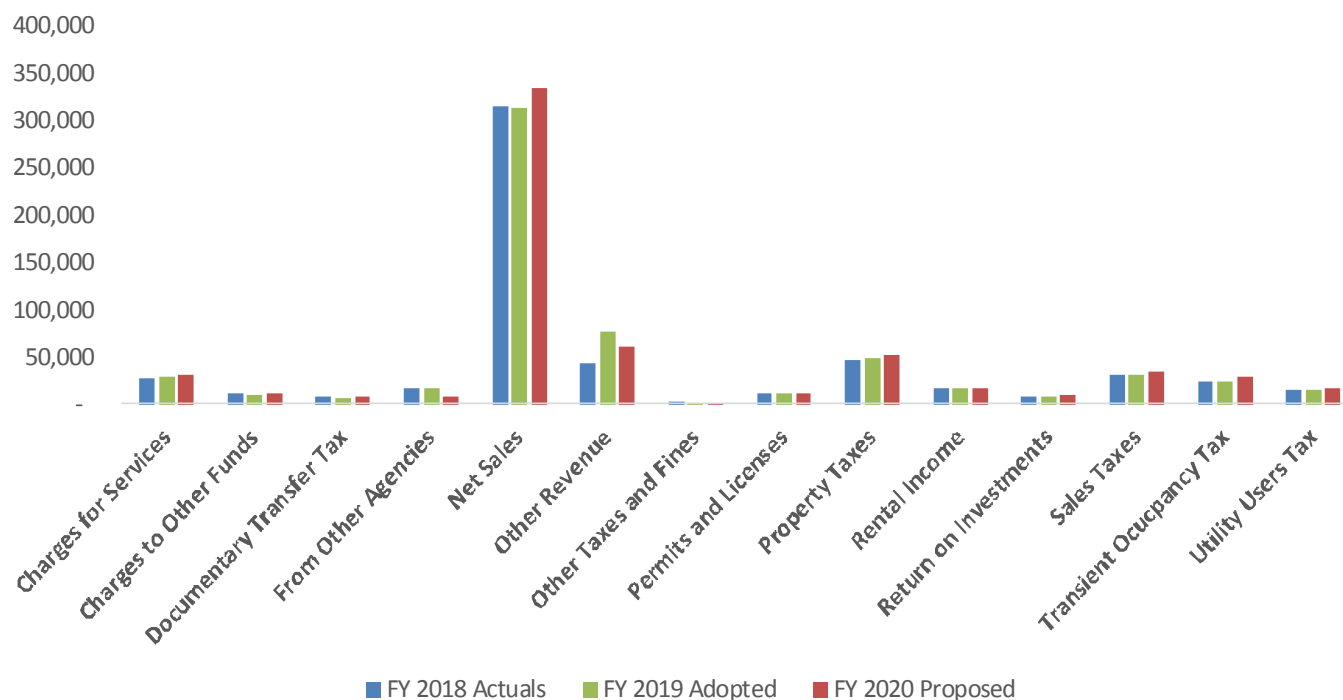
## Total Citywide Revenue by Category

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Charges for Services	24,210	28,699	29,421	31,440	2,019	6.86%
Charges to Other Funds	11,414	12,706	10,863	11,477	614	5.65%
Documentary Transfer Tax	7,491	9,229	7,434	8,369	935	12.58%
From Other Agencies	7,373	17,820	17,094	8,628	(8,466)	(49.53)%
Net Sales	291,672	316,038	314,561	335,488	20,297	6.65%
Other Revenue	19,580	42,968	76,979	60,864	(16,115)	(20.93)%
Other Taxes and Fines	2,360	2,477	2,372	2,372	-	0.00%
Permits and Licenses	9,322	11,294	11,423	11,500	77	0.67%
Property Taxes	44,051	47,242	49,899	53,217	3,318	6.65%
Rental Income	16,466	16,507	16,571	17,186	615	3.71%
Return on Investments	8,458	9,150	8,303	10,057	1,754	21.12%
Sales Taxes	29,923	31,091	31,246	34,346	3,100	9.92%
Transient Occupancy Tax	23,477	24,937	25,049	29,309	4,260	17.01%
Utility Users Tax	14,240	15,414	16,092	17,581	1,489	9.25%
<b>Total</b>	<b>510,037</b>	<b>585,572</b>	<b>617,307</b>	<b>631,834</b>	<b>14,527</b>	<b>2.35%</b>

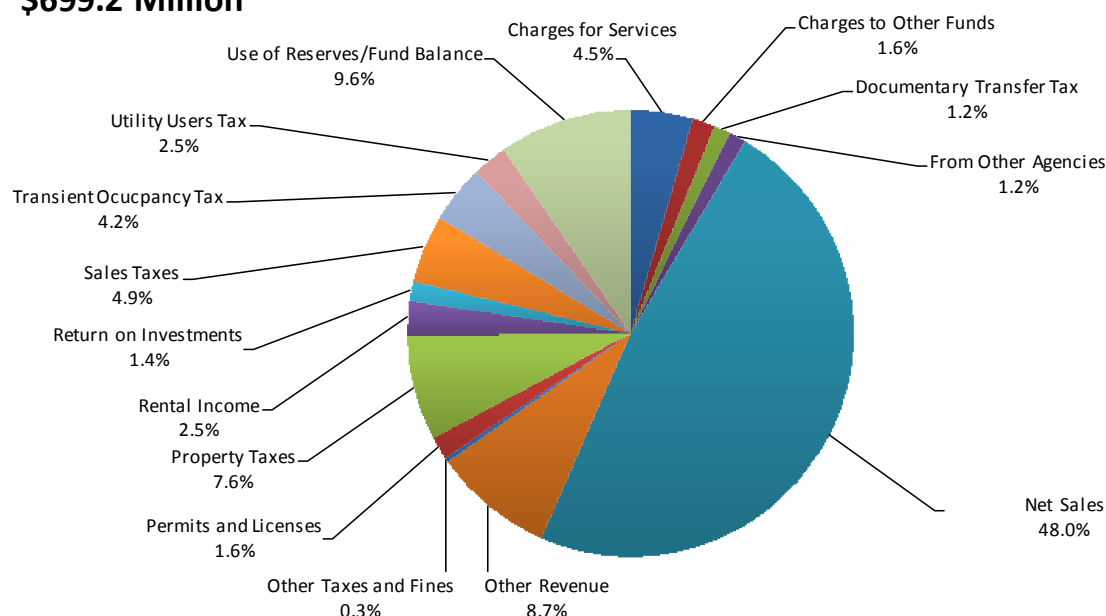


# CITYWIDE FUNDS OVERVIEW

3 Year Trend - Citywide Revenues By Category (\$000s)



## FY 2020 Revenues \$699.2 Million

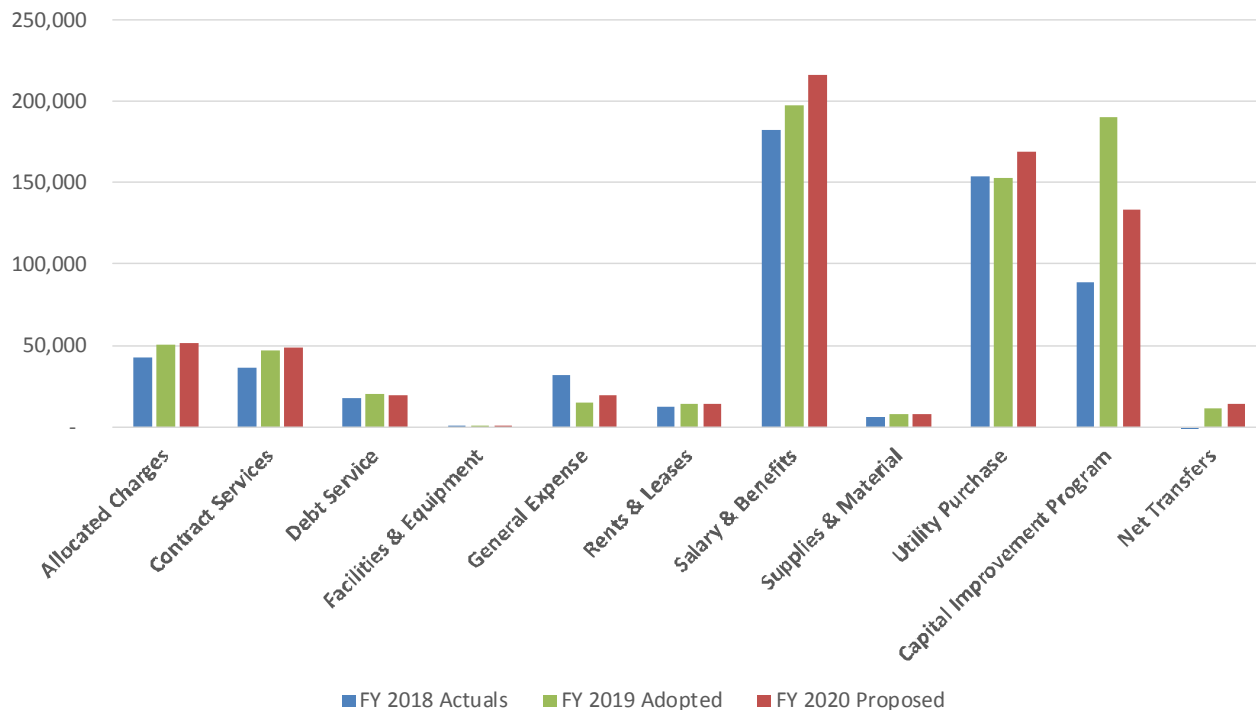


## Total Citywide Expense by Category

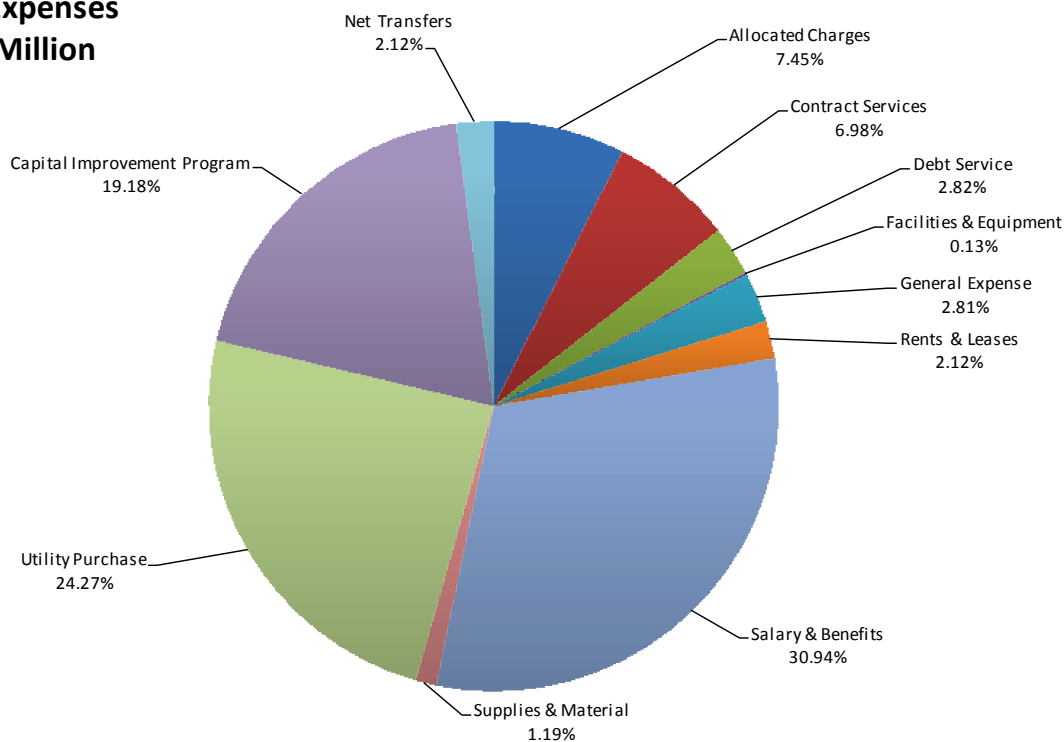
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Allocated Charges	35,729	43,024	50,557	52,095	1,538	3.04%
Contract Services	35,541	36,473	47,278	48,824	1,546	3.27%
Debt Service	17,383	17,693	20,692	19,688	(1,004)	(4.85)%
Facilities & Equipment	769	437	655	904	249	38.02%
General Expense	14,822	32,491	15,341	19,656	4,315	28.13%
Rents & Leases	12,402	12,659	14,118	14,792	674	4.77%
Salary & Benefits	176,389	182,776	198,097	216,304	18,207	9.19%
Supplies & Material	7,260	6,514	8,521	8,302	(219)	(2.57)%
Utility Purchase	138,003	154,157	153,533	169,713	16,180	10.54%
Capital Improvement Program	66,760	89,582	190,561	134,078	(56,483)	(29.64)%
Net Transfers	(5,272)	(1,469)	11,863	14,857	2,994	25.24%
<b>Total</b>	<b>499,786</b>	<b>574,337</b>	<b>711,216</b>	<b>699,213</b>	<b>(12,003)</b>	<b>1.69%</b>

# CITYWIDE FUNDS OVERVIEW

3 Year Trend - Citywide Expenses By Category (\$000s)



## FY 2020 Expenses \$699.2 Million



# Citywide Projected Operating Fund Balance

	ENDING FUND BALANCE 6/30/19	ESTIMATED REVENUES	NET FUND TRANSFERS	ESTIMATED EXPENDITURES	ENDING FUND BALANCE 6/30/20
<b>GENERAL FUND</b>					
General Fund	41,417	211,053	(12,984)	196,793	42,693
<b>Total General Fund</b>	<b>41,417</b>	<b>211,053</b>	<b>(12,984)</b>	<b>196,793</b>	<b>42,693</b>
<b>CAPITAL FUNDS</b>					
Capital Improvement Fund	27,728	18,403	41,904	73,039	14,996
Cubberley Property Infrastructure Fund	5,901	0	1,864	4,355	3,410
<b>Total Capital Funds</b>	<b>33,629</b>	<b>18,403</b>	<b>43,768</b>	<b>77,394</b>	<b>18,406</b>
<b>DEBT SERVICE FUNDS</b>					
Parking 2002 COPS (Taxable) Debt	0	0	0	0	0
2018 Golf Course 2002B Refinancing	398	0	530	530	398
Library Bonds	3,556	4,443	0	4,443	3,556
<b>Total Debt Service Funds</b>	<b>3,954</b>	<b>4,443</b>	<b>530</b>	<b>4,973</b>	<b>3,954</b>
<b>ENTERPRISE FUNDS</b>					
Electric Fund	45,138	165,935	2,615	182,205	31,483
Fiber Optics Fund	29,771	5,544	(103)	4,147	31,065
Gas Fund	(1,948)	39,326	(411)	43,984	(7,017)
Wastewater Collection Fund	(1,502)	22,528	(274)	26,424	(5,672)
Water Fund	26,564	49,038	412	59,176	16,838
Refuse Fund	10,133	33,685	(55)	38,546	5,217
Stormwater Management Fund	(1,935)	7,795	(37)	9,908	(4,085)
Wastewater Treatment Fund	(33,508)	58,517	(156)	55,433	(30,580)
Airport Fund	(3,521)	2,463	(281)	2,166	(3,505)
<b>Total Enterprise Funds</b>	<b>69,192</b>	<b>384,831</b>	<b>1,710</b>	<b>421,989</b>	<b>33,744</b>
<b>INTERNAL SERVICE FUNDS</b>					
General Benefits Fund	1,282	433	73,504	74,167	1,052
Retiree Health Benefit Fund	3,153	47	16,411	16,473	3,138
Workers' Compensation Fund	1,605	540	5,481	6,738	888
Liability Insurance Fund	1,312	209	2,482	2,972	1,031

## CITYWIDE FUNDS OVERVIEW

### Citywide Projected Operating Fund Balance

	ENDING FUND BALANCE 6/30/19	ESTIMATED REVENUES	NET FUND TRANSFERS	ESTIMATED EXPENDITURES	ENDING FUND BALANCE 6/30/20
Printing and Mailing Services Fund	85	2	1,711	1,722	76
Technology Fund	19,411	748	16,388	25,477	11,070
Vehicle Replacement and Maintenance Fund	10,300	415	9,007	14,688	5,034
<b>Total Internal Service Funds</b>	<b>37,148</b>	<b>2,394</b>	<b>124,984</b>	<b>142,237</b>	<b>22,289</b>
<b>SPECIAL REVENUE FUNDS</b>					
Community Development Fund	11,638	919	(3,171)	0	9,386
Street Improvement Fund	266	2,995	(2,918)	0	343
Federal and State Revenue Funds	5,354	578	0	661	5,271
Housing In-Lieu and BMR Fund	48,985	2,651	0	360	51,276
Special Districts Fund	5,065	4,809	(583)	4,977	4,314
Traffic Mitigation & Parking In-Lieu Fund	3,197	475	(1,283)	0	2,389
Downtown Business Improvement District	2	140	0	148	(6)
Stanford Development Agreement (SUMC)	19,819	325	(1,400)	0	18,744
Public Art Funds	1,294	211	170	211	1,464
<b>Total Special Revenue Funds</b>	<b>95,620</b>	<b>13,103</b>	<b>(9,185)</b>	<b>6,357</b>	<b>93,181</b>
<b>TOTAL OPERATING FUND BALANCE</b>	<b>280,960</b>	<b>634,227</b>	<b>148,823</b>	<b>849,743</b>	<b>214,267</b>

## Citywide Average Salary

Category	Mgmt/ Prof	Utilities Mgmt/ Prof	Fire Chief Asscn.	Fire Fighters	Police Mgmt Asscn.	PAPOA	SEIU	Total/ Average
Full-Time Equivalent (FTE)	230.75	49.50	4.00	88.00	7.00	83.00	570.6	1,032.85
% of City	22.3%	4.8%	0.4%	8.5%	0.7%	8.0%	55.3%	100.0%
Salary (1) (\$)	146,040	168,792	192,979	138,280	216,944	143,732	93,208	117,759
In-Lieu Holiday (\$)	N/A	N/A	N/A	5,718	N/A	4,094	293	1,363
Incentive Pay (2) (\$)	N/A	N/A	N/A	919	N/A	1,215	382	539
Overtime (Average) (\$)	N/A	N/A	N/A	19,010	N/A	17,756	4,540	7,736
Management Leave (80 Hours) (\$)	5,617	6,492	7,422	N/A	8,344	N/A	N/A	5,856
<b>Pension Employer Portion (\$)</b> Misc 35.6%; Safety 59.4% (3)	51,990	60,090	114,630	82,138	128,865	85,377	33,182	48,003
Medicare (\$)	2,118	2,447	2,798	2,005	3,146	2,084	1,352	1,708
Medical (\$)	19,060	21,348	24,561	20,321	22,341	19,712	19,821	19,496
Dental/Vision (\$)	1,938	1,803	2,318	2,096	2,171	1,859	1,865	1,901
Retiree Medical (4) (\$)	7,085	7,303	11,644	9,551	13,211	11,563	5,941	7,092
Workers' Comp (\$)	2,853	1,410	N/A	12,596	N/A	10,040	4,929	5,365
LIFE/LTD/SUI (\$)	669	669	669	669	669	669	669	669
Non-salary Benefits (5) (\$)	3,145	4,175	2,675	174	3,175	175	175	1,060
<b>Average Salary &amp; Benefits (\$)</b>	<b>240,515</b>	<b>274,530</b>	<b>359,696</b>	<b>293,477</b>	<b>398,865</b>	<b>298,276</b>	<b>165,817</b>	<b>218,546</b>
<b>Isolate Holiday Pay from Salary Category</b>								
Salary, includes holidays (\$)	146,040	168,792	192,979	138,280	216,944	143,732	93,208	117,759
Holidays (assumes 11, 9 hour days) (\$)	6,951	8,034	9,185	6,582	10,326	6,841	4,436	5,605
Salary, excludes holidays (\$)	139,089	160,759	183,794	131,698	206,618	136,891	88,772	112,154

### Notes:

(1) Salary is calculated at actual pay rate (base pay and special pays, as applicable) as of February 2019 adjusted for step increases in accordance with applicable Memoranda of Understandings 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.

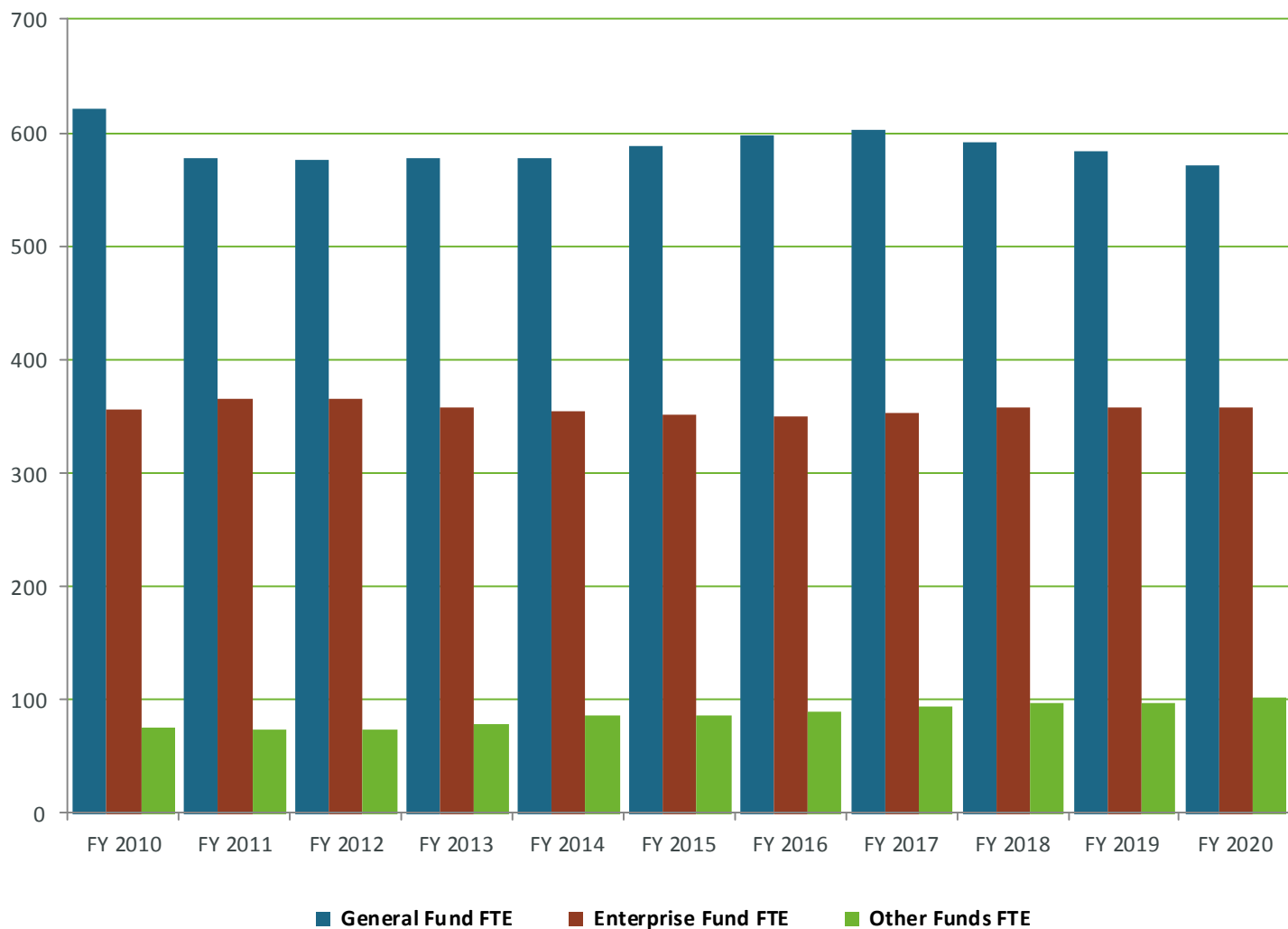
(3) Safety employees will pick-up up to 3.0% of the employer share of 59.4% (PAPOA - 3.5%), while MGMT and SEIU Employees will pick up 1% of the 35.6%.

(4) Annual amount incurred for active employees (normal cost only).

(5) Non-salary Benefits include professional development for Mgmt, Utilities Mgmt, FCA and PMA; tuition reimbursement for FCA and PMA; and management excess benefit for Mgmt, Utilities Mgmt, FCA and PMA. Does not include administrative fees for General Benefits and Workers' Compensation Funds.

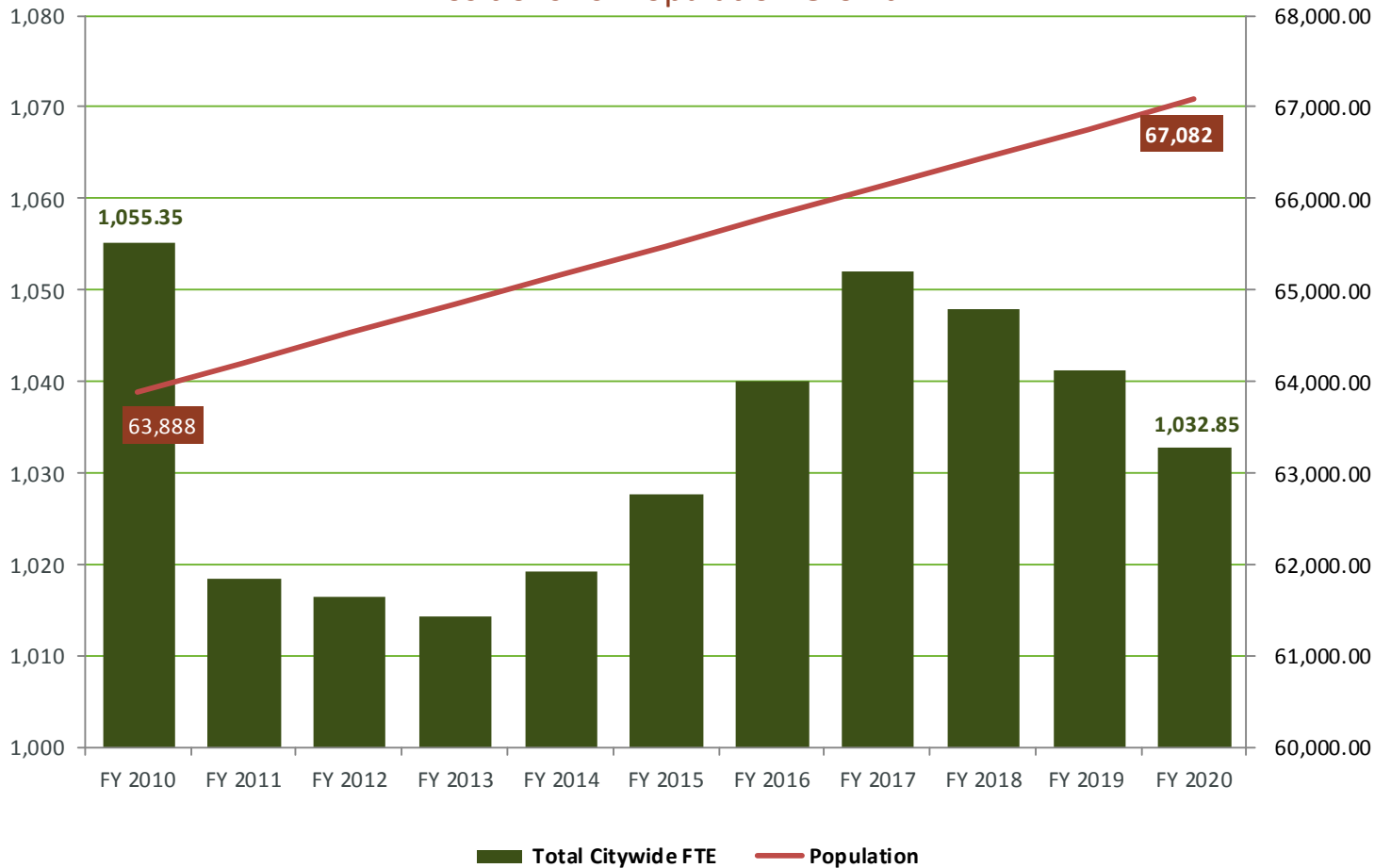
## CITYWIDE FUNDS OVERVIEW

### 10 Year Trend - Citywide FTE by Fund





### 10 Year Trend - Total Citywide FTE Positions vs. Population Growth





CITY OF  
**PALO  
ALTO**

# General Fund





CITY OF  
**PALO  
ALTO**

# GENERAL FUND OVERVIEW

## Overview

### FISCAL YEAR 2020 GENERAL FUND LONG TERM FINANCIAL FORECAST

As part of the annual budget process, a ten-year Long Range Financial Forecast (LRFF) is produced through staff analysis; the LRFF projects the City's financials in the General Fund through both the near- and long-term horizons. The Long Range Financial Forecast (LRFF) marks the beginning of the FY 2020 annual budget process and discusses projected General Fund financials over the next ten years based on current City Council approved service levels as well as alternative financial scenarios.

At the November 28, 2018 Finance Committee meeting the Base Case financial forecast at the time reflected a gap in the General Fund of \$2.8 million in FY 2020 and a range between annual deficits of up to \$4.5 million to significant surpluses in the out years. This forecast was subsequently accepted by the City Council on March 4, 2019. The Base Case provides a forecast that can provide comparison in evaluating the effects of major policy revisions against a "status quo" version of the future. It assumes that the world continues to change and unfold in line with current expectations.

	Adopted										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Total Revenue</b>	<b>\$214,497</b>	<b>\$227,108</b>	<b>\$233,938</b>	<b>\$241,315</b>	<b>\$248,921</b>	<b>\$256,571</b>	<b>\$264,392</b>	<b>\$273,133</b>	<b>\$281,311</b>	<b>\$290,856</b>	<b>\$299,948</b>
		5.9%	3.0%	3.2%	3.2%	3.1%	3.0%	3.3%	3.0%	3.4%	3.1%
<b>Total Expenditures</b>	<b>\$210,706</b>	<b>\$229,916</b>	<b>\$238,472</b>	<b>\$244,508</b>	<b>\$250,606</b>	<b>\$255,948</b>	<b>\$260,771</b>	<b>\$266,655</b>	<b>\$269,292</b>	<b>\$274,424</b>	<b>\$279,867</b>
		9.1%	3.7%	2.5%	2.5%	2.1%	1.9%	2.3%	1.0%	1.9%	2.0%
<b>Net One-Time Surplus/(Gap)</b>	<b>\$3,791</b>	<b>(\$2,807)</b>	<b>(\$4,534)</b>	<b>(\$3,193)</b>	<b>(\$1,685)</b>	<b>\$623</b>	<b>\$3,622</b>	<b>\$6,478</b>	<b>\$12,019</b>	<b>\$16,432</b>	<b>\$20,081</b>
<b>Cumulative Net Operating Margin (One-Time)</b>											<b>\$47,036</b>
<b>Net Operating Margin</b>		<b>(\$2,807)</b>	<b>(\$1,727)</b>	<b>\$1,341</b>	<b>\$1,508</b>	<b>\$2,308</b>	<b>\$2,998</b>	<b>\$2,857</b>	<b>\$5,541</b>	<b>\$4,413</b>	<b>\$3,650</b>
<b>Cumulative Net Operating Margin</b>											<b>\$20,081</b>

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

The economy is healthy at a national and local level. However, since the publication of the LRFF, heightened volatility and slower growth are both expected on the horizon. On the bright side, low unemployment rates are finally leading to stronger real average hourly earnings, near three percent, and the Federal Reserve's pivot to the sidelines on additional interest rate hikes is bringing down borrowing costs for consumers and businesses. Nationally, the 2018 calendar year national gross domestic product (GDP) was 3 percent; the fourth calendar quarter 2018 GDP declined to 2.2 percent while the national Consumer Price Index (CPI) grew 1.5 percent. The economy has gained, albeit, at a slower pace, from a rebound in consumer spending,

## GENERAL FUND OVERVIEW

employment growth, and substantial tax cuts. The nation is operating at what is considered “full employment” levels, at 3.8 percent unemployment as of February 2019.

As of January 2019, California’s unemployment rate went from 4.1 percent to 4.2 percent, the first increase since October 2010, and the unemployment rate for the Bay Area region was lower at 2.2 percent. Despite local housing and transportation challenges, companies continue to plan expansion in Palo Alto and neighboring communities. Compared to other regions in California, the Bay Area experienced the strongest job growth at 2.2 percent in calendar year 2018, but is expected to slow in the short term. Although there is enough economic momentum to generate growth for the remainder of the calendar year, reports from the Center for Continuing Study of the California Economy, UCLA’s Anderson School of Management, and Bank of the West Economics point to sharply lower economic growth in the short term. Bay Area job growth is anticipated to decelerate from 2 percent in 2019 to 0.6 percent in 2020. The foundations of the local economy—a stable housing market, diverse and favorable mix of business segments, and academic and medical properties—still provide the City a bulwark against an economic downturn in the medium term.

Included in the FY 2020-2029 Long Range Financial Report, staff expected tax revenues to grow into FY 2020 and for the economy to remain healthy. The LRFF assumed national gross domestic product (GDP) between 0.6 percent to 2 percent; unemployment remaining slightly below 4 percent, which is currently at the lowest level in a decade (3.8 percent); and the CPI was expected to be near two percent with continued wage growth. Tax revenues were modeled parallel to the local economy for FY 2020 and were projected to be \$9.1 million, or 7.2 percent, above estimates assumed in the FY 2019 Adopted Budget. In total, revenues were anticipated to increase by \$12.6 million, or 5.9% from the FY 2019 Adopted budget of \$214.5 million to \$227.1 million in FY 2020.

Based on this Forecast, City staff continued to review and refine these projections to establish the FY 2020 Base Budget and provide direction to Departments on the FY 2020 budget process as discussed in further detail below; guidance to prioritize spending was again critical to ensure financial stability. Looking forward, the City continues to face several pressures from the 2014 Council approved Infrastructure Plan including a new public safety building, the growing costs of pension benefits, and the ongoing labor negotiations for many of the City’s largest employee units. The policy direction from the City Council regarding proactively addressing the pension obligations, including the most recent direction to assume a lower discount rate in calculating pension costs, is contained in the base case forecast model. If this new direction were excluded from the base case model, the General Fund would have reflected the tough choices and the hard work of the City during the FY 2019 Budget process to structurally balance the budget.

Staff communicated that a cost-containment strategy is necessary to enable the City to continue to face critical choices to balance known and unknown financial challenges such as this change to more proactively address pension obligations, program needs, or an economic downturn. This review and planning remains critical since the City is facing many requests and has identified several key community supported programs that would need funding.

This fiscal outlook still does not include a number of both known and unknown impacts with both short and long term implications. Below is a list of a few of the known/unknowns that were not included in the LRFF:

- New staffing and program requests;
- Grade separation;
- Labor negotiations;
- Cost implications that may arise such as support for the Parks Master Plan, Cubberley Master Plan, and loans to the Palo Alto airport;
- 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; and
- Funding long-term pension and retiree healthcare liabilities beyond the additional Council direction included as part of LRFF.

### FISCAL YEAR 2020 GENERAL FUND BUDGET

Subsequent to the development of the Long Range Financial Forecast, staff further reviewed and analyzed all expense and revenue estimates in the General Fund to calculate the FY 2020 Base budget. The details of proposals can be found throughout this document. Before that discussion, significant base changes, which reflect the change in revenues/expenses to keep service levels constant or to incorporate policy direction from City Council issued after the LRFF, and their impact on the General Fund are discussed below:

- Increase in General Fund Tax Revenue estimates to reflect both current-year tracking as well as the most up-to-date estimates for anticipated growth in FY 2020 (\$3.9 million revenue increase)
- Salary and Benefit cost changes, reflecting the employee population as of February 2019, as well as elements of an anticipated agreement with SEIU, offset by the recognition of savings through CMR #9925 as approved by City Council in December 2018 (\$529,000), the service delivery change for Animal Services from in-house employees to a public-private partnership with PIN (\$870k), and recognition of savings committed by the Police Department to fund the second year of the PAPOA contract (\$415,000) (Expense decrease of \$1.5 million)
- Reductions in allocated charges associated with Utilities, as a result of anticipated rate changes, Information Technology, as a result of inclusion of a vacancy factor consistent with the General Fund and cost reductions, and with a reduction to Vehicle Replacement and Maintenance associated with various service changes there (Expense decrease of \$586,000)
- Increases in contract services charges, which were generally consistent with estimates included in LRFF, with the exception of the shift to a partnership model with Pets in Need (\$722,000) and increased costs with the Golf Course (\$118k); golf course expense estimates are offset by revenue. Some other notable contractual increases include shifting from use of certain pesticides like 'round-up' (\$67,000), scheduled increases associated with the Crossing Guard contract (\$141,000), and the annual escalation of HSRAP contracts consistent with CPI (\$41,000). (Expense increase of \$840,000)



## GENERAL FUND OVERVIEW

- Alignment of transfers, including increased transfer to infrastructure commensurate with Capital Project funding needs and City Council directed use of funds (\$1.6 million), decrease in transfer for Electric costs associated with Streetlights and Traffic signals (\$578,000), and an increased transfer to cover the operating deficit in the Residential Preferential Parking program fund (\$720,000). (Net expense increase of \$1.7 million)

This FY 2020 Proposed Budget includes General Fund revenues estimates of \$232.1 million, an 8.2 percent increase from FY 2019 Adopted Budget levels of \$214.5 or an \$17.6 million increase. General Fund expenditures of \$230.8 million reflect 9.5% growth over the FY 2019 Adopted Budget of \$210.7 million.

At this time, staff projects the FY 2019 Budget Stabilization Reserve (BSR) to end the year at approximately \$41.4 million, or 18.3 percent of the FY 2019 Modified Budget expenditure levels. As discussed in the reserves section of this document, this budget recommends a contribution to the BSR of \$1.3 million to maintain it at 18.5% of FY 2020 Proposed expenses of \$230.8 million. This would maintain City Council's target level. This contribution represents the City's commitment to ensuring Fiscal Sustainability. If excess funding materializes for the BSR at the close of FY 2019, staff will return to City Council with recommendations for the use of that funding as appropriate.

### REVENUES

Based on a continued, growth of the regional economy, Fiscal Year 2019 year-to-date major tax revenue receipts, and the passage of Measure E increasing the Transient Occupancy Tax Rate to 15.5 percent, this budget assumes continued healthy growth in various tax revenues. The Fiscal Year 2020 Budget assumes increases to major tax revenue receipts by approximately \$13.0 million, or 10.4 percent, from \$125.2 million to \$138.2 million when compared to the FY 2019 Adopted Budget. Growth in major tax revenues reflects over 75 percent of the change from the FY 2019 Adopted Budget for all General Fund Revenues. The following sections discuss the City's major revenue sources and their projected levels as well as major expenditure categories for Fiscal Year 2019 and 2020.

### SALES TAX

Sales taxes are projected to rise to \$34.3 million in FY 2020, or 4.3 percent growth from the current FY 2019 estimates, 9.9 percent above FY 2019 Adopted Budget estimates. This revenue category is currently tracking above budgeted levels in FY 2019 and segments contributing to this growth include electronic equipment, restaurants, furniture/appliance, and automobile leases. Areas experiencing weak sales include department and drug stores.

Strong personal income and spending growth and a larger share of consumer spending online drives this increase in revenue. At the same time, new and innovative retail formats have changed traditional brick and mortar platforms and have helped revive physical retail presence in some segments, specifically department stores. The weakening performance of department and drug stores could be a result of the nation transitioning from a shopping center country to online purchasing, therefore displacing tax revenue from traditional industry segments to the county pool. Online sales tax that occur in Santa Clara County but cannot be identified to a specific jurisdiction within the county are allocated to the county (sales tax) pool then distributed to the local jurisdictions based on their local tax percentage. For example, sales tax on county-wide Amazon sales goes to county pools; Palo Alto's average last

four quarters receipt of pool sales tax has been 7.2 percent. The City's sales tax consultant believes that on-line sales may reduce future retail sales growth by 1 percent annually. These trends will be monitored carefully since sales tax represents nearly 15 percent of General Fund revenue.

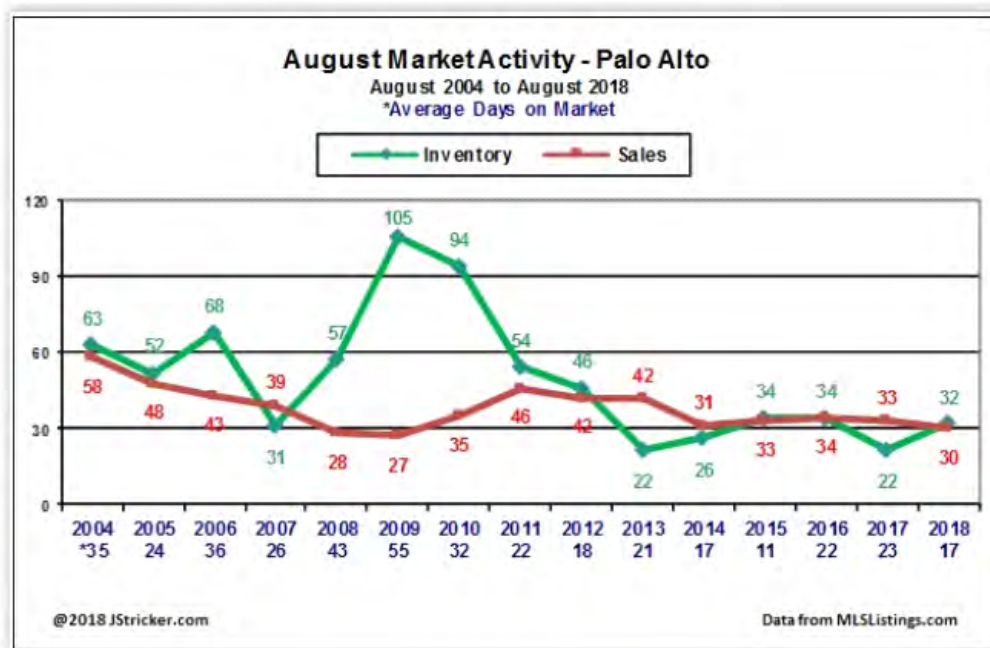
## PROPERTY TAX

Property tax represents 21 percent of total General Fund revenues. Over the last three-year period, property tax revenue has grown 17 percent, from \$36.6 million in FY 2016 to \$42.8 million in FY 2018. The assessed valuation of residential and commercial parcels continues to steadily grow. In the last ten years, the assessed valuation growth rate peaked in FY 2017 at 9.2 percent, during this period the average growth rate has been 6.1 percent and in FY 2019 it was 7.4 percent. In dollar terms, the increase from the FY 2019 Adopted Budget to FY 2020 Proposed Budget is 7.3 percent, or \$3.3 million. This percent increase is higher than 10 year compound annual growth rate of 6.4 percent.

The following charts are taken from a realtor (JeffandSteve.com) web site. It shows the ascent in median prices (first chart) and inventory and sales volume (second chart), especially since the 2009 recession year. With property sales prices rising to record levels, the City's property tax revenues are expected to do well, however, the continued limited inventory supply is expected to moderate the number of sales and property tax growth.



## GENERAL FUND OVERVIEW



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, tax exempt properties and movements in assessed values. This forecast uses historical growth rates and information on any extraordinary transactions available to staff.

Included in this revenue category is excess Educational Revenue Augmentation Funds (ERAF), which isn't considered a permanent local revenue source. Though in FY 2019 ERAF receipt was \$2.3 million, due to uncertainties including amount of future receipts, the FY 2020 budget assumes \$1.3 million in ERAF revenue.

### TRANSIENT OCCUPANCY TAX (TOT)

In FY 2020, TOT revenue is expected to be \$29.3 million, 17 percent, or \$4.3 million, above the FY 2019 Adopted Budget. This significant increase is due to the opening of three large hotels, the continuance of the recovering economy, and the passage of Measure E in November 2018, which raised the TOT rate from 14 percent to 15.5 percent. The latter is expected to generate \$2.6 million in additional revenue annually.

The average occupancy rate for the first 8 months of FY 2019 was 76.7 percent of the rooms available and the average daily room rate for the same period was \$277. These rates represent a decrease of 0.9 percent and an increase of 4.7 percent, respectively, over the same period of the prior year. The addition of 361 rooms over the last five years due to the new hotels/renovations has somewhat constrained occupancy levels (an 80 to 85 percent occupancy rate represents full occupancy), but average daily room rates have risen and exceed those of 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.

Revenues from the recent Measure E (a 1.5 percent TOT rate increase) and Measure B in FY 2014 (a 2 percent TOT rate increase) and revenue from new hotels are recommended to provide funding for the 2014 City Council approved Infrastructure Plan. In FY 2020, this amount is estimated to be \$11.8 million.

### UTILITY USERS TAX

There are two components of UUT: the telecommunications (aka phone) and utility, use of electric, water and gas utilities. Total UUT revenues in FY 2020 are estimated to be \$17.6 million, a \$1.5 increase or 9.3 percent increase above the FY 2019 Adopted Budget. The UUT revenue budget for FY 2020 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.

Utility receipts from the UUT are based on the Utilities Department's five-year revenue projections. Expected proposed rate increases for FY 2020 are 8 percent for electric, 5 percent for gas, and 4 percent for water. For more information on these rate increases, please refer to the Enterprise Funds Overview of this document.

### DOCUMENTARY TRANSFER TAX (DTT)

Overall, the Palo Alto housing market remains stable, however, the number of real estate sale transactions in the first nine months of FY 2019 is down by 14.9 percent and DTT receipts are down by 14.1 percent. The rising sales prices are slightly mitigating the decline in DDT receipts. Total DDT revenue in FY 2020 is estimated to be \$8.4 million. Historically, this is a 16.8 percent, or \$1.7 million decrease compared to FY 2015's high of \$10.1 million. Revenue in FY 2015 was attributed to several major commercial transactions and, since such transactions don't occur frequently, the forecast is in line with historical trends.

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.

### OTHER TAXES AND FINES

Staff anticipates FY 2020 revenue levels to be consistent with prior year, totaling \$2.0 million. The largest source of revenue in this category is derived from parking violations revenue which are not projected to change from FY 2019 to FY 2020, and comprises \$1.2 million of this revenue category.

### 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 2019 Adopted Budget revenue estimate of \$28.0 million, the Fiscal Year 2020 Budget estimate increases \$1.7 million, or 6.1 percent. A number of revenue adjustments have been made in the category from the FY 2019 Adopted level. Key changes from the FY 2019 Adopted Budget are listed below by department:

- Community Services Department: \$0.2 million increase, primarily driven by Golf Course Estimates and adjustments to maintain cost recovery levels for various fees;
- Fire Department: \$0.5 million increase, due to anticipated adjustments to the Stanford Fire Agreement;

## GENERAL FUND OVERVIEW

- Planning and Community Environment: net \$0.9 million increase, primarily due to alignment of revenues associated with the Development Center to ensure 100% cost recovery levels as well as adjustments to various municipal fees for planning activities to maintain cost recovery levels;
- Administrative Services Department: \$0.2 million increase to reflect the reallocation of revenues associated with the Business Registry Certificate Program shifting from the former Development Services Department.

The City has completed negotiations with Stanford University in regard to the provision of fire services to the Stanford including an agreement of both service level and cost. This budget assumes reimbursement at levels consistent with this new agreement, however, the actual contract value is subject to conversations with Stanford as proposed changes to fire deployments included in this budget may necessitate renewed conversations. Additional reimbursements from Stanford for Public Safety Dispatch Services are also budgeted resulting in a net reimbursement of \$7.9 million.

### 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 2019 Budget revenue estimate of \$8.8 million, the FY 2020 Budget revenue estimate represents an increase of \$77,000, or 0.9 percent, primarily due to adjustments in Planning and Community Environment to maintain cost-recovery levels.

### RETURN ON INVESTMENT

Return on Investment, for FY 2020, is anticipated to be \$1.4 million, an increase of \$0.2 million or 19 percent over the FY 2019 Adopted Budget. The rising interest rates, aided by the Federal Open Market Committee (FOMC) raising rates by 1 percent in calendar year 2018, allowed staff to re-invest lower yielding maturing investments in higher yielding investments thus locking in higher interest earnings for the next several years. The trend of re-investing lower yielding securities maturity in higher yielding investments is expected to continue in the near future despite the recent decline in interest rates.

### RENTAL INCOME

The largest source of rental income comes from the City's Enterprise Funds and the Cubberley Community Center. The FY 2020 budget of \$16.4 million reflects a \$593,000 increase from the FY 2019 Adopted Budget, or 3.8 percent increase. Slight annual rental increases for enterprise funded departments at General Fund properties are based on an assessment of these properties that was conducted in Fiscal Year 2015 adjusted annually for cost of living increases, up to 3 percent annually. Another assessment is underway and the results will be incorporated into the development of the annual budget.

### 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 increased by 8.1%, from \$10.1 million in FY 2020 to \$10.9 million in FY 2020.

This increase is attributable mainly to the City Council direction to more conservatively budget pension costs using a lower discount rate rather than the CalPERS provided actuarial data.

### 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; Public, Education, and Government (PEG) revenues from Cable Franchise Fees; and other one-time revenue sources such as grants. Revenues are anticipated to remain constant in FY 2020 at \$1.2 million.

### OPERATING TRANSFERS-IN

In comparison to the Fiscal Year 2019 Adopted Budget transfer-in amount of \$19.8 million, the FY 2020 Proposed Budget of \$21.0 represents an increase of \$1.2 million. The single largest component of this category is the equity transfer from the Enterprise Funds, which is increasing from \$19.2 million to \$20.2 million. 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). Additionally, in the operating transfers-in category, the Airport Fund is scheduled to begin repayment of loans the General Fund has previously made. \$272,000 is programmed to be transferred from the Airport Fund to the General Fund in this FY 2020 Proposed Budget.

### EXPENSES

FY 2020 Budget expenditures in the General Fund total \$230.8 million, representing a 9.5% increase from FY 2019 Adopted levels of \$210.7 million. This increase is due to a number of year-over-year changes which are discussed in greater detail below. Some of the main components of the increase are the removal of the \$4 million reduction programmed in FY 2019 and addressed by City Council through CMR #9925 in December 2018, the removal of one-time savings of approximately \$2 million in General Fund savings to internal service funds in FY 2019, two years worth of labor contract costs (since labor contracts were not complete when the FY 2019 budget was adopted), and the imposition of \$3.8 million in additional proactive pension funding contributions at City Council's direction.

### SALARY AND BENEFITS

Salary and benefit costs in the General Fund total \$134.2 million; this represents a 7.0% increase from the FY 2019 Adopted total of \$125.4 million. The main factors of the increase are the imposition of additional proactive funding contributions of \$3.8 million to offset the City's long-term pension liabilities. If that additional contribution was excluded, the increase year-over-year would only be 4.0%. The increase includes labor agreements made in FY 2019 with safety units, and anticipated agreements with the miscellaneous units in the General Fund. This year-over-year increase is dampened somewhat by position freezes throughout the General Fund totaling nearly \$2.0 million in departments including: Administrative Services, Community Services, Fire, Planning and Community Environment, and Police. The reduction of overtime proposed in the



## GENERAL FUND OVERVIEW

Fire Department associated with a change in service delivery also lessens the year over year growth. Lastly, the FY 2019 budget contained a one-year subsidy of workers' compensation costs, drawing on accumulated fund balance in the workers' compensation fund, which is reversed in this year's budget, contributing to the year-over-year increase in salary and benefits.

The FY 2020 budget deviates from the historical practice of calculating salaries and benefits. In addition to past practice - the agreed upon labor terms outlined in memorandums of agreement, CalPERS determined retirement contribution levels, and a vacancy factor in the General Fund - this year's budget includes the proactive pension funding contribution mentioned above. In the General Fund, this resulted in \$3.8 million in additional contributions from various departments and reflects what retirement costs would be should the "normal cost" of contributions be budgeted at a 6.2% discount rate (CalPERS is currently at 7.25% for this same assumption). These funds are to be transferred to the City's irrevocable pension trust fund, which will have a total of \$22 million by the end of FY 2020, of which \$14.29 million is from the General Fund.

Salaries: In FY 2020, salaries are projected to grow \$799,000 in the General Fund, representing a 1.1% increase. The base increase in salaries would have been higher but for the cost containment strategies used in the General Fund. Some of the position eliminations include: 1.0 Auditor (approved by City Council in December 2018), elimination of 1.0 Chief Sustainability Officer, 6.54 FTE associated with Animal Services (these position reductions are partially offset by the addition of contractual costs, but nonetheless result in a reduction in Salary).

Additionally, numerous positions are being held vacant in the General Fund. These primarily one-time cost containment strategies slow the growth that would have otherwise resulted from raises associated with the various bargaining units as agreed to, or as anticipated to be agreed to, by City Council during FY 2019, subsequent to the Adoption of the FY 2019 Budget. (At the time of this publication, an agreement with SEIU is scheduled for approval by City Council on April 22<sup>nd</sup>, 2019).

Pension Costs: Pension costs in the General Fund are increasing by 12.2%, from \$24.6 million to \$27.6 million, on a year-over-year basis before contemplating the General Fund's proactive contributions to prefund the City's long-term pension liabilities. If the General Fund's \$3.8 million in additional proactive pension contributions were to be incorporated into the analysis, the General Fund's costs would increase by 27.6%, from \$24.6 million to \$31.4 million. The pension costs are driven by primarily by the two factors of CalPERS and the City Council's direction to budget pension costs more conservatively than CalPERS.

CalPERS has been lowering its rate of return assumption (discount rate) since FY 2019 when it went from a 7.5% discount rate to 7.375%. In FY 2020, CalPERS used a 7.25% discount rate, and in FY 2021 it will use a 7.0% Discount Rate. From FY 2019 to FY 2020, the CalPERS pension 'blended rate' for Miscellaneous went from 32.6% to 35.6% and Safety went from 55.6% to 59.4% of salary. In addition, City Council's direction to use a discount rate of 6.2% for calculating FY 2020's Normal Cost resulted in the percentages effectively going from CalPERS provided 35.6% for miscellaneous and 59.4% for safety to 40.1% and 66.9%. These significant increases necessitated significant cost containment and service delivery evolution throughout the organization, especially in the General Fund. For example, for every \$100,000 of salary, an additional \$4,500 to \$7,500 was budgeted for this proactive funding.



Retiree Health: The City's Other Post-Employment Benefits (OPEB) costs, primarily Retiree Healthcare, are increasing from \$8.8 million to \$9.1 million, an increase of 3.4%. This is based on the June 30, 2017 valuation conducted by the City's outside actuarial consultant (Bartel) that was discussed in 2018 during the FY 2019 Budget Adoption (CMR #9213). The City is required to perform an actuarial review of its OPEB costs every two years and it is anticipated that the next review will be conducted in FY 2020, evaluating the City's OPEB liability as of June 30, 2019.

Healthcare: Increases that would have resulted from year over year increases of up to 4% are offset by the cost containment strategies the City is using in FY 2020, resulting in consistent healthcare costs from FY 2019 to FY 2020. The vacancy savings presumed for various positions also presumes their healthcare costs will result in savings, and the elimination of various positions throughout the organization, including the 6 benefited positions previously associated with Animal Services, also contributes to the lessened year-over-year change.

Other Benefits: Other benefits costs include special pays, long-term disability, Medicare, and management excess funding. These costs are consistent with FY 2019 levels, with greater retention pay for Police Officers offset by longer-terms necessary to qualify for that retention pay.

Workers' Compensation: The City is self-insured for Workers' Compensation. The Workers' Compensation Fund operates as an internal service fund so the costs are recovered through allocated charges to departments. An outside consultant performs a valuation every year to inform the City's financial planning. Workers' Compensation costs are increasing year over year by \$1.1 million, an increase of 43.1%. This significant increase is due to the one-time savings that was realized in the FY 2019 Operating Budget. The FY 2019 Budget used previously accumulated fund balance in the Workers' Compensation Fund to subsidize the City's payments. The General Fund saved \$1.0 million in FY 2019 through this mechanism. After adjusting for that one-time savings, the General Fund's year-over-year increase is significantly less: 2.4% or \$85,000.

## NON-DEPARTMENTAL EXPENSES

Non-department expenses include expenses that are not directly related to the operation of a single department, such as payments to the Palo Alto Unified School District (PAUSD) as part of the Cubberley Community Center lease, or debt service.

In FY 2019, non-departmental expenses included funding associated with the City Council election held in November 2018; that one-time expense is no longer included. In FY 2020, one-time funding is included for efforts related to Airplane Noise (\$100,000), Sea Level Rise (\$65,000), recruitment and retention (\$500,000), and a transfer to offset the operating deficit in the Residential Preferential Parking Fund (\$721,000). As in prior years, ongoing funding is also included in for costs associated with property tax collection in the non-departmental section of the budget, which is administered by the County of Santa Clara. There is also a reserve for anticipated expenses related to adjustments associated with labor agreements and potential additional costs as part of the realignment of Development Services into Planning and Community Environment.

## GENERAL FUND OVERVIEW

### CONTINGENCY ACCOUNTS

Contingency Accounts are budgeted appropriations that are used at the discretion of the City Council, City Manager, City Attorney, or Human Resources Director to fund unanticipated expenses. It is recommended that the Sustainability Contingency (originally \$250,000) be reappropriated from FY 2019 to FY 2020 and used to fund sustainability efforts in the City Manager's Office, work on Sea Level Rise (budgeted elsewhere in non-departmental), and the remainder is anticipated to be available for other work related to sustainability. The other contingencies are maintained at levels previously approved by City Council with the exception of the City Manager's contingency. The City Manager's contingency is recommended to be reduced by \$50,000, from \$225,000 to \$175,000.

### OPERATING TRANSFERS-OUT

Funds are transferred from the General Fund to various funds throughout the City, including the Capital Infrastructure Fund, the Cubberley Infrastructure Fund, the Debt Services Funds, and the Technology Fund on an annual basis. In Fiscal Year 2020, a total of \$33.95 million is included to be transferred, with the majority of this (\$30.0 million) being transferred to the Infrastructure Fund. As discussed above, a one-time operating transfer of \$721,000 is included from the General Fund to the Residential Preferential Parking Fund to offset the operating deficit in that fund. The City will continue to evaluate the appropriate model and pricing for Residential Preferential Parking districts as it establishes the Office of Transportation. The General Fund also transfers funds to the University Avenue parking fund to pay for employee parking permits; a total of \$281,000 is included in FY 2020 for this purpose. If the parking rates for the University Avenue parking district were to change, the General Fund's transfer would need to be adjusted accordingly. The General Fund is also responsible for paying the electricity costs associated with streetlights and traffic signals. This is realized as a transfer to the Electric Fund of \$2.1 million in FY 2020; this was lowered by \$585,000 from initial FY 2020 estimates based on revised calculations from the Utilities Department.

### RESERVES

The City's general reserve is referred to as the Budget Stabilization Reserve (BSR). By policy, the City maintains a reserve level of 15.0-20.0 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 15.0 percent. The City Manager is authorized to transfer any amount in excess of 18.5 percent to the Capital Projects Infrastructure Reserve at their discretion. The Fiscal Year 2020 budget includes a \$1.3 million contribution to the BSR to ensure that it meets the City Council target of 18.5%. The Fiscal Year 2020 Budget is projected to have a \$42.7 million BSR balance, which meets that target.

## General Fund Reserves

	FY 2018 Actuals	FY 2019 Adopted Changes	FY 2019 Net Adjustments	Projected FY 2019 Year-End	FY 2020 Proposed Budget	Projected FY 2020 Year-end
<b>Budget Stabilization Reserve (BSR) Activity:</b>						
BSR	52,103	3,794	(14,480)	41,417	1,276	42,693
<b>Other Reserve Activity:</b>						
Human Services Resource Allocation Process (HSRAP) Reserve	-	-	-	50	-	50
Encumbrance & Reappropriation	7,821	-	-	7,821	-	7,821
Inventory of Materials & Supplies	4,427	-	-	4,427	-	4,427
Notes Receivable, Prepaid Items, Interfund Advances, & Unrealized Gains and Losses	3,995	-	-	3,995	-	3,995
<b>Total Reserves</b>	<b>68,396</b>	<b>3,794</b>	<b>(14,480)</b>	<b>57,710</b>	<b>1,276</b>	<b>58,986</b>

1. The BSR is projected to be 18.5 percent of the FY 2020 Proposed Expense Budget at the end of FY 2020.

2. City reserve policy indicates a 15-20 percent range, with an 18.5 percent target.

3. Minimum FY 2020 BSR \$34.6 million (15 percent); Maximum FY 2020 BSR \$46.2 million (20 percent).

4. Target FY 2020 BSR \$42.7 million (18.5 percent)

5. Projected FY 2019 adjustments, including budget amendments through March 2019.

6. This assumes the HSRAP Reserve will not be spent in FY 2019 and is recommended to be carried forward to FY 2020.

## 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 (GO) 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 a 2.0 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 flexi-

## GENERAL FUND OVERVIEW

bility 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 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 \$124 million through FY 2019, limiting its ability to meet its infrastructure needs.

The County of Santa Clara administers and collects property taxes and remits the appropriate amounts to local jurisdictions based on law and a complex formula. Contrary to commonly held views, the City receives a relatively small portion of the basic one percent property tax. In fact, the City receives around 9.4 percent or 9.4 cents for every property tax dollar a property owner pays to the county. The majority of the tax dollar paid or 56.6 percent goes to the school district, community college, and county school service, 15.9 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 9.0 percent tax rate paid for goods sold within Palo Alto, the City receives 1.0 percent point of the purchase price or 11.1 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 (0.125 percentage point), Santa Clara Valley Transportation Districts (1.625 percentage point), and the Public Safety Fund (0.5 percentage point).

Sales tax rates may differ across jurisdictions since local jurisdictions have some flexibility on a county-wide 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 California Department of Tax and Fee Administration (CDTFA).

### **TRANSIENT OCCUPANCY TAX**

The Transient Occupancy Tax rate in Palo Alto is 15.5 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 12.0 percent

to 14.0 percent, effective as of January 1, 2015. In November 2018, Palo Alto voters passed Measure E, which raised the TOT rate from 14 percent to 15.5 percent, effective April 1, 2019.

### **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 5.0 percent and for telephone is 4.8 percent. In November 2014, Palo Alto voters approved decreasing the telephone utility user tax rate from 5.0 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 Environment, 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 16.0 percent of the Police Department's Communication and Dispatch Division. The Stanford contract for Fire Services is currently under negotiation.

### **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.

## GENERAL FUND OVERVIEW

### 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 service departments such as Administrative Services, Council Appointees, and Human Resources to Enterprise, Internal Service, 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 Palo Alto Unified School District (PAUSD) for its share of Cubberley and athletic field maintenance, donations from non-profits for City libraries, and miscellaneous revenues.

### OPERATING TRANSFERS-IN

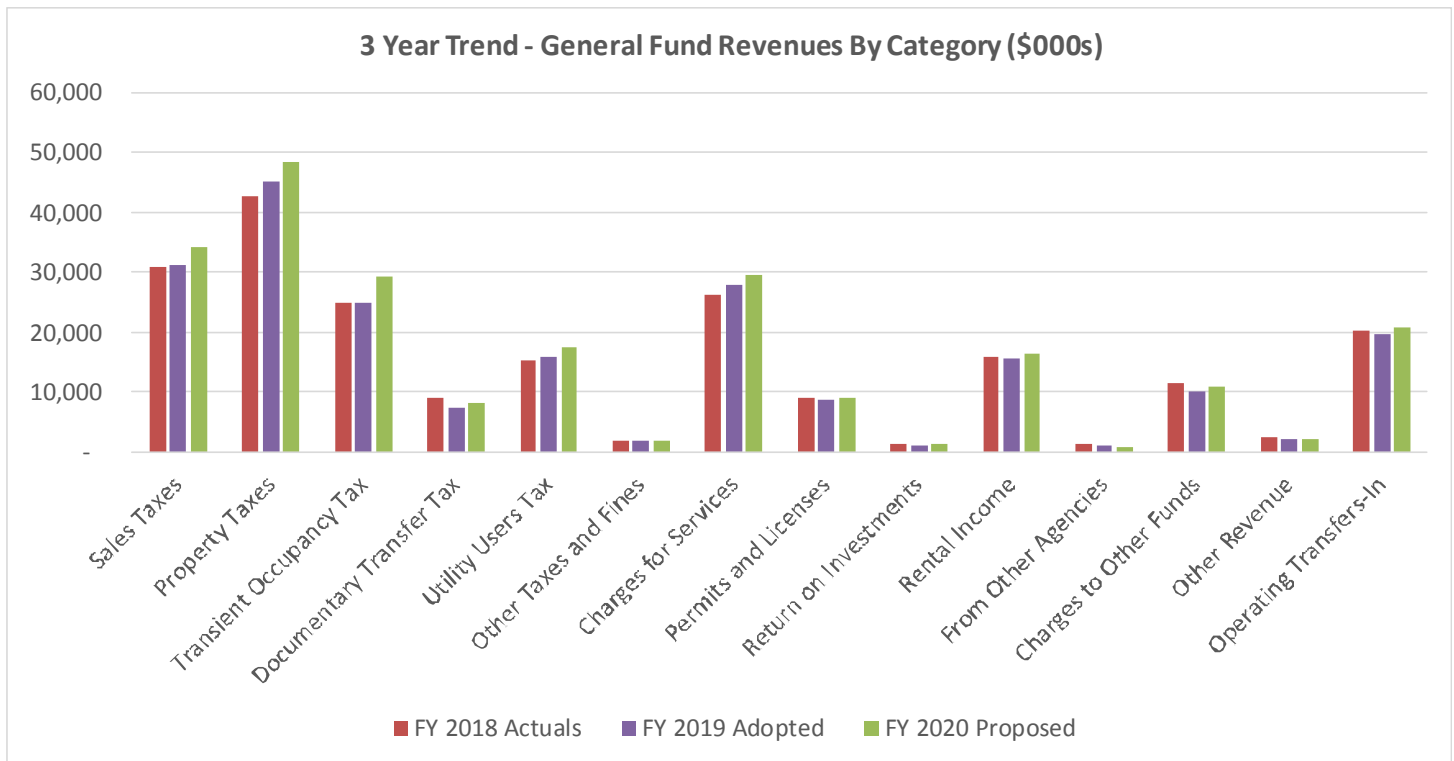
Operating Transfers include the equity transfer from the Electric and Gas Funds. In accordance with a methodology approved by Council in June 2009, the equity transfer is calculated by applying a rate of return to the capital asset base of the Electric and Gas Funds. This rate of return is based on PG&E's rate of return on equity as approved by the California Public Utilities Commission (CPUC).

## General Fund Revenue by Category

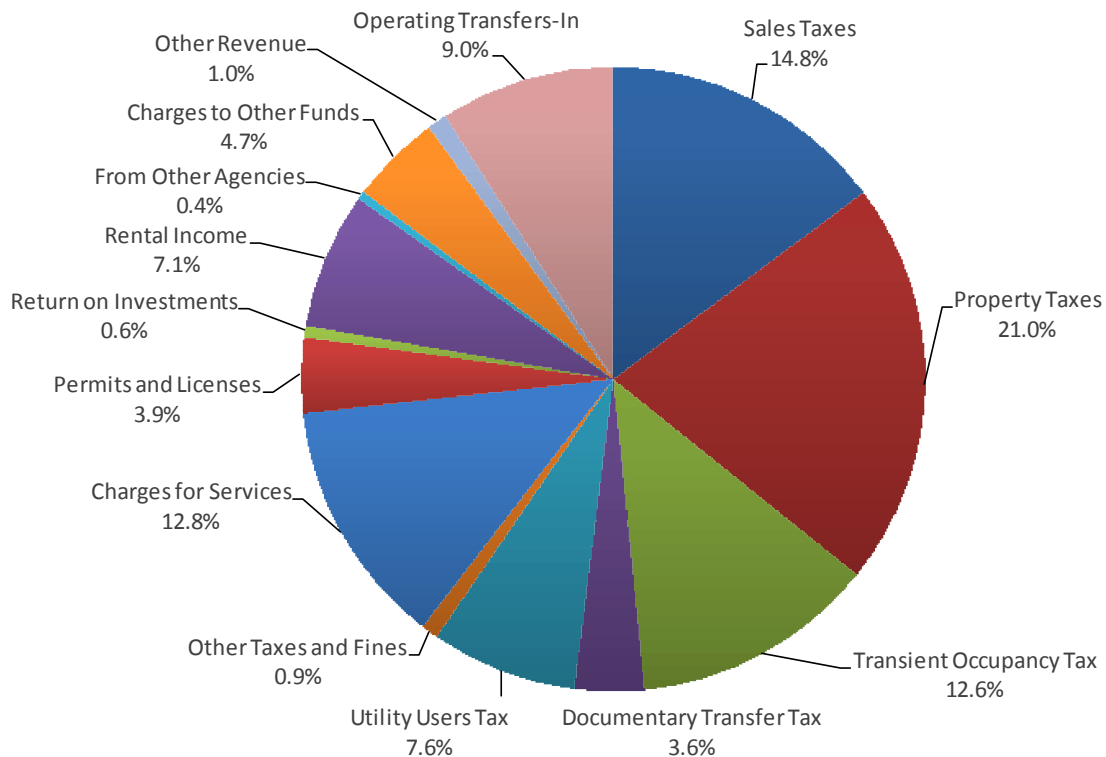
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Sales Taxes	29,923	31,091	31,246	34,346	3,100	9.9%
Property Taxes	39,381	42,839	45,332	48,634	3,302	7.3%
Transient Occupancy Tax	23,477	24,937	25,049	29,309	4,260	17.0%
Documentary Transfer Tax	7,491	9,229	7,434	8,369	935	12.6%
Utility Users Tax	14,240	15,414	16,092	17,581	1,489	9.3%
Other Taxes and Fines	2,167	2,141	2,032	2,032	0	0.0%
Charges for Services	21,989	26,344	28,015	29,719	1,704	6.1%
Permits and Licenses	7,714	9,035	8,949	9,026	77	0.9%
Return on Investments	1,209	1,437	1,166	1,388	222	19.0%
Rental Income	15,767	15,969	15,806	16,399	593	3.8%
From Other Agencies	1,156	1,461	1,150	980	(170)	(14.8%)
Charges to Other Funds	10,439	11,476	10,093	10,908	815	8.1%
Other Revenue	2,300	2,513	2,361	2,362	1	0.0%
<b>Subtotal</b>	<b>177,253</b>	<b>193,886</b>	<b>194,725</b>	<b>211,053</b>	<b>16,328</b>	<b>8.4%</b>
Operating Transfers-In	19,222	20,385	19,772	20,999	1,227	6.2%
<b>Total</b>	<b>196,475</b>	<b>214,271</b>	<b>214,497</b>	<b>232,052</b>	<b>17,555</b>	<b>8.2%</b>

## GENERAL FUND OVERVIEW

# General Fund Revenue by Category



## \$232.1 Million/FY 2020 Budget





# General Fund Expenditures by Department

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Administrative Services	7,379	7,680	7,963	8,514	551	6.9%
City Attorney	3,158	3,307	3,263	3,385	122	3.7%
City Auditor	1,208	1,233	1,258	1,235	(23)	(1.8%)
City Clerk	1,049	1,171	1,282	1,345	63	4.9%
City Council	452	476	488	498	10	2.0%
City Manager	2,412	3,248	4,386	4,471	85	1.9%
Community Services	25,200	27,136	28,915	30,890	1,975	6.8%
Development Services <sup>1</sup>	11,014	12,023	12,561	0	(12,561)	(100.0%)
Fire	31,530	33,639	31,826	34,846	3,020	9.5%
Human Resources	3,314	3,480	3,634	3,833	199	5.5%
Library	8,953	9,121	9,664	10,291	627	6.5%
Non-Departmental	6,400	6,402	3,825	9,601	5,776	151.0%
Office of Emergency Services	983	968	1,509	1,727	218	14.4%
Office of Sustainability <sup>2</sup>	478	465	0	0	0	N/A
Office of Transportation <sup>3</sup>	0	0	0	2,312	2,312	N/A
Planning and Community Environment	8,654	7,859	8,791	20,041 <sup>1</sup>	11,250	128.0%
Police	39,206	39,983	41,951	44,643	2,692	6.4%
Public Works	16,655	18,396	18,492	19,161	669	3.6%
<b>Subtotal</b>	<b>168,045</b>	<b>176,587</b>	<b>17,808</b>	<b>196,793</b>	<b>16,988</b>	<b>9.4%</b>
Transfer to Infrastructure	22,859	24,801	25,173	28,962	3,789	15.1%
Operating Transfers-Out	6,572	4,734	5,725	5,022	(703)	(12.3%)
<b>Total</b>	<b>197,476</b>	<b>206,122</b>	<b>210,706</b>	<b>230,777</b>	<b>20,071</b>	<b>9.5%</b>

<sup>1</sup> The Development Services Department is combined with the Planning and Community Environment Department in FY 2020

<sup>2</sup> The Office of Sustainability was combined with the City Manager's Office in FY .2019

<sup>3</sup> The Office of Transportation is established in FY 2020 as part of this Budget.

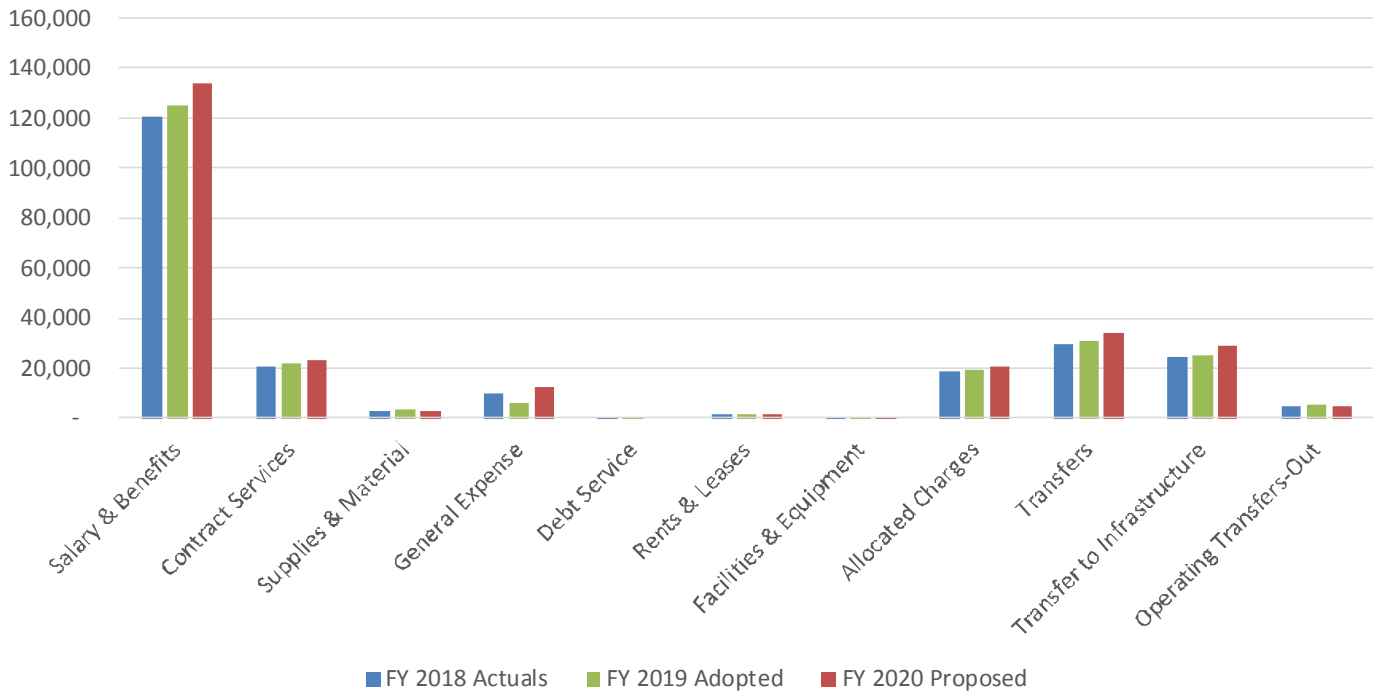
## GENERAL FUND OVERVIEW

### General Fund Expenditures by Category

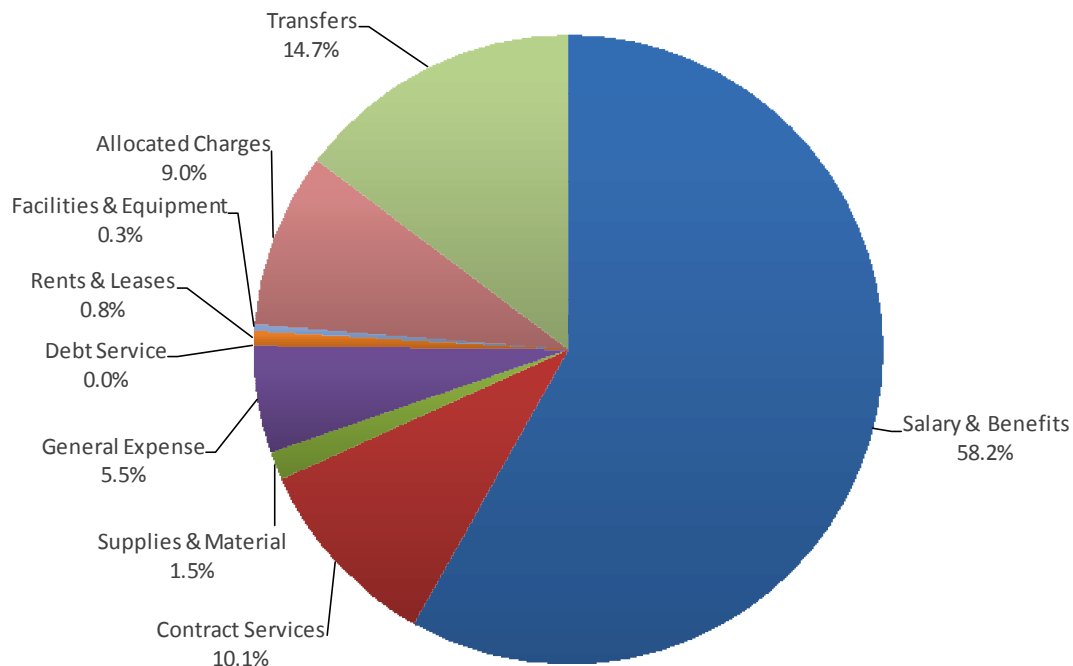
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Salary & Benefits	115,608	120,798	125,404	134,221	8,817	7.0%
Contract Services	19,436	21,144	22,041	23,277	1,236	5.6%
Supplies & Material	3,723	3,350	3,563	3,366	(197)	(5.5%)
General Expense	9,971	10,062	6,125	12,665	6,540	106.8%
Debt Service	432	432	613	0	(613)	(100.0%)
Rents & Leases	1,345	1,560	1,690	1,734	44	2.6%
Facilities & Equipment	685	399	522	771	249	47.7%
Allocated Charges	16,845	18,842	19,850	20,759	909	4.6%
<b>Subtotal</b>	<b>168,045</b>	<b>176,587</b>	<b>179,808</b>	<b>196,793</b>	<b>16,985</b>	<b>9.4%</b>
Transfer to Infrastructure	22,859	24,801	25,173	28,962	3,789	15.1%
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<b>Total</b>	<b>197,476</b>	<b>206,122</b>	<b>210,706</b>	<b>230,777</b>	<b>20,071</b>	<b>9.5%</b>

# General Fund Expenditures by Category

3 Year Trend - General Fund Expenses By Category (\$000s)



## \$230.8 Million/FY 2020 Budget





CITY OF  
**PALO  
ALTO**

# Enterprise Funds





CITY OF  
**PALO  
ALTO**

# ENTERPRISE FUNDS OVERVIEW

## Overview

The City of Palo Alto's Utility and Public Works operations are comprised of the Airport, Electric, Fiber Optics, Gas, Refuse, Stormwater Management, Wastewater Collection, Wastewater Treatment, and Water Funds. A financial summary of the funds follows this overview along with discussion and pertinent information in each fund section.

### REVENUES

The total budgeted revenue of the Enterprise Funds for FY 2020 is \$388.0 million, which is \$32.9 million or 9.3 percent, higher than FY 2019. This overall increase is largely due to FY 2020 revenues in the Wastewater Treatment Fund expected to increase by approximately \$24.1 million from FY 2019 as a result of changes to funding sources programmed for FY 2020 - FY 2024 capital improvement expenditures. Utility services with rate increases for FY 2020 include Electric, Fiber Optics, Gas, Stormwater Management, Wastewater, and Water. Refuse rates will remain the same for FY 2020. Details on these changes are discussed below.

### EXPENDITURES

The total budgeted expenditure of the Enterprise Funds for FY 2020 is \$ 423.4 million, which is \$31 million, or 7.9 percent higher than FY 2019. The primary driver for this year over year change is the rising costs for commodities, capital improvement projects, and maintaining or updating the infrastructure.

### UTILITY RATE CHANGES

FY 2020 Budget includes utility rate adjustments for Electric, Gas, Stormwater Management, Wastewater Collection, and Water charges. The average monthly residential utility bill is expected to increase by 5 percent or \$15.65 from \$312.15 to \$327.80.

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

- Electric Fund - Scheduled rate increase is 8.0 percent overall to fund rising transmission costs, new renewable projects coming online, reduction in customer usage, and substantial capital investment and replacement in the electric distribution system.
- Gas Fund - Scheduled rate increase is 5.0 percent due to increasing construction costs for gas main replacements and the Crossbore Safety Program.



## ENTERPRISE FUNDS OVERVIEW

- Water Fund - Scheduled rate increase is up to 1.0 percent due to rising capital costs for water main replacements and seismic improvements for reservoirs.
- Wastewater Collection Fund - Scheduled rate increase is 7.0 percent due to significant increase in wastewater collection system capital project costs, as well as increases in treatment costs due to rehabilitation of the aging Regional Water Quality Control Plant.
- Fiber Optics Fund - Scheduled rate increase is 4.5 percent, based on Consumer Price Index (CPI) for All Urban Consumers in the San Francisco Bay Area, for customers on the EDF-1 rate.
- Stormwater Management Fund - Scheduled rate increase of 4.5 percent, or \$0.63 per Equivalent Residential Unit (ERU) per month based on CPI for All Urban Consumers in the San Francisco Bay Area.
- Refuse Fund - No rate adjustment is scheduled for FY 2020.

### 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 at an annual CPI increase of 3.9 percent. As a result, the rents and leases category for FY 2020 will increase by approximately \$0.6 million compared to FY 2019.

### EQUITY TRANSFERS

In FY 2009, the City Council adopted a change to the methodology, beginning in FY 2010, used to calculate the equity transfer from Utilities Funds to the General Fund. Under this methodology, the equity transfers are based on the asset base in the Electric and Gas Funds, along with the rate of return for each utility, which is based on Pacific Gas and Electric's (PG&E) rate of return on equity as approved by the California Public Utilities Commission (CPUC). For FY 2020, the equity transfers from the Electric and Gas Funds are projected to increase by approximately \$0.9 million from \$19.3 million in the FY 2019 Adopted Budget to \$20.2 million.

### 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 the City's 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.

Based on a new practice established in FY 2016, the reappropriation of capital budgets for continuing projects previously approved and appropriated by the City Council in prior fiscal years is shown as expenditures in the operating budget for each Enterprise Fund. The inclusion of these costs impacts the fund balance of the respective Enterprise Fund.

Based on the actions included in this budget, the total Enterprise Fund Reserve Balances are estimated to decrease by \$35.3 million from FY 2019 to FY 2020.

## UTILITIES ENTERPRISE FUNDS

The City of Palo Alto Utilities (CPAU) had to rely on its reserves more heavily over the past few years to offset rate increases. In order for CPAU to cover its operating costs while maintaining and continuing to provide safe and reliable utility services to customers, rate increases are projected beyond FY 2020. Rate increases will ensure CPAU has the ability to replenish depleted reserves and provide sufficient funding for continued increasing expenses in commodity costs and repair and replacement of the City's aging utility infrastructure through various capital projects. Rate increases described below are the general rate increases; the impact on Residential Bills, as seen at the end of this section, will vary depending on the commodity.

### Electric

FY 2020 electric rates are scheduled to increase by 8.0 percent overall to recover costs for increasing transmission costs, new renewable projects coming online, and substantial additional capital investment in the electric distribution system. Electricity purchase costs have increased substantially since FY 2013 as new renewable projects have come online to fulfill the City's environmental goals and as transmission costs have increased due to improvements being made to the California grid. Projected capital expenses for FY 2020 through FY 2024 are higher in FY 2020 through FY 2021 due to relocation of overhead lines for Caltrain, completion of 4kV to 12kV conversion projects, the unexpected replacement of transformer 2 at Colorado Power Station, as well as anticipated Advanced Metering Infrastructure (AMI) and smart grid implementation. Once these larger, one-time project cost increases are completed, annual Capital Improvement Program (CIP) projects are anticipated to decline back to levels seen in recent years. The forecast also assumes that smart grid costs are funded from the Electric Special Projects Reserves.

### Gas

FY 2020 gas rates are scheduled to increase by 5.0 percent due to increasing capital and operation costs. Gas Utility expenses are projected to increase by roughly 9.0 to 7.0 percent annually from FY 2020 to FY 2022 and 3.0 to 1.0 percent annually from FY 2023 through FY 2024. In the short term, some increases in operations costs are related to the cross-bore inspection program, but CIP costs have increased substantially as the economy has improved. Future CIP project costs have been revised upwards from prior forecasts to reflect higher bids on gas CIP projects. Commodity costs are the most volatile component of the Gas Utility's expenses, and recent market prices have been increasing steadily as supplies have become tighter and demand has decreased and current forecasts project cost increases of around 4.0 percent annually.

### Water

FY 2020 water rates are scheduled to increase by 1.0 percent due to increasing capitals costs. The main driver for the increase over the next several years is the large one-time capital costs in FY 2020 through FY 2024 related to reservoir rehabilitation and additional costs required to switch water meters to be read automatically with AMI.

## ENTERPRISE FUNDS OVERVIEW

### Wastewater Collection

FY 2020 wastewater collection rates are scheduled to increase by 7.0 percent. Capital and operating costs are anticipated to increase for the wastewater collection system. In addition, CPAU anticipates treatment costs to rise over the forecast period due to increasing operating costs and capital replacement needs at the Regional Water Quality Control Plant. As a result, projected rate increases range from 6.0 to 8.0 percent annually through FY 2024 and 3.0 to 4.0 percent annually for FY 2025 and beyond.

### Fiber Optics

Fiber optics rates are scheduled to increase by 4.5 percent for customers on the EDF-1 rate schedule in FY 2020. CPAU provides commercial dark fiber optic services within the boundaries of the City. In September 2006, the City 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 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 the EDF-2 rates. New fiber customers are enrolled under the 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.

## PUBLIC WORKS ENTERPRISE FUNDS

### Refuse

FY 2020 refuse rates remain unchanged. FY 2021 rates are projected to increase at a rate based on CPI, which is the end date for two Refuse Fund related agreements for waste processing and disposal. The 2018 Zero Waste Plan was accepted by City Council which includes initiatives that will help the City continue making progress on its Zero Waste goals to divert 90.0 percent or more waste from landfills by 2021 and 95.0 percent by 2030.

### Stormwater Management

FY 2020 Stormwater Management fee is scheduled to increase by 4.5 percent. The Stormwater Management fee was approved by property owners through a ballot measure in April 2017. The projects and infrastructure component of this fee has a sunset date of June 1, 2032 unless extended through a subsequent ballot measure. The Stormwater Management fund maintains activities that ensure adequate local drainage of the City's storm drainage system. This fund also provides litter reduction, urban pollution prevention programs, and flooding emergency response services with the goals of reducing stormwater runoff and maintaining stormwater quality protection for discharge to creeks and the San Francisco Bay.

### Wastewater Treatment

The City's Regional Water Quality Control Plant serves six communities including Palo Alto, East Palo Alto, Mountain View, Stanford, Los Altos, and Los Altos Hills. The Wastewater Treatment Fund works with the City and Partner Cities' regional service area to protect the environment and the public's health while ensuring compliance with regulations protecting the San Francisco Bay and the environment. FY 2020 revenues in the Wastewater Treatment Fund are expected to increase by approximately \$24.1 million or 69.8 percent compared to FY 2019. The majority of

the increase resulted from changes to funding sources programmed for FY 2020 - FY 2024 capital improvement expenditures. The construction of the Dewatering and Loadout Facility was completed in FY 2019, the incinerators are pending for retirement. The net result of this change will increase operating expenses for utilities and contract services.

## **Airport**

The City assumed airport operations from Santa Clara County in August 2014 for the Palo Alto Airport, which ranks among the busiest general aviation airports in the country. Under previous terms, the County exercised the right to sublease to Fixed Base Operators (FBOs) with agreements that expired in April 2017 and the City worked on signing new lease agreements. As a result of new lease agreements signed, Airport Fund revenues from rentals are projected to increase to a total of \$778,000 in FY 2020. The Airport's fees and charges are scheduled to increase by 4.5 percent. Expenses are also projected to increase due to major construction projects that incur costs which are 90.0 percent offset by grants from the Federal Aviation Administration. To ensure sufficient funding for operating costs and continued services with minimal service delivery impact, the Airport Fund has received loans from the General Fund, totaling \$3.1 million as of FY 2019 since the City took over operations. The Airport Fund will begin repayment to the General Fund in FY 2020 in the amount of \$272,000 annually for the next fifteen years.

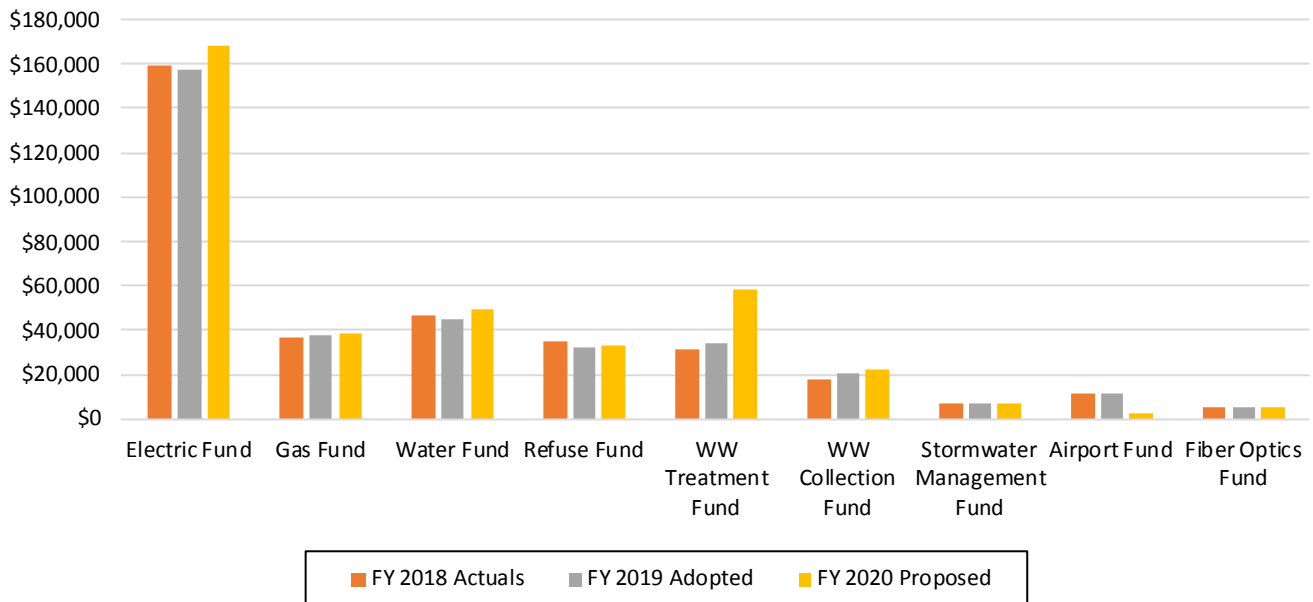
## ENTERPRISE FUNDS OVERVIEW

### Enterprise Funds Summary

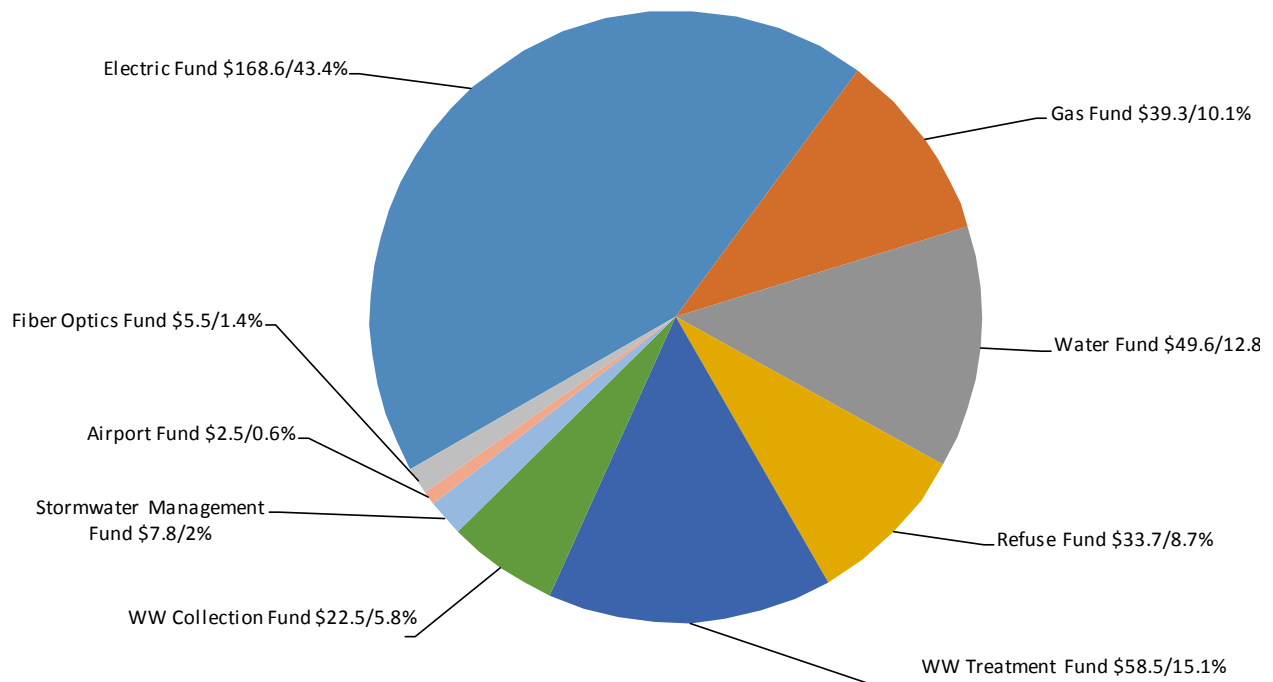
Fund Summary (\$000)	Electric Fund	Gas Fund	Water Fund	Refuse Fund	Wastewater Treatment Fund	Wastewater Collection Fund	Stormwater Management Fund	Airport Fund	Fiber Optics Fund	Total
<b>Revenues</b>										
Charges for Services	380	20	10	34	—	10	118	—	—	572
Charges to Other Funds	140	101	83	161	54	32	—	—	—	569
From Other Agencies	—	—	577	—	—	—	—	—	—	577
Net Sales	154,329	37,279	46,831	30,662	30,661	21,106	7,449	655	4,595	333,567
Operating Transfers-In	2,616	—	548	—	—	—	—	—	—	3,164
Other Revenue	8,928	1,124	384	2,311	27,409	1,083	—	1,009	200	42,448
Other Taxes and Fines	—	—	—	—	4	—	3	—	—	7
Rental Income	—	—	—	—	—	—	—	778	—	778
Return on Investments	2,158	802	1,153	518	389	298	226	21	750	6,315
<b>Total</b>	<b>168,550</b>	<b>39,326</b>	<b>49,586</b>	<b>33,685</b>	<b>58,517</b>	<b>22,528</b>	<b>7,795</b>	<b>2,463</b>	<b>5,544</b>	<b>387,995</b>
<b>Expenses</b>										
Allocated Charges	9,228	4,453	4,716	1,863	5,594	2,723	1,059	670	671	30,978
Contract Services	7,615	2,463	819	6,356	3,739	249	908	141	455	22,744
Debt Service	8,477	803	3,223	196	1,469	129	949	—	—	15,245
Equity Transfer	13,129	7,106	—	—	—	—	—	—	—	20,235
Facilities & Equipment	64	19	17	3	8	13	8	—	2	133
General Expense	3,442	763	658	112	389	123	146	36	12	5,682
Operating Transfers-Out	—	410	136	55	156	274	37	281	102	1,452
Rents & Leases	6,277	852	3,145	2,161	—	480	50	12	82	13,058
Salary & Benefits	16,887	7,282	7,864	3,028	13,728	3,127	2,187	905	1,390	56,398
Supplies & Material	924	489	611	143	2,070	381	95	56	9	4,777
Transfer to Infrastructure	—	—	—	73	—	—	—	—	—	73
Utility Purchase	95,678	16,012	22,178	24,611	—	11,234	—	—	—	169,713
Capital Improvement Program	20,484	3,743	15,946	—	28,437	7,965	4,506	346	1,525	82,953
<b>Total</b>	<b>182,205</b>	<b>44,395</b>	<b>59,312</b>	<b>38,601</b>	<b>55,589</b>	<b>26,698</b>	<b>9,945</b>	<b>2,447</b>	<b>4,250</b>	<b>423,441</b>

# ENTERPRISE FUNDS OVERVIEW

## 3 YEAR TREND - ENTERPRISE FUNDS REVENUES BY FUND (\$THOUSANDS)

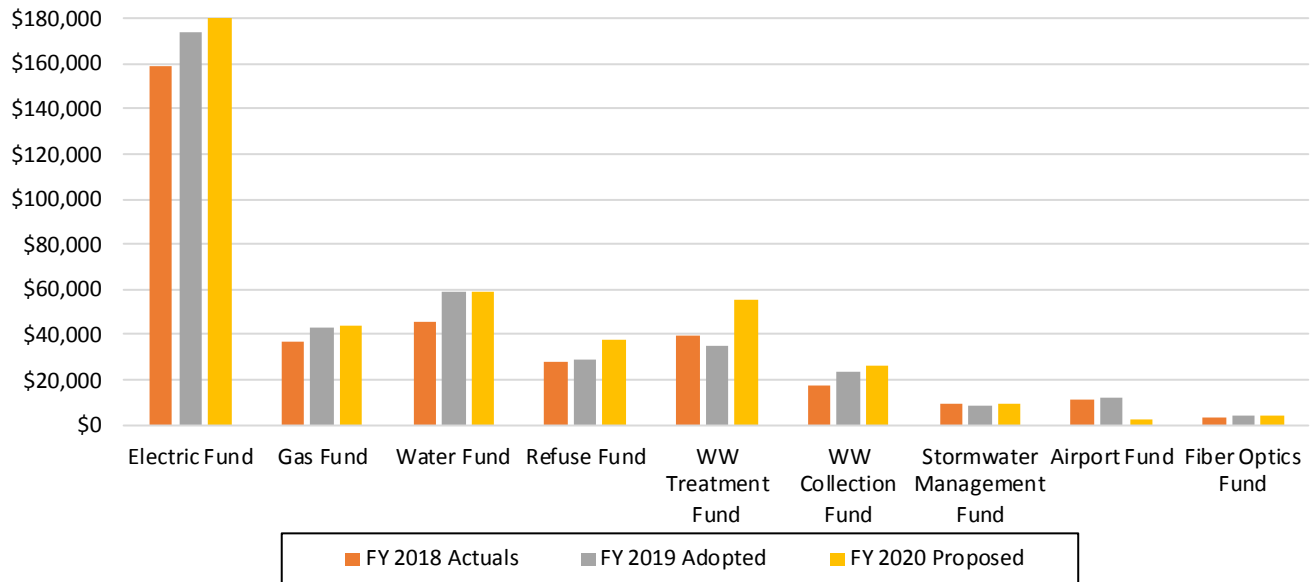


## FY 2020 PROPOSED REVENUES/\$388.0 MILLION

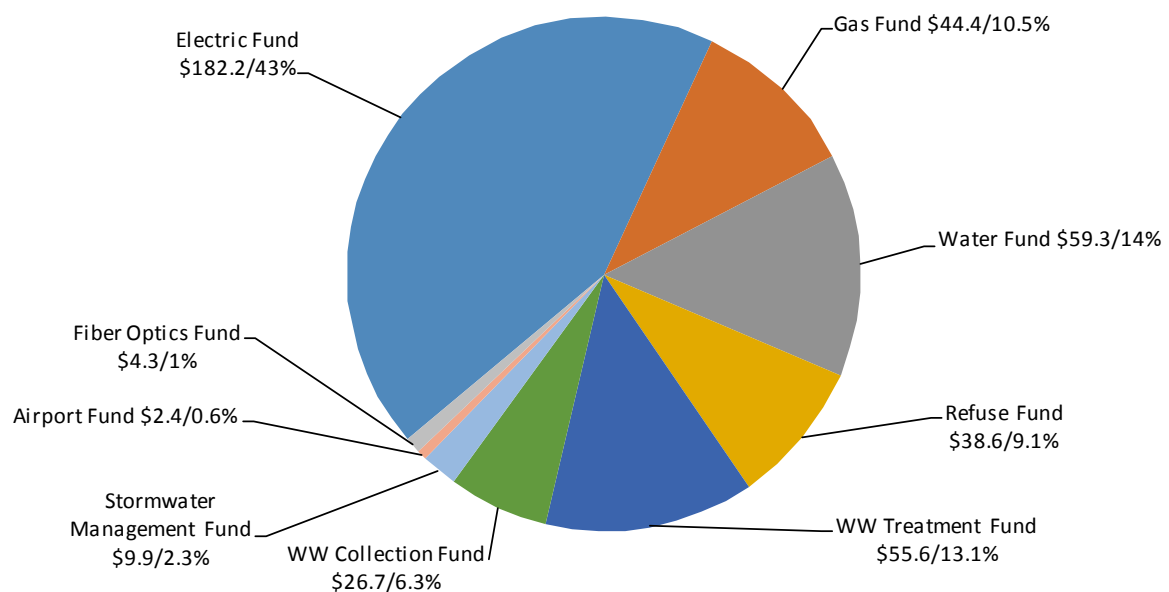


# ENTERPRISE FUNDS OVERVIEW

## 3 YEAR TREND - ENTERPRISE FUNDS EXPENSES BY FUND (\$THOUSANDS)



## FY 2020 PROPOSED EXPENSES /\$423.4 MILLION





# Enterprise Fund Reserves

Reserves (\$000)	FY 2019 Projected Ending Balance	FY 2020 Changes	FY 2020 Projected Ending Balance	FY 2020 Reserve Guideline Range
<b>Electric Fund</b>				
Rate Stabilization	-	-	-	
Operations	37,969	(13,655)	24,314	26,583 - 49,586
Hydro Stabilization	7,400	-	7,400	
Electric Special Projects	41,838	-	41,838	
Public Benefit	-	-	-	
Underground Loan	730	-	730	
CIP Reserves	880	-	880	
GASB 68 Pension Reserve	(29,511)	-	(29,511)	
GASB 75 OPEB reserve	(14,168)	-	(14,168)	
<b>Subtotal</b>	<b>45,138</b>	<b>(13,655)</b>	<b>31,483</b>	
<b>Gas Fund</b>				
Rate Stabilization	6,363	(6,363)	-	
Operations	7,381	1,294	8,675	6,062 - 12,124
CIP Reserves	3,820	6,000	9,820	
GASB 68 Pension Reserve	(13,277)	-	(13,277)	
GASB 75 OPEB reserve	(6,235)	-	(6,235)	
<b>Subtotal</b>	<b>(1,948)</b>	<b>(5,069)</b>	<b>(7,017)</b>	
<b>Wastewater Collection Fund</b>				
Rate Stabilization	-	-	-	
Operations	7,353	(3,192)	4,161	2,904 - 7,260
CIP Reserves	978	(978)	-	
GASB 68 Pension Reserve	(7,449)	-	(7,449)	
GASB 75 OPEB reserve	(2,384)	-	(2,384)	
<b>Subtotal</b>	<b>(1,502)</b>	<b>(4,170)</b>	<b>(5,672)</b>	

## ENTERPRISE FUNDS OVERVIEW

### Enterprise Fund Reserves

Reserves (\$000)	FY 2019 Projected Ending Balance	FY 2020 Changes	FY 2020 Projected Ending Balance	FY 2020 Reserve Guideline Range
<b>Water Fund</b>				
Rate Stabilization	4,069	-	4,069	
Operations	36,574	(9,726)	26,848	7,045 - 14,119
CIP Reserves	2,726	-	2,726	
GASB 68 Pension Reserve	(12,455)	-	(12,455)	
GASB 75 OPEB reserve	(4,350)	-	(4,350)	
<b>Subtotal</b>	<b>26,564</b>	<b>(9,726)</b>	<b>16,838</b>	
<b>Refuse Fund</b>				
Rate Stabilization	16,891	(4,919)	11,972	6,292 - 12,584
Landfill Corrective Action Reserve	741	3	744	
CIP Reserves	268	-	268	
GASB 68 Pension Reserve	(5,114)	-	(5,114)	
GASB 75 OPEB reserve	(2,653)	-	(2,653)	
<b>Subtotal</b>	<b>10,133</b>	<b>(4,916)</b>	<b>5,217</b>	
<b>Stormwater Management Fund</b>				
Rate Stabilization	2,412	(2,150)	262	
CIP Reserves	-	-	-	
GASB 68 Pension Reserve	(3,189)	-	(3,189)	
GASB 75 OPEB reserve	(1,158)	-	(1,158)	
<b>Subtotal</b>	<b>(1,935)</b>	<b>(2,150)</b>	<b>(4,085)</b>	
<b>Wastewater Treatment Fund</b>				
Rate Stabilization	(10,123)	2,928	(7,195)	4,196 - 8,392
Emergency Plant Replacement	1,980	-	1,980	
Notes and loans	559	-	559	
CIP Reserves	-	-	-	
GASB 68 Pension Reserve	(18,584)	-	(18,584)	
GASB 75 OPEB reserve	(7,340)	-	(7,340)	
<b>Subtotal</b>	<b>(33,508)</b>	<b>2,928</b>	<b>(30,580)</b>	

# Enterprise Fund Reserves

Reserves (\$000)	FY 2019 Projected Ending Balance	FY 2020 Changes	FY 2020 Projected Ending Balance	FY 2020 Reserve Guideline Range
<b>Fiber Optics Fund</b>				
Rate Stabilization	30,626	1,294	31,920	431 - 862
Emergency Plant Replacement	1,000	-	1,000	
CIP Reserves	-	-	-	
GASB 68 Pension Reserve	(1,855)	-	(1,855)	
GASB 75 OPEB reserve	-	-	-	
<b>Subtotal</b>	<b>29,771</b>	<b>1,294</b>	<b>31,065</b>	
<b>Airport Fund</b>				
Rate Stabilization	(2,597)	16	(2,581)	
CIP Reserves	-	-	-	
GASB 68 Pension Reserve	(493)	-	(493)	
GASB 75 OPEB reserve	(431)	-	(431)	
<b>Subtotal</b>	<b>(3,521)</b>	<b>16</b>	<b>(3,505)</b>	
<b>TOTAL RESERVES</b>	<b>69,192</b>	<b>(35,448)</b>	<b>33,744</b>	
<b>Summary of Reserves</b>				
Emergency Plant Replacement	2,980	-	2,980	
Hydro Stabilization	7,400	-	7,400	
Rate Stabilization	47,641	(9,194)	38,447	
Operations	89,277	(25,279)	63,998	
CIP Reserves	8,672	(978)	7,694	
Electric Special Projects	41,838	-	41,838	
Public Benefit	-	-	-	
Notes and loans	559	-	559	
Underground Loan	730	-	730	
Landfill Corrective Action Reserve	741	3	744	
GASB 68 Pension Reserve	(91,927)	-	(91,927)	
GASB 75 OPEB reserve	(38,719)	-	(38,719)	
<b>TOTAL RESERVES</b>	<b>69,192</b>	<b>(35,448)</b>	<b>33,744</b>	
Landfill Postclosure Care Liability	6,825	150	6,975	
<b>TOTAL RESERVES AND FULLY-FUNDED LIABILITY</b>	<b>76,017</b>	<b>(35,298)</b>	<b>40,719</b>	

## Residential Monthly Utility Cost Information

Utility	Adjusted FY 2019 Bill	FY 2020 Bill <sup>1</sup>	\$ Difference	% Difference
Electric	\$54.33	\$57.31	\$2.98	5.48%
Gas	\$58.48	\$63.39	\$4.91	8.40%
Water	\$86.59	\$90.42	\$3.83	4.42%
Wastewater	\$38.66	\$41.37	\$2.71	7.01%
Refuse	\$50.07	\$50.07	-	-
Storm Drain	\$14.05	\$14.68	\$0.63	4.48%
User Tax	\$9.97	\$10.56	\$0.59	5.92%
<b>Total Monthly Bill</b>	<b>\$312.15</b>	<b>\$327.80</b>	<b>\$15.65</b>	<b>5.01%</b>

1. FY 2020 Rates are effective July 1, 2019.

# 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 a one-time strategy in Fiscal Year 2019 the allocated charges to other City departments and funds were reduced for both Workers' Compensation and General Liability. Over the past few years, fund balance has accumulated in each of these funds. Since the revenue source for these funds is other funds and departments, the charges were able to be reduced. This one-time draw on accumulated fund balance is not sustainable, and is only recommended on a one-time basis. These reductions are reflected in each of the department sections in the 'Budget Summary' and the 'Budget Reconciliation', most notably in the 'Dollars by Category' section.

### **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 of this fund that appears in the 'Employee Information' section, costs for employee health benefits as well as pension benefits are projected to increase in Fiscal Year 2020 and will be allocated out to departments and funds in proportion to their share. In addition, the FY 2020 Proposed Budget incorporates City Council's direction to make additional contributions to the City's irrevocable IRS Section 115 Pension Trust Fund. The General Benefits Fund displays the total Section 115 Pension Trust Fund contribution.

### **GENERAL LIABILITIES INSURANCE PROGRAM FUND**

This fund reflects costs for the City's General Liability Insurance Program. In Fiscal Year 2020, costs are projected to increase compared to the Fiscal Year 2019 Adopted Budget. This increase is based on an actuarial analysis of the City's liability costs over the past few years and provides an 85% confidence level in the funding levels of the fund. This will ensure that the General Liabilities Insurance Program fund has the necessary resources to deal with unforeseen claims. The allocation of these charges is reevaluated annually as part of the budget process to ensure that sufficient resources are available and that the fund balance is maintained at an appropriate level.



# INTERNAL SERVICE FUNDS OVERVIEW

## 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.

## 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. An overview of the fund is included in the 'Employee Information' section of this document, and a City Manager Report discussing the June 30, 2017 valuation prepared by the outside actuarial consultant was transmitted separately for discussion.

## TECHNOLOGY FUND

This fund reflects costs associated with citywide Information Technology (IT) activities. IT staff maintain critical desktop, software, infrastructure, and maintenance activities for all City departments. The overview for the Information Technology Department contains information about projects and activities for Fiscal Year 2020.

## 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 2020, \$7.4 million is allocated for vehicles and equipment that are due for replacement. Of the \$7.4 million, \$3.6 million is for the continuation of projects approved by City Council in prior fiscal years. The 2020-2024 Capital Improvement Program (CIP) reflects funding totaling \$16.7 million over the next five years for vehicle replacements. The current reserve balance in the Vehicle Replacement and Maintenance Fund reflects funding allocated from City departments and committed to this five year plan.

## WORKERS' COMPENSATION FUND

This fund reflects costs for the City's Workers' Compensation program. In Fiscal Year 2020, costs are projected to increase slightly compared to the Fiscal Year 2019 Adopted Budget based on an actuarial analysis of the City's workers' compensation costs over the past few years and in order to provide an 85% confidence level in the funding levels of the fund. This will ensure that the Workers' Compensation Fund has the necessary resources to deal with unforeseen claims. The allocation of these charges is reevaluated annually as part of the budget process to ensure that sufficient resources are available and that the fund balance is maintained at an appropriate level.

## 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
<b>Revenues</b>								
Charges to Other Funds	9,192	14,279	1,720	—	—	2,477	—	27,669
Operating Transfers-In	—	2,137	—	—	—	5	2,197	4,339
Other Revenue	155	103	—	75,701	5,481	41	14,214	95,695
Return on Investments	260	644	2	433	540	168	47	2,095
<b>Total</b>	<b>9,607</b>	<b>17,164</b>	<b>1,723</b>	<b>76,134</b>	<b>6,021</b>	<b>2,691</b>	<b>16,458</b>	<b>129,799</b>
<b>Expenses</b>								
Allocated Charges	1,263	1,722	360	—	—	—	—	3,345
Contract Services	518	5,010	240	221	7	72	—	6,067
Facilities & Equipment	—	868	—	—	—	—	—	868
General Expense	71	475	287	—	650	2,900	—	4,383
Operating Transfers-Out	185	29	9	2,197	—	—	—	2,420
Rents & Leases	202	389	513	—	—	—	—	1,104
Salary & Benefits	2,264	8,833	242	73,947	6,081	—	16,473	107,839
Supplies & Material	1,428	85	80	—	—	—	—	1,593
Transfer to Infrastructure	1,460	—	—	—	—	—	—	1,460
Capital Improvement Program	7,483	8,094	—	—	—	—	—	15,576
<b>Total</b>	<b>14,873</b>	<b>25,505</b>	<b>1,731</b>	<b>76,364</b>	<b>6,738</b>	<b>2,972</b>	<b>16,473</b>	<b>144,656</b>

## INTERNAL SERVICE FUNDS OVERVIEW

### Internal Service Funds Reserves

	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Services	General Benefits Fund	Workers' Compensation Program Fund	Liability Insurance Fund	Retiree Health Benefit Fund	Total Internal Service Funds
<b>Changes to Unrestricted Assets</b>								
<b>June 30, 2019 Projected Unrestricted Assets</b>	<b>10,300</b>	<b>19,411</b>	<b>85</b>	<b>1,282</b>	<b>1,605</b>	<b>1,312</b>	<b>3,153</b>	<b>37,148</b>
FY 2020 Proposed Changes	(5,266)	(8,341)	(9)	(230)	(717)	(280)	(15)	(14,858)
<b>June 30, 2020 Projected Unrestricted Assets</b>	<b>5,034</b>	<b>11,070</b>	<b>76</b>	<b>1,052</b>	<b>888</b>	<b>1,032</b>	<b>3,138</b>	<b>22,290</b>

# Special Revenue Funds





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# SPECIAL REVENUE FUNDS

## Special Revenue Funds Overview

Special Revenue Funds have revenues with 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 FY 2014 to support the City's Public Art Program. The program 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, disciplines, and the highest aesthetic standards. Funding for the Public Art Program is determined by the Municipal Code's direction of 1 percent for Art in Private Development. 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 FY 2020, the projected revenue for the Public Art Fund is \$0.2 million and includes a transfer of \$170,000 from the General Fund to comply with requirements that limit the amount of administration costs that can be funded through fees. Additionally, although not accounted for in this fund, the City requires that for certain City-funded capital projects a 1 percent public art expense is set aside (please refer to the FY 2020 - 2024 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 provide funding for the City's infrastructure related to community centers, libraries, parks, public safety facility, general government facilities, and the Charleston-Arastradero Corridor. The projected revenue within the Community Development Impact Fee Funds is \$0.7 million in FY 2020, primarily reflecting anticipated receipts in the Park Impact and Parkland Dedication Funds. The FY 2020 - 2024 Capital Improvement Plan includes a transfer of \$3.2 million from Community Center Impact Fees for Rinconada Park Improvements (\$2.0 million) and renovations to the Junior Museum and Zoo (\$670,000). Additionally, the Capital Improvement Plan includes a transfer of \$500,000 from Park Impact fees for park restroom installations

## SPECIAL REVENUE FUNDS OVERVIEW

(\$350,000) and dog park installation and renovation (\$150,000). These funds have been reserved for this activity.

Annually, the Administrative Services Department issues a report of the activities in these funds including the remaining balances within them. The 2018 annual report ending June 30, 2018, is included in CMR 9913 found here: [www.cityofpaloalto.org/civicax/filebank/documents/68452](http://www.cityofpaloalto.org/civicax/filebank/documents/68452).

### STREET IMPROVEMENT FUNDS (SIF)

Revenue in this category comes from the state gas tax including estimated receipts from the S.B.1 transportation funds and from federal and state grants earmarked for street improvements. These funds are used for transportation and traffic-related capital projects. Based on preliminary estimates from the State Department of Finance, the projected revenues are estimated to be \$3.0 million for FY 2020. This level of receipts remains relatively constant to the prior year and includes adjustments to Highway Users Tax Account (HUTA) allocations and the S.B. 1 transportation funding bill, effective July, 1, 2017. In FY 2020, it is anticipated that the City is allocated a total of \$1.2 million in revenue from the Road Maintenance and Rehabilitation Account (RMRA) and \$80,000 from State General Fund loan repayments.

In FY 2020, \$2.6 million is programmed to be transferred to the Capital Improvement Fund for various citywide transportation projects that include projects for street maintenance and safe routes to school. The City achieved its primary goal of reaching a citywide average Pavement Condition Index (PCI) score of 85 in 2018, three years earlier than the initial goal; however, funding is maintained through the 2020 - 2024 Capital Improvement Plan in order to work towards the City's secondary street maintenance goal of having no streets under a PCI score of 60.

### FEDERAL AND STATE REVENUE FUNDS

The Federal and State Revenue Funds consist primarily of Community Development Block Grant (CDBG) funds. CDBG funds are grants from the U.S. Department of Housing and Urban Development (HUD). They are used for a wide variety of community projects such as affordable housing, public services, and related project expenditures. CDBG project expenditures draw upon program income and prior year allocations that have been unspent.

The FY 2019-20 draft action plan includes agency requests totaling \$749,000 and a total budget of \$661,000 as presented to, and approved by, the Finance Committee on April 2, 2019. Staff intends to bring the FY 2019 - 2020 Action Plan for City Council approval in May 2019 in order to finalize and submit the final application to the Department of Housing and Urban Development (HUD) by the May 15, 2019 deadline. Any necessary budget adjustments will be brought forward subsequent to confirmation of final allocations.

The FY 2019-20 draft action plan is included in CMR 10141 and can be found here: [www.cityofpaloalto.org/civicax/filebank/documents/69993](http://www.cityofpaloalto.org/civicax/filebank/documents/69993).

### 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 FY 2020, \$2.3 million in in-lieu fees are anticipated. These estimates remain constant from FY 2019 and are based on historical tracking and Planning and Community Environment (PCE) staff projections.

## SPECIAL REVENUE FUNDS OVERVIEW

Annually, the Administrative Services Department issues a report of the activities in these funds including the remaining balances within them. The 2018 annual report ending June 30, 2018, is included in CMR 9913 found here: <https://www.cityofpaloalto.org/civicax/filebank/documents/68452>. As of June, 30, 2018, approximately \$13.7 million remained available in these funds.

### SPECIAL DISTRICTS FUNDS

Special District Funds reflect the combined financial activity of the following funds: University Avenue Parking District Fund, California Avenue Parking District Fund, and Residential Parking Permit Fund. This grouping does not include Assessment District Funds. Revenue in these funds, generated from parking permits, is used for maintenance, repair, and beautification of parking facilities and public areas within the University and California Avenue business districts and Residential Parking Permit (RPP). As of FY 2020, five neighborhoods are active in the RPP program to mitigate parking congestion in Palo Alto neighborhoods: College Terrace, Downtown, Evergreen Park/Mayfield, Crescent Park, and SouthGate.

This FY 2020 budget recommends establishing a separate Office of Transportation (OOT), previously housed in the Planning and Community Environment Department; this is in recognition of the significant need to develop and implement strategies that address the City Council priority to address traffic and transportation challenges. In consultation with Municipal Resources Group (MRG), staff evaluated the current transportation initiatives, staffing, and City Council and community goals and recommended this separation as well as additional resources that would be necessary in order to successfully support transportation initiatives. This FY 2020 budget recommends the addition of a net 2.0 position additions to this new established OOT, which is primarily organized around the reallocation of 14.62 FTE from Planning and Community Environment. Analysis from the outside consultant recommended the net addition of 4.0 positions, including a public information officer, however, staff has not recommended the addition of these additional resources at this time. Included in the net 2.0 positions additions recommended for inclusion is 1.0 FTE Parking Manager to oversee shuttle and parking programs, as well as 1.0 FTE Senior Engineer to oversee transportation planning and capital improvement projects. Additional information about the establishment of OOT can be found in the subsequent section for City Departments. The impacts of these staffing changes and additions to the University Avenue Parking District Fund, California Avenue Parking District Fund, and Residential Parking Permit Funds are summarized below. A more detailed presentation of the FY 2020 Budget for the University Avenue Parking District Fund and California Avenue Parking District Fund are available at the end of the Special Revenue Funds Overview section.

This FY 2020 Proposed Budget includes the following significant expense proposals:

- Net zero reallocation of 3.60 FTE positions (\$500,000) and non-salary expenses (\$4.2 million) for the operational costs of various parking programs from PCE to OOT to fully transition resources that administer the various parking programs (\$0);
- Add 1.0 FTE Parking manager (Transportation Planning Manager) to oversee parking and shuttle programs citywide. The total cost of this position is \$265,000 and is recommended to be equally allocated 50% to the OOT General Fund Operating Budget and 50% to parking funds (\$132,500);



## SPECIAL REVENUE FUNDS OVERVIEW

- Add 0.48 part-time Administrative Specialist II to provide customer support services during the implementation and transition to the new parking management software system (6-12 months, \$34,000 one-time);
- Increase in revenues of \$721,000 recognizing an operating subsidy transfer from the General Fund to the RPP Fund to cover an operating deficit in FY 2020 (\$721,000 one-time); and
- Capital improvement investments in FY 2020 through a net transfer of \$1.5 million to the General Capital Improvement Fund. Major projects funded in FY 2020 include: Parking Management and System Implementation (\$1.1 million); University Avenue Parking Improvements (\$343,000); and Downtown Parking Wayfinding (\$40,000). Additional project details can be found in the FY 2020 - 2024 Adopted Capital Improvement Plan.

The ability of the funds to meet future cash flow needs will be significantly impacted by existing projects in the pipeline and the design and complexity of the elements of the comprehensive parking strategy, including permit pricing. In the upcoming year staff will work to establish the new OOT and will continue to develop and implement potential strategies for the organization and scaling of a comprehensive parking strategy. In order to strategically manage existing projects and programs in the pipeline and to enact a comprehensive parking strategy, a pause on new projects and initiatives is recommended in FY 2020 to allow staff to fill critical vacancies and assess the various programs.

### 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 parking spaces in lieu of providing the required spaces within the project area itself. In FY 2020, \$0.3 million in traffic mitigation and parking in-lieu fees are anticipated. These estimates remain steady with 2019 revenues and are based on historical tracking and PCE staff projections. The FY 2020 - 2024 Capital Improvement Plan includes a transfer of \$1.3 million in FY 2020 for improvements to traffic signals to be funded by remaining balances in the funds of \$5.0 million. In addition, it should be noted that changes to the Traffic Impact fees are currently under review, scheduled to be considered by the City Council on April 22, 2019 (CMR 9531).

### 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. In prior years, the BID has focused on street cleanliness, creating a safe downtown, and providing events and communication tools that bring business downtown.

Annually, the BID advisory board issues an action plan for the upcoming period for City Council review and approval. Staff anticipates submitting the FY 2019-20 action plan for City Council approval by June 2019, which will inform the development of FY 2020 budget. Any necessary budget adjustments as result of the action plan will be incorporated into the annual budget process or completed through a budget amendment, as appropriate.

The most recent action plan for FY 2018-19 was included in CMR 9248 and can be found here: <https://www.cityofpaloalto.org/civicax/filebank/documents/65121>.

### **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 were used in Fiscal Years 2013, 2014, and beyond as outlined in the agreement and approved by the City Council. In Fiscal Year 2018, the City received the final payment of \$11.8 million, for a total amount of \$44.3 million over the course of the development agreement. The funds received per the development agreement are allocated for specific purposes, which include funding for the 2014 City Council approved Infrastructure Plan. As outlined in the agreement, expenses and revenues for each category must be accounted for separately.

Annually PCE issues a report of activities during the prior period for City Council review to ensure compliance with the agreement. The annual report for the 2016-2017 period is included in CMR 8999, found here: [www.cityofpaloalto.org/civicax/filebank/documents/65285](http://www.cityofpaloalto.org/civicax/filebank/documents/65285).

Community Health and Safety: Funds are to be distributed to selected community health programs that benefit residents of the City. The projected beginning balance in this category is \$2.7 million. There are no planned transfers in FY 2020 to the FY 2020 - 2024 Capital Improvement Plan.

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 beginning balance for this category is \$2.8 million.

Intermodal Transit: Funds are to enhance the pedestrian and bicycle connection from the Transit Center to the El Camino/Quarry Road intersection. The projected beginning balance in this category is \$1.2 million. The FY 2020 - 2024 Capital Improvement Plan includes a \$200,000 transfer in FY 2020 for planning, design, and construction costs associated with Quarry Road pedestrian and bicycle connections.

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. As of FY 2019, there was no longer fund balance in this category. Remaining funding for Quarry Road Improvements and Transit Center Access will be expended from the Intermodal Transit Fund in future periods, consistent with the development agreement and recognizing cost increases incurred as a result of Quarry Road delays and mobilization of two separate projects rather than one combined project as originally planned.

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 beginning balance in this category is \$10.5

## SPECIAL REVENUE FUNDS OVERVIEW

million. There are no planned transfers in FY 2020 to the FY 2020 - 2024 Capital Improvement Plan.

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 beginning balance for this category is \$2.7 million. The FY 2020 - 2024 Capital Improvement Plan includes a \$1.2 million transfer in FY 2020 for the Bicycle and Pedestrian Plan-Implementation Project.

A more detailed presentation of the FY 2020 budget for the Stanford University Medical Center Fund is available at the end of the Special Revenue Funds Overview section.

# 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	Special District Funds	Traffic Mitig. & Parking In-Lieu Funds	Stan. Univ. Medical Center Fund	Total
<b>Revenues</b>										
Charges for Services	200	673	—	—	—	—	—	276	—	1,149
From Other Agencies	—	—	—	—	2,983	436	—	—	—	3,420
Net Sales	—	—	—	—	—	—	1,921	—	—	1,921
Operating Transfers-In	170	—	—	—	—	—	1,074	—	—	1,244
Other Revenue	—	—	—	2,345	—	136	—	—	—	2,481
Other Taxes and Fines	—	—	—	—	—	—	333	—	—	333
Permits and Licenses	—	—	—	—	—	—	2,474	—	—	2,474
Property Taxes	—	—	140	—	—	—	—	—	—	140
Rental Income	—	—	—	9	—	—	—	—	—	9
Return on Investments	11	246	—	297	12	5	80	199	325	1,175
<b>Total</b>	<b>381</b>	<b>919</b>	<b>140</b>	<b>2,651</b>	<b>2,995</b>	<b>578</b>	<b>5,883</b>	<b>475</b>	<b>325</b>	<b>14,346</b>
<b>Expenses</b>										
Allocated Charges	2	—	—	1	—	2	287	—	—	292
Contract Services	—	—	—	247	—	—	2,455	—	—	2,702
General Expense	1	—	148	53	—	578	529	—	—	1,309
Operating Transfers-Out	—	—	—	—	364	—	129	—	—	492
Salary & Benefits	208	—	—	59	—	81	1,586	—	—	1,934
Supplies & Material	—	—	—	—	—	—	121	—	—	121
Transfer to Infrastructure	—	3,171	—	—	2,554	—	1,528	1,283	1,400	9,937
<b>Total</b>	<b>211</b>	<b>3,171</b>	<b>148</b>	<b>360</b>	<b>2,918</b>	<b>661</b>	<b>6,634</b>	<b>1,283</b>	<b>1,400</b>	<b>16,787</b>

## SPECIAL REVENUE FUNDS OVERVIEW

### Consolidated Special Revenue Funds

Fund Summary (\$000)	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>REVENUES</b>						
Gas Tax	1,304	1,858	2,891	2,984	93	3.22
Federal CDBG	803	363	393	436	43	10.94
Housing In-Lieu	2,234	1,145	2,150	2,150	-	-
Traffic Mitigation Fees	376	3,077	276	276	-	-
Developer Impact Fees	736	1,296	673	673	-	-
Parking Mitigation Fees	3,282	3,643	4,728	4,728	-	-
BID Assessment	97	72	140	140	-	-
SUMC	-	11,745	-	-	-	-
Interest Income	1,526	1,525	1,185	1,175	(10)	(0.84)
Other Revenue	898	717	375	540	165	44.00
<b>Subtotal Revenue</b>	<b>11,256</b>	<b>25,440</b>	<b>12,811</b>	<b>13,102</b>	<b>291</b>	<b>2.27</b>
<b>Transfers In</b>						
General Fund	443	426	453	1,172	719	158.72
Technology Fund	12	21	24	24	-	-
Utility Admin Fund	24	48	47	48	1	2.13
<b>Subtotal Operating Transfers In</b>	<b>479</b>	<b>495</b>	<b>524</b>	<b>1,244</b>	<b>720</b>	<b>137.40</b>
<b>Total Source of Funds</b>	<b>11,735</b>	<b>25,935</b>	<b>13,335</b>	<b>14,346</b>	<b>1,011</b>	<b>7.58</b>
<b>EXPENDITURES</b>						
General Expense	4,306	22,031	8,439	6,358	(2,082)	(24.68)
SUMC	33	-	-	-	-	-
<b>Subtotal Expenditures</b>	<b>4,339</b>	<b>22,031</b>	<b>8,439</b>	<b>6,358</b>	<b>(2,082)</b>	<b>(24.68)</b>
<b>Transfers Out</b>						
General Fund	461	739	500	492	(8)	(1.58)
Capital Improvement Fund	14,865	10,696	26,377	9,937	(16,440)	(62.33)
General Benefits	-	-	13	-	(13)	(100.00)
<b>Subtotal Operating Transfers Out</b>	<b>15,326</b>	<b>11,435</b>	<b>26,890</b>	<b>10,429</b>	<b>(16,461)</b>	<b>(61.22)</b>
<b>Total Use of Funds</b>	<b>19,665</b>	<b>33,465</b>	<b>35,329</b>	<b>16,787</b>	<b>(18,543)</b>	<b>(52.49)</b>
<b>Net To (From) Reserves</b>	<b>(7,930)</b>	<b>(7,530)</b>	<b>(21,994)</b>	<b>(2,440)</b>	<b>19,554</b>	<b>(88.91)</b>

## Community Development Block Grant

Community Development Block Grant Fund	FY 2019 Adopted Budget	FY 2020 Agency Requests	FY 2020 Proposed Budget
<b>SOURCE OF FUNDS</b>			
Housing & Urban Development, current year	484,816	-	436,335
Prior Year Excess/Reallocation (1)	49,569	-	88,661
<b>Program Income</b>			
Palo Alto Housing Corporation	136,049	-	136,049
<b>TOTAL SOURCE OF FUNDS</b>	<b>578,296</b>	<b>-</b>	<b>661,045</b>
<b>USE OF FUNDS</b>			
<b>Public Service</b>			
Palo Alto Housing Corporation - SRO Resident Support Services	30,933	48,283	29,937
Catholic Charities - Long-Term Care Ombudsman	10,000	10,000	10,000
YWCA/Support Network - Domestic Violence Services	10,000	10,000	5,000
LifeMoves (formerly InnVision) - Opportunity Service Center	44,933	46,575	29,937
Silicon Valley Independent Living - Housing and Emergency Services	5,032	28,826	6,000
<b>Subtotal: Public Service</b>	<b>87,078</b>	<b>143,684</b>	<b>80,874</b>
<b>Planning and Administration</b>			
Project Sentinel/Fair Housing Services	32,012	33,698	31,587
City of Palo Alto - CDBG Administration includes 0.10 FTE & 0.48 Hourly CDBG Administrative Staff	73,733	85,000	82,889
<b>Subtotal: Planning and Administration</b>	<b>105,745</b>	<b>118,698</b>	<b>114,476</b>
<b>Housing, Economic Development, Capital Projects, &amp; Public Facilities</b>			
Downtown Streets Team/Workforce Development	331,002	336,400	330,695
Community Working Group - Opportunity Center Rehabilitation	54,471	-	-
MayView Community Health Center	-	150,000	135,000
<b>Subtotal: Housing, Economic Development &amp; Capital Projects</b>	<b>385,473</b>	<b>486,400</b>	<b>465,695</b>
<b>TOTAL USE OF FUNDS</b>	<b>578,296</b>	<b>748,782</b>	<b>661,045</b>

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

## SPECIAL REVENUE FUNDS OVERVIEW

### University Avenue Parking Permit Fund

	FY 2019 Adopted	FY 2019 Adjusted	FY 2020 Proposed
<b>Revenues</b>			
Permit Sales	2,217,000	2,217,000	2,217,000
Day Passes	675,000	675,000	675,000
Ticket Machine	215,000	215,000	215,000
Transfer from Other Funds for City Share	354,000	354,000	353,250
Investment Income	21,800	21,800	68,200
<b>Total Revenue</b>	<b>3,482,800</b>	<b>3,482,800</b>	<b>3,528,450</b>
<b>Expenditures</b>			
<b>Administration</b>			
Positions	1.18	1.18	1.30
Salaries & Benefits	189,541	189,541	254,942
Contract Staffing	182,248	182,248	182,248
Parking Occupancy Services	77,031	77,031	77,031
Miscellaneous Supplies	21,048	21,048	21,048
Ticket Machine (bankcard services, transmission, maintenance)	20,790	20,790	28,100
<b>Subtotal Administration</b>	<b>490,658</b>	<b>490,658</b>	<b>563,369</b>
<b>Maintenance</b>			
Positions	3.87	3.87	3.87
Salaries & Benefits	495,785	495,785	547,542
Supplies	60,090	60,090	60,090
Twinkle/Tree Lights	30,000	30,000	30,000
Landscaping	16,451	16,451	20,090
Maintenance (garage, elevator, fire sprinkler)	72,300	72,300	78,024
Custodial (janitorial services, power washing, sweeping)	270,519	270,519	280,346
Steam Cleaning	94,660	94,660	94,660
<b>Subtotal Maintenance</b>	<b>1,039,805</b>	<b>1,039,805</b>	<b>1,110,752</b>
<b>Police Patrol</b>			
Positions	0.50	0.50	0.50
Salaries & Benefits	121,723	121,723	128,598
<b>Subtotal Patrols</b>	<b>121,723</b>	<b>121,723</b>	<b>128,598</b>

## University Avenue Parking Permit Fund

	FY 2019 Adopted	FY 2019 Adjusted	FY 2020 Proposed
<b>Other</b>			
Valet Programs (Lots R, CC, CW, & S)	289,972	289,972	289,972
Temporary Valet Programs (during garage construction)	150,000	150,000	-
Downtown Streets Team	118,744	118,744	118,744
Transportation Management Authority (TMA)	480,000	480,000	480,000
Utilities/Indirect costs	224,716	224,716	207,986
Transfer to GF (PARS trust)	5,621	5,621	-
Transfer to CIP Fund	2,337,015	2,337,015	1,135,220
<b>Subtotal Other</b>	<b>3,606,068</b>	<b>3,606,068</b>	<b>2,231,922</b>
<b>Total Operating Expenses</b>	<b>5,258,254</b>	<b>5,258,254</b>	<b>4,034,641</b>
<b>Income from Operations</b>	<b>(1,775,454)</b>	<b>(1,775,454)</b>	<b>(506,191)</b>



## SPECIAL REVENUE FUNDS OVERVIEW

### California Avenue Parking Permit Fund

	FY 2019 Adopted	FY 2019 Adjusted	FY 2020 Proposed
<b>Revenues</b>			
Permit Sales	275,625	275,625	275,625
Day Passes	225,000	225,000	225,000
Investment Income	5,200	5,200	12,000
<b>Total Revenue</b>	<b>505,825</b>	<b>505,825</b>	<b>512,625</b>
<b>Expenditures</b>			
<b>Administration</b>			
Positions	0.80	0.80	1.10
Salaries & Benefits	119,941	119,941	157,064
Miscellaneous Supplies	35,620	35,620	35,620
Contract Staffing	41,400	41,400	41,400
Parking Occupancy Services	17,545	17,545	17,545
Temporary Valet Programs (during garage construction)	150,000	150,000	-
<b>Subtotal Administration</b>	<b>364,506</b>	<b>364,506</b>	<b>251,629</b>
<b>Maintenance</b>			
Positions	0.43	0.43	0.43
Salaries & Benefits	66,589	66,589	73,601
Supplies	7,855	7,855	7,855
<b>Contracts</b>			
Garage maintenance	5,255	5,255	5,255
Sweeping Ted Thompson and Cambridge garages	4,008	4,008	4,008
Fire sprinkler maintenance	1,453	1,453	1,453
Steam Cleaning	7,060	7,060	7,060
Landscaping	9,253	9,253	10,597
Facilities repair	637	637	637
Street Sweeping	82,101	82,101	82,101
<b>Subtotal Maintenance</b>	<b>184,211</b>	<b>184,211</b>	<b>192,567</b>
Utilities/Indirect costs	32,690	32,690	38,849
Transfer to GF (PARS trust)	1,515	1,515	-
Transfer to CIP Fund	138,000	138,000	138,000

## California Avenue Parking Permit Fund

	FY 2019 Adopted	FY 2019 Adjusted	FY 2020 Proposed
<b>Subtotal Other</b>	<b>172,205</b>	<b>172,205</b>	<b>176,849</b>
<b>Total Operating Expenses</b>	<b>720,922</b>	<b>720,922</b>	<b>621,045</b>
<b>Income from Operations</b>	<b>(215,097)</b>	<b>(215,097)</b>	<b>(108,420)</b>

## SPECIAL REVENUE FUNDS OVERVIEW

### Stanford Development Agreement Fund

	FY 2019 Estimated	FY 2020 Proposed	Change
<b>SOURCE OF FUNDS</b>			
Unrestricted- Community Health and Safety	2,673,321	2,717,487	44,166
Unrestricted- Stanford Hospital Expansion Cost Mitigation	2,745,520	2,791,022	45,501
Unrestricted- Intermodal Transit	1,152,553	1,171,654	19,101
Unrestricted- Quarry Road Improvements	-	-	-
Unrestricted- Neighborhoods and Communities and Affordable Housing	10,406,116	10,465,814	59,698
Unrestricted- Climate Change	2,655,140	2,684,228	29,088
<b>Total Beginning Fund Balance</b>	<b>19,632,651</b>	<b>19,830,204</b>	<b>197,553</b>
<b>Revenue</b>			
Interest - Community Health and Safety	44,166	44,496	331
Interest - Stanford Hospital Expansion Cost Mitigation	45,501	45,700	(199)
Interest - Intermodal Transit	19,101	19,185	84
Interest - Neighborhoods/Communities/ Affordable Housing	59,698	171,367	111,670
Interest - Climate Change	29,088	43,952	14,864
<b>Total Revenue</b>	<b>197,553</b>	<b>324,700</b>	<b>127,147</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>19,830,204</b>	<b>20,154,904</b>	<b>324,700</b>
<b>USE OF FUNDS</b>			
<b>Transfers Out</b>			
Community Health and Safety: Capital Improvement Fund	11,200	-	(11,200)
Intermodal Transit: Capital Improvement Fund	-	200,000	200,000
Climate Change: Capital Improvement Fund	-	1,200,000	1,200,000
<b>Total Transfers</b>	<b>11,200</b>	<b>1,400,000</b>	<b>1,388,800</b>
<b>Total Expenditures</b>	<b>11,200</b>	<b>1,400,000</b>	<b>1,388,800</b>

## Stanford Development Agreement Fund

	FY 2019 Estimated	FY 2020 Proposed	Change
<b>Ending Fund Balance</b>			
Unrestricted- Community Health and Safety	2,717,487	2,761,983	44,496
Unrestricted- Stanford Hospital Expansion Cost Mitigation	2,791,022	2,836,722	45,700
Unrestricted- Intermodal Transit	1,171,654	990,839	(180,815)
Unrestricted- Quarry Road Improvements	-	-	-
Unrestricted- Neighborhoods and Communities and Affordable Housing	10,465,814	10,637,181	171,367
Unrestricted- Climate Change	2,684,228	1,528,180	(1,156,048)
<b>Total Ending Fund Balance</b>	<b>19,830,204</b>	<b>18,754,904</b>	<b>(1,075,300)</b>
<b>TOTAL USE OF FUNDS</b>	<b>19,841,404</b>	<b>20,154,904</b>	<b>313,500</b>



CITY OF  
**PALO  
ALTO**

# 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. However, for special or extraordinary capital improvement projects; refinancing of existing debt; and purchase of major and multiple pieces of equipment it is appropriate to consider debt financing. The City's updated 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 City Council. For all other City funds annual debt service shall not exceed 15 percent of annual operating expenses unless an exception is approved by City Council.

B. Minimize borrowing costs by:



## DEBT SERVICE FUNDS OVERVIEW

- 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.
- 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 Municipal Advisor (aka 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.
- Debt financing 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 refinancings 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 City Council.

In September 2016, the state legislature adopted Senate Bill (SB) 1029 (Hertzberg), amending Government Code section 8855 to place additional reporting obligations on issuers of public debt, effective January 1, 2017. The amendments require an issuer to certify that they have adopted a debt policy concerning the use of debt and that the proposed debt issuance is consistent with that Policy. Though the City's Debt Policy prior to this legislation and practice substantially complied with the new requirements, minor updates to the Debt Policy were approved by the City Council in April 2017, to explicitly comply with SB 1029 requirements. This statute also added additional reporting requirement to the California Debt and Investment Advisory Commission (CDIAC) such as the submission of annual report for any issue of debt.

## LEGAL DEBT LIMIT

Based upon the assessed valuation of \$34.4 billion for the fiscal year ending June 30, 2018, the City is limited to general obligation indebtedness of \$1.2 billion per State law. As of June 30, 2018, the amount of debt applicable to the debt limit is \$62.4 million, which is well below the

City's legal debt limit. The debt limit is applicable to voter-approved general obligation (GO) bonds that have been approved in prior years to fund capital improvement projects to renovate and build out the City's libraries including the Mitchell Park Library and Community Center.

### 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 January 2005.

As of June 30, 2018, these bonds were refinanced with the issuance of the AA+ rated 2018 (Golf Course Renovation) Green COP bonds. The present value savings of \$0.3 million from refinancing reduced the remaining debt service on the bonds to \$0.6 million principal and \$52,093 interest with final payment on this bond still occurring in Fiscal Year 2022.

#### **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.

As of June 30, 2019, for the above 2010 and 2013 bonds, \$44.6 million and \$15.9 million principal and \$26.4 million and \$8.5 million interest will be the remaining debt service on the bonds with final payment occurring in Fiscal Year 2041 and Fiscal Year 2042, 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 twelve Fire Department emergency vehicles. Lease proceeds were \$3.2 million.

This bond will be fully paid off and the lien on the emergency vehicles will be removed as of June 30, 2019.

#### **2018 Capital Improvement ("Golf Course") Project and 2002B ("Civic Center Refinancing and Downtown Parking Improvements Project") Refinancing Certificates of Participation (COPs)**

On June 5, 2018, the City issued taxable (Green Bonds) COPs of \$8.4 million for the renovation of Palo Alto's Municipal Golf Course and \$0.6 million to refinance the 2002B COPs (see above for further information). Debt service payments are due semi-annually on May 1 and November 1. The 2018 Capital Improvement Project and 2002B refinancing COPs maturity dates and true interest costs are November 2047 and 4.14 percent and November 2022 and 3.11 percent, respectively.

## DEBT SERVICE FUNDS OVERVIEW

### **2019 California Avenue Parking Garage Certificates of Participation (COPs)**

On March 21, 2019, the City issued \$26.8 million tax-exempt and \$10.6 million taxable COPs for the construction of a six story (four above ground levels and two below ground levels) parking garage in the California Avenue Business District. The new garage will replace existing parking stalls at two locations and provide 310 additional parking spaces, totaling 636 parking spaces in the new garage.

Debt service payments on the \$37.4 million COPs are due semi-annually on May 1 and November 1, with the first payment due on November 1, 2019. The COPs mature in FY 2049 and have a combined true interest cost (TIC) of 3.75 percent with the tax-exempt bonds' TIC being 3.52 percent and taxable bonds' TIC being 4.32 percent

### **1995 Utility Revenue Bonds, Series A**

On February 1, 1995 the City issued Utility Revenue Bonds to finance certain extensions and improvements to the City's Storm Drainage and Surface Water systems. 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 6.3 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 \$0.6 million principal and \$40,313 interest as the remaining debt service on the bonds as of June 30, 2019 with final payment occurring in Fiscal Year 2020.

### **1999 Utility Revenue and Refunding Bonds, Series A**

On June 1, 1999 the City issued Utility Revenue Bonds to refund the 1990 Utility Revenue Refunding Bonds, Series A and the 1992 Utility Revenue Bonds, Series A, and to finance rehabilitation of the Wastewater Treatment System's two sludge incinerators. The 1990 Utility Revenue Refunding Bonds, Series A and the 1992 Utility Revenue Bonds, Series A, were subsequently retired. The 1999 Bonds are special obligations of the City payable solely from and secured by a pledge of, and lien upon, certain net revenues derived by the City's Sewer System and its storm and surface water system, the "Stormwater Management System". As of June 30, 2001, the 1999 Bonds had been allocated to and were repayable from net revenues of the following Enterprise Funds: Wastewater Collection (10.2 percent), Wastewater Treatment (64.6 percent) and Stormwater Management (25.2 percent). Principal payments are payable annually on June 1, and interest payments semi-annually on June 1 and December 1. 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 \$7.5 million principal and \$1.3 million interest as the remaining debt service on the bonds as of June 30, 2019, with final payment occurring in Fiscal Year 2024.

### **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 \$0.3 million as the remaining debt service on the bonds as of June 30, 2019 with final payment occurring in Fiscal Year 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 1.8 percent to 6.0 percent. The final debt service payment will be made in 2035. When these bonds were issued they were 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 declined to 32.5 percent in 2013 and were 33.3 percent in calendar year 2018. 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 subsidy payments amounting to \$0.49 million, which represents 33.3 percent of the two interest payments due on June 1 and December 1 annually.

The pledge of future Net Revenues of the above funds ends upon repayment of the \$26.6 million principal and \$14.4 million interest as the remaining debt service on the bonds as of June 30, 2019 with final payment occurring in Fiscal Year 2035.

### **2011 Utility Revenue Bonds, Series A**

On September 22, 2011 the City issued Utility Revenue Bonds to refinance the 2002 Utility Revenue Bonds, which were 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 \$9.1 million principal and \$1.2 million interest as the remaining debt service on the bonds as of June 30, 2019 with final payment occurring in Fiscal Year 2026.

### **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 dif-

## DEBT SERVICE FUNDS OVERVIEW

ference 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 commenced on June 30, 2010. Concurrently with the loan, the City entered into various other agreements including a cost sharing arrangement with the City of Mountain View. Pursuant to that agreement, the City of Mountain View agreed to finance a portion of the project with a \$5.0 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 \$3.8 million principal and \$0.75 million in-substance interest as the remaining debt service on the bonds as of June 30, 2019 with final payment occurring in Fiscal Year 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 \$5.7 million principal and \$1.0 million interest as the remaining debt service on the bonds as of June 30, 2019 with final payment occurring in Fiscal Year 2031.

### **2017 State Water Resources Loan**

In June 2017, the State Water Resources Control Board (SWRCB) and the City executed an agreement for an award up to \$30.0 million at a rate of 1.8 percent, payable over 30 years, with the first annual installment due May 31, 2020 to finance the replacement of sewage sludge "bio-solids" incinerators at the City's Regional Water Quality Control Plant (RWQCP). In September 2017, due to the projected lower project costs, the agreement was amended to reduce the SWRCB loan amount to \$29.7 million. Under the terms of the contract, a portion of the loan amount, \$4.0 million, is a federally funded grant (by the U.S. Environmental Protection Agency) and has been adjusted to reflect the correct long-term obligation balance of \$25.7 million.

The new facility will dewater the bio-solids and allow the material to be loaded onto trucks and taken to a separate facility for further treatment. The RWQCP provides treatment and disposal for wastewater for Palo Alto, Mountain View, Los Altos, Los Altos Hills, East Palo Alto Sanitary District, and Stanford University. Though Palo Alto is the recipient of the loan, the City's agreement with the partner agencies obliges them to pay their proportionate share of the principal and interest of this loan. Palo Alto's share of the loan payment is 38.2 percent with the partner agencies paying 61.8 percent. As of June 30, 2019, the City is anticipated to incur and draw down \$18.1 million of the project costs from the loan award.

### **Credit Rating Agencies**

Credit rating is 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 2013 and reaffirmed these ratings a few times, the last one being in July 2018 by Moody's and February 2019 by S&P. These ratings demonstrate that Palo Alto's prudent financial management and fiscal strength are viewed favorably by credit agencies. The four Utility bonds (1995, 1999, 2009, & 2011) that are rated also received S&P's highest credit rating of Triple A. Moody's has rated these Utility bonds with their second highest (Aa1) or third highest (Aa2) ratings.

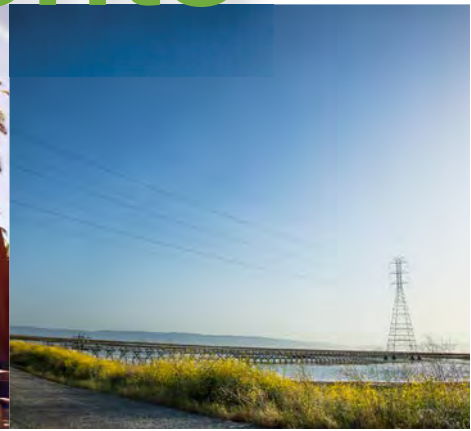
## DEBT SERVICE FUNDS OVERVIEW

### Debt Service Fund

Fund Summary (\$000)	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2020 Proposed	FY 2020 Change \$	FY 2020 Change %
<b>Revenues</b>						
Property Tax	4,572	4,331	4,427	4,443	16	0.0%
Bond Proceeds	0	595	0	0	0	0
Return on Investments	33	40	0	0	0	0
<b>Subtotal Revenues</b>	<b>4,605</b>	<b>4,966</b>	<b>4,427</b>	<b>4,443</b>	<b>16</b>	<b>0.0%</b>
<b>Operating Transfers In</b>						
Parking 2002B COPS Taxable - General Fund	234	233	161	530	369	329%
Library GO Bonds - Capital	0	0	0	0	0	0
2018 Golf Course 2002B Refinancing - General Fund	0	0	0	0	0	0
<b>Subtotal General Fund Operating Transfers</b>	<b>234</b>	<b>233</b>	<b>161</b>	<b>530</b>	<b>369</b>	<b>329%</b>
<b>Total Source of Funds</b>	<b>4,839</b>	<b>5,199</b>	<b>4,588</b>	<b>4,973</b>	<b>385</b>	<b>2.7%</b>
<b>Expenses</b>						
Parking 2002B COPS Taxable Principal	160	975	150	0	(150)	(100%)
Parking 2002B COPS Taxable Debt Service	0	14	0	0	0	0
Parking 2002B COPS Taxable Interest	74	77	11	0	(11)	(100%)
Library GO Bonds Debt Service	(11)		0	0	0	0
Library GO Bonds Principal	1,500	1,570	1,640	1,725	85	5.2%
Library GO Bonds Interest	2,932	2,863	2,787	2,718	(69)	(2.4%)
2018 Golf Course 2002B Refinancing Principal	0	0	0	356	356	100%
2018 Golf Course 2002B Refinancing Interest	0	0	0	174	174	100%
<b>Total Use of Funds</b>	<b>4,655</b>	<b>5,499</b>	<b>4,588</b>	<b>4,973</b>	<b>385</b>	<b>8.4%</b>
<b>Net to (from) Reserves</b>	<b>184</b>	<b>(300)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# City Departments







CITY OF  
**PALO  
ALTO**

# CITY ATTORNEY

## Mission Statement

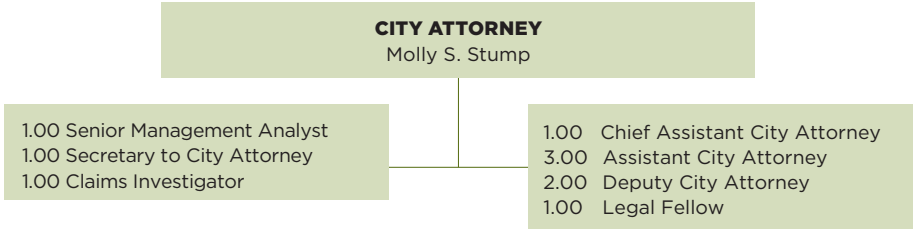


The Office of the City Attorney's mission is to serve Palo Alto and its policymakers by providing legal representation of the highest quality.

## 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; negotiate on behalf of the City; provide training and advice on how to manage risk and comply with the law; enforce the municipal code; and defend the City when it is sued.





**FY 2020 POSITION TOTALS**  
11.00 - 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 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

- Completed several ordinances to implement the Comprehensive Plan, including the first Housing Work Plan ordinance to promote housing development, an ordinance to strengthen environmental compliance and implement California Environmental Quality Act (CEQA) mitigation measures adopted with the Comprehensive Plan Environmental Impact Report (EIR), and update the City's transportation impact fee programs.
- Completed a substantial number of environmental protection ordinances, including: overhaul of the City's watershed protection ordinances governing stormwater management, pretreatment of discharges into the sanitary sewer system, and disposal of fats, oils, and grease; a foodware ordinance regulating single-use plastic foodware; and an ordinance requiring source separation of deconstructed construction materials to promote the City's Zero Waste goals.
- Supported development of updated utility (water, gas, wastewater, and electric) financial management policies and rate changes, for Council approval in June 2019.
- Negotiated and finalized key agreements supporting the Highway 101 Pedestrian/Bicycle Overpass project (e.g. easement, right-of-way, and maintenance agreements) with project partners (Google, Santa Clara Valley Water District, and Caltrans).
- Provided two 2-hour trainings in construction contract and project management. Updated Public Work's construction contract administrative manual to reflect legal and regulatory changes.
- Advised on procurement and contracting matters for the Palo Alto Airport apron projects and revised the construction contract for use when a project is federally funded.
- Provided legal support for extensive contract negotiations with Stanford University regarding fire protection services.
- Provided legal support in negotiating successor memoranda of agreement with several labor groups.
- Provided legal support for key policy initiatives, including exploration of rail grade separation options and potential measures to protect and enhance City revenues.

- Negotiated the final agreement with Pets In Need for the operation of the Palo Alto Animal Shelter.

## Initiatives

- Support the Highway 101 Pedestrian/Bicycle Overpass project implementation, such as construction procurement, contracting, and the application of Caltrans requirements.
- Support the planned upgrade of the City's human resources and finance enterprise computer systems through advice and assistance with procurement and contracting processes.
- Support further implementation of the Housing Work Plan through a second ordinance addressing the 2019 initiatives under the Plan.
- Support completion of natural gas cost and wastewater cost of service studies, new rate designs, and programs to support green gas initiatives.

## 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 reporting claim filings and resolutions to the public.
- 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

<b>Goal</b>	Evaluate all claims and litigation promptly, resolving disputes where appropriate and vigorously defending the City's interests.				
<b>Objective</b>	Thoroughly investigate to promptly and appropriately resolve claims.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of claims resolved within 45 days of filing	97.00%	98.00%	98.00%	98.00%	98.00%
<b>Description</b>	This measure tracks the number of claims that are resolved within 45 days of filing.				
<b>Purpose</b>	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.				
<b>Status</b>	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

<b>Goal</b>	Identify and reduce exposure to legal risks.				
<b>Objective</b>	Provide relevant training to City officials and staff to reduce legal risk exposure.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of surveyed who agree/strongly agree that the training provided is useful and relevant	N/A	N/A	N/A	99.00%	90.00%
<b>Description</b>	This measure tracks the usefulness and relevance of the training provided by the Office of the City Attorney to City staff.				
<b>Purpose</b>	Training assists in reducing errors thereby reducing the exposure of liability to the City.				
<b>Status</b>	There was not sufficient data in Fiscal Years 2017 and 2018 for this measure. However, in Fiscal Year 2019, the data reflects that 100% of the attendees agree that the training provided was useful and relevant.				

## Workload Measures

	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Number of claims handled	93	84	88	88	84

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration	537,560	553,106	604,877	642,757	37,880	6.3%
Consultation and Advisory	1,435,074	1,619,693	1,884,109	1,904,890	20,781	1.1%
Litigation and Dispute Resolution	1,107,646	1,044,767	685,143	717,728	32,585	4.8%
Official and Administration Duties	77,725	89,885	114,086	119,725	5,639	4.9%
<b>Total</b>	<b>3,158,005</b>	<b>3,307,450</b>	<b>3,288,215</b>	<b>3,385,100</b>	<b>96,885</b>	<b>2.9%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	127,806	128,784	176,846	155,397	(21,448)	(12.1)%
Other Benefits	62,267	81,506	69,176	71,484	2,309	3.3%
Pension	352,259	424,196	476,345	621,851	145,506	30.5%
Retiree Medical	144,937	152,481	115,560	119,026	3,467	3.0%
Salary	1,270,158	1,452,038	1,690,879	1,764,909	74,029	4.4%
Workers' Compensation	—	—	42,882	60,951	18,069	42.1%
<b>Total Salary &amp; Benefits</b>	<b>1,957,426</b>	<b>2,239,004</b>	<b>2,571,687</b>	<b>2,793,619</b>	<b>221,932</b>	<b>8.6%</b>
Allocated Charges	109,805	123,759	137,246	136,977	(270)	(0.2)%
Contract Services	1,066,351	910,987	472,301	372,301	(100,000)	(21.2)%
Facilities & Equipment	—	—	1,000	1,000	—	—%
General Expense	12,878	13,709	52,642	52,642	—	—%
Operating Transfers-Out	—	—	24,857	—	(24,857)	(100.0)%
Rents & Leases	1,907	1,265	2,050	2,130	80	3.9%
Supplies & Material	9,638	18,725	26,432	26,432	—	—%
<b>Total Dollars by Expense Category</b>	<b>3,158,005</b>	<b>3,307,450</b>	<b>3,288,215</b>	<b>3,385,100</b>	<b>96,885</b>	<b>2.9%</b>
<b>Revenues</b>						
Charges for Services	—	—	28,052	28,052	—	—%
Charges to Other Funds	1,108,575	1,063,627	392,700	704,051	311,352	79.3%
Other Revenue	8,000	16,000	10,789	10,789	—	—%
<b>Total Revenues</b>	<b>1,116,575</b>	<b>1,079,627</b>	<b>431,541</b>	<b>742,892</b>	<b>311,352</b>	<b>72.1%</b>

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Positions by Division</b>						
Administration	1.47	1.47	1.47	1.47	—	—%
Consultation and Advisory	7.31	7.31	6.46	6.46	—	—%
Litigation and Dispute Resolution	1.86	1.86	1.71	1.71	—	—%
Official and Administration Duties	0.36	0.36	0.36	0.36	—	—%
<b>Total</b>	<b>11.00</b>	<b>11.00</b>	<b>10.00</b>	<b>10.00</b>	<b>—</b>	<b>—%</b>

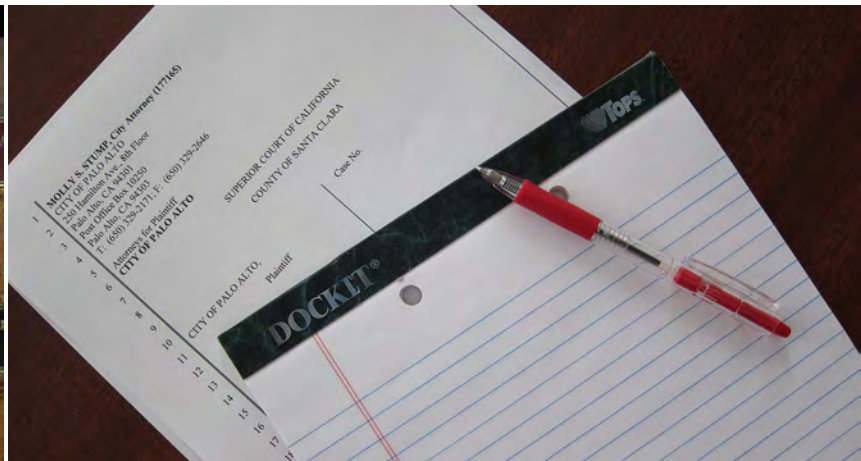
## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Assistant City Attorney	1.00	3.00	3.00	3.00	—	518,606
Chief Assistant City Attorney	—	1.00	1.00	1.00	—	243,318
City Attorney	1.00	1.00	1.00	1.00	—	298,480
Claims Investigator	1.00	1.00	1.00	1.00	—	101,504
Deputy City Attorney	—	1.00	1.00	1.00	—	157,914
Legal Fellow	1.00	1.00	1.00	1.00	—	105,040
Principal Attorney	1.00	—	—	—	—	—
Secretary to City Attorney	1.00	1.00	1.00	1.00	—	82,763
Senior Assistant City Attorney	2.00	—	—	—	—	—
Senior Deputy City Attorney	1.00	—	—	—	—	—
Senior Legal Secretary	1.00	1.00	—	—	—	—
Senior Management Analyst	1.00	1.00	1.00	1.00	—	134,243
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>11.00</b>	<b>11.00</b>	<b>10.00</b>	<b>10.00</b>	<b>—</b>	<b>1,641,869</b>
<b>Total Positions</b>	<b>11.00</b>	<b>11.00</b>	<b>10.00</b>	<b>10.00</b>	<b>—</b>	<b>1,641,869</b>



## Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>10.00</b>	<b>3,288,215</b>	<b>431,541</b>	<b>2,856,674</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Outside Counsel Resources	—	(100,000)	—	(100,000)
Supplemental Pension Trust Fund Contribution	—	(24,857)	—	(24,857)
General Liability Savings (One-Time FY 2019 Savings)	—	5,747	—	5,747
Workers' Compensation Savings (One-Time FY 2019 Savings)	—	17,089	—	17,089
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(102,021)</b>	<b>—</b>	<b>(102,021)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	127,217	—	127,217
Proactive Contributions to City's Unfunded Pension Liability	—	76,646	—	76,646
General Fund Cost Allocation Plan	—	—	311,352	(311,352)
Rents & Leases	—	80	—	80
Information Technology Allocated Charges	—	(5,847)	—	(5,847)
Liability Insurance Allocated Charges	—	(1,314)	—	(1,314)
Printing & Mailing Services Allocated Charges	—	1,144	—	1,144
Workers' Compensation Allocated Charges	—	980	—	980
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>198,906</b>	<b>311,352</b>	<b>(112,446)</b>
<b>FY 2020 Proposed Budget</b>	<b>10.00</b>	<b>3,385,100</b>	<b>742,893</b>	<b>2,642,207</b>



# CITY AUDITOR

## Mission Statement



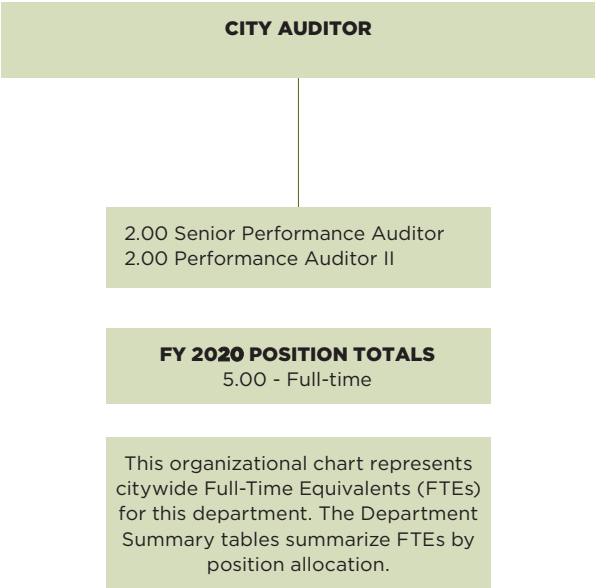
The mission of the Office of the City Auditor is to promote honest, efficient, effective, economical, and fully accountable and transparent City government.

## 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 (OCA) 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.

Each fiscal year, the OCA presents an annual audit work plan for City Council approval. The OCA will continue to report quarterly to the City Council on the status of audit projects and the recommendations made as a result of those audits.

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

## Accomplishments

- Published the Code Enforcement Audit, which presented seven recommendations to identify and address barriers to timely and effective enforcement collect and report useful data, and inform the public on code requirements and enforcement processes.
- Published the audit of Nonprofit Service Agreements, which presented five recommendations to improve oversight of the nonprofit service agreements by making monitoring processes and tools available to City departments.
- Published the Enterprise Resource Planning (ERP) Planning: Information Technology and Data Governance Audit, which presented two findings and four recommendations to ensure that implementation and ongoing operations of the City's new ERP system are successful, in alignment with City goals and objectives, and that existing data are accurate, consistent, and complete before being migrated into the new system.
- Issued a confidential and limited distribution memorandum to the City Manager's Office and the Information Technology Department that identified significant amounts of unsecured personally identifiable information and other sensitive information on the City's shared-access network drives. The memorandum provided four recommendations to the City Manager to secure the data and improve information security overall.
- Published the Business Registry Audit, which presented one finding and three recommendations to improve and maintain data quality of the City's Business Registry.

- Published a memorandum to provide information on the reliability of the City's 2018 Business Registry data that Avenu Insights (formerly MuniServices) collected, trends in the City's business registrations, and comparisons of Palo Alto's business registry with other jurisdictions' registries or licensing models to identify opportunities to improve data reliability and usability.
- Developed a risk-based, data-driven model to identify and prioritize high-risk City contracts to audit starting in Fiscal Year 2020.
- Published the ERP Planning: Data Standardization Audit, which presented four recommendations to provide examples for types of standardization prior to transferring data to the new ERP system.
- Published the ERP Separation of Duties Audit, which presented two recommendations to ensure that any identified separation of duties and access control deficiencies in key work areas are corrected before implementing the new ERP system.
- Compiled the results of the City's FY 2018 Annual Performance Report and the Citizen Centric Report.
- Compiled the results of the 2018 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

- Transferable Development Rights: Determine if the City maintains an accurate and complete record of the transferable development rights (both City-owned and non-City-owned) that have been certified, transferred, and used to date.
- Procurement/Request for Proposals (RFP) Bidding Process: Assess the effectiveness of the procurement process, with a focus on consistency in application of processes, compliance with City regulations and policies, and cost estimating practices.
- Parking Assessment Districts: Examine the City's parking assessment districts to assess the equity of costs and benefits to the City and property owners in the districts.
- Contract Risk and Oversight: Audit selected high-risk contracts to determine if the City has received the goods and/or services it paid for and/or revenues to which it is entitled, that the contracts are needed and do not result in unnecessary overlaps in services, and that potential contract extensions are appropriately disclosed in the original contract documents.
- ERP Planning: Data Integrity, Reliability, and Security: Evaluate the integrity, reliability, and security of data in the current SAP system and make recommendations to ensure that any identified deficiencies are correct prior to transferring data into the new ERP system.
- Mobile Device Inventory and Security: Determine if the City accurately inventories and securely manages City-owned mobile devices, including laptops, tablets, and cell phones.

- Supervisory Control and Data Acquisition (SCADA) System and Security Audit: Evaluate the effectiveness of processes related to installing, maintaining, and securing SCADA operations.

## 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:

- 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

<b>Goal</b>	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.				
<b>Objective</b>	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 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of major work products per audit staff	1.67	1.33	1.75	1.75	1.75
<b>Description</b>	This workload measure indicates the number of major work products generated by each audit staff.				
<b>Purpose</b>	In order to provide timely impactful audit services, the Office of the City Auditor has a target to complete 1.20 major work products per audit staff on an annual basis. It is important to remember that performance audits can vary significantly from one to the next in the amount of time taken to complete them in accordance with Generally Accepted Government Auditing Standards. Factors such as the scope of the audit, the condition of the data to be audited, the availability of appropriate staff, and the possibility of having to expand the scope depending on what is found during the audit all will contribute to the possibility that an audit may take more time than originally estimated. That said, the City Auditor's Office will always strive to perform audits as efficiently and expeditiously as possible, while still meeting required professional standards.				
<b>Status</b>	The number of major work products generated by each audit staff stayed the same (1.75) from the FY 2019 estimate. FY 2019 included five audits and two non-audit activities completed by 4.0 staff members, while in FY 2020 we expect to complete seven major projects carried over from the current year's audit work plan. Additional work products may be added to next year's work plan, which could potentially increase the number of major work products per audit staff above the 1.75 level.				

## PERCENT OF AUDIT RECOMMENDATIONS IMPLEMENTED OVER THE LAST FIVE YEARS.

<b>Goal</b>	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, and/or operations to assist the City Council and management in making informed decisions.				
<b>Objective</b>	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 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of open audit recommendations implemented over the last five years	50.00%	52.00%	60.00%	57.00%	60.00%
<b>Description</b>	This measures the degree to which departments have implemented 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.				
<b>Purpose</b>	Each audit recommendation is provided to specifically enhance and improve the effectiveness and efficiency of the respective entity being audited.				
<b>Status</b>	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 Office of the City Auditor must sign off on all audit recommendations before they are considered complete. Due to the number of audit recommendations, as well as general capacity of departments, implementation time frames continue to lag.				

## RATIO OF SALES TAX REVENUE RECOVERIES TO COST

<b>Goal</b>	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.				
<b>Objective</b>	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 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Ratio of sales tax revenue recoveries to cost.	5:1	5:1	3:1	6:1	3:1
<b>Description</b>	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).				
<b>Purpose</b>	To determine the effectiveness of cost recovery efforts for sales and use tax revenues.				
<b>Status</b>	The Office of the City Auditor updates the amount of revenue generated on a quarterly basis.				



## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of major work products issued.	8	6	8	7	7

# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Audit Services	1,207,797	1,233,315	1,267,289	1,234,735	(32,554)	(2.6)%
<b>Total</b>	<b>1,207,797</b>	<b>1,233,315</b>	<b>1,267,289</b>	<b>1,234,735</b>	<b>(32,554)</b>	<b>(2.6)%</b>

<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	42,244	31,468	38,612	51,724	13,112	34.0%
Other Benefits	31,362	33,253	27,609	24,144	(3,465)	(12.6)%
Pension	172,942	173,254	180,734	202,989	22,255	12.3%
Retiree Medical	34,598	36,399	44,844	46,189	1,345	3.0%
Salary	637,696	613,045	643,242	577,387	(65,855)	(10.2)%
Workers' Compensation	—	—	17,129	24,256	7,128	41.6%
<b>Total Salary &amp; Benefits</b>	<b>918,841</b>	<b>887,418</b>	<b>952,171</b>	<b>926,690</b>	<b>(25,481)</b>	<b>(2.7)%</b>
Allocated Charges	45,079	60,540	59,355	62,786	3,432	5.8%
Contract Services	221,220	248,993	228,000	228,000	—	—%
General Expense	19,895	33,817	15,279	14,279	(1,000)	(6.5)%
Operating Transfers-Out	—	—	9,505	—	(9,505)	(100.0)%
Supplies & Material	2,762	2,547	2,980	2,980	—	—%
<b>Total Dollars by Expense Category</b>	<b>1,207,797</b>	<b>1,233,315</b>	<b>1,267,289</b>	<b>1,234,735</b>	<b>(32,554)</b>	<b>(2.6)%</b>

<b>Revenues</b>						
Charges to Other Funds	385,751	363,802	897,314	1,012,636	115,322	12.9%
Sales Taxes	380,290	470,263	150,000	150,000	—	—%
<b>Total Revenues</b>	<b>766,041</b>	<b>834,065</b>	<b>1,047,314</b>	<b>1,162,636</b>	<b>115,322</b>	<b>11.0%</b>

<b>Positions by Division</b>						
Audit Services	5.00	5.00	5.00	4.00	(1.00)	(20.00)%
<b>Total</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>4.00</b>	<b>(1.00)</b>	<b>(20.00)%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
City Auditor	1.00	1.00	1.00	1.00	—	195,042
Performance Auditor I	1.00	1.00	1.00	—	(1.00)	—
Performance Auditor II	1.00	1.00	2.00	2.00	—	206,378
Senior Performance Auditor	2.00	2.00	1.00	1.00	—	135,762
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>4.00</b>	<b>(1.00)</b>	<b>537,181</b>
<b>Total Positions</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>4.00</b>	<b>(1.00)</b>	<b>537,181</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>5.00</b>	<b>1,267,289</b>	<b>1,047,314</b>	<b>219,975</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(9,505)	—	(9,505)
General Liability Savings (One-Time FY 2019 Savings)	—	2,311	—	2,311
Workers' Compensation Savings (One-Time FY 2019 Savings)	—	6,826	—	6,826
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(368)</b>	<b>—</b>	<b>(368)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	(1.00)	(57,628)	—	(57,628)
Proactive Contributions to City's Unfunded Pension Liability	—	25,019	—	25,019
General Expense	—	(1,000)	—	(1,000)
General Fund Cost Allocation Plan	—	—	115,322	(115,322)
Information Technology Allocated Charges	—	(1,846)	—	(1,846)
Liability Insurance Allocated Charges	—	(569)	—	(569)
Printing & Mailing Services Allocated Charges	—	3,536	—	3,536
Workers' Compensation Allocated Charges	—	302	—	302
<b>Adjustments to Costs of Ongoing Activities</b>	<b>(1.00)</b>	<b>(32,186)</b>	<b>115,322</b>	<b>(147,508)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>4.00</b>	<b>1,234,735</b>	<b>1,162,636</b>	<b>72,099</b>





CITY OF  
**PALO  
ALTO**

# CITY CLERK

## Mission Statement



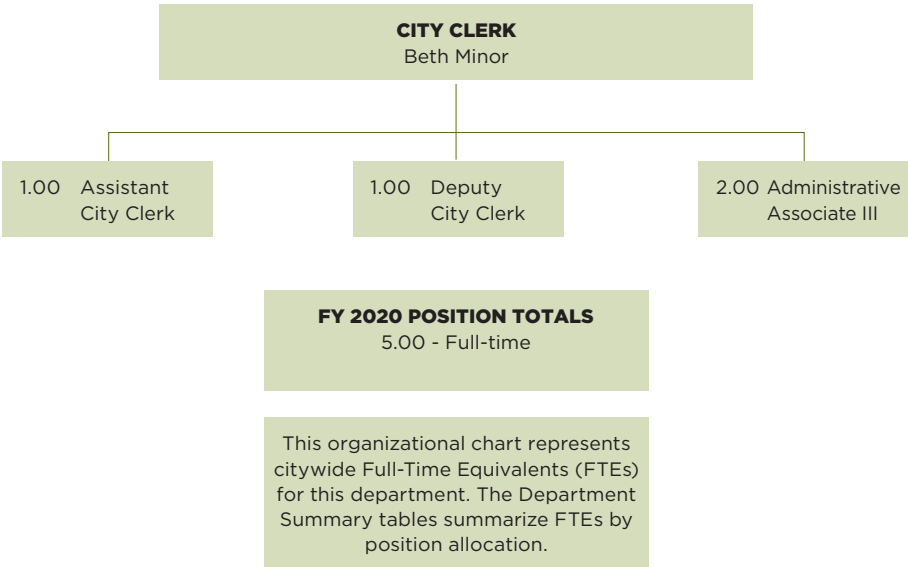
The City Clerk's Office promotes transparency and public engagement through coordinating the legislative process, records management, elections, and public records requests; supporting the Mayor and City Council; and acting as a liaison between the City Council and the public.



## Purpose

The purpose of the City Clerk's Office is to provide prompt, high quality public service by connecting the public with the legislative process; ensuring the City's legislative processes are open and transparent

through friendly customer service, knowledgeable staff, and easily accessible technology; administering elections; facilitating the preservation of Palo Alto's legislative history, including approved action minutes; coordinating public records requests, claims against the city, applications for boards and commissions, and updates and maintenance of City Ordinances and the Municipal Code; providing access to legislative meeting information; and coordinating Statements of Economic Interest as well as campaign and other financial disclosure related filings.



## Description

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

## Accomplishments

- Ran a successful Council election and two ballot measure elections in November 2018.
- Facilitated voter-approved transition from nine Council Members to seven Council Members.
- Transitioned from verbatim transcript minutes to synopsis Sense minutes for City Council and Standing Committee meeting records.
- Updated the Conflict of Interest Code with the assistance of every department.
- Held the 6th annual Board and Commission recognition event at the Lucie Stern Community Center.
- Successfully managed the Mayor's State of the City address at the Mitchell Park Community Center.
- Received applications for Board and Commission vacancies resulting in 41 interviews, totaling 9 hours of interviews in calendar year 2018.
- Prepared and published 56 City Council meeting agenda packets, and 20 Finance and Policy and Services Committee agenda packets in calendar year 2018.
- Supported 322 plus hours of Council and Council Standing Committee meetings in calendar year 2018.
- Scheduled and supported 275 administrative and citation hearings in calendar year 2018.
- Added additional public meeting supplementary information to the Council webpages (City Manager Comments).

## Initiatives

- Work with students from BEAM (Bridging Education, Ambition and Meaningful Work) to improve Board and Commission recruitment marketing and outreach.
- Assist with upgrades to the Council Chambers audio/video system.
- Work with departments to create a staff report writing guide.



- Continue streamlining the citywide records destruction process.
- Audit vital records stored off-site.
- Update the citywide email retention policy.
- Update the citywide records management and training program.
- Explore an online records portal.
- Continue to explore various online Board and Commission application solutions.

## 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 available 11 days prior to each Council meeting.
- Transcribe and post Council draft action minutes within one week of meeting date.
- Effectively manage the records destruction process and maintain 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 to legislative items, such as agendas, reports, recordings, Ordinances, Resolutions, and Minutes on the City Council and City Clerk webpages.
- Encourage online filing of campaign statements in compliance with the Fair Political Practices Commission (FPPC) and Municipal Code requirements.
- Encourage staff, City Council, and Board & Commission Members to electronically file Statement of Economic Interest forms.

### GOAL 3

Effectively administer appointments to Boards and Commissions.

#### Objectives:

- Improve the Boards and Commissions recruitment process, including expanding application accessibility, exploring new methods of advertising, and continuing successful interview processes.
- Create and maintain community partnerships to enhance the public's 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

<b>Goal</b>	Provide timely reporting of City Council action in support of City operations and transparency to the public.				
<b>Objective</b>	Transcribe and submit Council action minutes for approval within one week of each Council meeting.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percentage of action minutes posted within one week after the Council meeting	95.00%	96.42%	98.00%	98.00%	98.00%
<b>Description</b>	After each Council meeting, the City Clerk's Office transcribes the draft actions that the Council took, and within one week submits these actions to Council for approval.				
<b>Purpose</b>	This supports transparency and informed decision making, by providing the public with Council actions in a timely manner.				
<b>Status</b>	The City Clerk's Office has maintained a high performance level with 95% to 97% of action minutes posted online within one week after each Council meeting and anticipates maintaining the 98% level of performance estimated for FY 2019 into FY 2020.				

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

<b>Goal</b>	Lead the agenda management process and records management program promoting transparency, accountability, and effective service delivery.				
<b>Objective</b>	Ensure that the preparation and distribution of the Council's agenda packets are timely, accurate, and responsive.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percentage of Council agenda packet materials posted Thursdays, 11 days prior to the Council meeting	99.00%	98.21%	98.00%	98.00%	98.00%
<b>Description</b>	The City Clerk's Office strives to distribute agenda packets to the City Council and public on Thursday, 11 days before the Council's Monday meeting in order to maximize the amount of time to review the packet.				
<b>Purpose</b>	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.				
<b>Status</b>	Through implementing an 11-day goal for posting City Council agenda packets, the City Clerk's Office coordinates with other City departments to accomplish this at a level of 98% of packets posted 11 days prior to the Council meeting and anticipates maintaining a level of 98% for FY 2020.				

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

<b>Goal</b>	Respond to the legislative needs of the City Council, staff, and the community in a timely and effective manner.				
<b>Objective</b>	Provide excellent customer service to the public.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percentage of public records requests responded to within the ten days required by law	96.00%	98.46%	99.50%	98.00%	99.00%
<b>Description</b>	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 records.				
<b>Purpose</b>	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.				
<b>Status</b>	The City is close to meeting the goal adopted for FY 2019 and anticipates meeting this target in FY 2020.				

## Workload Measures

	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Number of City Council Meeting Action Minutes posted annually	53	54	47	51	50
Number of weekly agenda packets produced annually	37	37	42	39	40
Number of public records requests received annually	340	455	400	445	450
Number of applications processed for open Board and Commission seats	66	65	55	60	60

# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration	142,416	145,167	592,955	561,052	(31,902)	(5.4)%
Administrative Citations	30,009	79,118	120,049	85,634	(34,416)	(28.7)%
Council Support Services	585,353	660,249	410,415	514,672	104,257	25.4%
Election/Conflict of Interest	124,787	110,879	109,760	120,772	11,012	10.0%
Legislative Records Management	86,787	90,769	57,245	62,687	5,442	9.5%
Public Information	79,175	84,626	—	—	—	—%
<b>Total</b>	<b>1,048,526</b>	<b>1,170,808</b>	<b>1,290,424</b>	<b>1,344,817</b>	<b>54,393</b>	<b>4.2%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	34,447	37,875	39,983	37,961	(2,022)	(5.1)%
Other Benefits	19,078	18,649	21,687	22,401	715	3.3%
Overtime	1,201	2,586	6,870	7,048	179	2.6%
Pension	129,902	139,312	140,685	191,630	50,945	36.2%
Retiree Medical	80,417	84,602	40,532	41,748	1,216	3.0%
Salary	451,658	474,887	521,892	539,752	17,859	3.4%
Workers' Compensation	(369)	10,353	16,186	21,804	5,618	34.7%
<b>Total Salary &amp; Benefits</b>	<b>716,334</b>	<b>768,264</b>	<b>787,835</b>	<b>862,344</b>	<b>74,509</b>	<b>9.5%</b>
Allocated Charges	136,466	151,503	167,649	158,994	(8,655)	(5.2)%
Contract Services	142,835	195,124	255,320	254,346	(974)	(0.4)%
General Expense	42,636	46,440	51,591	62,640	11,049	21.4%
Operating Transfers-Out	—	—	8,510	—	(8,510)	(100.0)%
Supplies & Material	10,255	9,475	19,519	6,493	(13,026)	(66.7)%
<b>Total Dollars by Expense Category</b>	<b>1,048,526</b>	<b>1,170,808</b>	<b>1,290,424</b>	<b>1,344,817</b>	<b>54,393</b>	<b>4.2%</b>
<b>Revenues</b>						
Charges for Services	138	6	2,043	2,043	—	—%
Charges to Other Funds	324,795	352,022	658,196	671,548	13,353	2.0%
Other Revenue	649	354	3,143	3,143	—	—%
<b>Total Revenues</b>	<b>325,582</b>	<b>352,382</b>	<b>663,382</b>	<b>676,734</b>	<b>13,353</b>	<b>2.0%</b>

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Positions by Division</b>						
Administration	0.35	0.35	2.85	2.85	—	—%
Administrative Citations	1.23	1.23	0.48	—	(0.48)	(100.00)%
Council Support Services	2.85	2.85	1.30	1.30	—	—%
Election/Conflict of Interest	0.65	0.65	0.55	0.55	—	—%
Legislative Records Management	0.50	0.50	0.30	0.30	—	—%
Public Information	0.65	0.65	—	—	—	—%
<b>Total</b>	<b>6.23</b>	<b>6.23</b>	<b>5.48</b>	<b>5.00</b>	<b>(0.48)</b>	<b>(8.76)%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Associate III	2.00	2.00	2.00	2.00	—	152,180
Assistant City Clerk	1.00	1.00	1.00	1.00	—	112,112
City Clerk	1.00	1.00	1.00	1.00	—	152,693
Deputy City Clerk	1.00	1.00	1.00	1.00	—	94,390
Hearing Officer	0.75	0.75	—	—	—	—
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>5.75</b>	<b>5.75</b>	<b>5.00</b>	<b>5.00</b>	<b>—</b>	<b>511,375</b>
Temporary/Hourly	0.48	0.48	0.48	—	(0.48)	—
<b>Total Positions</b>	<b>6.23</b>	<b>6.23</b>	<b>5.48</b>	<b>5.00</b>	<b>(0.48)</b>	<b>511,375</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>5.48</b>	<b>1,290,424</b>	<b>663,382</b>	<b>627,042</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(8,510)	—	(8,510)
General Liability Savings (One-time FY 2019 Savings)	—	2,184	—	2,184
Workers' Compensation Savings (One-time FY 2019 Savings)	—	6,450	—	6,450
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>124</b>	<b>—</b>	<b>124</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	74,363	—	74,363
Proactive Contributions to City's Unfunded Pension Liability	—	23,619	—	23,619
Association Membership Fees	—	13,049	—	13,049
General Fund Cost Allocation Plan	—	—	13,353	(13,353)
Information Technology Allocated Charges	—	(4,005)	—	(4,005)
Liability Insurance Allocated Charges	—	(1,039)	—	(1,039)
Printing & Mailing Services Allocated Charges	—	(5,795)	—	(5,795)
Workers' Compensation Allocated Charges	—	(832)	—	(832)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>99,360</b>	<b>13,353</b>	<b>86,007</b>
<b>Total FY 2020 Base Budget</b>	<b>5.48</b>	<b>1,389,908</b>	<b>676,735</b>	<b>713,173</b>
<b>Budget Adjustments</b>				
1 Shift Administrative Support and Citation Review to Office of Transportation	(0.48)	(29,091)	—	(29,091)
2 Supplies and Materials Alignment	—	(16,000)	—	(16,000)
<b>Total Budget Adjustments</b>	<b>(0.48)</b>	<b>(45,091)</b>	<b>—</b>	<b>(45,091)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>5.00</b>	<b>1,344,817</b>	<b>676,735</b>	<b>668,082</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Shift Administrative Support and Citation Review to Office of Transportation	-0.48	(29,091)	0	(29,091)

This ongoing action shifts a vacant 0.48 FTE Administrative Specialist from the City Clerk's Office to the newly established Office of Transportation. This position's duties include initial review of various citations, including Residential Preferential Parking citations. This preliminary review function is not typically a function of a City Clerks' Office and would be better positioned in the Office of Transportation. Aligning the workload of citation review in the Office of Transportation will also ensure clear lines of communication about citations and the process for resolving them. It is anticipated that this position will also be able to offer additional administrative support beyond preliminary review of citations to the Office of Transportation. This action results in savings in the City Clerk's Office offset by a corresponding increase in the Office of Transportation. (Ongoing Savings: \$29,000)

### Performance Results

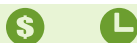


This action aligns the duties of this position with the correct department and will ensure clear communication and efficient citation review.

2 Supplies and Materials Alignment	0.00	(16,000)	0	(16,000)
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This ongoing action reduces \$16,000 in office supplies and materials funding in the Office of the City Clerk to align with actual expenses from past fiscal years and with anticipated needs for FY 2020. These reductions are anticipated to have minimal impacts on current day-to-day service levels; however, they are anticipated to reduce flexibility for unanticipated initiatives that may arise and require a reprioritization of resources. (Ongoing savings: \$16,000)

### Performance Results



Reduction in office supplies and materials is anticipated to have minimal impact to daily operations, while reducing overall costs for the Office to deliver services.



# 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 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
City Council Operations	452,223	475,912	489,510	498,261	8,751	1.8%
<b>Total</b>	<b>452,223</b>	<b>475,912</b>	<b>489,510</b>	<b>498,261</b>	<b>8,751</b>	<b>1.8%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	119,386	111,678	114,888	136,904	22,016	19.2%
Other Benefits	4,326	8,158	5,640	5,729	88	1.6%
Pension	16,991	21,743	33,459	32,634	(826)	(2.5)%
Retiree Medical	83,222	87,553	49,156	50,631	1,475	3.0%
Salary	88,111	108,014	96,000	84,000	(12,000)	(12.5)%
Workers' Compensation	—	—	3,076	5,331	2,255	73.3%
<b>Total Salary &amp; Benefits</b>	<b>312,034</b>	<b>337,148</b>	<b>302,220</b>	<b>315,228</b>	<b>13,008</b>	<b>4.3%</b>
Allocated Charges	15,949	15,871	17,220	17,149	(71)	(0.4)%
Contract Services	76,609	80,460	108,000	108,000	—	—%
General Expense	45,748	41,020	57,455	54,955	(2,500)	(4.4)%
Operating Transfers-Out	—	—	1,686	—	(1,686)	(100.0)%
Supplies & Material	1,883	1,414	2,930	2,930	—	—%
<b>Total Dollars by Expense Category</b>	<b>452,223</b>	<b>475,912</b>	<b>489,510</b>	<b>498,261</b>	<b>8,751</b>	<b>1.8%</b>
<b>Revenues</b>						
Charges to Other Funds	136,295	138,473	91,738	94,792	3,053	3.3%
<b>Total Revenues</b>	<b>136,295</b>	<b>138,473</b>	<b>91,738</b>	<b>94,792</b>	<b>3,053</b>	<b>3.3%</b>
<b>Positions by Division</b>						
City Council Operations	9.00	9.00	7.00	7.00	—	—%
<b>Total</b>	<b>9.00</b>	<b>9.00</b>	<b>7.00</b>	<b>7.00</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
City Council	9.00	9.00	7.00	7.00	—	84,000
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>9.00</b>	<b>9.00</b>	<b>7.00</b>	<b>7.00</b>	<b>—</b>	<b>84,000</b>
<b>Total Positions</b>	<b>9.00</b>	<b>9.00</b>	<b>7.00</b>	<b>7.00</b>	<b>—</b>	<b>84,000</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>7.00</b>	<b>489,510</b>	<b>91,738</b>	<b>397,772</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Savings	—	(1,686)	—	(1,686)
General Liability Savings (One-Time FY 2019 Savings)	—	415	—	415
Workers' Compensation Savings (One-Time FY 2019 Savings)	—	1,226	—	1,226
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(45)</b>	<b>—</b>	<b>(45)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	6,838	—	6,838
Proactive Contributions to City's Unfunded Pension Liability	—	3,915	—	3,915
General Expense Adjustment	—	(2,500)	—	(2,500)
General Fund Cost Allocation Plan	—	—	3,053	(3,053)
Liability Insurance Allocated Charges	—	335	—	335
Information Technology Allocated Charges	—	(821)	—	(821)
Workers' Compensation Allocated Charges	—	1,029	—	1,029
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>8,796</b>	<b>3,053</b>	<b>5,743</b>
<b>Total FY 2020 Proposed Budget</b>	<b>7.00</b>	<b>498,261</b>	<b>94,791</b>	<b>403,470</b>



# CITY MANAGER

## Mission Statement



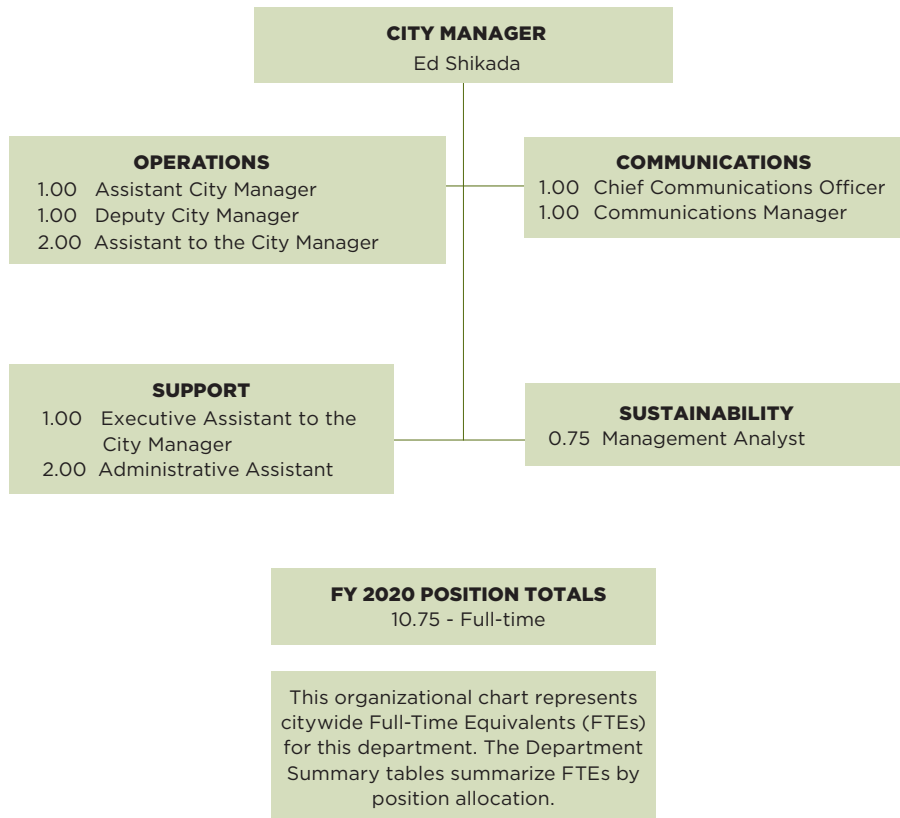
The City Manager's Office provides leadership and professional management to the City government organization and works with the City Council to develop and implement its policies to maintain and enhance Palo Alto's quality of life.

## Purpose

The City Manager's Office adheres to guiding values that emphasize community, stewardship, and public service.



# CITY MANAGER



## 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):

### **FACILITATE CITY COUNCIL LEGISLATIVE ACTIONS**

The City Council sets policy direction for the City of Palo Alto and confers that direction through legislative actions. To support the Council's work, the City Manager's Office (CMO) prepares City Manager Reports, including analysis and recommended Council action, and implements Council actions. The CMO acts on priorities identified by the City Council during the annual Council Retreat and Council-initiated policies or programs. The CMO also engages other governments through participation in regional, statewide, and national organization, and directs state and federal legislative advocacy efforts on behalf of the City.

### **MANAGE SPECIAL INTERDEPARTMENTAL PROJECTS**

Each year, the City tackles special projects that, due to their scale and scope, require immense interdepartmental coordination, community outreach, and engagement with neighboring communities and public agencies. The City Manager's Office takes responsibility for managing these special projects in order to ensure efficient and effective coordination, implementation, and to achieve the City's goals. Some projects may be planned and identified as Council priorities (Grade Separation) and others may arise as the City responds to unfolding events and community concerns.

### **DIRECT AND COORDINATE DEPARTMENT OPERATIONS**

The City Manager's Office provides strategic leadership and guidance to City's executive leadership team to ensure the provision of high-quality, cost-effective, and focused services throughout Palo Alto. The CMO ensures city operations demonstrate transparency and fiduciary responsibility to the public. In this capacity, the CMO also provides timely, accurate, and results-oriented financial and operational reports. Through the budget and development of citywide business plans, the CMO ensures resources are allocated to the Council's policies and priorities.

### **SUPPORT A PRODUCTIVE AND HEALTHY WORKFORCE**

The City Manager's Office maintains a highly qualified, engaged, and effective workforce to successfully attain the City's goals and objectives. Towards that end, the CMO cultivates a strong service culture and provides ongoing, informative communications to City employees regarding key objectives, challenges, and accomplishments. As vacancies occur within the organization, the CMO provides support to maintaining service delivery. In addition, the CMO mentors junior and senior staff, developing a pipeline of qualified managers within the organization.

### **LEAD IMPLEMENTATION OF SUSTAINABILITY PROGRAM**

The pursuit of environmental sustainability and fight against climate change reflect core values of the City of Palo Alto. The undertakings require leadership from the City Council, collaboration amongst city agencies as well as participation from the Palo Alto community. The Office of Sus-

tainability, situated in the City Manager's Office, provides leadership to City departments and coordinates collaborative efforts with partners in the community, region, nation, and around the world. Through the work of the Office, sustainability has become integrated into the work of each department.

### **COORDINATE COMMUNICATIONS & COMMUNITY ENGAGEMENT**

Palo Alto stands out as a well-informed and engaged community. The City Manager's Office builds on this strength by proactively communicating public information, creating and supporting community partnerships, and facilitating citizen involvement in order to develop mutual understanding and support between City government and constituents. The CMO achieves this by supporting new community engagement efforts, such as Cool Block, while also promoting best communication practices throughout the City. In addition, communications staff respond to requests from media and the public, broadcast information on a range of platforms, and assist departments in their communication activities.

### **FACILITATE BUSINESS ENGAGEMENT & ECONOMIC VITALITY**

The City Manager's Office maintains collaborative relationships with businesses and residents to facilitate desired economic activity. Local and regional associations serve as leaders and partners in this endeavor; accordingly, the City Manager assigns staff to these organizations. The CMO acts as an ombudsman for the City, connecting business with appropriate departments, answering questions, and addressing issues that arise. In addition, the CMO leads Palo Alto's participation in Sister Cities, creating meaningful connections with cities around the world and integrating technology into our everyday operations.

## Accomplishments

The City Manager's Office provides leadership and professional management to the City government organization. The accomplishments demonstrated throughout the budget document, within the department chapters, are a consequence of the overall guidance provided by the office. In addition to these many accomplishments, the office completed a series of key projects and activities through its general administration, public communication and economic development duties:

- Supported City Council priority setting and agenda planning while providing leadership and guidance to the organization.
- Advanced organizational excellence through work plans, support for professional development and work/life balance, and performance management through the Executive Leadership Team.
- Supported City departments following departures of several executive leaders by ensuring operations continued and while working to fill vacancies. The City Manager's Office provided this support to the Fire Department, the Department of Public Works, Planning & Community Environment, Development Services, the Administrative Services Department, and the Office of Transportation.
- Managed the City's state and federal legislative program to advance City Council and City department goals.

- The City Manager's Office facilitated the City Council and Finance Committee's efforts to achieve fiscal sustainability and complete critical infrastructure projects.
- The City Manager's Office supported the efforts of departments moving forward on infrastructure projects. Major project milestones include the ground breaking for the 101 Pedestrian and Bicycle Bridge; certification of the environmental impact report and awarding of the contract for the California Avenue Garage; approval of the design and environmental impact report for the Public Safety Building; the ground breaking and ongoing construction of Fire Station 3; awarding of contract and beginning construction of Charleston/Arastradero improvements; clean-up of the ITT site.
- Performed analysis and support as the City Council considered increasing the Transient Occupancy Tax. The Council placed the measure on the November 2018 ballot and it successfully passed.
- Supported the Upgrade Downtown infrastructure project conducted by the Utilities Department.
- Successfully completed negotiations with Stanford University regarding fire safety services, resulting in a new contract to provide fire services .
- Established newest Sister City relationship with Yangpu, Shanghai, China.
- Hosted several international delegations from cities around the world, including representatives from Sister Cities in Enschede (The Netherlands), Linköping (Sweden), Heidelberg (Germany), and Yangpu, Shanghai (China). Also visited Sister Cities.
- Supported emergency preparedness throughout winter storm season.
- Continued ongoing interdepartmental focus on Caltrain safety, including the installation of an integrated video system at the four rail crossings, which are designed to reduce access to the rail corridor.
- Assisted with efforts to resolve key land use issues including Castilleja School, the Conditional Use Permit at First Baptist Church, the Corner House, and the Palo Alto Museum.
- Coordinated with the Planning and Community Environment Department to support the adoption of the Housing Work Plan and accompanying ordinances intended to help Palo Alto meet its goal to build 300 new housing units per year.
- Supported the City Council and other departments in approving Wilton Court, which will be an affordable housing development serving seniors and developmentally disabled adults.
- Coordinated the implementation of the Council-adopted 3-year Sustainability Implementation Plan. Palo Alto City Council accepted a 2018-2020 Sustainability Implementation Plan (SIP), which outlines proposed measures in four areas that could reduce Greenhouse Gas Emissions to about 54 percent below 1990 levels by 2020. Staff formed inter-departmental SIP Working Groups.
- Participated in the Rocky Mountain Institute's first Efficiency Standards for Rentals cohort, resulting the creation of a draft policy blueprint that will be studied further as part of the 2020 Sustainability and Climate Action Plan Update.



## CITY MANAGER

- Facilitated creation and subsequent Council adoption of an Anti-Idling Ordinance, which requires drivers to shut off their engines after two or three minutes if they are not in active traffic. Enforcement of the ordinance is centered on community education about the health and environmental impacts caused by vehicle idling.
- Supported multiple community outreach efforts on a variety of issues aimed at increasing civic participation, feedback and engagement including Cool Block, town halls, the Cubberley master planning process, and the North Ventura Coordinated Area Plan.
- The City Manager's Office, along with the Police Department and Planning and Community Environment, attended a special meeting of the Crescent Park Neighborhood Association to discuss traffic impacts and concerns regarding traffic.
- Supported City Council Town Hall on Traffic and Transportation in October 2018.
- Produced and published multi-platform communications content related to City Council and organizational goals and programs; further expanded outreach by launching a monthly newsletter, and provided responsive, informed and timely information to community, public and media stakeholders.
- Partnered with local community groups to host the United Nations Association Film Festival throughout various City locations.
- Led successful negotiations with Pets In Need (PIN), a local nonprofit animal rescue, in order to sign and execute an agreement allowing PIN to provide animal care services in Palo Alto.
- Advanced efforts to address impacts of air traffic by advocating for and responding to initiatives by the Federal Aviation Administration (FAA) and supported the creation of the Santa Clara Santa Cruz Counties Community Roundtable.
- Continued to support key business districts such as Downtown Palo Alto, California Avenue, Stanford Shopping Center and the Stanford Research Park.
- Negotiated agreement that Council approved to transfer a half-million gallons per day to the City of East Palo Alto.
- Participated in the planning and execution of the 9th Annual Bike Palo Alto event in partnership with community partners and the Office of Transportation. Bike Palo Alto is a day of self-guided bike tours and bike education.
- The City recently received an AA+ credit rating related to the California Avenue Certificate of Participation (COP) bond issuance. In addition, S&P Global Ratings has affirmed the City's AAA rating for the City's General Obligation (GO) bonds. Both ratings are the highest possible for these respective debt obligations.
- The City successfully sold three series of Certificates of Participation (COPs) totaling approximately \$46 million. The bonds, rated by Standard and Poor's as AA+, will reimburse the City's costs related to the Baylands Golf Links' reconstruction project, refinance a small 2002 COP bond, and support the construction of the new garage at California Avenue.
- VMware and Palo Alto jointly announced potentially developing a microgrid at the VMware headquarters campus that could serve as a charging site for the City's emergency command vehicles during major emergencies and power outages.

- Santa Clara County Healthy City Awards named the City of Palo Alto as the Best Overall, 2018.
- City of Palo Alto policies earned an A grade in the American Lung Association's annual State of Tobacco report.
- The International City/County Managers Association recognized Palo Alto with the Voice of the People award for Excellence in the Natural Environment. The Voice of the People Awards is the only award given in local government based on community opinion.
- City of Palo Alto received an "A" for its response to CDP's (Carbon Disclosure Project) 2018 questionnaire, which placed the City in the Leadership scoring band. A Leadership score indicates a report which demonstrates best practice standards across adaptation and mitigation. These cities have set ambitious but realistic goals and made progress towards achieving those goals.

## Initiatives

- Continue to support the City Council, the priority setting process, and regular, special, and committee meetings.
- Continue to provide leadership and professional management to the City government organization.
- Work with Rail Committee, citizens, and stakeholders to achieve agreement on a grade separation alternative for rail crossings. As a result, the options for grade separation have been reduced from 36 to 6; further refinement is being pursued.
- Engaging the Santa Clara County Board of Supervisors and Stanford University for a General Use Permit that mitigates the negative impacts of proposed expansion at Stanford University.
- Enhance and advance international programs through the partnership with Neighbors Abroad to create smart city relationships with existing Sister Cities to share knowledge, experience and best practices related to government services and innovation.
- Continue to support the City Council and departments with federal and state legislative priorities and goals.
- Further implement the Cool Block Community Engagement program to develop and strengthen the citizen/local government relationships and enable authentic partnerships in building community. The City kicked off the third pilot program of the Cool Block Palo Alto; the goal of this pilot is to add 25 additional blocks to the program and increase community engagement in City programs especially sustainability programs.
- Completed usability assessment of current website with internal/external stakeholders in anticipation of website redesign and platform migration.
- 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.
- Provide strategic support for outreach efforts specifically related to grade separation, planning and transportation issues, as well as infrastructure projects including major downtown construction projects.
- Provide support to the Office of Transportation, which has been elevated to become a department. The City Manager's Office provides additional support during this transition and during the search for a Chief Transportation Official. The City Manager's Office provides supplemental support for the Charleston/Arastradero project, Ross Road project, and other capital and planning projects.
- Continue partnership with businesses to advance the City's economic development goals and meet business owners' needs regarding concerns such as transportation, parking, and development.
- Embed Sustainability/Climate Action Plan (S/CAP) goals and SIP actions into department work plans, program goals, objectives and operations, and support interdepartmental SIP implementation teams.
- Created and launched an internal Leadership Cohort to provide leadership development training, coaching, and mentoring to managers serving the City of Palo Alto. The program's first cohort concluded in 2018 and the second cohort continues in 2019.

## 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. Maintain an environment that supports a strong local economy, supporting retailers, employees, and employers.

**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 listening opportunities to encourage 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

<b>Goal</b>	Lead the City's management team to ensure the provision of high-quality, cost-effective, and customer-focused services.				
<b>Objective</b>	Facilitate a high level of citizen satisfaction with City services.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of surveyed who rated the Quality of City Services as "Good" or "Excellent"	86.00%	82.00%	87.00%	82.00%	85.00%
Percent of surveyed who rated the Value of Services for the Taxes Paid as "Good" or "Excellent"	61.00%	58.00%	67.00%	58.00%	63.00%
Percent of surveyed who rated the Overall Image/Reputation of the City as "Good" or "Excellent"	86.00%	83.00%	92.00%	83.00%	88.00%
<b>Description</b>	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.				
<b>Purpose</b>	Residents' feedback on the quality of services provided by the City allows staff to evaluate performance and identify opportunities for improvement.				
<b>Status</b>	Although Palo Alto continues to rank above the benchmark, the City will expand efforts to understand citizen satisfaction measures and how to continue to meet citizens' evolving interests and priorities. The downward trend of citizen satisfaction has occurred in communities throughout the Bay Area. The declines in Palo Alto are not unique and demonstrate that our community is not immune from regional trends.				

**FACILITATE BUSINESS ENGAGEMENT AND ECONOMIC VITALITY**

<b>Goal</b>	Advocate sound financial planning by developing and implementing Operating and Capital Improvement Program (CIP) budgets. Maintain an environment that supports a strong local economy, supporting retailers, employees, and employers.				
<b>Objective</b>	Balance and manage economic growth and development initiatives.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of surveyed who rated Vibrant Downtown and Commercial Areas as "Good" or "Excellent"	73.00%	71.00%	N/A*	71.00%	73.00%
Percent of surveyed who rated Shopping Opportunities as "Good" or "Excellent"	82.00%	79.00%	N/A*	79.00%	80.00%
Percent of surveyed who rated Employment Opportunities as "Good" or "Excellent"	74.00%	73.00%	N/A*	73.00%	73.00%
Absolute value of sales tax revenue	\$29,923,000	\$31,100,000	\$31,246,000	\$31,700,000	\$34,346,000
Year-over-year percentage increase in sales tax revenue	(0.30)%	3.90%	(0.67)%	0.01%	8.20%
<b>Description</b>	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 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. The City also looks to performance measures such as sales tax revenue and the year-over-year change as indicators of the strength of the local economy and its connection to the City and the services funded by sales tax.				
<b>Purpose</b>	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.				
<b>Status</b>	Although Palo Alto continues to rank above the benchmark, the high cost of commercial real estate has had an impact on local services. The City continues to work with business owners to increase parking supply, walkability, and enhance public spaces with arts and events to increase customers experience.				

\*This was not a performance measure in the 2019 Budget. Therefore, the City did not have a Target for FY 2019.

## COORDINATE COMMUNICATIONS AND COMMUNITY ENGAGEMENT

<b>Goal</b>	Promote and sustain citizen participation and engagement in public matters.				
<b>Objective</b>	Preserve transparency and enhance communication with the public.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of surveyed engaged in community issues by attending a local public meeting	24.00%	25.00%	25.00%	25.00%	25.00%
Percent of surveyed who rated the City's website as "Good" or "Excellent"	72.00%	65.00%	N/A*	65.00%	65.00%
Number of subscribers to the City Manager's online newsletter	N/A**	N/A**	N/A*	6,400.00	6,900.00
Number of unique visitors to the City of Palo Alto website	1,002,859	853,343	N/A*	774,063	851,469
Percent of surveyed rating the City's public info services (non-Police/Public Safety) as "Good" or "Excellent"	N/A***	76.00%	N/A*	78.00%	78.00%
<b>Description</b>	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. The City tracks additional performance measures that indicate the volume of traffic to our communications resources (website) and the volume of people receiving our newsletter.				
<b>Purpose</b>	Robust levels of community awareness and participation demand communication systems that are timely, accurate, meaningful, and readily accessible.				
<b>Status</b>	Although Palo Alto continues to rank above the benchmark, the City will be expanding efforts to increase transparency, information sharing and outreach. In FY 2020, the City anticipates the launch of a redesigned website that will enhance communication between the City and the community.				

\*This was not a performance measure in the 2019 Budget. Therefore, the City did not have a Target for FY 2019.

\*\*This is a new performance measure for which prior years' data is not available.

\*\*\* The National Citizen Survey (NCS) began recording this measure in FY 2018; FY 2017 Actuals are not available nor was there a target in FY 2019.

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of City Council and City Council Committee meetings	60	70	70	70	70
Total Hours of City Council and City Council Committee meetings	281	322	325	285	285

# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration and City Management	1,955,938	2,777,772	2,998,094	3,541,163	543,069	18.1%
Economic Development	251,849	163,802	47,033	39,447	(7,586)	(16.1)%
Public Communication	193,511	287,076	241,613	257,136	15,523	6.4%
Sustainability	490,988	487,332	1,131,116	635,564	(495,552)	(43.8)%
<b>Total</b>	<b>2,892,286</b>	<b>3,715,982</b>	<b>4,417,856</b>	<b>4,473,311</b>	<b>55,455</b>	<b>1.3%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	115,537	182,623	213,988	220,033	6,045	2.8%
Other Benefits	103,583	127,634	77,148	71,067	(6,081)	(7.9)%
Overtime	118	210	—	—	—	—%
Pension	330,387	489,601	593,110	700,537	107,427	18.1%
Retiree Medical	125,300	131,822	126,771	130,574	3,803	3.0%
Salary	1,367,184	1,846,341	1,908,941	1,986,232	77,291	4.0%
Workers' Compensation	6,844	5,188	42,653	69,863	27,210	63.8%
<b>Total Salary &amp; Benefits</b>	<b>2,048,954</b>	<b>2,783,419</b>	<b>2,962,612</b>	<b>3,178,306</b>	<b>215,694</b>	<b>7.3%</b>
Allocated Charges	168,052	175,155	184,127	201,347	17,220	9.4%
Contract Services	497,763	532,169	1,149,935	1,002,935	(147,000)	(12.8)%
General Expense	166,443	212,202	78,141	77,641	(500)	(0.6)%
Operating Transfers-Out	2,039	2,039	31,999	2,039	(29,960)	(93.6)%
Rents & Leases	63	54	154	154	—	—%
Supplies & Material	8,973	10,945	10,889	10,889	—	—%
<b>Total Dollars by Expense Category</b>	<b>2,892,286</b>	<b>3,715,982</b>	<b>4,417,856</b>	<b>4,473,311</b>	<b>55,455</b>	<b>1.3%</b>
<b>Revenues</b>						
Charges to Other Funds	994,008	1,205,312	1,452,948	1,702,712	249,764	17.2%
From Other Agencies	—	42,374	780,000	260,000	(520,000)	(66.7)%
Other Revenue	31,576	16,487	—	—	—	—%



## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Rental Income	403	—	—	—	—	— %
<b>Total Revenues</b>	<b>1,025,987</b>	<b>1,264,173</b>	<b>2,232,948</b>	<b>1,962,712</b>	<b>(270,236)</b>	<b>(12.1)%</b>

### Positions by Division

Administration and City Management	7.10	9.35	9.35	9.10	(0.25)	(2.67)%
Economic Development	1.00	—	—	—	—	— %
Public Communication	0.90	0.90	0.90	0.90	—	— %
Sustainability	1.00	1.96	1.75	0.75	(1.00)	(57.14)%
<b>Total</b>	<b>10.00</b>	<b>12.21</b>	<b>12.00</b>	<b>10.75</b>	<b>(1.25)</b>	<b>(10.42)%</b>

# Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Assistant	1.00	1.00	1.00	2.00	1.00	178,268
Administrative Associate III	1.00	1.00	1.00	—	(1.00)	—
Assistant City Manager	2.00	—	—	1.00	1.00	256,838
Assistant City Manager/Utilities General Manager	—	0.25	0.25	—	(0.25)	—
Assistant to the City Manager	—	2.00	2.00	2.00	—	310,045
Chief Communications Officer	1.00	1.00	1.00	1.00	—	206,170
Chief Sustainability Officer	1.00	1.00	1.00	—	(1.00)	—
City Manager	1.00	1.00	1.00	1.00	—	356,013
Deputy City Manager	—	2.00	2.00	1.00	(1.00)	214,115
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	—	102,648
Management Analyst	—	—	0.75	0.75	—	85,800
Manager Communications	1.00	1.00	1.00	1.00	—	121,451
Manager Economic Development	1.00	—	—	—	—	—
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>10.00</b>	<b>11.25</b>	<b>12.00</b>	<b>10.75</b>	<b>(1.25)</b>	<b>1,831,347</b>
Temporary/Hourly	—	0.96	—	—	—	—
<b>Total Positions</b>	<b>10.00</b>	<b>12.21</b>	<b>12.00</b>	<b>10.75</b>	<b>(1.25)</b>	<b>1,831,347</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>12.00</b>	<b>4,417,856</b>	<b>2,232,948</b>	<b>2,184,908</b>
<b>Base Adjustments</b>				
<b>One-Time Prior Year Budget Adjustments</b>				
Federal Transit Administration (FTA) Grant	—	(780,000)	(780,000)	—
General Liability Allocated Charges (FY 2019 1x Savings)	—	5,755	—	5,755
Workers' Compensation Allocated Charges (FY 2019 1x Savings)	—	16,997	—	16,997
Supplemental Pension Trust Fund Contribution	—	(29,959)	—	(29,959)
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(787,207)</b>	<b>(780,000)</b>	<b>(7,207)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salaries and Benefits Adjustments	—	253,740	—	253,740
Proactive Contributions to City's Unfunded Pension Liability	—	85,495	—	85,495
City Manager's Office of Sustainability Transition (Ongoing elimination of Chief Sustainability Officer; add of contract funding)	(1.00)	(127,000)	—	(127,000)
Federal Transit Administration (FTA) Grant	—	260,000	260,000	—
General Fund Cost Allocation Plan	—	—	249,764	(249,764)
General Expense Adjustment	—	(1,250)	—	(1,250)
Information Technology Department Allocated Charges	—	13,114	—	13,114
Liability Insurance Allocated Charges	—	2,827	—	2,827
Printing & Mailing Allocated Charges	—	(4,476)	—	(4,476)
Workers' Compensation Allocated Charges	—	10,212	—	10,212
<b>Adjustments to Costs of Ongoing Activities</b>	<b>(1.00)</b>	<b>492,662</b>	<b>519,242</b>	<b>(17,102)</b>
<b>Total FY 2020 Base Budget</b>	<b>11.00</b>	<b>4,123,311</b>	<b>1,962,712</b>	<b>2,160,599</b>
<b>Budget Adjustments</b>				
1 Recruitment and Retention Initiatives	—	250,000	—	250,000
2 Contractual Funding for Office of Sustainability	—	100,000	—	100,000
3 City Manager's Office Staffing Realignment	(0.25)	—	—	—
<b>Total Budget Adjustments</b>	<b>(0.25)</b>	<b>350,000</b>	<b>—</b>	<b>350,000</b>
<b>Total FY 2020 Proposed Budget</b>	<b>10.75</b>	<b>4,473,311</b>	<b>1,962,712</b>	<b>2,510,599</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Recruitment and Retention Initiatives	0.00	250,000	0	250,000

This one-time action provides \$250,000 in funding for various recruitment/retention initiatives throughout the organization. This funding supplements an additional reserve of \$500,000 in the non-departmental section of this budget for recruitment and retention initiatives, bringing total funding to \$750,000. This \$250,000 represents initial funding that can be used to start recruitment/retention initiatives. The City of Palo Alto faces incredible competition for attracting and retaining a high-quality workforce; this funding represents an important commitment to addressing that competition and investing in the City's human capital. Staff anticipates returning to the full City Council with recommendations throughout 2019, including a plan for the use of the reserve in non-departmental. A more detailed discussion of the reserve funding can be found in the non-departmental section of this budget. (Ongoing costs: \$0)

### Performance Results



This action will ensure the City is able to recruit and retain a high-quality workforce, increasing the quality of services and customer satisfaction.

2 Contractual Funding for Office of Sustainability	0.00	100,000	0	100,000
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This one-time action adds contractual funding of \$100,000 to the Office of Sustainability to fund expenses related to implementation of the Sustainability/Climate Action Plan (S/CAP). This funding will ensure that sufficient resources are available to cover a Greenhouse Gas (GHG) emissions reduction calculation and sustainability benefit analysis as well as a CEQA review of the City's S/CAP. This funding is provided through the reappropriation of the Sustainability Contingency as discussed elsewhere in this document. The balance of the Sustainability Contingency is included in the non-departmental section of this document. (Ongoing costs: \$0)

### Performance Results



This funding will contribute to meeting the City's sustainability goals and addresses the City Council's 2019 priority of climate change.

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
3 City Manager's Office Staffing Realignment	(0.25)	0	0	0

This cost-neutral action will realign staffing in the City Manager's Office to ensure staffing levels commensurate with the needs of the Office. This action eliminates 1.0 Assistant City Manager/Utilities General Manager (0.25 FTE in the General Fund, 0.75 FTE in the Utilities Funds), 1.0 Deputy City Manager, and 1.0 Administrative Associate III, offset by the addition of 1.0 Assistant City Manager and 1.0 Administrative Assistant. This action will ensure greater capacity in the City Manager's Office to provide organizational leadership, manage significant initiatives, will provide additional administrative and analytical support to the office, and results in no additional expenses in the General Fund. (Ongoing Costs: \$0)

### Performance Results



This action will increase the ability of the City Manager's Office to respond to organizational needs.

# 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.

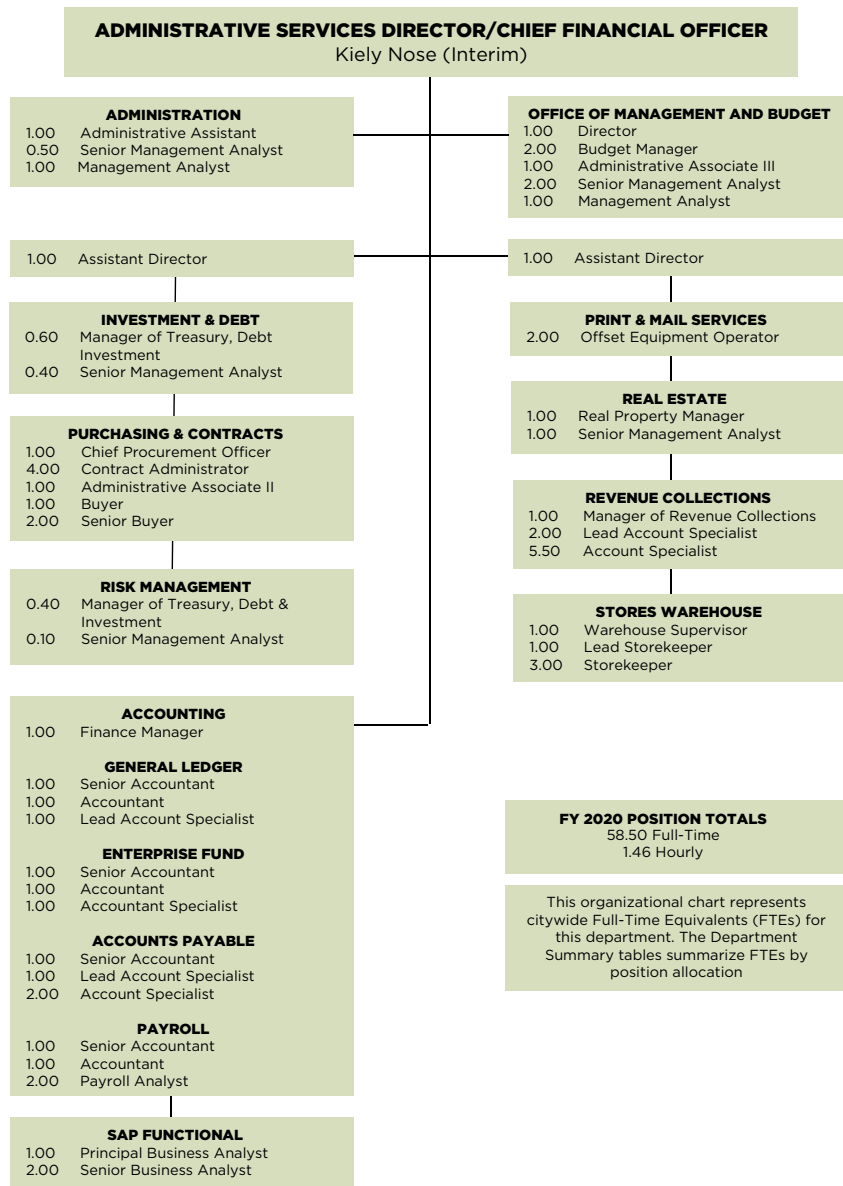
## Purpose



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

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

# ADMINISTRATIVE SERVICES



## Description

The Administrative Services Department (ASD) 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

Facilitates negotiations, purchasing, and contracting needs in a timely, efficient, and customer-oriented manner.

### OFFICE OF MANAGEMENT AND BUDGET (OMB)

Oversees the citywide operating and capital budget preparation, review and analysis, performance measures, and budget monitoring. In addition, prepares the long-range financial forecast and provides independent analytical support to the organization.

### PROPERTY MANAGEMENT AND ACQUISITION

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

### TREASURY AND REVENUE COLLECTIONS

Treasury safeguards and invests the City's portfolio, forecasts major General Fund tax revenues, issues and manages debt, and performs Utility Risk Management oversight. Revenue Collections collects payment revenue and provides customer support for parking permits and payment transactions. Provides print shop services to departments and warehouse services, including logistics, for the City's Electric, Water, Gas, and Wastewater Utilities, as well as for Public Works and the Regional Water Quality Control Plant.

## Accomplishments

- Maintained the City's AAA credit rating, which results in the lowest possible borrowing costs; confirmed in the most recent rating by Standard and Poors in February 2019.
- Addressed City Council request to identify a strategy for ongoing contributions for retirement costs through immediate action and a strategic action work plan. Immediate action was completed with the additional \$4.0 million contribution to the City's Pension 115 Trust account. For the strategic action plan, OMB has been managing and completing a services inventory to aid in structural changes in the long-term financial picture.



## ADMINISTRATIVE SERVICES

- Drafted and supported a work plan to address the City Council 2019 priority 'Fiscal Sustainability', approved by the Finance Committee in March 2019.
- Issued \$26.8 million in tax-exempt and \$10.6 million in taxable Certificate of Participation bonds for the construction of the California Avenue Parking Garage, which is a key step in the completion of the 2014 Council Infrastructure Plan and a critical project in the ability to deliver the new Public Safety Building.
- Managed the City's real estate leases resulting in revenue of approximately \$4.0 million.
- Began negotiations for real estate transactions including the potential purchase of a 27,829 square foot portion of 3350 Birch Street.
- Entered into a new license agreement to renovate and manage/operate the City Hall Café at 250 Hamilton Avenue.
- Explored and identified options for City Council to calculate the long-term unfunded liabilities for pension. Facilitated the analysis for the change in pension assumptions to a 6.2% discount rate for the normal cost of pension expense. Continued to advance funds to the Pension Section 115 Trust with approximately \$13.5 million in deposits by the end of Fiscal Year 2019.
- Completed 20 easements and easement vacations.
- Consolidated the utility bill print printers with the citywide contract for copy machines resulting in increased efficiency for the utility bill print function.
- Participated in citywide emergency preparation and planning to ensure that financial tracking and reporting will be part of a coordinated emergency response effort.
- Implemented department-wide, technology-focused, core competency training such as: SAP module specific training for support resources and SAP reporting training in the Human Resources and Payroll modules.
- Worked to streamline and automate accounts payable automated clearing house (ACH) implementation and Treasury wires between software systems.
- Received an award in the Accounting Division for the Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2018 from the Government Finance Officer Associations of United States and Canada (GFOA) for "excellence in financial reporting".
- Received California Society of Municipal Finance Officers (CSMFO) and GFOA awards in the Office of Management and Budget (OMB) for the Fiscal Year 2019 Adopted CIP and Operating budgets.
- Addressed audit finding in regards to P-card administration through the implementation of a formal review and submittal authorization for increasing P-card limits.

## Initiatives

- Continue implementation of the ASD strategic plan in four focus areas: 1) High-quality customer service, 2) Innovation and continuous improvement, 3) Best practices, 4) Employee excellence, including customer support resources in purchasing, payroll, and accounting, and implementation of electronic forms.

- Maintain employee excellence by focusing on employee rating form, training plans, and specific goals of improving customer service and responsiveness.
- Work to implement citywide procurement process training and education to improve efficiency and align with industry best practices and ensure the changing workforce is equipped to handle their procurement needs in an expeditious fashion. Communicate established purchasing policies, processes, and requirements.
- Implement department-wide, technology-focused, core competency training such as SAP module specific training for day-to-day business operations in departments and SAP reporting training in the Human Resources and Payroll modules.
- Collaborate and facilitate the implementation of a new online parking permit management system in a phased approach, beginning with residential parking permit programs.
- Continue to work to implement or manage the components of the Fiscal Sustainability work plan.
- Continue financial support for emergency preparation for federal financial reporting after a disaster in conjunction with the Office of Emergency Services.
- Work to implement the paperless office program, currently in the Purchasing Division, for the Accounting and Real Estate divisions.
- Support the citywide effort to upgrade the Enterprise Resource Planning (ERP) system.
- Explore and provide options for the acquisition of the Media Center property at 900 San Antonio Road on behalf of the Cable Joint Powers Agency (JPA) using PEG (Public, Education, and Government) fee revenue for the Cable JPA and City Council review.
- Support the Cubberley strategic planning efforts and necessary financial analysis with the community and Palo Alto Unified School District (PAUSD).
- Establish a new option and lease agreement with the Palo Alto History Museum for the Roth Building at 300 Homer Avenue.

## ADMINISTRATIVE SERVICES

### Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Fund</b>						
General Fund-Operating	7,378,820	7,680,331	8,028,509	8,514,805	486,297	6.1%
Printing & Mailing Services Fund	1,364,905	1,644,249	1,481,584	1,730,856	249,272	16.8%
<b>Total</b>	<b>8,743,725</b>	<b>9,324,580</b>	<b>9,510,092</b>	<b>10,245,661</b>	<b>735,569</b>	<b>7.7%</b>
<b>Revenues</b>						
Charges for Services	4,647	13,890	12,570	187,673	175,103	1,393.0%
Charges to Other Funds	3,742,337	4,090,745	3,335,030	3,186,802	(148,228)	(4.4)%
Other Revenue	144,894	145,266	171,400	171,400	—	—%
Return on Investments	(140)	(1,100)	400	2,300	1,900	475.0%
<b>Total Revenues</b>	<b>3,891,737</b>	<b>4,248,801</b>	<b>3,519,400</b>	<b>3,548,175</b>	<b>28,776</b>	<b>0.8%</b>
<b>Positions by Fund</b>						
General Fund	41.50	40.06	39.61	40.61	1.00	2.52%
Printing and Mailing Services	2.10	2.10	2.10	2.10	—	—%
<b>Total</b>	<b>43.60</b>	<b>42.16</b>	<b>41.71</b>	<b>42.71</b>	<b>1.00</b>	<b>2.40%</b>

# 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 City Council's 2014 Infrastructure Plan by providing updated financial planning and issuance of debt.
- Review opportunities for new and/or enhanced revenues.
- Analyze additional 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, maintaining City 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 forecast shortfalls in funding for operations and infrastructure.
- Provide bond financing of major capital projects such as the Wastewater Treatment facility replacements, Public Safety Building, etc.

### 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; look for opportunities to improve reporting as part of technology implementation upgrades.
- Increase information availability and transparency using open data tools and dashboards.
- Implement complex new labor agreements including new benefit structures, ensuring timely and accurate payments to employees and governing bodies such as the federal government and CalPERS.

### GOAL 3

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

## ADMINISTRATIVE SERVICES

### Objectives:

- Ensure sufficient cash is always available to meet current expenditures.
- Maintain a reasonable rate of return on investments.
- Invest in sound Environmental, Social, and Governance (ESG) securities, which include green and sustainable bonds, when available and appropriate, in alignment with recently approved changes to the investment policy.

### GOAL 4

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

### Objectives:

- Continue implementing a succession plan for the department.
- Review ASD policies and procedures to continuously update, enhance, and streamline.
- Roll out 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 Office 365 and SharePoint.

## Key Performance Measures

### ANNUAL PERCENTAGE YIELD ON INVESTMENTS

<b>Goal</b>	Ensure public funds and assets are invested prudently and are well-managed.				
<b>Objective</b>	Maintain a reasonable rate of return on investments.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Annual percentage yield on investments	1.82%	2.16%	2.15%	2.31%	2.40%
<b>Description</b>	This measure tracks the City's annual rate of return on investments while following primary objectives (in priority order) of safety, liquidity, and yield.				
<b>Purpose</b>	A stable rate of return helps to grow the City's investment portfolio and is one component in measuring the City's financial rating.				
<b>Status</b>	As anticipated with a rising interest rate environment, the City's adopted goal of 2.15% is estimated to be achieved in FY 2019. In comparison, the State Investment Pool average yield for FY 2018 was 1.36%.				

**AVERAGE PROCESSING TIME FOR PURCHASE REQUISITIONS**

<b>Goal</b>	Implement performance management programs to support and enhance communication, accountability, and positive outcomes.				
<b>Objective</b>	Continue developing and implementing Procurement and Inventory process improvements.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Average time from receipt of a Purchase Requisition to issuance of Purchase Order (Days)	22	26	22	25	25
<b>Description</b>	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.				
<b>Purpose</b>	To measure the average processing time for Purchase Requisitions (PR) in order to identify processing improvements while being compliant with existing rules and regulations.				
<b>Status</b>	The Purchasing Division has maintained efficiency with the use of e-Procurement software that was implemented in FY 2016. Staff anticipates an increase in larger, more complex PRs in FY 2020 due to the volume of capital improvement projects planned over the next several years. This influx of capital projects will result in an increase in estimated cycle time. Over the next year, the Purchasing Division will continue to work with City stakeholders to meet business needs in a timely manner despite this uptick in complex procurements.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of P-card (City credit card) transactions	19,087	19,230	19,100	17,500	18,000
Number of Purchase Orders and Purchase Requisitions processed <sup>1</sup>	1,509	1,455	2,400	1,400	1,500
Total amount of cash and investments - as of June 30 (Millions)	\$532.1	\$526.0	\$540.0	\$523.0	\$530.0

<sup>1</sup>The Administrative Services Department has refined the methodology for reporting this Workload Measure to more accurately reflect the volume of work performed. As such, these numbers differ slightly from previously reported numbers.

# ADMINISTRATIVE SERVICES

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Accounting	2,043,348	2,154,241	2,313,999	2,517,142	203,143	8.8%
Administration	700,131	701,429	502,573	357,638	(144,935)	(28.8)%
Office of Management and Budget	1,019,241	1,471,554	1,427,663	1,515,138	87,475	6.1%
Purchasing	1,439,096	1,561,940	1,609,770	1,719,881	110,110	6.8%
Real Estate	862,337	567,478	651,916	682,402	30,486	4.7%
Treasury	1,314,666	1,223,689	1,522,588	1,722,605	200,017	13.1%
<b>Total</b>	<b>7,378,820</b>	<b>7,680,331</b>	<b>8,028,509</b>	<b>8,514,805</b>	<b>486,297</b>	<b>6.1%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	613,176	659,957	720,469	786,754	66,285	9.2%
Other Benefits	121,110	164,532	163,209	169,450	6,241	3.8%
Overtime	21,488	23,104	34,599	35,499	900	2.6%
Pension	1,019,697	1,185,868	1,266,442	1,661,345	394,903	31.2%
Retiree Medical	536,733	564,670	473,449	487,653	14,203	3.0%
Salary	3,841,677	4,146,162	4,257,849	4,198,750	(59,098)	(1.4)%
Workers' Compensation	20,338	39,412	108,269	171,647	63,377	58.5%
<b>Total Salary &amp; Benefits</b>	<b>6,174,219</b>	<b>6,783,704</b>	<b>7,024,287</b>	<b>7,511,098</b>	<b>486,811</b>	<b>6.9%</b>
Allocated Charges	364,415	405,529	443,050	456,682	13,632	3.1%
Contract Services	323,681	304,787	238,148	288,148	50,000	21.0%
Facilities & Equipment	270,979	2,570	4,200	4,200	—	—%
General Expense	198,066	144,980	206,924	207,924	1,000	0.5%
Operating Transfers-Out	—	—	65,146	—	(65,146)	(100.0)%
Rents & Leases	11,856	12,856	12,856	12,856	—	—%
Supplies & Material	35,602	25,905	33,898	33,898	—	—%
<b>Total Dollars by Expense Category</b>	<b>7,378,820</b>	<b>7,680,331</b>	<b>8,028,509</b>	<b>8,514,805</b>	<b>486,297</b>	<b>6.1%</b>
<b>Revenues</b>						
Charges for Services	4,647	13,890	12,570	187,673	175,103	1,393.0%
Charges to Other Funds	2,403,540	2,333,469	1,768,909	1,466,507	(302,402)	(17.1)%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Other Revenue	142,894	145,266	171,400	171,400	—	—%
<b>Total Revenues</b>	<b>2,551,080</b>	<b>2,492,625</b>	<b>1,952,879</b>	<b>1,825,580</b>	<b>(127,298)</b>	<b>(6.5)%</b>

### Positions by Division

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Accounting	13.60	13.60	13.52	13.52	—	—%
Administration	2.08	1.60	1.60	1.60	—	—%
Office of Management and Budget	6.02	6.62	6.02	6.02	—	—%
Purchasing	9.53	8.57	9.05	9.05	—	—%
Real Estate	2.32	2.32	2.32	2.32	—	—%
Treasury	7.95	7.35	7.10	8.10	1.00	14.08%
<b>Total</b>	<b>41.50</b>	<b>40.06</b>	<b>39.61</b>	<b>40.61</b>	<b>1.00</b>	<b>2.52%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Account Specialist	5.88	4.88	4.63	4.63	—	306,563
Account Specialist-Lead	4.05	3.05	3.45	3.45	—	244,507
Accountant	3.00	3.00	3.00	3.00	—	288,642
Administrative Assistant	1.00	1.00	1.00	1.00	—	93,018
Administrative Associate II	—	1.00	1.00	1.00	—	70,986
Administrative Associate III	1.00	1.00	1.00	1.00	—	76,090
Assistant Director Administrative Services	1.65	1.65	1.65	1.65	—	318,798
Buyer	1.00	1.00	1.00	1.00	—	93,459
Chief Procurement Officer	1.00	1.00	1.00	1.00	—	148,512
Contracts Administrator	1.70	2.70	2.70	2.70	—	301,463
Director Administrative Services/ CFO	0.80	0.80	0.80	0.80	—	199,845
Director Office of Management and Budget	1.00	1.00	1.00	1.00	—	199,035
Management Analyst	—	—	1.00	2.00	1.00	219,336
Manager Accounting	1.00	1.00	—	—	—	—
Manager Budget	1.00	1.00	2.00	2.00	—	312,770



## ADMINISTRATIVE SERVICES

### Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Manager Real Property	1.00	1.00	1.00	1.00	—	150,010
Manager Revenue Collections	0.62	0.62	0.62	0.62	—	95,198
Manager Treasury, Debt & Investments	0.60	0.60	0.60	0.60	—	89,407
Manager, Finance	—	—	1.00	1.00	—	172,723
Payroll Analyst	2.00	2.00	2.00	2.00	—	157,915
Senior Accountant	3.00	3.00	3.00	3.00	—	365,664
Senior Buyer	1.00	1.00	1.00	1.00	—	94,413
Senior Management Analyst	4.90	4.90	2.30	2.30	—	312,107
Storekeeper	1.00	1.00	1.00	1.00	—	68,918
Storekeeper-Lead	0.20	0.20	0.20	0.20	—	14,752
Warehouse Supervisor	0.20	0.20	0.20	0.20	—	18,487
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>38.60</b>	<b>38.60</b>	<b>38.15</b>	<b>39.15</b>	<b>1.00</b>	<b>4,412,618</b>
Temporary/Hourly	2.90	1.46	1.46	1.46	—	99,881
<b>Total Positions</b>	<b>41.50</b>	<b>40.06</b>	<b>39.61</b>	<b>40.61</b>	<b>1.00</b>	<b>4,512,499</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>39.61</b>	<b>8,028,509</b>	<b>1,952,878</b>	<b>6,075,631</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(65,146)	—	(65,146)
General Liability Savings (One-Time FY 2019 Savings)	—	12,236	—	12,236
Workers' Compensation Savings (One-Time FY 2019 Savings)	—	43,147	—	43,147
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(9,763)</b>	<b>—</b>	<b>(9,763)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	313,132	—	313,132
Proactive Contributions to City's Unfunded Pension Liability	—	199,820	—	199,820
General Fund Cost Allocation Plan	—	—	(302,402)	302,402
General Liability Insurance Allocated Charges	—	(3,405)	—	(3,405)
Information Technology Allocated Charges	—	(9,249)	—	(9,249)
Printing & Mailing Services Allocated Charges	—	12,336	—	12,336
Vehicle Replacement & Maintenance Allocated Charges	—	1,713	—	1,713
Workers' Compensation Allocated Charges	—	20,230	—	20,230
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>534,577</b>	<b>(302,402)</b>	<b>836,979</b>
<b>Total FY 2020 Base Budget</b>	<b>39.61</b>	<b>8,553,323</b>	<b>1,650,476</b>	<b>6,902,847</b>
<b>Budget Adjustments</b>				
1 Administrative Services Staffing Vacancies	—	(277,547)	—	(277,547)
2 Business Registry Certificate Program (Transfer from former Development Services Department to Administrative Services Department)	1.00	239,029	175,103	63,926
<b>Total Budget Adjustments</b>	<b>1.00</b>	<b>(38,518)</b>	<b>175,103</b>	<b>(213,621)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>40.61</b>	<b>8,514,805</b>	<b>1,825,579</b>	<b>6,689,226</b>

## ADMINISTRATIVE SERVICES



### Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Administrative Services Staffing Vacancies	0.00	(277,547)	0	(277,547)

This one-time action recognizes vacancy savings for the equivalent of 1.0 FTE Senior Management Analyst and 1.0 FTE Account Specialist during FY 2020. Currently the Administrative Services Department is experiencing a vacancy factor of nearly 15%, including positions at these levels. Due to the priority of other staffing recruitments of a more urgent need, such as Purchasing Division staffing, it is anticipated that these recruitments will not be addressed until further through FY 2020 and therefore savings can be anticipated. The functions of these positions are currently being absorbed temporarily by the Chief Financial Officer, Assistant Director, and additional administrative assistance, primarily on overtime. This diminishes staff's ability to continue to make progress on service delivery evolutions and requires staff to rely more heavily on contractual assistant and status quo business processes. (Ongoing savings: \$0)

#### Performance Results



This action is anticipated to help contain costs for FY 2020.

2 Business Registry Certificate Program (Transfer from former Development Services Department to Administrative Services Department)	1.00	239,029	175,103	63,926
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This action reallocates the Business Registry Certificate (BRC) program from the former Development Services Department to the Administrative Services Department and reassigns the administrative management of both this program as well as the financial management of the Business Improvement District (BID) to the Administrative Services Department. With the merging of the Development Services Department and the Planning and Community Environment Departments, this function was determined to best be placed in Administrative Services where the majority of taxes and administrative fees are handled by various teams with the Treasury Division of the department. This reallocation of 1.0 FTE Management Analyst and approximately \$175,000 in revenue estimated to be generated from the BRC, aligns the resources added by the City Council in February 29, 2016 (City Manager Report ID #6661). A corresponding adjustment is recommended in the Planning and Community Environment Department. (Ongoing costs: \$72,000)

#### Performance Results



This action reallocates staff between departments and no performance impacts are anticipated to the Business Registry Certificate program.

# PRINTING AND MAILING SERVICES

## Accomplishments

- Processed 300,000 utility bills.
- Maintained timelines for producing City Council packets.
- In June 2018, replaced an outdated paper cutter with new technology allowing for precision paper cutting in house.

## Initiatives

- Maintain a high level of customer service for Printing and Mailing by listening to customers and, when appropriate, making relevant changes to operations.
- Provide quality printing products that meet the needs of customers.

## Goals and Objectives

### GOAL 1

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

### Objectives:

- Ensure timely distribution of mail and utility bills.
- Ensure timely creation and distribution of City Council and Committee packets.

## ADMINISTRATIVE SERVICES

### Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Printing and Mailing	1,364,905	1,644,249	1,481,584	1,730,856	249,272	16.8%
<b>Total</b>	<b>1,364,905</b>	<b>1,644,249</b>	<b>1,481,584</b>	<b>1,730,856</b>	<b>249,272</b>	<b>16.8%</b>

<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	24,790	28,566	27,305	28,291	986	3.6%
Other Benefits	2,253	3,267	3,135	3,359	223	7.1%
Overtime	6,145	4,779	—	—	—	—%
Pension	24,003	30,959	31,636	47,533	15,897	50.3%
Retiree Medical	59,845	62,960	14,663	15,103	440	3.0%
Salary	106,323	128,064	133,571	142,079	8,508	6.4%
Workers' Compensation	239	462	3,289	5,387	2,098	63.8%
<b>Total Salary &amp; Benefits</b>	<b>223,597</b>	<b>259,056</b>	<b>213,600</b>	<b>241,752</b>	<b>28,152</b>	<b>13.2%</b>
Allocated Charges	177,496	205,990	276,747	360,090	83,343	30.1%
Contract Services	10,607	—	114,711	239,711	125,000	109.0%
Facilities & Equipment	31,711	—	—	—	—	—%
General Expense	271,603	370,562	286,975	286,975	—	—%
Operating Transfers-Out	—	3,154	1,598	9,200	7,602	475.6%
Rents & Leases	494,718	640,236	507,695	512,870	5,175	1.0%
Supplies & Material	155,174	165,252	80,258	80,258	—	—%
<b>Total Dollars by Expense Category</b>	<b>1,364,905</b>	<b>1,644,249</b>	<b>1,481,584</b>	<b>1,730,856</b>	<b>249,272</b>	<b>16.8%</b>

<b>Revenues</b>						
Charges to Other Funds	1,338,798	1,757,276	1,566,121	1,720,295	154,174	9.8%
Other Revenue	2,000	—	—	—	—	—%
Return on Investments	(140)	(1,100)	400	2,300	1,900	475.0%
<b>Total Revenues</b>	<b>1,340,657</b>	<b>1,756,175</b>	<b>1,566,521</b>	<b>1,722,595</b>	<b>156,074</b>	<b>10.0%</b>

<b>Positions by Division</b>						
Printing and Mailing	2.10	2.10	2.10	2.10	—	—%
<b>Total</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Manager Revenue Collections	0.10	0.10	0.10	0.10	—	15,355
Offset Equipment Operator	1.52	1.52	1.52	1.52	—	95,834
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>1.62</b>	<b>1.62</b>	<b>1.62</b>	<b>1.62</b>	<b>—</b>	<b>111,188</b>
Temporary/Hourly	0.48	0.48	0.48	0.48	—	27,256
<b>Total Positions</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>2.10</b>	<b>—</b>	<b>138,445</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Printing and Mailing Services
<b>Prior Year Budget</b>	<b>2.10</b>	<b>1,481,584</b>	<b>1,566,521</b>	<b>(84,937)</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(1,598)	—	(1,598)
General Liability Savings (One-Time FY 2019 Savings)	—	372	—	372
Workers' Compensation Savings (One-Time FY 2019 Savings)	—	1,311	—	1,311
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>85</b>	<b>—</b>	<b>85</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	15,724	—	15,724
Proactive Contributions to City's Unfunded Pension Liability	—	5,230	—	5,230
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	5,100	—	5,100
Return on Investments	—	—	1,900	(1,900)
Rents & Leases Expenditure Alignment	—	5,175	—	5,175
Transfer to Technology Fund (TE-19001 City Council Chambers Upgrade)	—	9,200	—	9,200
General Fund Cost Allocation Plan	—	83,470	—	83,470
General Liability Insurance Allocated Charges	—	(46)	—	(46)
Information Technology Allocated Charges	—	(453)	—	(453)
Printing & Mailing Services Allocated Charges	—	—	29,174	(29,174)
Workers' Compensation Allocated Charges	—	787	—	787
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>124,187</b>	<b>31,074</b>	<b>93,113</b>
<b>Total FY 2020 Base Budget</b>	<b>2.10</b>	<b>1,605,856</b>	<b>1,597,595</b>	<b>8,261</b>
<b>Budget Adjustments</b>				
1 Printing Services Non-Salary Expenses	—	125,000	125,000	—
<b>Total FY 2020 Proposed Budget</b>	<b>2.10</b>	<b>1,730,856</b>	<b>1,722,595</b>	<b>8,261</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Printing and Mailing Services
1 Printing Services Non-Salary Expenses	0.00	125,000	125,000	0

This action aligns the non-salary budget to reflect increased costs associated with supplies and materials and contract services for non-routine print jobs. In recent years, activity levels for non-routine print services requests, such as booklets, brochures, and catalogs, from departments have increased while the budgeted expenses have consistently stayed level. These costs are allocated to the departments using print services. Increases to both the expenses and revenues will align funding with current usage levels. (Ongoing net costs: \$0)

### Performance Results



These budget increases are anticipated to align funding with current activity levels with minimal impact on the quality of service delivery.





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 the City's carbon footprint; and develops and maintains mutually beneficial partnerships and collaborations with local organizations, businesses, individuals and foundations to achieve its mission.

# COMMUNITY SERVICES



**FY 2020 POSITION TOTALS**  
78.60 - Full-time 49.29 - Hourly

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

## 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, dance, and science programs to youth and adults, with a focus on family programs. The division manages the Art Center, Junior Museum and Zoo (Jmz), 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, a teen center, and through a contracted vendor, 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, the Palo Alto Mediation Program, and the Family Resources database. Serves as a key liaison to local social services organizations and child care providers.

## Accomplishments

- Installed several new public art pieces including a mural titled, "146 Possibilities" by artist Martin Webb at Avenidas and a temporary environmental sculpture called, "Foraging Island" by artists Mary O'Brien and Daniel McCormick at Byxbee Park created during their artist-in-residency experience at the Palo Alto Baylands Nature Preserve. Sixty-nine community volunteers ranging in age from six to 90 years old donated a total of 189 hours to help the artists create "Foraging Island".
- Collaborated with renowned Bay Area artist Lexa Walsh to create a community dinner and Public Art event for 50 people at Cubberley Stock.

## COMMUNITY SERVICES

- Partnered with the San Francisco Bay Joint Powers Authority and the Public Works Department and completed the San Francisquito Creek levee project in Spring 2019.
- Reopened an additional 7.7 acre parcel owned by the City during the Foothills Park grand opening in November 2018. City Council Members, Park and Recreation Commissioners, as well as members of the public attended. Also reopened, within 18 months of initial closure, two trails (Los Trancos and Costanoan) that had been closed due to landslides at Foothills Park.
- Partnered with Public Works and completed the Baylands Boardwalk Project in January 2019. The Baylands contain a Nature Center and Boardwalk to provide education programs for approximately 3,000 elementary students per year with curricula such as Baylands Birds and Secrets of the Salt Marsh.
- Converted four passive turf road medians areas into native plant pollinator pathways.
- Served a record 144,289 people in FY 2018 at the Art Center through a diverse range of programs for all ages. Volunteers at the Art Center contributed 7,837 hours translating to over \$200,000 in value of work contributed.
- Engaged the Palo Alto Art Center and Palo Alto Art Center Foundation in a strategic planning process, generously funded by The William and Flora Hewlett Foundation. This extensive process involved significant stakeholder feedback, participation with Art Center staff, Foundation staff and board members, donors, city staff, and community members. The process will conclude May 2019 with a strategic framework to provide guidance in future activities.
- Opened the temporary Junior Museum & Zoo (JMZ) location at Cubberley Community Center in August 2018 within two months of its closure for renovation in June 2018.
- Encouraged Cubberley Artist Studio Program (CASP) to host 26 public programs. As part of the Community Service Requirement, CASP hosted programs including: Winter Open Studios, Public Alchemy Community Exhibition, Meet The CASP Artists, solo and group exhibitions, artist talks, and hands-on workshops.
- Received 16 new artworks donated by CASP artists, which were created during their residencies at CASP for enriching the City's collection of public art.
- Recognized through an acquisition by the Library of Congress for a work of art titled, 'Thank You For Your Service', which was a collaborative comic book project created by CASP artists Danièle Archambault, Paloma Lucas and Servane Briand in collaboration with over 90 Bay Area residents and community members. The book was unveiled by the Palo Alto City Council and gifted to the Palo Alto Libraries.
- Became an affiliated partner with Stanford University / Stanford Compression Forum (SFC). The Children's Theatre affiliation and collaboration with SCF will assist in developing performance programs at the intersection of design and the emerging technologies of data compression including augmented and virtual reality.
- Completed the Baylands Comprehensive Conservation Plan, which provides guidance and best practices for managing the habitat, wildlife, and recreational uses at the Baylands Nature Preserve. Conservation plans for Foothills Park, Pearson Arastradero Preserve, and

Esther Clark Park will begin this fiscal year to provide management guidance for these open space preserves.

- Engaged the Palo Alto Unified School District to collaborate in a master planning and community co-design process for the Cubberley Community Center. Community engagement has been a significant element with four community meetings drawing hundreds of participants. Community fellows have been instrumental in assisting with outreach and meeting facilitation. Staff anticipates that the master plan will be completed in the Fall of 2019.
- Developed a new three-year contract between the City and the Stern Theater Community Partners for a renewed commitment to partnership and capital project cost sharing.
- Assumed responsibility and oversight of the City's Animal Shelter, which is run in partnership with Pets-In-Need (PIN), a local non-profit animal rescue group. The City will continue to develop the partnership and help to grow services and programming at the Shelter.

## Initiatives

- Develop through the Public Art Program, new artworks in municipal projects including the new Fire Station 4, Public Safety Building, the Charleston/Arastradero corridor, and Junior Museum and Zoo, as well as managing dozens of public art in private development projects expected to be constructed in the next few years.
- Product through the Public Art Program, Code:ART2, a three-day public art festival, which will engage residents and commuters by temporarily reframing downtown's underutilized spaces as a laboratory for interactive urban interventions and creative placemaking, sparking dialogue about the future of our downtown.
- Continue to explore funding strategies for implementation of the Parks, Trails, Natural Open Space and Recreation Master Plan with assistance from the Parks and Recreation Commission.
- Engage in repairs to the Baylands Sailing Station dock to fix critical infrastructure and make it more useable to the community.
- Create an agreement with Palo Alto Christian Reformed Church to develop a new community garden site on the church's property in South Palo Alto.
- Construct two new pickleball courts, convert one existing tennis court to four dedicated pickleball courts, and stripe two tennis courts for shared pickleball and tennis use at Mitchell Park.
- Engage in several Capital Improvement Projects at a variety of parks including Rinconada, Boulware, Cameron, and Ramos Parks to replace the playgrounds and other park amenities.
- Engage in a Capital Improvement Project at Cubberley Community Center to replace the synthetic turf field.
- Provide through the Baylands Interpretive Program, signage and exhibits for 2.5 miles of trails in the north end of the Palo Alto Baylands, including the Boardwalk. The Program is

## COMMUNITY SERVICES

being funded by a partnership between the City of Palo Alto, the State of California, and the Friends of the Palo Alto Parks. Completion is scheduled for September 2020.

- Plan through the Cubberley Artist Studio Program (CASP), approximately 30 Community Service Programs which are free and open to all members of the public, including: open studios, solo and group exhibitions, artist panels and lectures, and hands-on workshops.
- Launch at the Palo Alto Children's Theatre, an initiative to create sensory and spectrum friendly experiences for families. This will include sensory-friendly public performances, and spectrum-friendly camps and classes that are enrolled based on developmental age.
- Develop new works commissioned by the Children's Theatre, and funded by the Friends of the Palo Alto Children's Theatre, that celebrate cultural diversity and serves traditionally under-represented audiences, with a commitment to inclusiveness and a goal of reaching diverse audiences. Current plays in development include an adaptation of the Indian folktale One Grain of Rice; LGBTQ+ positive fairy-tale drawn from Latin-American folktales; educational-musical for classrooms, Grammaropolis; and a new adaptation of Sleeping Beauty.
- Work with the Magical Bridge Foundation to add more co-sponsored concerts at the Magical Bridge Playground and collaborating to host an Active-Learning focused pilot programming that would serve individuals with multiple disabilities.
- Collaborate with the Palo Alto Recreation Foundation (PARF) to host The Black & White Ball on Friday, October 4, 2019. The ball will honor the City's 125th birthday and will be an evening filled with fun including non-stop live musical performances.
- Starting February 2020 at the Junior Museum & Zoo (JMZ), initiate a quarantine for new animals, installation of exhibits, and begin the process of moving staff and materials to the new facility, which will open in July 2020.
- Launch an initiative at the Art Center, in collaboration with the JMZ and funded by the Institute of Museum and Library Services, called Working Together, which is intended to provide a ladder of engagement to involve diverse populations in meaningful museum work and volunteer experiences, and advance a culture of inclusiveness at both institutions. The program will support paid teen opportunities, paid undergraduate internships, and paid graduate fellowships for diverse youth.

## 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 with a goal to maintain or increase cost recovery levels.
- Explore partnerships with other agencies to maximize services for the public.

## Key Performance Measures

### COMMUNITY SERVICES DEPARTMENT ONLINE REGISTRATION AND EFFICIENCY

<b>Goal</b>	Provide innovative, well-managed programs and services.				
<b>Objective</b>	Increase online class registration.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of class registrations occurring online	62.00%	59.00%	60.00%	60.00%	60.00%
<b>Description</b>	This measure tracks the utilization rate of online class registration service available.				
<b>Purpose</b>	Increase staff productivity and capacity.				
<b>Status</b>	Currently, online class registration is the preferred method of registration.				



## COMMUNITY SERVICES

### COMMUNITY SERVICES DEPARTMENT OPEN SPACE AND PARKS

<b>Goal</b>	Ensure parks and recreational areas are safe and environmentally sensitive.				
<b>Objective</b>	Protect public land and utilize best management practices for environmental preservation.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of surveyed who rate the City's success in preserving natural areas as "Good" or "Excellent"	82.00%	83.17%	81.00%	81.00%	81.00%
<b>Description</b>	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.				
<b>Purpose</b>	It is important for the City to solicit feedback from and respond to residents regarding the services and programs provided.				
<b>Status</b>	Palo Alto ranked 10th out of 227 jurisdictions in the 2018 NCS for preservation of natural areas such as open space and green belts.				

### COMMUNITY SERVICES DEPARTMENT PROGRAMS AND SERVICES

<b>Goal</b>	Provide high quality, relevant, and diverse services and programs to the public.				
<b>Objective</b>	Ensure programs are responsive to a broad range of needs within the community.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of surveyed who rate recreation programs/classes as "Good" or "Excellent"	87.00%	81.00%	88.00%	88.00%	88.00%
<b>Description</b>	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.				
<b>Purpose</b>	It is important for the City to solicit feedback from and respond to residents regarding the services and programs provided.				
<b>Status</b>	Palo Alto's ratings were higher than other cities in the survey benchmark (average ratings in all other cities). Residents' ratings ranked Palo Alto 62nd of 318 jurisdictions in the 2018 NCS.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Total Enrollment in classes/camps in arts, sciences, recreation, and open space programs	14,213	13,783	15,500	15,500	15,500
Average Enrollment in classes/camps in arts, sciences, recreation, and open space programs	18	15	22	22	22

# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration and Human Services	4,172,215	4,238,687	4,213,867	5,386,263	1,172,396	27.8%
Arts and Sciences	5,759,602	6,207,926	6,366,554	6,865,224	498,669	7.8%
Open Space, Parks and Golf	8,942,719	10,433,800	11,775,381	12,052,418	277,036	2.4%
Recreation and Cubberley	6,332,283	6,262,160	6,668,795	6,592,649	(76,146)	(1.1)%
<b>Total</b>	<b>25,206,818</b>	<b>27,142,572</b>	<b>29,024,597</b>	<b>30,896,553</b>	<b>1,871,955</b>	<b>6.4%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	1,796,045	1,734,186	1,891,933	1,792,800	(99,132)	(5.2)%
Other Benefits	201,464	250,676	255,421	260,188	4,766	1.9%
Overtime	200,984	182,169	104,441	107,157	2,715	2.6%
Pension	1,849,667	1,966,642	2,056,481	2,541,611	485,130	23.6%
Retiree Medical	949,102	998,502	909,816	937,111	27,294	3.0%
Salary	8,717,180	8,784,819	8,970,057	9,027,027	56,970	0.6%
Workers' Compensation	57,906	84,027	240,516	345,719	105,203	43.7%
<b>Total Salary &amp; Benefits</b>	<b>13,772,347</b>	<b>14,001,021</b>	<b>14,428,666</b>	<b>15,011,613</b>	<b>582,947</b>	<b>4.0%</b>
Allocated Charges	4,660,976	5,132,897	5,207,348	5,400,153	192,806	3.7%
Contract Services	4,109,550	5,279,123	7,497,407	8,661,260	1,163,854	15.5%
Facilities & Equipment	39,646	33,308	53,700	73,700	20,000	37.2%
General Expense	1,903,230	1,981,352	1,027,451	1,049,787	22,336	2.2%
Operating Transfers-Out	6,990	6,990	110,605	6,990	(103,615)	(93.7)%
Rents & Leases	11,930	19,753	25,505	25,983	478	1.9%
Supplies & Material	702,148	688,129	673,916	667,066	(6,850)	(1.0)%
<b>Total Dollars by Expense Category</b>	<b>25,206,818</b>	<b>27,142,572</b>	<b>29,024,597</b>	<b>30,896,553</b>	<b>1,871,955</b>	<b>6.4%</b>
<b>Revenues</b>						
Charges for Services	3,925,023	4,356,738	7,442,125	7,594,929	152,804	2.1%
Charges to Other Funds	55,686	56,230	60,715	197,455	136,740	225.2%
From Other Agencies	61,545	8,324	—	—	—	—%
Other Revenue	682,485	650,289	585,220	820,882	235,662	40.3%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Other Taxes and Fines	2,521	770	1,026	1,026	—	— %
Rental Income	1,201,908	1,204,639	984,997	1,107,654	122,657	12.5%
<b>Total Revenues</b>	<b>5,929,168</b>	<b>6,276,990</b>	<b>9,074,082</b>	<b>9,721,945</b>	<b>647,863</b>	<b>7.1%</b>
<b>Positions by Division</b>						
Administration and Human Services	5.79	6.24	6.24	6.72	0.48	7.69%
Arts and Sciences	45.89	46.28	44.42	44.75	0.33	0.74%
Open Space, Parks and Golf	32.87	32.87	30.59	30.59	—	— %
Recreation and Cubberley	59.71	59.65	47.08	42.85	(4.23)	(8.98)%
<b>Total</b>	<b>144.26</b>	<b>145.04</b>	<b>128.33</b>	<b>124.91</b>	<b>(3.42)</b>	<b>(2.67)%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	93,018
Administrative Associate III	1.00	1.00	1.00	1.00	—	76,090
Assistant Director Community Services	2.00	2.00	2.00	2.00	—	383,271
Building Serviceperson	2.00	2.00	2.00	1.25	(0.75)	73,059
Building Serviceperson-Lead	2.00	2.00	2.00	0.60	(1.40)	37,541
Coordinator Recreation Programs	4.00	4.00	3.00	3.00	—	247,077
Director Community Services	1.00	1.00	1.00	1.00	—	231,046
Division Manager Open Space, Parks and Golf	1.00	1.00	1.00	1.00	—	163,363
Heavy Equipment Operator	0.07	0.07	0.07	0.07	—	6,280
Inspector, Field Services	2.00	2.00	2.00	2.00	—	192,580
Junior Museum & Zoo Educator	2.75	3.60	3.60	3.60	—	265,196
Management Analyst	1.00	1.00	1.00	1.00	—	112,008
Management Assistant	1.00	1.00	1.00	1.00	—	77,417
Manager Community Services	5.00	5.00	5.00	5.00	—	472,222
Manager Community Services Senior Program	4.00	4.00	4.00	4.00	—	498,285
Manager Human Services	1.00	1.00	1.00	1.00	—	133,370

## COMMUNITY SERVICES

### Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Park Maintenance Person	6.00	6.00	6.00	6.00	—	420,167
Park Maintenance-Lead	1.00	1.00	1.00	1.00	—	81,184
Park Ranger	5.00	5.00	5.00	5.00	—	389,832
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	—	152,380
Producer Arts/Science Program	12.50	11.00	11.00	11.00	—	954,618
Program Assistant I	8.00	8.00	8.00	8.00	—	576,162
Program Assistant II	4.00	4.00	4.00	4.00	—	309,667
Project Manager	0.10	0.10	0.10	0.10	—	11,405
Senior Management Analyst	1.00	1.00	1.00	1.00	—	142,896
Sprinkler System Representative	4.00	4.00	4.00	4.00	—	284,877
Superintendent Community Services	2.00	2.00	2.00	2.00	—	258,336
Superintendent Recreation	1.00	1.00	1.00	1.00	—	120,744
Theater Specialist	1.00	2.00	2.00	2.00	—	191,075
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>78.42</b>	<b>78.77</b>	<b>77.77</b>	<b>75.62</b>	<b>(2.15)</b>	<b>6,955,167</b>
Temporary/Hourly	65.84	66.27	50.56	49.29	(1.27)	2,529,286
<b>Total Positions</b>	<b>144.26</b>	<b>145.04</b>	<b>128.33</b>	<b>124.91</b>	<b>(3.42)</b>	<b>9,484,453</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>128.33</b>	<b>29,024,597</b>	<b>9,074,082</b>	<b>19,950,515</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(103,615)	—	(103,615)
General Liability Savings (one-time FY 2019 Savings)	—	30,138	—	30,138
Workers' Compensation Savings (one-time FY 2019 Savings)	—	95,849	—	95,849
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>22,372</b>	<b>—</b>	<b>22,372</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	702,543	—	702,543
Proactive Contributions to City's Unfunded Pension Liability	—	326,974	—	326,974
Animal Services Shelter Transition from Police Department to Community Services Department with Pets-In-Need (CMR #9882 Approved by the City Council on November 26, 2018)	0.48	906,889	217,662	689,228
Realignment of Cubberley Staffing to Cubberley Fund (CMR #9925, approved by the City Council on December 17, 2018)	(4.23)	(357,563)	—	(357,563)
Revenue Alignment for various Community Services Department Programs	—	—	132,208	(132,208)
Golf Course Revenue and Expense (CMR #8848, approved by the City Council on April 6, 2018)	—	118,913	175,626	(56,713)
Human Services Resource Allocation Program/ Avenidas/PACC (consumer price index)	—	61,128	—	61,128
ThinkFund (formerly Bryant Street Garage Fund) Bryant Street Garage Rent Subsidy for Teen Programs	—	6,970	—	6,970
Rents & Leases	—	478	—	478
Aquatics Program Pilot Revenue Alignment	—	—	(14,373)	14,373
Information Technology Allocated Charges	—	19,128	—	19,128
Liability Insurance Allocated Charges	—	16,259	—	16,259
Landscape Maintenance contract/Allocated Charges	—	215,611	136,740	78,871
Printing & Mailing Services Allocated Charges	—	47,381	—	47,381
Stormwater Management Allocated Charges	—	11,515	—	11,515
Utilities Allocated Charges	—	28,687	—	28,687

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
Vehicle Replacement & Maintenance Allocated Charges	—	(20,303)	—	(20,303)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>(3.75)</b>	<b>2,084,611</b>	<b>647,863</b>	<b>1,436,748</b>
<b>Total FY 2020 Base Budget</b>	<b>124.58</b>	<b>31,131,580</b>	<b>9,721,945</b>	<b>21,409,635</b>
<b>Budget Adjustments</b>				
1 Community Services Management Alignment	—	(265,903)	—	(265,903)
2 Consolidation of Parks Maintenance Contracts	—	(29,124)	—	(29,124)
3 Know Your Neighbor Grant Reduction	—	(25,000)	—	(25,000)
4 Art Center Staffing Alignment	0.33	—	—	—
5 Project Safety Net Transition	—	25,000	—	25,000
6 Impact Fee Nexus Study	—	60,000	—	60,000
<b>Total FY 2020 Budget Adjustments</b>	<b>0.33</b>	<b>(235,027)</b>	<b>—</b>	<b>(235,027)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>124.91</b>	<b>30,896,553</b>	<b>9,721,945</b>	<b>21,174,608</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Community Services Management Alignment	0.00	(265,903)	0	(265,903)

This action recognizes a savings of \$266,000, equivalent to 1.0 FTE Division Manager in FY 2020 and FY 2021. The Community Services Department (CSD) will be evaluating its staffing complement through FY 2020 in order to analyze potential changes to its management staffing structure. This action ensures that CSD can thoroughly explore options for cost containment while minimizing disruptions to service delivery. It is anticipated that ongoing savings will be identified and brought forward through subsequent budget processes. (FY 2021 savings: \$266,000)

### Performance Results



This action will generate cost savings in FY 2020 and FY 2021 as CSD evaluates long-term options for cost containment.

2 Consolidation of Parks Maintenance Contracts	0.00	(29,124)	0	(29,124)
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This action will reduce contract expenses by \$29,124 on an ongoing basis through an anticipated consolidation of parks maintenance contracts. Through the past few years, the Community Services Department has entered into contractual agreements for maintenance work at various facilities throughout the City of Palo Alto. The department will be comprehensively evaluating those agreements through FY 2020 and anticipates making a recommendation about options to consolidate maintenance contracts to increase efficiencies while minimizing costs on an ongoing basis. This funding reduction represents the anticipated savings from a consolidation of maintenance contracts. (Ongoing savings: \$29,000)

### Performance Results



This action would minimize the City's costs related to parks maintenance.

3 Know Your Neighbor Grant Reduction	0.00	(25,000)	0	(25,000)
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This action will reduce the City's Know Your Neighbors Grant Program in alignment with historic expenses. This program allows citizens or neighborhood associations to apply for grants up to \$1,000 for activities such as block parties, event kick-off celebrations, neighborhood crime prevention and safety activities, and gatherings involving connections between neighbors. Grants may be applied for at any time throughout the calendar year at least one month in advance of the event date, and are awarded for activities that meet eligibility requirements on a "first come, first served" basis. Grants awarded totaled \$21,602 in FY 2018, and \$23,765 in FY 2017. (Ongoing savings: \$25,000)

### Performance Results



This action will decrease the allocated funding for "Know Your Neighbor" grants, but is anticipated to have minimal impacts based on grant amounts awarded in prior years.

4 Art Center Staffing Alignment	0.33	0	0	0
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This action realigns staffing for the Art Center's exhibition program through a net-zero reallocation of contract dollars to fund a 0.33 FTE Arts and Sciences Professional II position. The Art Center hosts several exhibits annually and the artwork requires careful handling during this process. This action will provide the necessary staffing support for the exhibition program while maintaining service delivery levels in the community by providing greater flexibility for seasonal staffing to assist with exhibition gallery maintenance, preparation, and shipping work. The exhibition program requires maintenance of gallery spaces to ensure the safety and security of artwork on view and on loan. (Ongoing costs: \$0)

### Performance Results



This action will be cost neutral and provide greater flexibility in Art Center staffing to continue to maintain and set up exhibitions.



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
5 Project Safety Net Transition	0.00	25,000	0	25,000

This action will provide one-time funding for the transition of Project Safety Net (PSN) from a Collective Impact model (community collaborative) to a nonprofit or public-private partnership model by the start of FY 2021. In FY 2017, PSN received funding for a Director, a part-time Administrative Associate, and other activities conducted by the City (publishing, outreach, etc.) associated with the collaborative. As part of the strategy initially outlined when the City began funding the program from the General Fund in FY 2017, this one-time funding would be invested to help evaluate and recommend a long-term fiscal sustainability plan for PSN, either through the creation of a separate 501c(3) tax exempt organization or through an established nonprofit or partner organization. The City's support for Project Safety Net will continue on an ongoing basis at a level of \$100,000 beginning in FY 2021. Compared to the City's previous level of support for Project Safety Net at \$270,000, this action will result in ongoing savings of \$170,000. (Ongoing savings: \$170,000)

### Performance Results



Transitioning to a nonprofit model will provide PSN with a sustainable business model that can continue to operate while reducing reliance on City subsidies.

6 Impact Fee Nexus Study	0.00	60,000	0	60,000
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This action will provide one-time funding for an Impact Fee nexus study to the development impact fees for community centers, libraries, and parks. A development impact fee is a fee that is imposed on new or proposed development projects to pay for all or a portion of the costs of providing public services to the new development. Impact fee studies are conducted regularly and help ensure the impacts of development are being accounted for appropriately through the administration of impact fees. The last comprehensive nexus study for these impact fees were conducted in 2002. (Ongoing costs: \$0)

### Performance Results



This study will provide updated information for impact fees, which may result in increased revenues for supporting programs at the Community Services Department and the Library.

## CSD Golf Course Financials

	FY 2016 Actuals	FY 2017 Actuals*	FY 2018 Actuals**	FY 2019 Projected	FY 2020 Proposed
<b>REVENUES</b>					
Tournament fees	-	40	-	-	-
Green Fees	-	-	532,552	-	-
Monthly play cards	-	-	-	2,486,832	2,600,523
Driving range	154,322	227,072	199,251	366,037	405,396
Cart/club rentals	-	1,236	-	355,950	381,904
Proshop lease	18,000	13,175	12,677	-	-
Restaurant lease	18,000	32,657	2,222	12	48,000
Restaurant Utilities	18,000	16,500	1,500	0	18,000
Other Fee	24,000	4,039	6,738	340,245	376,827
<b>Total Revenue</b>	<b>232,322</b>	<b>294,719</b>	<b>754,940</b>	<b>3,549,075</b>	<b>3,830,650</b>
<b>EXPENDITURES</b>					
<b>Operating Expenses</b>					
Salaries & Benefits	129,915	111,906	117,662	116,891	172,282
Advertising & Publishing	15,000	1,126	7,714	-	-
Supplies and Materials	10,000	27,008	42,669	-	-
General Expense	1,450	52	347	1,004	1,620
Facilities and Equipment Purchases	5,000	6,434	18,860	-	-
Allocated Charges	157,750	156,748	180,057	279,988	328,369
<b>Subtotal</b>	<b>319,115</b>	<b>303,274</b>	<b>367,307</b>	<b>397,883</b>	<b>502,272</b>
<b>Contract Services</b>					
Golf Maintenance	217,896	364,666	750,978	2,629,515	2,611,281
Miscellaneous	-	49,068	9,437	-	-
Range fees	31,710	195,631	166,902	-	-
Cart Rentals	-	-	-	-	-
Club Rentals	-	-	-	-	-
Fixed management fees	30,500	30,500	924,477	1,000	111,240
Contract Contingency	4,166	-	-	-	26,825
<b>Subtotal</b>	<b>284,272</b>	<b>639,865</b>	<b>1,851,795</b>	<b>2,630,515</b>	<b>2,749,346</b>
<b>Total Operating Expenses</b>	<b>603,387</b>	<b>943,139</b>	<b>2,219,102</b>	<b>3,028,398</b>	<b>3,251,618</b>
<b>Income From Operations</b>	<b>(371,065)</b>	<b>(648,420)</b>	<b>(1,464,162)</b>	<b>520,677</b>	<b>579,033</b>

# CSD Golf Course Financials

	FY 2016 Actuals	FY 2017 Actuals*	FY 2018 Actuals**	FY 2019 Projected	FY 2020 Proposed
<b>Debt Expenses</b>					
Debt Service (Refunded)	430,791	432,150	432,271	431,154	-
Debt Service (New)	-	-	-	181,794	373,523
<b>Subtotal</b>	<b>430,791</b>	<b>432,150</b>	<b>432,271</b>	<b>612,948</b>	<b>373,523</b>
<b>Net Income (Loss)</b>	<b>(801,856)</b>	<b>(1,080,570)</b>	<b>(1,896,433)</b>	<b>(92,271)</b>	<b>205,510</b>

\*The Golf Course was closed during FY 2017 due to renovation.

\*\*The renovated Golf Course opened in May 2018 under new management.

## CSD Human Service Contracts

Human Services Contracts	FY 2019 Adopted	FY 2019 Agency Award	FY 2020 Base Budget	FY 2020 Agency Requests	FY 2020 Proposed Budget
<b>EXPENDITURE CATEGORY</b>					
Avenidas - Senior Services <sup>1</sup>	489,274	489,274	508,356	489,274	508,356
PACCC - Child Care Subsidy and Outreach <sup>1</sup>	495,682	495,682	515,013	495,682	515,013
<b>Sole Source Contractors Subtotal</b>	<b>984,956</b>	<b>984,956</b>	<b>1,023,369</b>	<b>984,956</b>	<b>1,023,369</b>
<b>HUMAN SERVICES RESOURCE ALLOCATION PROCESS<sup>2</sup></b>					
Abilities United	45,808	45,808	47,595	51,739	53,757
Ada's Cafe	-	-	-	50,000	5,195
Adolescent Counseling Services (Outlet Program)	10,506	10,506	10,916	100,000	44,157
Blossom Birth	-	-	-	15,000	-
Community Working Group	30,750	30,750	31,949	-	-
Counseling and Support Services for Youth (CASSY)	35,875	35,875	37,274	50,000	44,157
Downtown Streets Team	76,436	76,436	79,417	36,420	37,840
DreamCatchers	24,199	24,199	25,143	25,000	25,975
KARA	19,029	19,029	19,771	22,000	22,858
LifeMoves (formerly InnVision Shelter Network)	36,138	36,138	37,548	132,739	81,989
La Comida de California	37,281	37,281	38,735	46,372	48,181
MayView Community Health Center	27,665	27,665	28,744	40,000	41,560
Momentum for Mental Health	45,842	45,842	47,630	-	-
Palo Alto Housing Corporation	20,501	20,501	21,301	36,000	31,170
Partners & Advocates for Remarkable Children & Adults (PARCA)	11,233	11,233	11,671	-	-
Peninsula HealthCare Connection Inc	30,426	30,426	31,613	-	-
Senior Adults Legal Assistance	14,761	14,761	15,337	15,350	15,949
The Health Trust	-	-	-	20,000	10,390

## CSD Human Service Contracts

Human Services Contracts	FY 2019 Adopted	FY 2019 Agency Award	FY 2020 Base Budget	FY 2020 Agency Requests	FY 2020 Proposed Budget
Vista Center for the Blind & Visually Impaired	27,137	27,137	28,195	42,070	41,560
Youth Community Sv. (YCS)	22,205	22,205	23,071	30,000	31,170
<b>Two-Year Contractors Subtotal</b>	<b>515,793</b>	<b>515,792</b>	<b>535,909</b>	<b>712,690</b>	<b>535,908</b>
<b>TOTAL</b>	<b>1,500,749</b>	<b>1,500,748</b>	<b>1,559,278</b>	<b>1,697,646</b>	<b>1,559,277</b>
HSRAP Emerging Needs Fund <sup>3</sup>	50,000	-	50,000	-	-

1. Not part of the Human Services Resource Allocation Process.
2. Human Services Resource Allocation Process (HSRAP) contracts are requested as part of a two-year cycle, and once approved, the agencies receive the same level of funding across each year of the cycle. The Agency Request amounts reflect the request made for each year.
3. Funding is displayed as part of the Non-Departmental section of this document.

# FIRE

## Mission Statement

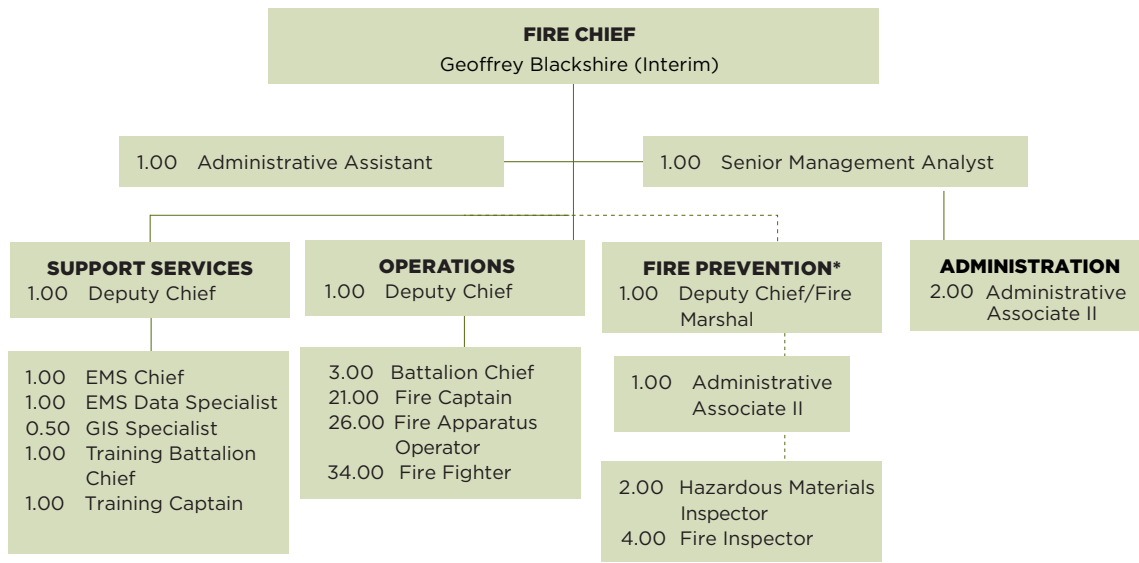


We are a professional team of individuals dedicated to safeguarding and enriching the lives of anyone, anytime, anywhere with compassion and pride.

## Purpose

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





## FY 2020 POSITION TOTALS

103.50 - 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 Planning and Community Environment 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 Emergency Medical Technician and/or Paramedic re-certification is also incorporated.

## Accomplishments

- Achieved accreditation from the Center for Public Safety Excellence. Only one percent of all Fire agencies nationwide are accredited.
- Completed renegotiation of the Fire Services Agreement with Stanford University, and implemented new deployment model.
- Completed Community Health Needs Assessment report and presented findings to City Council and the Community.
- Responded to 189 fire incidents in Fiscal Year 2018 with 89% of responses within 8 minutes.
- Responded to 5,342 medical/rescue calls in Fiscal Year 2018; 99% of paramedic calls for service were responded to within 12 minutes and 94% of emergency medical calls within 8 minutes.
- Increased the number of fire inspections from an improved cataloging system, conducting 9,581 fire inspections in Fiscal Year 2018.
- EMS revenue totaled approximately \$3.7 million in Fiscal Year 2018.



- Hired and successfully graduated 8 firefighters in the Santa Clara County Joint Fire Academy in 2018.

## Initiatives

- Successfully recruit and appoint a new Fire Chief.
- Maintain Accreditation by completing the annual compliance report.
- Continue department succession program including regularly scheduled promotional and acting exams, creation of a career development guide, and increased training.
- Develop recruitment and retention programs to maintain a diverse, talented and engaged workforce.
- Expand the current wellness program to further promote and maintain a safety culture.
- Support efforts to modernize and replace essential public safety facilities and equipment.
- Develop multi-agency plan to collectively address future emergency medical needs of the community.

## 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.
- Target fire response time within 8 minutes 90 percent of the time.
- Target Advanced Life Support (ALS) response times 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 the 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 per month per employee of fire related training.
- Maintain, as mandated, records of training related to Emergency Medical Service (EMS) and Emergency Medical Technician (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 from a customer perspective of assistance that was provided.

# Key Performance Measures

## FIRE DEPARTMENT RESPONSE TIMES

<b>Goal</b>	Arrive at the scene of emergencies safely and in a timely manner within the department's targeted response times.				
<b>Objective</b>	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.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of responses to EMS calls within 8 minutes	94.00%	94.00%	92.00%	92.00%	92.00%
Percent of responses to paramedic calls within 12 minutes	99.00%	99.00%	99.00%	99.00%	99.00%
Percent of responses to fire emergencies within 8 minutes	89.00%	89.00%	90.00%	93.00%	90.00%
<b>Description</b>	This measure tracks the percentage of calls for service that are within established response time percentiles.				
<b>Purpose</b>	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.				
<b>Status</b>	In FY 2018, the Fire Department responded to 99 percent of paramedic calls for service within 12 minutes and responded to 94 percent of emergency medical calls within 8 minutes. The Department responded to 89 percent of fire calls within 8 minutes. This shows sustained improvement as this is the closest the Department has come to meeting the goal of 90 percent in many years. The Department continues to focus on ways to reduce response times.				

## FIRES CONTAINED TO ROOM OF ORIGIN

<b>Goal</b>	Limit structural fire damage to the room or area of origin.				
<b>Objective</b>	Contain fires to the room or area of origin 90 percent of the time.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of fires contained to the room or area of origin	85.00%	77.00%	90.00%	90.00%	90.00%
<b>Description</b>	This measure tracks the percentage of fires that are contained to the room or area of origin.				
<b>Purpose</b>	Containing a fire to the room or area of origin limits damage and spread of the fire.				
<b>Status</b>	In FY 2018, the Department limited 77 percent of fires to the room of origin which was below 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. In the cases where the fires were not contained, 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

<b>Goal</b>	Internalize commitment to excellence in public service by continuously evaluating the assistance provided, identifying areas needing improvement, and implementing mitigation methods.				
<b>Objective</b>	Maintain awareness of service quality from a customer perspective of assistance that was provided.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of surveyed residents rating fire services "good" or "excellent"	97.00%	94.00%	95.00%	95.00%	95.00%
Percent of surveyed residents rating fire prevention services "good" or "excellent"	87.00%	84.00%	85.00%	85.00%	85.00%
Percent of surveyed residents rating ambulance/EMS services "good" or "excellent"	96.00%	93.00%	95.00%	95.00%	95.00%
<b>Description</b>	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.				
<b>Purpose</b>	Citizen satisfaction with Fire Department services is an important assessment of the overall quality of fire services offered to the community.				
<b>Status</b>	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 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of fire calls for service	155	189	150	160	160
Number of medical/rescue calls for service	5,567	5,342	5,400	5,400	5,400
Number of all other calls for service	3,586	3,452	3,550	3,440	3,440
Total number of calls for service	9,153	8,983	9,200	9,000	9,000
Number of ambulance transports	3,735	3,590	3,800	3,800	3,800
Fire calls average response time (Target: 8:00 Minutes)	5:32	5:23	5:25	5:25	5:25
Medical/rescue calls average response time (Target: 8:00 Minutes)	4:50	4:53	5:00	5:00	5:00

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration	1,845,573	1,916,884	2,505,528	2,727,445	221,917	8.9%
Emergency Response	27,640,110	29,345,212	28,295,304	30,703,654	2,408,350	8.5%
Environmental Safety Management	151,643	151,752	542,730	558,962	16,231	3.0%
Records and Information Management	319,621	342,412	—	—	—	—%
Training and Personnel	1,573,207	1,882,244	787,802	855,545	67,743	8.6%
<b>Total</b>	<b>31,530,153</b>	<b>33,638,504</b>	<b>32,131,365</b>	<b>34,845,607</b>	<b>2,714,242</b>	<b>8.4%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	1,953,781	1,952,238	2,212,683	2,182,484	(30,199)	(1.4)%
Other Benefits	273,687	351,540	294,432	307,559	13,127	4.5%
Overtime	3,247,813	3,568,300	1,911,761	1,672,872	(238,890)	(12.5)%
Pension	5,561,510	6,030,222	6,130,579	8,091,590	1,961,011	32.0%
Retiree Medical	2,433,065	2,559,706	2,223,229	2,289,926	66,697	3.0%
Salary	13,058,645	13,191,022	13,749,644	14,211,642	461,998	3.4%
Workers' Compensation	628,234	1,027,998	753,623	1,108,460	354,837	47.1%
<b>Total Salary &amp; Benefits</b>	<b>27,156,736</b>	<b>28,681,026</b>	<b>27,275,951</b>	<b>29,864,533</b>	<b>2,588,582</b>	<b>9.5%</b>
Allocated Charges	2,911,801	3,144,612	3,067,841	3,264,525	196,684	6.4%
Contract Services	456,381	762,479	472,000	566,625	94,625	20.0%
Facilities & Equipment	122,332	151,244	246,523	327,723	81,200	32.9%
General Expense	447,164	436,545	289,800	388,800	99,000	34.2%
Operating Transfers-Out	—	—	306,850	—	(306,850)	(100.0)%
Rents & Leases	144	—	—	—	—	—%
Supplies & Material	435,596	462,598	472,400	433,400	(39,000)	(8.3)%
<b>Total Dollars by Expense Category</b>	<b>31,530,153</b>	<b>33,638,504</b>	<b>32,131,365</b>	<b>34,845,607</b>	<b>2,714,242</b>	<b>8.4%</b>
<b>Revenues</b>						
Charges for Services	9,277,851	9,815,952	10,170,642	10,649,581	478,939	4.7%
Charges to Other Funds	163,386	161,322	163,605	162,610	(996)	(0.6)%
From Other Agencies	547,601	1,093,263	70,000	170,000	100,000	142.9%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Other Revenue	(52,082)	18,931	282,000	282,000	—	—%
Other Taxes and Fines	—	(275)	—	—	—	—%
<b>Total Revenues</b>	<b>9,936,756</b>	<b>11,089,193</b>	<b>10,686,247</b>	<b>11,264,190</b>	<b>577,943</b>	<b>5.4%</b>
<b>Positions by Division</b>						
Administration	3.00	3.00	5.68	5.68	—	—%
Emergency Response	99.07	99.07	89.57	89.57	—	—%
Environmental Safety Management	0.48	0.48	1.15	1.15	—	—%
Records and Information Management	1.50	1.50	—	—	—	—%
Training and Personnel	5.15	5.15	2.00	2.00	—	—%
<b>Total</b>	<b>109.20</b>	<b>109.20</b>	<b>98.40</b>	<b>98.40</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
40-Hour Training Battalion Chief	1.00	1.00	1.00	1.00	—	186,846
40-Hour Training Captain	1.00	1.00	1.00	1.00	—	164,486
Administrative Assistant	1.00	1.00	1.00	1.00	—	84,011
Administrative Associate II	2.00	2.00	2.20	2.20	—	156,169
Battalion Chief	3.00	3.00	3.00	3.00	—	524,597
Business Analyst	0.80	0.80	0.80	0.80	—	111,581
Deputy Chief/Fire Marshal	0.05	0.05	0.05	0.05	—	10,029
Deputy Director Technical Services Division	0.20	0.20	0.20	0.20	—	41,646
Deputy Fire Chief	2.00	2.00	2.00	2.00	—	418,330
Emergency Medical Service Director	1.00	1.00	1.00	1.00	—	161,325
Emergency Medical Services Data Specialist	1.00	1.00	1.00	1.00	—	76,090
Fire Apparatus Operator	30.00	30.00	26.00	26.00	—	3,738,018
Fire Captain	21.00	21.00	21.00	21.00	—	3,343,791
Fire Chief	1.00	1.00	1.00	1.00	—	250,474
Fire Fighter	41.00	41.00	34.00	34.00	—	4,517,356

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Fire Inspector	0.80	0.80	0.80	0.80	—	131,589
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	58,543
Hazardous Materials Inspector	0.30	0.30	0.30	0.30	—	49,346
Senior Management Analyst	1.00	1.00	1.00	1.00	—	149,739
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>108.65</b>	<b>108.65</b>	<b>97.85</b>	<b>97.85</b>	<b>—</b>	<b>14,173,966</b>
Temporary/Hourly	0.55	0.55	0.55	0.55	—	54,281
<b>Total Positions</b>	<b>109.20</b>	<b>109.20</b>	<b>98.40</b>	<b>98.40</b>	<b>—</b>	<b>14,228,247</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>98.40</b>	<b>32,131,365</b>	<b>10,686,247</b>	<b>21,445,118</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(306,850)	—	(306,850)
Firefighter New Hire Costs	—	(46,000)	—	(46,000)
General Liability Savings (one-time FY 2019 Savings)	—	29,835	—	29,835
Workers' Compensation Savings (one-time FY 2019 Savings)	—	300,329	—	300,329
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(22,686)</b>	<b>—</b>	<b>(22,686)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefit Adjustments	—	1,928,023	—	1,928,023
Proactive Contributions to City's Unfunded Pension Liability	—	972,593	—	972,593
Stanford Emergency Fire Services Revenue Adjustment (align with current negotiations, net \$7.0 million)	—	—	478,939	(478,939)
General Fund Service Provided to Enterprise Funds Alignment	—	—	(996)	996
Equipment and Support Services Contract Adjustments	—	24,200	—	24,200
Personal Protective Equipment (PPE) Increases	—	30,000	—	30,000
Information Technology Allocated Charges	—	(17,703)	—	(17,703)
Liability Insurance Allocated Charges	—	23,664	—	23,664
Printing & Mailing Services Allocated Charges	—	(543)	—	(543)
Utilities Allocated Charges	—	3,500	—	3,500
Vehicle Replacement & Maintenance Allocated Charges	—	157,932	—	157,932
Workers' Compensation Allocated Charges	—	54,508	—	54,508
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>3,176,174</b>	<b>477,943</b>	<b>2,698,231</b>
<b>Total FY 2020 Base Budget</b>	<b>98.40</b>	<b>35,284,853</b>	<b>11,164,190</b>	<b>24,120,663</b>
<b>Budget Adjustments</b>				
1 Fire Staffing Adjustment	—	(352,511)	—	(352,511)
2 Elimination of Medic 61	—	(315,360)	—	(315,360)



## Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
3 State Quality Assurance Fee	—	100,000	100,000	—
4 Equipment Replacement	—	48,000	—	48,000
5 Firefighter New Hire Costs	—	80,625	—	80,625
<b>Total Budget Adjustments</b>	<b>—</b>	<b>(439,246)</b>	<b>100,000</b>	<b>(539,246)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>98.40</b>	<b>34,845,607</b>	<b>11,264,190</b>	<b>23,581,417</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Fire Staffing Adjustment	0.00	(352,511)	0	(352,511)

This action recognizes one-time savings of \$353,000, equivalent to 1.0 FTE Deputy Fire Chief position as a temporary measure to create savings for the duration of FY 2020. The Fire Department currently has an interim Fire Chief and this will give the department the opportunity to pilot operating with fewer executive management positions. As a result of this pilot, lower priority projects may be put on hold and duties will be reassigned among command staff. The Fire Department will continue to analyze and assess ongoing options for cost containment and return with recommendations. (Ongoing savings: \$0)

### Performance Results



This action is anticipated to help contain costs in FY 2020.

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
2 Elimination of Medic 61	0.00	(315,360)	0	(315,360)

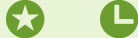
This action eliminates a dedicated 12-hour ambulance that is currently in service from 8:00 AM to 8:00 PM, 7 days per week. In January 2018, the Fire Department began the deployment of the delivery of fire and Emergency Medical Services (EMS), which included the addition of one dedicated ambulance staffed in the downtown fire station, Fire Station 1, 12 hours per day, 7 days per week. By contract, this apparatus is only staffed with overtime personnel. When this ambulance goes out of service at 8:00 PM, the Station 3 crew cross-staffs a fire engine and ambulance from 8:00 PM to 8:00 AM; a similar model is used for deployment 24/7 at Fire Stations 2 and 4.

Staff ran this alternative deployment, assuming Stations 2, 3, and 4 would now be cross-staffed 24/7, through predictive analytic simulator software, which models historical response data with this newly proposed deployment model. The simulator predicted the following:

- Unit utilization for 2 additional crews will reach up to 27%, which is over the national standard of 25%. In total, 3 of 8 crews are estimated to be over that standard.
- Response times will increase though they are estimated to remain within the overall performance standard of 8 minutes, 90% of the time
- The department will most likely rely on more mutual aid assistance from Santa Clara County (SCC) ambulance. (Recently, the assistance of SCC ambulance has diminished due to the new deployment model effective January 2018.)

Currently this action presumes that this new deployment become effective no later than January 2020, resulting in 6 months of savings in FY 2020 and ongoing savings in FY 2021. As discussed in the transmittal letter, this change would be subject to the appropriate procedures per the City's current memoranda of agreements with employee units and discussion with Stanford per the City's partnership agreement for fire services. (Ongoing savings: \$630,720)

### Performance Results



In order to manage the emergency medical services call volume and maintain the department's current level of service, an additional Fire Engine will be cross-staffed with an ambulance 24 hours per day.

3 State Quality Assurance Fee	0.00	100,000	100,000	0
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This ongoing, cost-neutral action increases the department's expenses by \$100,000 to account for the State-mandated Quality Assurance Fee (QAF) for ground emergency medical transport (GEMT), within an offset in revenues anticipated from tax and federal reimbursements. The QAF collected by the Department of Health Care Services (DHCS) will be used to increase reimbursement to GEMT providers. DHCS will post notice of the QAF rate each year should the program be extended into subsequent fiscal years. (Ongoing net costs: \$0)

### Performance Results



This action ensures that the high level of quality of emergency medical transport services is maintained.

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
4 Equipment Replacement	0.00	48,000	0	48,000

This one-time action provides funding for the replacement of ten air quality monitors (\$31,000) and one medical gurney (\$17,000) at or nearing the end of their useful life. Air quality monitors define the need for and level of respiratory protection and are used to supply safety information to ensure the proper protection, precautions, and treatments are provided to persons at risk of harm during emergency incidents and have a typical useful life of five to seven years. In total, the City maintains seven gurneys with a typical useful life of seven years for the six ambulance apparatus the Fire Department manages. (Ongoing costs: \$0)

### Performance Results



This action ensures the necessary equipment is available to provide the proper protection, precautions, and treatment in an emergency incident and to maintain compliance with state and national laws on the delivery of emergency medical treatment for medical calls.

5 Firefighter New Hire Costs	0.00	80,625	0	80,625
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This one-time action adds \$80,625 in expenses for the anticipated recruitment and onboarding of five firefighter personnel. Funding will be used for background checks, uniforms including personal protective equipment (PPE), and Joint Fire Academy (JFA) fees. The Department hired nine entry level firefighters in FY 2019 but further retirements anticipated during FY 2020 result in the need for these additional resources. The recruitment and onboarding of new firefighters will help maintain the department's staffing levels and ensure its continued ability to meet department targets such as response times. (Ongoing costs: \$0)

### Performance Results



This action provides funding for training and equipment necessary for new hires.

# 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.

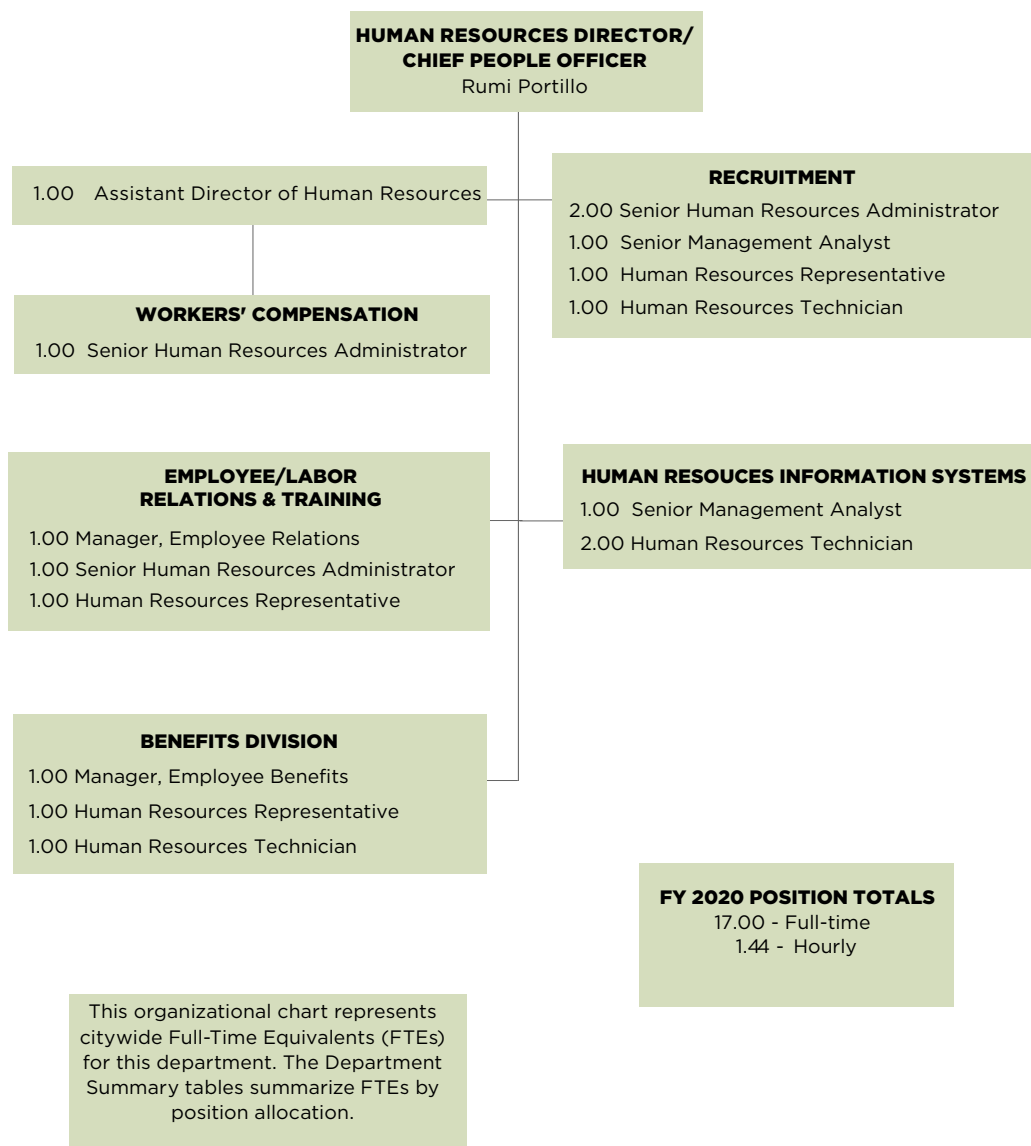


## Purpose

The purpose of Human Resources is to support City departments in achieving key goals and objectives; to provide a range of services, including new employee orienta-

tion, staffing and recruitment management, talent and skill development, performance assessment, safety and wellness programs; and to support employee relations, compensation, job classification, risk management, and organization development to City departments.

# HUMAN RESOURCES



## Description

The Human Resources Department 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, as well as lead the City through labor contract negotiations.

### **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

- Recruited and/or filled 235 positions, including: City Manager, Director of Public Works, Director of Planning and Community Environment, Transportation Manager, Police Officers, Firefighters, Utilities System Operators, and Utilities Linemen.
- Negotiated 5 successor memorandum of agreements with City of Palo Alto Labor Unions, including: UMPAPA, POA, PMA, IAFF, and FCA.
- Expanded training programs offered to City staff through the eLearning Management System to include subjects such as harassment prevention, information security, and reasonable suspicion.
- Redesigned the City's employee appreciation event and annual employee service awards to include various activities, food, and years of service t-shirts.
- Completed a vendor selection process for case management and labor tracking tools that enable the employee relations team to run reports, recognize trends, and access valuable data.
- Evaluated and recommended a Paid Parental Leave policy, adopted by the City Council in December, 2018 (CMR 9632).

## HUMAN RESOURCES

- Completed a vendor selection process and began implementation of a system that improves oversight and customer service for leave management.
- Revised the City's retirement contract with CalPERS to increase employee contributions towards pension costs and updated personnel data in the Enterprise Resource Planning (ERP) system.
- Conducted market review and completed a vendor selection process for the continuation of Employee Life Insurance and Long-Term Disability services.
- Met on-site with approximately 200 employees during the Open Enrollment process and completed approximately 850 benefit transactions and 130 health plan changes.
- Implemented revisions of the Fair Labor Standards Act's overtime calculation.
- Redesigned the file architecture and document management process for e-Personnel data to ensure accurate and efficient record keeping.
- Transitioned to an electronic submission process for Personnel Action Forms (PAF) to streamline changes to an employee's position, salary, title, classification, schedule, or status.
- Implemented an online employment eligibility verification process to increase accuracy and streamline the process for on-boarding new hires.

## Initiatives

- Continue to leverage internal staff resources to close open labor agreements.
- Develop, implement, and manage a new Management and Professional Compensation plan.
- Develop, implement, and manage revised harassment prevention training in accordance with new state legislated mandates.
- Implement consultant recommendations for a comprehensive citywide training program.
- Complete report configurations that ensure accurate reporting of pensionable compensation to CalPERS.
- Pilot a retention and workforce stabilization strategy.
- Evaluate the City's current Catastrophic Leave program for improvements.
- Create recruitment dashboard to establish metrics and monitor recruitment activity.
- Pilot a customer service satisfaction survey to assess and improve the City's recruitment process.
- Expand recruitment outreach on social media platforms.

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Fund</b>						
General Fund-Operating	3,314,457	3,479,721	3,662,383	3,833,054	170,671	4.7%
Liability Insurance	1,491,957	2,647,980	2,984,622	2,971,622	(13,000)	(0.4)%
Worker's Compensation	2,737,309	3,513,168	6,103,345	6,738,337	634,992	10.4%
<b>Total</b>	<b>7,543,723</b>	<b>9,640,869</b>	<b>12,750,350</b>	<b>13,543,013</b>	<b>792,663</b>	<b>6.2%</b>
<b>Revenues</b>						
Charges to Other Funds	1,076,120	2,842,356	3,774,302	4,333,860	559,558	14.8%
Operating Transfers-In	5,000	5,000	5,000	5,000	—	—%
Other Revenue	3,072,882	2,025,670	3,805,045	5,522,040	1,716,995	45.1%
Return on Investments	526,823	541,650	39,310	708,600	669,290	1,702.6%
<b>Total Revenues</b>	<b>4,680,825</b>	<b>5,414,677</b>	<b>7,623,657</b>	<b>10,569,500</b>	<b>2,945,843</b>	<b>38.6%</b>
<b>Positions by Fund</b>						
General Fund	17.44	17.20	16.96	16.96	—	—%
Workers' Compensation Program Fund	1.00	1.00	1.00	1.48	0.48	48.00%
<b>Total</b>	<b>18.44</b>	<b>18.20</b>	<b>17.96</b>	<b>18.44</b>	<b>0.48</b>	<b>2.67%</b>



# 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 HR department website.
- Continue to champion a Wellness Program with a target of 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

<b>Goal</b>	Enhance City culture of employee engagement and innovation.				
<b>Objective</b>	Maintain high employee attendance rate.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Attendance	95%	95%	96%	95%	95%
<b>Description</b>	This measure will track the attendance of employees in terms of percentage of time present.				
<b>Purpose</b>	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).				
<b>Status</b>	The actual attendance for FY 2018 of 95% is in line with the Department of Labor's benchmark rate and is expected stay steady in FY 2019 and FY 2020.				

### RECRUITMENT

<b>Goal</b>	Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce.				
<b>Objective</b>	Invigorate the recruitment process to decrease time to fill and increase quality of hires.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Recruitment - Days to fill a position	95	103	100	100	100
<b>Description</b>	This measure will provide the average number of days to fill a position from requisition approval until a hiring decision is made.				
<b>Purpose</b>	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.				
<b>Status</b>	The City continues to compete for talent for hard-to-fill positions and estimates that recruitment's will hold steady at approximately 100 days to fill.				

## TURNOVER

<b>Goal</b>	Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce.				
<b>Objective</b>	Reduce turnover with higher quality of hires and improved performance coaching.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Turnover - Voluntary Turnover	5.20%	4.66%	6.00%	5.89%	5.75%
Turnover - Involuntary Turnover	1.00%	0.84%	0.50%	0.71%	0.70%
Turnover - Retirement Turnover	2.50%	3.93%	2.50%	5.61%	5.75%
Turnover - Total Turnover	8.60%	9.42%	9.00%	12.19%	12.20%
<b>Description</b>	This metric provides data to identify trends when there is turnover, including voluntary exits, involuntary separations and retirements.				
<b>Purpose</b>	Employees who are qualified, are a good match for the organization, and who are actively engaged with work 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, provide employees with skills and knowledge to keep productivity at an optimal level.				
<b>Status</b>	Turnover rates in FY 2018 increased as the City realized an increase in voluntary and retirement separations. It should be noted that in FY 2019 retirement turnover is expected to be higher than normal and this trend is expected to continue through FY 2020.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Employee personnel transactions <sup>a</sup>	4,820	5,000	4,500	4,500	4,500
Percentage of employees participating in citywide training program <sup>b</sup>	89%	N/A	90%	90%	90%

a. The number of transactions is expected to normalize and stay steady in FY 2019 and FY 2020 as the City has reached agreements with various Labor Groups.

b. In FY 2019, the Department transitioned to a new system to manage training programs. As a result of this transition, actual participation rates in FY 2018 are not available. During FY 2020, staff will continue efforts to develop and enhance the use of the City's eLearning systems and explore integrating the recommendations of the comprehensive citywide training program.

# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration, Employee Org Development and HR Systems	1,095,303	1,214,231	1,150,626	1,243,823	93,197	8.1%
Benefits and Compensation	471,475	435,416	502,594	516,904	14,310	2.8%
Employee and Labor Relations	1,028,237	1,180,702	1,192,714	1,259,974	67,259	5.6%
Recruitment	412,336	375,727	471,174	454,318	(16,856)	(3.6)%
Risk Mgmt, Safety, Workers' Compensation	307,106	273,645	345,274	358,034	12,760	3.7%
<b>Total</b>	<b>3,314,457</b>	<b>3,479,721</b>	<b>3,662,383</b>	<b>3,833,054</b>	<b>170,671</b>	<b>4.7%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	225,177	237,758	319,103	314,498	(4,605)	(1.4)%
Other Benefits	67,751	75,229	92,609	94,705	2,096	2.3%
Overtime	1,202	1,147	—	—	—	—%
Pension	432,129	482,170	559,732	702,839	143,107	25.6%
Retiree Medical	191,691	201,668	190,587	196,305	5,718	3.0%
Salary	1,631,246	1,746,388	1,917,423	1,956,231	38,807	2.0%
Workers' Compensation	—	—	55,727	70,466	14,739	26.4%
<b>Total Salary &amp; Benefits</b>	<b>2,549,194</b>	<b>2,744,360</b>	<b>3,135,183</b>	<b>3,335,044</b>	<b>199,861</b>	<b>6.4%</b>
Allocated Charges	137,789	155,613	187,042	186,061	(981)	(0.5)%
Contract Services	448,795	462,714	205,309	205,309	—	—%
Facilities & Equipment	5,535	—	4,150	4,150	—	—%
General Expense	112,633	58,875	43,098	43,098	—	—%
Operating Transfers-Out	—	—	28,209	—	(28,209)	(100.0)%
Rents & Leases	44,088	43,000	43,000	43,000	—	—%
Supplies & Material	16,423	15,159	16,392	16,392	—	—%
<b>Total Dollars by Expense Category</b>	<b>3,314,457</b>	<b>3,479,721</b>	<b>3,662,383</b>	<b>3,833,054</b>	<b>170,671</b>	<b>4.7%</b>
<b>Revenues</b>						
Charges to Other Funds	1,076,120	1,067,356	1,797,302	1,856,860	59,558	3.3%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Other Revenue	10	41,593	—	—	—	—%
<b>Total Revenues</b>	<b>1,076,130</b>	<b>1,108,949</b>	<b>1,797,302</b>	<b>1,856,860</b>	<b>59,558</b>	<b>3.3%</b>

### Positions by Division

Administration, Employee Org Development and HR Systems	5.36	5.56	5.56	5.56	—	—%
Benefits and Compensation	2.88	2.44	2.20	2.20	—	—%
Employee and Labor Relations	4.60	5.00	5.00	5.00	—	—%
Recruitment	3.00	2.60	2.60	2.60	—	—%
Risk Mgmt, Safety, Workers' Compensation	1.60	1.60	1.60	1.60	—	—%
<b>Total</b>	<b>17.44</b>	<b>17.20</b>	<b>16.96</b>	<b>16.96</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Assistant	1.00	—	—	—	—	—
Assistant Director Human Resources	1.00	1.00	1.00	1.00	—	195,562
Director Human Resources/CPO	1.00	1.00	1.00	1.00	—	225,243
Human Resources Representative	2.00	3.00	3.00	3.00	—	249,870
Human Resources Technician	4.00	4.00	4.00	4.00	—	297,523
Manager Employee Benefits	1.00	1.00	1.00	1.00	—	142,043
Manager Employee Relations	1.00	1.00	1.00	1.00	—	155,938
Senior Human Resources Administrator	4.00	3.00	3.00	3.00	—	319,783
Senior Management Analyst	1.00	2.00	2.00	2.00	—	273,998
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>16.00</b>	<b>16.00</b>	<b>16.00</b>	<b>16.00</b>	<b>—</b>	<b>1,859,961</b>
Temporary/Hourly	1.44	1.20	0.96	0.96	—	81,110
<b>Total Positions</b>	<b>17.44</b>	<b>17.20</b>	<b>16.96</b>	<b>16.96</b>	<b>—</b>	<b>1,941,071</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>16.96</b>	<b>3,662,383</b>	<b>1,797,302</b>	<b>1,865,081</b>
<b>One-Time Prior Year Budget Adjustments</b>				
General Liability Savings (One-time FY 2019 Savings)	—	9,286	—	9,286
Workers' Compensation Savings (One-time FY 2019 Savings)	—	22,208	—	22,208
Supplemental Pension Trust Fund Contribution	—	(28,209)	—	(28,209)
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>3,285</b>	<b>—</b>	<b>3,285</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	91,025	—	91,025
Proactive Contributions to City's Unfunded Pension Liability	—	86,628	—	86,628
General Fund Cost Allocation Plan	—	—	59,558	(59,558)
Liability Insurance Allocated Charges	—	(4,691)	—	(4,691)
Information Technology Allocated Charges	—	(7,108)	—	(7,108)
Printing & Mailing Services Allocated Charges	—	1,532	—	1,532
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>167,386</b>	<b>59,558</b>	<b>107,827</b>
<b>Total FY 2020 Proposed Budget</b>	<b>16.96</b>	<b>3,833,054</b>	<b>1,856,860</b>	<b>1,976,193</b>



# GENERAL LIABILITIES INSURANCE PROGRAM

## Description

The City's General Liability Program provides funding to cover flood, property, and various other insurance policies for City-owned equipment and machinery. The City is self-insured for the first \$1.0 million in losses per occurrence and participates in a Joint Powers Authority for coverage up to \$150 million per occurrence. This program uses an 85 percent confidence level, calculated by an outside actuarial consultant, for financial planning to ensure adequate resources are available for anticipated expenses.

## Accomplishments

- Initiated use of Risk Assessment tool to proactively identify any gaps in risk management-related programs using online survey which generates an action plan designed to focus on program improvement.

## Initiatives

- Develop policy and procedure for handling reasonable accommodation requests.

## Goals and Objectives

### GOAL 1

Reduce liability exposure to the City.

#### Objectives:

- Reduce liability exposure to the City for employee-involved vehicle collision.
- Review Department of Motor Vehicle (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

<b>Goal</b>	Reduce liability exposure to the City.				
<b>Objective</b>	Reduce the number of claims related to City vehicle collision losses.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Annual number of claims related to City vehicle collision losses	9	11	12	6	8
<b>Description</b>	This measure will provide data to identify trends.				
<b>Purpose</b>	Analyzing claim trends will assist risk management staff in developing programs designed to reduce employee involved vehicle collisions.				
<b>Status</b>	The number of employee involved vehicle collisions slightly increased in FY 2018 but remain lower than expected. The City will continue to provide additional training, such as online and onsite training to achieve and realize lower numbers of claims per year.				

### DEFENSIVE DRIVING TRAINING

<b>Goal</b>	Reduce liability exposure to the City.				
<b>Objective</b>	Provide defensive driver training.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Attendance at defensive driver training	58	14	55	50	50
<b>Description</b>	This measure tracks the number of employees completing proactive and/or mandatory defensive driving class.				
<b>Purpose</b>	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.				
<b>Status</b>	Attendance in defensive driving class decreased in FY 2018 due to a drop in discretionary training attendees. However, the attendance numbers are expected to return to normal levels in FY 2019 and FY 2020.				



## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Non-Departmental	1,491,957	2,647,980	2,984,622	2,971,622	(13,000)	(0.4)%
<b>Total</b>	<b>1,491,957</b>	<b>2,647,980</b>	<b>2,984,622</b>	<b>2,971,622</b>	<b>(13,000)</b>	<b>(0.4)%</b>

<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Workers' Compensation	(111,260)	—	—	—	—	—%
<b>Total Salary &amp; Benefits</b>	<b>(111,260)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—%</b>
Contract Services	6,650	52,139	71,820	71,820	—	—%
General Expense	1,596,567	2,595,841	2,912,802	2,899,802	(13,000)	(0.4)%
<b>Total Dollars by Expense Category</b>	<b>1,491,957</b>	<b>2,647,980</b>	<b>2,984,622</b>	<b>2,971,622</b>	<b>(13,000)</b>	<b>(0.4)%</b>

<b>Revenues</b>						
Charges to Other Funds	—	1,775,000	1,977,000	2,477,000	500,000	25.3%
Operating Transfers-In	5,000	5,000	5,000	5,000	—	—%
Other Revenue	35,393	42,900	41,040	41,040	—	—%
Return on Investments	135,145	126,629	23,135	168,200	145,065	627.0%
<b>Total Revenues</b>	<b>175,538</b>	<b>1,949,529</b>	<b>2,046,175</b>	<b>2,691,240</b>	<b>645,065</b>	<b>31.5%</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Liabilities Insurance Program
<b>Prior Year Budget</b>	—	2,984,622	2,046,174	938,448
<b>Base Adjustments</b>				
<b>One-Time Prior Year Budget Adjustments</b>				
General Liability Savings (One-time FY 2019 Savings)	—	—	500,000	(500,000)
<b>One-Time Prior Year Budget Adjustments</b>	—	—	500,000	(500,000)
<b>Adjustments to Costs of Ongoing Activities</b>				
Investment Return Estimate	—	—	145,066	(145,066)
General Liability Insurance Claims	—	(13,000)	—	(13,000)
<b>Adjustments to Costs of Ongoing Activities</b>	—	(13,000)	145,066	(158,066)
<b>Total FY 2020 Proposed Budget</b>	—	2,971,622	2,691,240	280,382

# 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. This program uses an 85% confidence level, calculated by an outside actuarial consultant, for financial planning to ensure adequate resources are available for anticipated expenses.

## Accomplishments

- Explored benchmarking methodology to measure the effectiveness of the return-to-work program using third-party administrator system and now in testing phase

## Initiatives

- Explore and develop an Ergonomics program ROI cost analysis

## 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

<b>Goal</b>	Minimize loss of productivity and disruption of services.				
<b>Objective</b>	Reduce the number of costly lost time claims filed and days away from work.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Total dollar amount of claims paid	2,431,806	1,827,485	2,500,000	2,000,000	2,000,000
<b>Description</b>	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.				
<b>Purpose</b>	Effective workplace safety and loss control programs lessen the use of public funds for work-related employee injuries and illness.				
<b>Status</b>	The total cost of workers compensation claims decreased in FY 2018 compared to the prior year. Two factors are attributable to the decrease in cost: 1) medical costs yet to be incurred and 2) decrease in the severity of injuries. It is anticipated that claims paid will increase slightly in FY 2019 and hold steady in FY 2020.				

### NUMBER OF CLAIMS

<b>Goal</b>	Minimize loss of productivity and disruption of services.				
<b>Objective</b>	Reduce the number of costly lost time claims filed and days away from work.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Number of Workers' Compensation Claims Filed	70	79	70	80	75
<b>Description</b>	This measure tracks the total employee workers compensation claim volume filed each fiscal year.				
<b>Purpose</b>	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.				
<b>Status</b>	The total number of claims increased in FY 2018 to 79 from FY 2017 total cases at 70. Based on analysis of current data, it is expected that the number of claims will hold steady in FY 2019 and decrease slightly in FY 2020.				

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Non-Departmental	2,737,309	3,513,168	6,103,345	6,738,337	634,992	10.4%
<b>Total</b>	<b>2,737,309</b>	<b>3,513,168</b>	<b>6,103,345</b>	<b>6,738,337</b>	<b>634,992</b>	<b>10.4%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	9,484	10,020	10,753	11,166	413	3.8%
Other Benefits	245,530	198,412	251,026	251,514	489	0.2%
Pension	31,767	35,757	35,981	52,034	16,053	44.6%
Salary	116,613	124,472	127,892	161,746	33,853	26.5%
Workers' Compensation	1,711,992	2,704,248	5,018,342	5,604,340	585,998	11.7%
<b>Total Salary &amp; Benefits</b>	<b>2,115,386</b>	<b>3,072,909</b>	<b>5,443,994</b>	<b>6,080,800</b>	<b>636,806</b>	<b>11.7%</b>
Contract Services	6,650	4,750	7,079	7,079	—	—%
General Expense	615,273	432,049	650,458	650,458	—	—%
Operating Transfers-Out	—	3,460	1,813	—	(1,813)	(100.0)%
<b>Total Dollars by Expense Category</b>	<b>2,737,309</b>	<b>3,513,168</b>	<b>6,103,345</b>	<b>6,738,337</b>	<b>634,992</b>	<b>10.4%</b>
<b>Revenues</b>						
Other Revenue	3,037,480	1,941,177	3,764,005	5,481,000	1,716,995	45.6%
Return on Investments	391,677	415,022	16,175	540,400	524,225	3,241.0%
<b>Total Revenues</b>	<b>3,429,157</b>	<b>2,356,199</b>	<b>3,780,180</b>	<b>6,021,400</b>	<b>2,241,220</b>	<b>59.3%</b>
<b>Positions by Division</b>						
Non-Departmental	1.00	1.00	1.00	1.48	0.48	48.00%
<b>Total</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.48</b>	<b>0.48</b>	<b>48.00%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Senior Human Resources Administrator	1.00	1.00	1.00	1.00	—	122,616
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>—</b>	<b>122,616</b>
Temporary/Hourly	—	—	—	0.48	0.48	28,800
<b>Total Positions</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.48</b>	<b>0.48</b>	<b>151,416</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Workers' Compensatio n Fund
<b>Prior Year Budget</b>	<b>1.00</b>	<b>6,103,345</b>	<b>3,780,180</b>	<b>2,323,165</b>
<b>Base Adjustments</b>				
<b>One-Time Prior Year Budget Adjustments</b>				
Workers' Compensation Savings (One-time FY 2019 Savings)	—	—	1,500,000	(1,500,000)
Supplemental Pension Trust Fund Contribution	—	(1,813)	—	(1,813)
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(1,813)</b>	<b>1,500,000</b>	<b>(1,501,813)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefit Adjustments	—	9,010	—	9,010
Proactive Contributions to City's Unfunded Pension Liability	—	11,411	—	11,411
Workers' Compensation Insurance Claims Adjustments	—	584,998	216,994	368,004
Investment Return Estimate	—	—	524,226	(524,226)
State of California Assessment Fees	—	1,000	—	1,000
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>606,419</b>	<b>741,220</b>	<b>(134,801)</b>
<b>Budget Adjustments</b>				
1 Workers' Compensation Program Temporary Staffing	0.48	30,386	—	30,386
<b>Total Budget Adjustments</b>	<b>0.48</b>	<b>30,386</b>	<b>—</b>	<b>30,386</b>
<b>Total FY 2020 Proposed Budget</b>	<b>1.48</b>	<b>6,738,337</b>	<b>6,021,400</b>	<b>716,937</b>

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Workers' Compensation Fund
1 Workers' Compensation Program Temporary Staffing	0.48	30,386	0	30,386

This action adds 0.48 FTE Management Specialist on a temporary basis, to process workers' compensation claims and assist with the optimal monitoring structure necessary to support one of the audit recommendations, as outlined in the Workers' Compensation audit in June, 2016. This request will add capacity to maintain ongoing operations and assist to ensure correct benefit eligibility and accuracy of department timecard coding; tracking injured worker work status and maintaining Human Resources claim files. This position will also assist to complete reporting for Community facilities special event insurance, scheduling annual hearing audiogram testing and other risk management programs as time permits. Staff will review the workloads in both workers' compensation and risk management administration in FY 2020 to assess the need for ongoing support. (Ongoing costs: \$0)

### Performance Results



This action provides resources necessary to implement audit recommendations that streamline the workers' compensation reporting process and improve the accuracy and completeness of claim forms.



## Workers' Compensation Fund

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Estimated	FY 2020 Proposed
<b>Workers' Compensation Fund</b>				
Claims Paid	2,431,807	1,827,485	2,106,347	5,481,000
Change in Estimated self-insurance liability	(795,714)	766,339	-	-
CSAC excess insurance premium	615,100	432,049	510,926	649,458
Actuarial Services	6,650	4,750	4,592	7,079
TPA Administrator Fees	240,405	193,122	222,879	246,240
State self-insurance fees	75,899	110,423	98,000	122,340
In-house Administration	163,162	175,539	141,542	190,597
<b>Workers' Compensation Fund Subtotal</b>	<b>2,737,309</b>	<b>3,509,707</b>	<b>3,084,376</b>	<b>6,697,614</b>

# 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 the community.

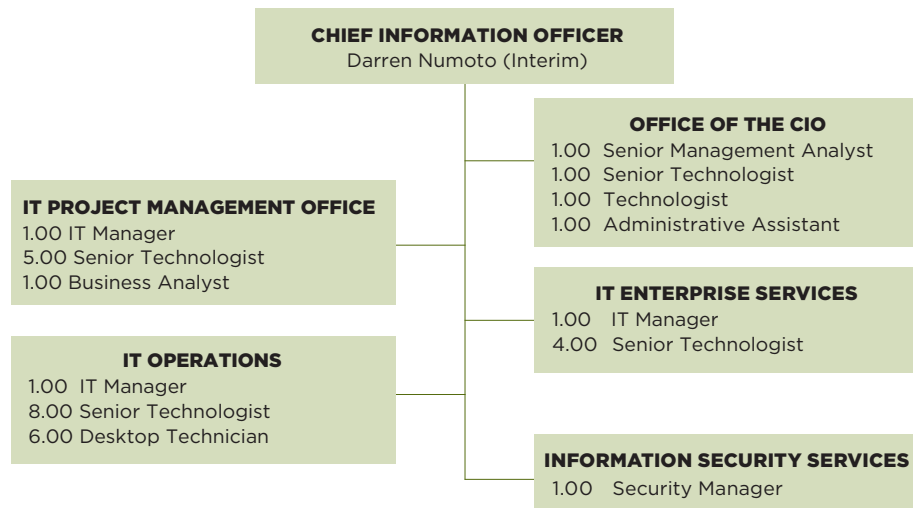
## Purpose

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.



# INFORMATION TECHNOLOGY



## FY 2020 POSITION TOTALS

33.00 - 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 among City employees, citizens, visitors, and businesses. Being smart means using these same digital city capabilities integrated with the physical environment to improve livability, workability, and sustainability.

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)**

Provides leadership and strategic direction for the City of Palo Alto's use of technology. 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 MANAGEMENT OFFICE (PMO)**

As stewards of the public trust for IT project management, IT PMO ensures successful execution of the right technology projects at the right time and helps enable the success of department technology projects. IT PMO aspires to be a center of excellence for IT project management through the promotion of standards, awareness, and education.

### **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 enterprise architecture, service desk, infrastructure support,

server hosting, office automation software support, technical training and support, and asset management.

### IT ENTERPRISE SERVICES

Maintains a core set of large enterprise systems such as the Enterprise Resource Planning (ERP), Utility Billing & Customer Information System (CIS), Customer Relationship Management (CRM), Business Intelligence & Warehouse systems (BI/BW) for supporting financial, Human Resource, Utilities business processes, information flow, reporting, and data analytics for the City. These services include all aspects of enterprise systems management such as planning, architecture, development, integration, administration, support, maintenance, governance, and change management.

### INFORMATION SECURITY SERVICES

Develops and implements the citywide information security program that includes the preservation of the availability, integrity, and confidentiality of the City's information resources. These services include security policy and procedures, legal compliance, risk management, disaster recovery, and security audit.

## Accomplishments

- Completed the Datacenter Virtualization and Consolidation project which combined servers into the City's virtual private cloud and retired legacy hardware.
- Developed an accessibility transition plan and brought the City website into compliance with the Americans with Disabilities Act (ADA) requirements.
- Completed Fire/Emergency Medical Services vehicle computer replacement.
- Deployed new computers with Windows 10 to a quarter of City staff as part of the computer replacement project.
- Reviewed and updated all IT-related City policies.
- Rolled out new advanced Cybersecurity training to all City staff.
- Deployed citywide security enhancements for City-owned mobile devices.
- Deployed WiFi to additional select sites such as Cubberley and Lytton Plaza.
- Completed Human Resources Open Enrollment activities for citywide user base.
- Completed Human Resources Support Pack project to ensure compliance with legal requirements.

## Initiatives

The following major initiatives will be worked on by the Information Technology Department in Fiscal Year 2020 but not necessarily completed in Fiscal Year 2020. As circumstances dictate, projects will be re-prioritized or rescheduled as appropriate:

- Upgrade City's ERP system.
- Continue deployment of new computers as part of the computer replacement project.

- Deploy upgraded Business Intelligence system.
- Roll out the citywide SharePoint Academy.
- Deploy the next-generation City website.
- Continue implementation of the new Geographic Information System (GIS).
- Implement citywide Data Strategy, Standardization, and Governance.
- Deploy Data Privacy policy.
- Support the upgrade of the Council Chambers Audio/Visual project.
- Support the design of the new Public Safety Building.
- Develop a plan to reclaim office space by reducing the size of the IT Datacenter.
- Define and develop metrics to support IT's goals and objectives.

## Goals and Objectives

### GOAL 1

Support a multiyear roadmap to significantly increase the City's adoption of digital services and smart city capabilities.

#### Objectives:

- Develop, enhance, and provide IT services that will increase the community's access to mobile services.
- Deploy and maintain enterprise-wide platforms and processes for supporting open and participative government to enrich our community.
- Maintain an ongoing program of civic innovation activities in government technology and include broad participation from innovators in the public and private sectors.
- Formalize an Urban Innovation Network to bring together innovators, entrepreneurs, and organizations in the local area to collaborate.

### GOAL 2

Enhance IT service delivery to provide excellent customer service to all City departments.

#### Objectives:

- Support high-quality, consistent, and efficient services by organizing around a standardized delivery framework based on the Information Technology Infrastructure Library (ITIL).
- Mature the established citywide IT governance processes based on an industry-recognized model.
- Deploy new tools to support higher quality service and knowledge management.
- Formalize career path and succession planning for the City's technology staff.
- Review and refresh IT position descriptions, roles, and responsibilities.

## INFORMATION TECHNOLOGY

- Baseline current IT capabilities and identify targeted improvements based on a model such as the IT Capability Maturity Framework.

### GOAL 3

Strengthen the City's technology infrastructure and communication systems.

#### Objectives:

- Reduce the City's data center footprint by utilizing a hybrid cloud approach.
- Virtualize and decommission systems as necessary to reclaim office space.
- Implement unified communications to optimize business processes and increase user productivity and collaboration.
- Standardize data storage approach and solutions.
- Execute the 2017 adopted GIS strategy which includes the implementation of the new system and added capabilities.

### GOAL 4

Enhance and improve information security to ensure confidentiality, integrity, and availability of information across all City systems.

#### Objectives:

- Enhance Cybersecurity awareness processes throughout the City.
- Implement additional annual Cybersecurity training for all City employees.
- Ensure a fully-tested disaster recovery and continuity program for mission critical services.
- Continue to identify and invest in innovative tools in order to appropriately protect City systems and data as conditions dictate.

### GOAL 5

Design and formalize a citywide data strategy to leverage the high value of our City data.

#### Objectives:

- Implement citywide Data Governance based on a recognized, industry standard framework such as DM-BOK.
- Mature our Open Data initiative to address data-driven decision making.
- Deploy a defined set of citywide data capabilities for departments.

## Key Performance Measures

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

<b>Goal</b>	Increase customer satisfaction on the services provided by the Information Technology Department.				
<b>Objective</b>	Establish clear division processes, staff responsibilities, and performance measures.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of survey respondents rating the services provided by the IT Department as excellent	92.00%	N/A	95.00%	92.00%	93.00%
<b>Description</b>	This measure identifies the overall level of satisfaction internal customers have with telephone, network, application, and desktop support services.				
<b>Purpose</b>	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.				
<b>Status</b>	The FY 2018 survey was put on hold as the survey process was being reviewed. The review findings will be incorporated in surveys starting from FY 2019. 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.				

### PERCENT OF SERVICE DESK REQUESTS RESOLVED BY RESOLUTION TIME

<b>Goal</b>	Track the overall time it takes to resolve service desk work orders.				
<b>Objective</b>	Establish clear division processes, staff responsibilities, and performance measures.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of service desk requests resolved at time of call	30.00%	28.00%	29.00%	30.00%	30.00%
Percent of service desk requests resolved within 4 hours	23.00%	25.00%	22.00%	22.00%	23.00%
Percent of service desk requests resolved within 8 hours	6.00%	6.00%	6.00%	5.00%	5.00%
Percent of service desk requests resolved within 5 days	28.00%	29.00%	30.00%	27.00%	28.00%
Percent of service desk requests resolved beyond 5 days	14.00%	13.00%	13.00%	16.00%	14.00%
<b>Description</b>	These measures track the time it takes to resolve service desk work orders.				
<b>Purpose</b>	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.				
<b>Status</b>	There were minor fluctuations 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 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
IT expenditure per workstation <sup>1</sup>	\$4,982.56	N/A	\$5,095.00	N/A	N/A
Number of closed help desk requests	8,750	8,224	9,100	8,689	9,572
Number of datasets published on open data platforms	87	91	97	94	95

<sup>1</sup>This measure is currently under review to ensure effectiveness and accuracy. It is anticipated that the Department will update this measure once analysis has been completed.

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
CIP Technology Fund	1,058,744	2,094,809	2,693,833	8,093,614	5,399,781	200.4%
Enterprise Systems	3,123,376	3,115,197	3,285,959	3,460,217	174,258	5.3%
Office of the CIO	2,925,415	2,599,009	3,535,530	3,460,652	(74,878)	(2.1)%
Operations	5,880,219	6,782,791	8,167,345	8,476,210	308,865	3.8%
Project Services	1,083,847	1,519,915	1,935,267	2,014,474	79,207	4.1%
<b>Total</b>	<b>14,071,602</b>	<b>16,111,721</b>	<b>19,617,934</b>	<b>25,505,167</b>	<b>5,887,233</b>	<b>30.0%</b>

<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	666,572	752,469	807,631	877,401	69,770	8.6%
Other Benefits	146,083	185,468	186,973	188,658	1,685	0.9%
Overtime	4,819	3,913	19,068	19,564	496	2.6%
Pension	1,085,854	1,316,033	1,411,811	2,046,081	634,270	44.9%
Retiree Medical	299,224	314,799	347,609	358,038	10,428	3.0%
Salary	3,925,824	4,500,068	5,042,037	5,206,438	164,401	3.3%
Workers' Compensation	10,332	7,873	92,201	137,314	45,114	48.9%
<b>Total Salary &amp; Benefits</b>	<b>6,138,708</b>	<b>7,080,624</b>	<b>7,907,330</b>	<b>8,833,494</b>	<b>926,164</b>	<b>11.7%</b>
Allocated Charges	1,071,082	998,111	1,440,281	1,721,906	281,625	19.6%
Contract Services	4,697,928	4,361,775	5,647,287	5,010,131	(637,156)	(11.3)%
Facilities & Equipment	204,038	644,357	869,921	868,296	(1,625)	(0.2)%
General Expense	411,655	452,063	500,179	475,179	(25,000)	(5.0)%
Operating Transfers-Out	16,485	161,418	99,746	28,590	(71,156)	(71.3)%
Rents & Leases	351,501	362,749	374,357	388,957	14,600	3.9%
Supplies & Material	72,309	49,732	85,000	85,000	—	—%
Capital Improvement Program	1,107,895	2,134,475	2,693,833	8,093,614	5,399,781	200.4%
<b>Total Dollars by Expense Category</b>	<b>14,071,602</b>	<b>16,245,303</b>	<b>19,617,934</b>	<b>25,505,167</b>	<b>5,887,233</b>	<b>30.0%</b>

<b>Revenues</b>						
Charges to Other Funds	13,805,902	13,774,906	14,570,588	14,279,229	(291,359)	(2.0)%
Operating Transfers-In	2,077,784	2,031,612	1,365,708	2,137,482	771,774	56.5%
Other Revenue	—	—	32,826	103,264	70,437	214.6%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Return on Investments	435,369	488,765	440,667	644,400	203,733	46.2%
<b>Total Revenues</b>	<b>16,319,055</b>	<b>16,295,283</b>	<b>16,409,789</b>	<b>17,164,375</b>	<b>754,586</b>	<b>4.6%</b>
<b>Positions by Division</b>						
Enterprise Systems	10.50	9.50	9.00	9.00	—	—%
Office of the CIO	5.10	6.10	6.10	5.10	(1.00)	(16.39)%
Operations	13.48	14.48	14.48	14.48	—	—%
Project Services	7.00	7.00	7.00	8.00	1.00	14.29%
<b>Total</b>	<b>36.08</b>	<b>37.08</b>	<b>36.58</b>	<b>36.58</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	93,018
Assistant Director Administrative Services	0.10	0.10	0.10	0.10	—	20,673
Business Analyst	1.00	1.00	1.00	1.00	—	139,476
Desktop Technician	6.00	6.00	6.00	6.00	—	506,001
Director Information Technology/ CIO	1.00	1.00	1.00	1.00	—	237,578
Manager Information Technology	4.00	4.00	3.00	3.00	—	471,931
Manager Information Technology Security	1.00	1.00	1.00	1.00	—	160,597
Principal Business Analyst	1.00	1.00	1.00	1.00	—	158,600
Senior Business Analyst	2.00	2.00	2.00	2.00	—	290,722
Senior Management Analyst	1.00	1.00	1.00	1.00	—	140,837
Senior Technologist	16.00	17.00	18.00	18.00	—	2,477,841
Technologist	1.00	1.00	1.00	1.00	—	139,476
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>35.10</b>	<b>36.10</b>	<b>36.10</b>	<b>36.10</b>	<b>—</b>	<b>4,836,748</b>
Temporary/Hourly	0.98	0.98	0.48	0.48	—	42,132
<b>Total Positions</b>	<b>36.08</b>	<b>37.08</b>	<b>36.58</b>	<b>36.58</b>	<b>—</b>	<b>4,878,880</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Technology Fund
<b>Prior Year Budget</b>	<b>36.58</b>	<b>19,617,934</b>	<b>16,409,789</b>	<b>3,208,145</b>
<b>One-Time Prior Year Budget Adjustments</b>				
New City of Palo Alto Website	—	(300,000)	—	(300,000)
Supplemental Pension Trust Fund Contribution	—	(71,156)	—	(71,156)
General Liability Savings (one-time FY 2019 Savings)	—	12,441	—	12,441
Workers' Compensation Savings (one-time FY 2019 Savings)	—	36,743	—	36,743
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(321,972)</b>	<b>—</b>	<b>(321,972)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	432,997	—	432,997
Proactive Contributions to City's Unfunded Pension Liability	—	224,653	—	224,653
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	223,400	—	223,400
Return on Investments & Other Revenue	—	—	204,170	(204,170)
Transfer from the General Fund (Technology Surcharge)	—	—	28,774	(28,774)
Contract Adjustments and Equipment Cost Changes	—	(13,781)	—	(13,781)
Rents and Leases	—	14,600	—	14,600
Charges to Other Funds - Information Technology Services	—	—	(291,359)	291,359
Capital Improvement Funding	—	5,399,781	813,001	4,586,780
General Fund Cost Allocation Plan	—	265,088	—	265,088
Liability Insurance Allocated Charges	—	(37)	—	(37)
Printing & Mailing Services Allocated Charges	—	393	—	393
Utilities Allocated Charges	—	6,205	—	6,205
Vehicle Replacement & Maintenance Allocated Charges	—	(2,465)	—	(2,465)
Workers' Compensation Allocated Charges	—	8,371	—	8,371
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>6,559,205</b>	<b>754,586</b>	<b>5,804,619</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Technology Fund
<b>Total FY 2020 Base Budget</b>	<b>36.58</b>	<b>25,855,167</b>	<b>17,164,375</b>	<b>8,690,792</b>
<b>Budget Adjustments</b>				
1 Non-Salary Expenses	—	(350,000)	—	(350,000)
<b>Total Budget Adjustments</b>	<b>—</b>	<b>(350,000)</b>	<b>—</b>	<b>(350,000)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>36.58</b>	<b>25,505,167</b>	<b>17,164,375</b>	<b>8,340,792</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Technology Fund
1 Non-Salary Expenses	0.00	(350,000)	0	(350,000)

This ongoing action reduces non-salary expenses by \$350,000 for cost containment measures. These savings will be implemented through reductions in project services (\$5,000), staff training (\$25,000), professional services (\$220,000), GIS contract expenses (\$75,000), and the elimination of the Civic Innovation program (\$25,000). These reductions will limit the department's ability to augment staffing for urgent projects, explore additional functionality for the City's GIS platform, and engage with the community through events like hack-a-thons. (Ongoing savings: \$350,000)

### Performance Results



This action may result in delays in IT processes and services, project completion, and decreased staff training and development.

# LIBRARY

## Mission Statement



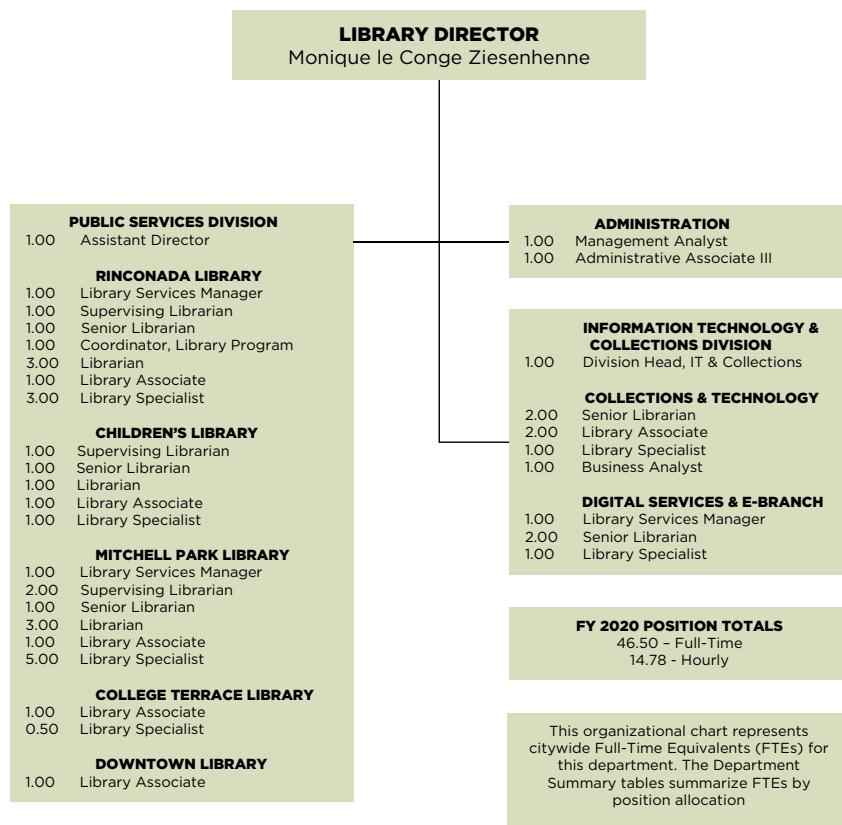
The Palo Alto City Library connects our diverse community through knowledge, resources and opportunities. We nurture innovation, discovery, and delight.

## Purpose

The purpose of the Library Department is to provide exceptional, responsive public service to Palo Alto residents and employees; promote exploration of library resources to support learning, recreation, and personal enrichment; foster a love of reading, creative expression, and community engagement for all ages; and 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**

Library collections include a diverse selection of print and non-print materials, and digital resources such as electronic books, magazines, and media, to meet the educational, informational, and recreational needs of its clientele, reflecting the variety of languages, cultures, and interests of our community. 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 through experimental partnerships with other agencies.

### **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

- In September 2018, the Library and the Palo Alto Unified School District (PAUSD) fully implemented the Student Asset Card initiative, integrating all Palo Alto City Library (PACL) services into the PAUSD identification cards of more than 10,000 students K through 12 in our community. PAUSD students are now able to visit Palo Alto City Libraries and enjoy full services with their student ID cards.
- Honored our diversity through the "Celebrating Cultures" initiative, which provides various programs, services, and collections that reflect Palo Alto and the Greater Bay Area. Key 2018 events included the Chinese New Year Fair, which drew a crowd of 2,000, and our 2nd Diwali Celebration, which attracted 425 attendees.
- Continued to develop virtual maker programs for improved public access to, and knowledge for, emerging technologies. Implemented 3D Design Coach sessions; teen volunteers teach the public how to create virtual models. Demonstrated Virtual Reality technology at community events.



- Held a RE:Maker Fair in Summer 2018 that generated interest and engagement in reuse, environmental preservation, and sustainable living and created opportunities for the public to engage in environmental technology. The event drew a crowd of 200 people.
- Utilized services of a centralized call center to better assist customers with phone inquiries. With fewer Librarians available to provide public phone support, this new call center service allows for faster response and routing of library customer service phone calls, while allowing Librarians expanded ability to provide in-person services at the library and more time to develop programs and collections.
- Received a total of 113 essays submitted for the Youth/Teen Writing Contest entries this year, nearly doubling from last year. Winners were awarded at a reception, and winning essays were displayed in the branches. The significant increase in entries is attributed to strategic use of the Library's new website banners for marketing.
- Developed and implemented a cybersecurity education program for youth based on the popular computer game Minecraft. This project has garnered much attention in the Minecraft and library sectors. PACL presented at Minefaire 2019. This was a collaboration with the state library through a grant.

## Initiatives

- Investigate sustainable and efficient library practices by adding Automated Materials Handling Machines to College Terrace, Children's, and Downtown Library Branches. Automated Materials Handling Machines in place at Rinconada and Mitchell Park Library branches sort up to 4,000 library materials per hour.
- Explore creative ways to maintain library services and hours in response to budget limitations. The Library will explore the feasibility of implementing OPEN+, an integrated system that allows extended access to the library for members of the community during designated unstaffed hours. Currently this system is implemented at only a few library systems nationwide, but in many internationally.
- Seek out new opportunities for revenue generation to contribute to the fiscal sustainability of the Library, such as potentially opening a Passport Acceptance Facility at the Downtown Library branch.
- Continue to offer free and open access for the public to emerging technologies through workshops and other programming. An example is a Virtual Reality and Distributed Web workshop series this summer in which the public can learn how to make a virtual reality object and become educated about the concept of the Distributed Web.

## Goals and Objectives

### GOAL 1

Be the place where everyone can learn anything.

#### Objectives:

- Provide and promote opportunities to read for learning and for pleasure.

- Create learning opportunities for community members to be able to make sense of and succeed in our changing society.
- 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.
- Provide tools for improving all types of literacy.
- Provide early childhood literacy programs based on current research in child development and learning.

## GOAL 2

Be the partner of choice for community organizations.

### Objectives:

- Support Project Safety Net's programs to promote youth well-being and implement 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 staff to community organizations in order to support their goals and collaborate in their activities.
- Encourage relationships with community organizations that enhance library services and programs.
- Develop partnerships to enhance customers' digital experiences.

## GOAL 3

Connect community members to exchange and share stories, interests, and skills, with particular emphasis on intergenerational opportunities.

### Objectives:

- Provide a forum to explore current events and issues of community interest.
- Engage community members in library services as volunteers and program advisors.
- Connect community members to exchange and share stories, interests, and skills.
- Encourage reading, writing, and other forms of creative expression among community members.

## GOAL 4

Leverage technology to integrate the library into the lives of community members.

### Objectives:

- Enhance and preserve unique and local collections.
- Plan and implement a social media strategy.
- Produce web content that is relevant to the needs and interests of our diverse audiences.
- Facilitate access for library users to resources that enable them to create content.

- Provide staff training and technology infrastructure to support digital projects.
- Keep abreast of emerging technologies and trends and of library-specific applications.

## GOAL 5

Provide a richer library experience for our community because of the expertise and effort of our dynamic staff.

### Objectives:

- Attract and retain the most skilled and knowledgeable staff.
- Motivate and recognize staff through opportunities to innovate and be creative.
- Create opportunities for staff members to bring their talents and interests to work.
- Explore opportunities for improving employee work-life balance.
- Support and promote efforts to make it possible for staff to live in or near Palo Alto.

## Key Performance Measures

### NUMBER OF TEENS WHO PARTICIPATE IN THE LIBRARY'S PROGRAMS FOR TEENS, INCLUDING THE SUMMER READING PROGRAM

<b>Goal</b>	Develop and provide library services and programs supporting the 41 Developmental Assets for Adolescents Model.				
<b>Objective</b>	Encourage adolescents between the ages of 12 and 18 to read for pleasure three or more hours a week (Developmental Asset #25).				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Number of teen participants	6,059	5,653	6,366	3,910	6,430
<b>Description</b>	This measure tracks the level of interest and participation in the library's recreational reading programs.				
<b>Purpose</b>	Adolescents who enjoy reading are more likely to grow up into healthy, caring, and responsible adults.				
<b>Status</b>	The Teen Library Advisory Board (T-LAB) works with staff to implement and guide program development. Due to a vacancy in the Teen Librarian position, which was held vacant for salary savings, there was a drop in teen-focused programming in late 2018 and early 2019. The drop in teen-focused programming is indicative of the type of impact that can be anticipated when Librarian positions are held vacant or cut.				

## PERCENT OF SURVEYED RESIDENTS RATING SATISFACTION WITH LIBRARY DEPARTMENT SERVICES AS GOOD OR EXCELLENT

<b>Goal</b>	Connects Palo Alto's diverse community through knowledge, resources, and opportunities.				
<b>Objective</b>	Maintain and enhance the community's satisfaction with library services.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Variety of Library Materials	86.00%	88.00%	88.00%	88.00%	89.00%
Neighborhood Branch Libraries	93.00%	92.00%	94.00%	92.00%	93.00%
Public Library Services	92.00%	93.00%	93.00%	93.00%	94.00%
Recommend Palo Alto's Libraries to Friends	91.00%	92.00%	92.00%	92.00%	93.00%
<b>Description</b>	These measures track the percent of residents rating overall library 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.				
<b>Purpose</b>	Community satisfaction with the Library Department is an important assessment of the quality of services provided to the City and its residents.				
<b>Status</b>	Since 2007, the community's satisfaction for each of these objectives has increased, ranging from 11% to 29%. It is likely that new/renovated facilities, increased programming and services, expanded collections, and new technologies have contributed to these increases. Should budget allocations be reduced for maintaining facilities and/or technology, number of staff, or reduced collections, it is possible that these percentages could decline.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Meeting Room Reservations	12,434	14,155	13,063	14,580	14,726
Visits to library branches	1,031,054	1,045,282	1,083,225	1,169,832	1,181,530
Virtual visits to the library	804,194	889,343	844,886	878,760	887,548
Checkouts of library materials	1,524,614	1,538,118	1,601,759	1,584,261	1,600,104
Average annual turnover rate of library collections	3.76	4.51	3.20	4.28	4.30

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration	1,169,323	1,164,911	1,042,232	1,182,375	140,143	13.4%
Collection and Technical Services	2,529,570	2,591,757	2,704,162	2,817,967	113,805	4.2%
Public Services	5,254,508	5,364,455	5,977,105	6,290,195	313,090	5.2%
<b>Total</b>	<b>8,953,402</b>	<b>9,121,123</b>	<b>9,723,499</b>	<b>10,290,537</b>	<b>567,038</b>	<b>5.8%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	915,672	892,788	940,644	990,332	49,688	5.3%
Other Benefits	105,382	127,532	128,852	132,680	3,828	3.0%
Overtime	10,063	12,020	70,571	72,406	1,835	2.6%
Pension	1,001,520	1,096,212	1,167,087	1,484,589	317,503	27.2%
Retiree Medical	435,745	458,425	444,128	457,452	13,324	3.0%
Salary	4,208,827	4,329,080	4,504,861	4,606,038	101,177	2.2%
Workers' Compensation	15,681	3,107	100,737	148,509	47,772	47.4%
<b>Total Salary &amp; Benefits</b>	<b>6,692,891</b>	<b>6,919,165</b>	<b>7,356,879</b>	<b>7,892,006</b>	<b>535,127</b>	<b>7.3%</b>
Allocated Charges	929,613	1,024,363	1,110,435	1,254,277	143,842	13.0%
Contract Services	350,139	379,141	353,065	337,993	(15,072)	(4.3)%
Facilities & Equipment	17,683	24,131	17,900	9,900	(8,000)	(44.7)%
General Expense	141,595	97,546	90,430	88,430	(2,000)	(2.2)%
Operating Transfers-Out	—	—	59,859	—	(59,859)	(100.0)%
Supplies & Material	821,480	676,778	734,931	707,931	(27,000)	(3.7)%
<b>Total Dollars by Expense Category</b>	<b>8,953,402</b>	<b>9,121,123</b>	<b>9,723,499</b>	<b>10,290,537</b>	<b>567,038</b>	<b>5.8%</b>
<b>Revenues</b>						
Charges for Services	22,751	22,988	25,461	25,461	—	—%
Operating Transfers-In	—	—	15,000	—	(15,000)	(100.0)%
Other Revenue	58,843	37,029	51,400	60,123	8,723	17.0%
Other Taxes and Fines	92,800	95,675	124,433	124,433	—	—%
<b>Total Revenues</b>	<b>174,393</b>	<b>155,691</b>	<b>216,294</b>	<b>210,017</b>	<b>(6,277)</b>	<b>(2.9)%</b>

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Positions by Division</b>						
Administration	0.40	0.40	0.40	0.40	—	—%
Collection and Technical Services	13.24	13.24	13.55	13.55	—	—%
Public Services	49.94	49.94	48.63	47.33	(1.30)	(2.67)%
<b>Total</b>	<b>63.58</b>	<b>63.58</b>	<b>62.58</b>	<b>61.28</b>	<b>(1.30)</b>	<b>(2.08)%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Assistant	1.00	—	—	—	—	—
Administrative Associate III	—	1.00	1.00	1.00	—	76,090
Assistant Director Library Services	1.00	1.00	1.00	1.00	—	164,154
Business Analyst	1.00	1.00	1.00	1.00	—	139,476
Coordinator Library Programs	1.00	1.00	1.00	1.00	—	83,493
Director Libraries	1.00	1.00	1.00	1.00	—	232,203
Division Head Library Services	1.00	1.00	1.00	1.00	—	151,986
Librarian	7.00	7.00	7.00	6.00	(1.00)	441,106
Library Associate	7.00	7.00	7.00	7.00	—	465,055
Library Specialist	12.50	12.50	11.50	11.50	—	722,494
Management Analyst	—	1.00	1.00	1.00	—	106,850
Management Assistant	1.00	—	—	—	—	—
Manager Library Services	4.00	4.00	4.00	3.00	(1.00)	348,213
Senior Librarian	9.00	9.00	9.00	8.00	(1.00)	667,945
Supervising Librarian	2.00	2.00	2.00	4.00	2.00	380,203
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>48.50</b>	<b>48.50</b>	<b>47.50</b>	<b>46.50</b>	<b>(1.00)</b>	<b>3,979,268</b>
Temporary/Hourly	15.08	15.08	15.08	14.78	(0.30)	774,369
<b>Total Positions</b>	<b>63.58</b>	<b>63.58</b>	<b>62.58</b>	<b>61.28</b>	<b>(1.30)</b>	<b>4,753,637</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>62.58</b>	<b>9,723,499</b>	<b>216,294</b>	<b>9,507,205</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(59,859)	—	(59,859)
Augment International Collection	—	(15,000)	(15,000)	—
General Liability Savings (one-time FY 2019 Savings)	—	12,716	—	12,716
Workers' Compensation Savings (one-time FY 2019 Savings)	—	40,145	—	40,145
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(21,998)</b>	<b>(15,000)</b>	<b>(6,998)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	462,328	—	462,328
Proactive Contributions to City's Unfunded Pension Liability	—	174,642	—	174,642
Information Technology Allocated Charges	—	85,630	—	85,630
Liability Insurance Allocated Charges	—	(2,021)	—	(2,021)
Printing & Mailing Services Allocated Charges	—	918	—	918
Stormwater Management Allocated Charges	—	432	—	432
Utilities Allocated Charges	—	45,041	—	45,041
Vehicle Replacement & Maintenance Allocated Charges	—	1,126	—	1,126
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>768,095</b>	<b>—</b>	<b>768,095</b>
<b>Total FY 2020 Base Budget</b>	<b>62.58</b>	<b>10,469,596</b>	<b>201,294</b>	<b>10,268,302</b>
<b>Budget Proposals</b>				
1 Rinconada Library Staffing Alignments	(1.00)	(125,835)	—	(125,835)
2 Consolidation of Contract Services and Materials	—	(46,795)	—	(46,795)
3 Children's Library Hours Reduction	(0.30)	(17,880)	—	(17,880)
4 Pacific Library Partnership (PLP) Grant Funds Distribution	—	8,723	8,723	—
5 Library Supervising Staff Alignments	—	2,728	—	2,728
<b>Budget Changes</b>	<b>(1.30)</b>	<b>(179,059)</b>	<b>8,723</b>	<b>(187,782)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>61.28</b>	<b>10,290,537</b>	<b>210,017</b>	<b>10,080,520</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Rinconada Library Staffing Alignments	-1.00	(125,835)	0	(125,835)

This ongoing action eliminates one 1.0 FTE Librarian at the Rinconada Library. Although this action is not anticipated to impact hours of operation, it will have service delivery impacts. In total, librarians in the Palo Alto City Libraries are responsible for responding to approximately 34,000 reference transactions per calendar year. While non-librarian staff can respond to some reference transactions, Librarian staff are expertly trained to respond specifically to public reference requests. Additionally, the Library eliminated 1.0 FTE Librarian in FY 2019. These eliminations limit the Library's ability to respond quickly to answer reference questions, assist students with research, and to offer programming and tailored materials to different audiences. The impact can best be seen by the recent experience with Teen programs; when the Teen librarian position was held vacant for salary savings, there was an estimated 31% reduction in participation in teen programs. (Ongoing savings: \$126,000)

### Performance Results



This action will impact Librarian staff capacity to respond to public reference requests and result in fewer program offerings and outreach to schools and the community. It will also yield cost savings.

2 Consolidation of Contract Services and Materials	0.00	(46,795)	0	(46,795)
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This ongoing action will realign expenses for contract services and materials purchased in Collections to reflect anticipated changes in usage from evolving needs. During the library expansion and renovation projects, some contract services were increased such as add-ons to consultative packages and increases to non-capital equipment contracts. By consolidating these contracts, the Library can save approximately \$31,795. Materials purchased in collections have also evolved over time as usage of digital resources increase. The use of music CDs have stagnated since 2015 as patrons increasingly opt to stream music. By discontinuing the purchase of new music CDs in Collections, the Library can save approximately \$15,000 in materials and services while patrons will continue to have access to music CDs currently in circulation. (Ongoing savings: \$46,795)

### Performance Results



Consolidating contract services and materials to align with evolving needs will have a neutral effect on services.



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
3 Children's Library Hours Reduction	-0.30	(17,880)	0	(17,880)

This ongoing action will close the Children's Library on Sundays with a commensurate reduction of 0.10 FTE Librarian, 0.10 FTE Library Clerk (H) and 0.10 FTE Library Page for a total staff reduction of 0.30 FTE. The Children's Library is currently open 10:00 am to 6:00 pm Monday through Saturday and 1:00 pm to 5:00 pm on Sundays, with the lightest traffic on Sundays based on randomly selected gate attendance counts conducted in April 2018. The Library Department conducts regular attendance counts to inform decisions about programming and operations. Based on attendance counts conducted, the Children's Library had the fewest attendees during Sunday hours. The result of this action will eliminate the hours of 1:00 pm to 5:00 pm on Sundays at the Children's Library. (Ongoing savings: \$18,583)

### Performance Results



Reducing hours during a day of the week with the least amount of traffic at the Children's Library will generate ongoing savings that have the least disruptive impact to patrons that visit the Children's Library. Additional traffic may be expected at other libraries as Sunday patrons utilize library services at other locations.

4 Pacific Library Partnership (PLP) Grant Funds Distribution	0.00	8,723	8,723	0
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This one-time action will increase grant revenue received from the Pacific Library Partnership (PLP) and offset grant revenue with a corresponding increase in expenses designated for the use of these funds. The PLP manages the allocation of funds received from the California Library Services Act (CLSA) to support communication and delivery costs. The PLP allocates and distributes these funds to library partners, one of which is the City of Palo Alto Library. Funds will be used in FY 2020 to support the additional cost of LINK+. LINK+ is a software tool that enables library patrons to search a unified catalog of holdings and borrow items through a consortium of more than 65 public and academic libraries. This digital service is part of a special project among libraries to study the use of a shared Integrated Library System. (Ongoing costs: \$0)

### Performance Results



This action will allow the Library to continue utilizing the Link+ service at current levels while minimizing financial impacts.

5 Library Supervising Staff Alignments	0.00	2,728	0	2,728
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This ongoing action will eliminate one vacant 1.0 FTE Senior Librarian and one vacant 1.0 FTE Manager of Library Services, and add two 1.0 FTE Supervising Librarian positions resulting in a net-zero FTE change as a part of the Library's staffing realignment strategy. With this staffing realignment, the Library will be able to consolidate and standardize Adult and Children's programming for all libraries under one Manager of Library Services, and shift most of the supervising work to Supervising Librarians. (Ongoing savings: \$1,408)

### Performance Results



This staffing realignment will have a moderate impact to service delivery, with anticipated increases to customer satisfaction, services, and streamlining how programs are managed. By consolidating Adult and Children's programming under the Manager of Library Services position, and adding two Supervising Librarians, programs can be managed in a more comprehensive manner without impacting staff supervision.

# OFFICE OF EMERGENCY SERVICES

## Mission Statement

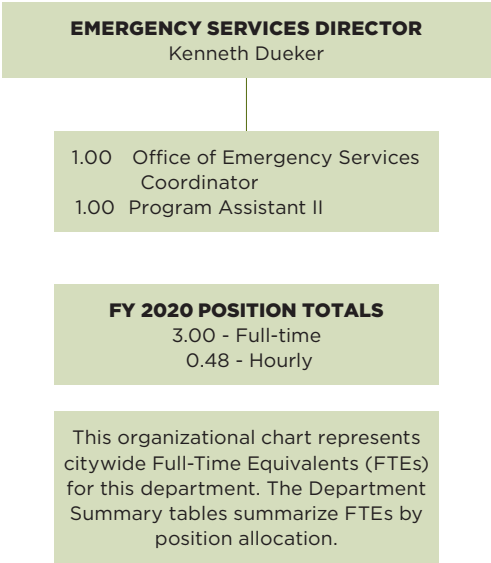


The mission of the Office of Emergency Services is to prevent, prepare for, mitigate, respond to, and recover from all hazards.

## Purpose

The purpose of the Office of Emergency Services is to develop, maintain, and sustain a citywide, comprehensive, all-hazard, risk-based emergency management program that engages the whole community.





## Description

The Office of Emergency Services (OES) develops, maintains, and sustains a citywide, comprehensive, all-hazard, risk-based emergency management program that engages the whole community.

## Accomplishments

- Completed the Intrusion Detection System (IDS) in collaboration with other City departments. The IDS replaced "human monitors" at the Caltrain track intersections and provides 24x7 coverage to detect unsafe conditions.
- Participated heavily in the Comprehensive Plan 2030 update in addition to the ongoing updates to City emergency plans.
- Deployed an emergency two-way radio network in the Stanford Research Park in partnership with Stanford University (Lands, Building, Real Estate).
- Designed and helped build the new Public Works Mobile Department Operations Center (MDOC) – a fully renewable-powered (solar-battery) system – in collaboration with the Public Works Department.
- Deployed OES staff members to Chico, CA for two weeks to augment the Town of Paradise Emergency Operations Center staffing in response to the Camp Fire.
- Continued to develop the Emergency Services Volunteer (ESV) program and general community public safety awareness through ongoing public education sessions, trainings, and exercises.
- Continued to work with regional public safety partners on a wide range of planned and special events, ranging from visits by dignitaries to mass-gatherings and high-risk events. The Mobile Emergency Operations Center (MEOC) and other specialized OES vehicles were deployed to the majority of these events.

## Initiatives

- Continue to develop emergency plans, annexes, and protocols.
- Coordinate regional planning for wildland fire response and evacuations.
- Explore new technologies, including resilient power for key sites and critical systems.
- Continue to work with the IT and Utilities Departments to deploy a new Public Safety Wireless Network.
- Continue to work with the Public Works, Police, and Fire Departments on the design of the new Public Safety Building (PSB).

# 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 Emergency Operations Center (EOC), Mobile Emergency Operations Center (MEOC), Department Operations Center, and other assignments.
- Maintain emergency management facilities, critical infrastructure, and essential 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 Emergency Services Volunteer Program (ESV) to provide a cadre of trained volunteers in residential neighborhoods.
- Coordinate with the private sector and non-governmental organizations to promote continuity of business operations.
- Administer 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 plans and annexes through an adaptive planning process.

## Key Performance Measures

### READINESS OF OFFICE OF EMERGENCY SERVICES (OES) RESOURCES

<b>Goal</b>	Promote the City's operational readiness to implement the emergency management cycle (mitigate, prepare, respond, recover).				
<b>Objective</b>	Maintain OES emergency management facilities, critical infrastructure, and equipment fully mission capable.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of Office of Emergency Services resources that are able to respond effectively to hazards	97.00%	98.00%	95.00%	95.00%	95.00%
<b>Description</b>	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. Therefore, the goal is to meet a 95 percent readiness rate, allowing some flexibility for unscheduled equipment maintenance during the year.				
<b>Purpose</b>	Critical resources will improve the City's ability to manage a response.				
<b>Status</b>	The Emergency Operations Center (EOC) is functioning as an information intelligence center hub and staffed during the day on a regular basis. Other assets, such as the Mobile Emergency Operations Center (MEOC) and support vehicles and equipment were also maintained at a near fully operational rate and involved in a number of deployments in FY 2019.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of presentations, training sessions, and exercises	182	216	150	163	150
Number of deployments of the Emergency Operations Center, Mobile EOC, and Incident Command Post	37	62	40	33	35

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Emergency Services	983,124	968,477	1,515,114	1,727,222	212,109	14.0%
<b>Total</b>	<b>983,124</b>	<b>968,477</b>	<b>1,515,114</b>	<b>1,727,222</b>	<b>212,109</b>	<b>14.0%</b>

<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	37,852	35,781	38,056	42,910	4,854	12.8%
Other Benefits	11,830	12,098	14,577	14,719	143	1.0%
Overtime	880	2,283	—	—	—	—%
Pension	101,971	101,659	111,738	138,382	26,643	23.8%
Retiree Medical	51,613	54,299	49,844	51,339	1,495	3.0%
Salary	385,750	383,382	428,803	420,657	(8,146)	(1.9)%
Workers' Compensation	1,286	1,596	16,272	22,402	6,130	37.7%
<b>Total Salary &amp; Benefits</b>	<b>591,182</b>	<b>591,098</b>	<b>659,289</b>	<b>690,409</b>	<b>31,119</b>	<b>4.7%</b>
Allocated Charges	45,905	54,407	89,072	115,692	26,620	29.9%
Contract Services	108,138	114,993	559,500	559,500	—	—%
Facilities & Equipment	134,991	134,493	117,000	277,000	160,000	136.8%
General Expense	34,437	28,788	34,700	34,700	—	—%
Operating Transfers-Out	—	—	5,631	—	(5,631)	(100.0)%
Supplies & Material	68,470	44,699	49,922	49,922	—	—%
<b>Total Dollars by Expense Category</b>	<b>983,124</b>	<b>968,477</b>	<b>1,515,114</b>	<b>1,727,222</b>	<b>212,109</b>	<b>14.0%</b>

<b>Revenues</b>						
Charges to Other Funds	94,623	94,623	96,336	95,589	(747)	(0.8)%
From Other Agencies	—	2,600	—	200,000	200,000	—%
<b>Total Revenues</b>	<b>94,623</b>	<b>97,223</b>	<b>96,336</b>	<b>295,589</b>	<b>199,253</b>	<b>206.8%</b>

<b>Positions by Division</b>						
Emergency Services	3.48	3.48	3.48	3.48	—	—%
<b>Total</b>	<b>3.48</b>	<b>3.48</b>	<b>3.48</b>	<b>3.48</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Director Office of Emergency Services	1.00	1.00	1.00	1.00	—	160,493
Office of Emergency Services Coordinator	1.00	1.00	1.00	1.00	—	138,029
Program Assistant	1.00	1.00	—	—	—	—
Program Assistant II	—	—	1.00	1.00	—	77,417
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>—</b>	<b>375,938</b>
Temporary/Hourly	0.48	0.48	0.48	0.48	—	35,942
<b>Total Positions</b>	<b>3.48</b>	<b>3.48</b>	<b>3.48</b>	<b>3.48</b>	<b>—</b>	<b>411,881</b>



## Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>3.48</b>	<b>1,515,114</b>	<b>96,336</b>	<b>1,418,778</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(5,631)	—	(5,631)
General Liability Savings (One-Time FY 2019 Savings)	—	1,415	—	1,415
Workers' Compensation Savings (One-Time FY 2019 Savings)	—	6,485	—	6,485
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>2,269</b>	<b>—</b>	<b>2,269</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	7,933	—	7,933
Proactive Contributions to City's Unfunded Pension Liability	—	17,056	—	17,056
Revenue Alignment	—	—	(747)	747
Information Technology Allocated Charges	—	13,364	—	13,364
Liability Insurance Allocated Charges	—	680	—	680
Printing & Mailing Services Allocated Charges	—	3,888	—	3,888
Vehicle Replacement & Maintenance Allocated Charges	—	7,273	—	7,273
Workers' Compensation Allocated Charges	—	(355)	—	(355)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>49,839</b>	<b>(747)</b>	<b>50,586</b>
<b>Total FY 2020 Base Budget</b>	<b>3.48</b>	<b>1,567,222</b>	<b>95,589</b>	<b>1,471,633</b>
<b>Budget Adjustments</b>				
1 Emergency Services Equipment Funding Reduction	—	(40,000)	—	(40,000)
2 Mobile Solar Energy Generation and Storage Trailer	—	200,000	200,000	—
<b>Total Budget Adjustments</b>	<b>—</b>	<b>160,000</b>	<b>200,000</b>	<b>(40,000)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>3.48</b>	<b>1,727,222</b>	<b>295,589</b>	<b>1,431,633</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Emergency Services Equipment Funding Reduction	0.00	(40,000)	0	(40,000)

This ongoing action reduces OES's budget for equipment by \$40,000 from \$100,500 to \$60,500. This budget is used for the purchase of items that support OES's service delivery, such as public safety radios, peripheral equipment for the OES vehicles and facilities (including the Mobile Emergency Operations Center), video cameras, and other supporting accessories. This action will increase the cycle time to replace such items and result in longer use of existing equipment. (Ongoing savings: \$40,000)

### Performance Results



This action may result in delays to the acquisition of equipment and replacements.

2 Mobile Solar Energy Generation and Storage Trailer	0.00	200,000	200,000	0
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This one-time action recognizes grant funding from the State Homeland Security Grant Program (SHSGP) through the County of Santa Clara. The award of \$200,000 will fund the purchase of a mobile solar energy generation and storage trailer. This trailer will be used to provide emergency power to City facilities and sites and to operate as a hybrid battery-generator to charge or extend the fuel supply of vehicles and other portable equipment. The trailer can also be deployed as part of the City's response to emergencies and will increase the City's effectiveness at dealing with various hazards. (Ongoing net costs: \$0)

### Performance Results



This action will provide an alternative, sustainable source of power in emergencies or as needed.



CITY OF  
**PALO  
ALTO**

# OFFICE OF TRANSPORTATION

## Mission Statement



The Office of Transportation's mission is to preserve and enhance the quality of life for Palo Alto residents, visitors, and businesses by providing efficient and cost-effective transportation services for all modes of transportation.

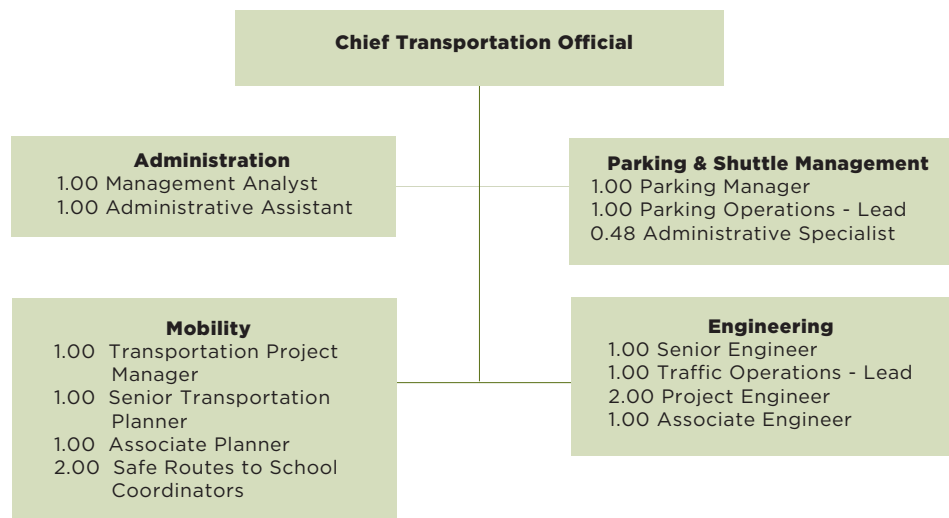
## Purpose



The purpose of the Office of Transportation is to improve the safety of the users of all modes of transportation, reduce reliance on single-occupancy vehicles, address congestion, and reduce through traffic and non-resident parking in Palo

Alto neighborhoods, leading to an integrated transportation system that serves local, regional, and intercity travel.

# OFFICE OF TRANSPORTATION



## FY 2020 POSITION TOTALS

15.00 - 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

The Office of Transportation (OOT) was established in recognition of the scale, complexity, and level of citizen engagement related to transportation. High-profile issues include the separation of at-grade rail crossings, neighborhood traffic safety and bike boulevards, permit parking, traffic mitigation, and the safety of vulnerable road users. The Office is responsible for mobility, engineering, and parking in coordination with other City departments and agencies (such as Valley Transportation Authority, Caltrain, Metropolitan Transportation Commission, California Public Utilities Commission, Palo Alto Unified School District and neighboring cities) through the following programs:

### MOBILITY:

Responsible for sustainable transportation systems that aim to reduce traffic congestion and auto emissions by facilitating an increase in pedestrian, bicycle, public transportation use, and other alternative modes of transportation. Programs include:

**Bicycle and Pedestrian:** This program includes the discrete capital improvement projects and the programmatic elements needed to implement goals of the Palo Alto Bicycle & Pedestrian Transportation Plan, including the Neighborhood Traffic Safety & Bicycle Boulevard project. This program also provides staffing to the Pedestrian and Bicycle Advisory Committee (PABAC).

**Palo Alto Shuttle:** This program provides free shuttle services on two different routes - one from Downtown to the Baylands Business Park and the other from Downtown to South Palo Alto.

**Safe Routes to School:** In partnership with the Palo Alto Unified School District (PAUSD) and Palo Alto PTA, this program aims to reduce risk, and educate and encourage more families to safely walk, bicycle, bus, and carpool to school. It also includes the development of capital improvement projects to provide safer routes to schools.

### PARKING:

Plan, develop, and administer the Residential Permit Parking (RPP) program, parking in the City's garages and lots, and on-street parking in business districts.

### ENGINEERING:

Oversee the City's traffic and transportation infrastructure investments through long- and short- range plans, corridor plans, traffic studies, and review of proposed private developments; transportation demand management initiatives; traffic impact fees; and regional coordination. Projects include:

**Rail Grade Separations:** This is a monumental capital improvement to improve safety at existing railroad crossings. This project will span more than a decade to complete planning, environmental review, design, and construction.

**Traffic Operations & Capital Improvement Projects:** These projects include the monitoring, operations, and modifications of the traffic system; investigation and response to citizen inquiries; and development of plans and funding for capital improvement projects that provide enhanced safety and relieve traffic congestion.

## Accomplishments

- Conducted enhanced community engagement and advanced the rail grade separation project by evaluating and reducing the number of possible alternatives to six.
- Evaluated the Residential Permit Parking Program (RPP) and related parking services.
- Initiated the development of a new online parking permit and citation management system.
- Continued to increase the number of middle and high school students biking to school.
- Upgraded the pedestrian crossing at Colorado Avenue/Sandra Place.
- Completed design of the enhanced bikeway at Embarcadero and El Camino Real.
- Revised Transportation Impact Fee in alignment with Impact Fee nexus study (CMR 9531).
- Completed portions of Phase 1 of the Neighborhood Traffic Safety & Bicycle Boulevard project.
- Conducted the Middlefield North Traffic Safety Pilot Project and had it permanently adopted.
- Implemented signal modifications and improvements at 10 intersections and along two corridors.
- Completed Quarry Road path and striping improvements.

## Initiatives

- Achieve the following Rail Grade Separation program milestones: select the preferred solution, obtain commitment for Measure B funds, and start the environmental process.
- Update the community engagement process for transportation projects.
- Evaluate effectiveness of Phase 1 of the Neighborhood Traffic Safety & Bicycle Boulevard project.
- Start Phase 2 of the Neighborhood Traffic Safety & Bicycle Boulevard project.
- Initiate update of the Bicycle and Transportation Plan.
- Initiate conversion of transportation impact methodology from Level of Service (LOS) to Vehicle Miles of Travel (VMT) per state law.
- Revise RPP Program to enhance its effectiveness and sustainability.
- Implement the parking permit and citation management system.

- Research updates to the Parking Ambassador Program to increase garage capacity.
- Develop outcome-based performance measures for all transportation programs with links to the Annual National Citizen Survey where appropriate.
- Enhance professional development for the Office of Transportation to optimize staff abilities and productivity.
- Complete the Palo Alto Safe Routes to School City, Palo Alto Unified School District (PAUSD) and Parent Teach Association (PTA) Partnership Five-Year Work Plan objectives to help grow and strengthen community-wide support through the Safe Routes to School model for safe, active, healthy, and sustainable school commutes.

## Goals and Objectives

### GOAL 1

Provide, design, and implement transportation services that meet or exceed the expectations of Palo Alto residents; encourage transportation alternatives to single occupancy vehicle trips; and improve traffic flow and parking availability.

#### Objectives:

- Improve traffic flow on major streets
- Increase ease of public parking
- Increase ease of travel by bicycle in Palo Alto
- Increase ease of walking in Palo Alto
- Increase number of shuttle riders

### GOAL 2

Ensure that services are delivered efficiently and continue to improve.

#### Objectives:

- Institute a revised community engagement process for transportation projects.
- Revise RPP Program to enhance its effectiveness and sustainability.
- Increase or add automated data collection systems.

### GOAL 3

Increase the professional capacity of the members of the Office of Transportation.

#### Objectives:

- Work collaboratively with staff to create and institute a professional development plan to optimize the abilities and productivity of Transportation staff.
- Develop a career development plan to promote the retention of Transportation staff.



## Key Performance Measures

### CITIZEN SURVEY - TRAFFIC FLOW ON MAJOR STREETS

<b>Goal</b>	Provide, design, and implement transportation services that meet or exceed the expectations of Palo Alto residents; encourage transportation alternatives to single occupancy vehicle trips; and improve traffic flow and parking availability.				
<b>Objective</b>	Improve traffic flow on major streets.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent surveyed residents rating the traffic flow on major streets as good or excellent	30.00%	33.00%	N/A	28.00%	30.00%
<b>Description</b>	The City participates in the National Citizen Survey (NCS) which asks residents to rate their perception of traffic flow on major streets. The NCS is a collaborative effort between the National Research Center and the International City/County Management Association.				
<b>Purpose</b>	To obtain feedback from residents on the traffic flow on major streets to determine the perceived functionality of major streets.				
<b>Status</b>	FY 2020 will be the first fully operational year of the new Office of Transportation and the unit will be working to fill key staffing positions.				

### CITIZEN SURVEY - EASE OF PUBLIC PARKING

<b>Goal</b>	Provide, design, and implement transportation services that meet or exceed the expectations of Palo Alto residents; encourage transportation alternatives to single occupancy vehicle trips; and improve traffic flow and parking availability.				
<b>Objective</b>	Increase ease of public parking				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of surveyed residents rating the amount of parking as good or excellent	33.00%	32.00%	N/A	34.00%	38.00%
<b>Description</b>	The City participates in the National Citizen Survey (NCS) which asks residents to rate their perception of the ease of public parking. The NCS is a collaborative effort between the National Research Center and the International City/County Management Association.				
<b>Purpose</b>	To obtain feedback from residents on the ease of public parking to determine if the program's resources are appropriate.				
<b>Status</b>	FY 2020 will be the first fully operational year of the new Office of Transportation and the unit will be working to fill key staffing positions.				

**NUMBER OF SHUTTLE RIDERS**

<b>Goal</b>	Provide, design, and implement transportation services that meet or exceed the expectations of Palo Alto residents; encourage transportation alternatives to single occupancy vehicle trips; and improve traffic flow and parking availability.				
<b>Objective</b>	Increase the annual number of riders on the Palo Alto shuttle				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Number of annual shuttle bus riders	152,261	N/A	140,000	N/A	145,000
<b>Description</b>	This measure tracks the annual usage of the shuttle program.				
<b>Purpose</b>	To track changes in satisfaction and ridership with the shuttle program.				
<b>Status</b>	FY 2020 will be the first fully operation year of the new Office of Transportation and the unit will be working to fill key staffing positions. Additionally, a new shuttle RFP was completed at the end of FY 2019 and the new shuttle provider will have some onboarding time in FY 2020 thus the data may not represent a full year. The FY 2018 Actuals data is not available due to issues with data collection.				

## Workload Measures

	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Number of transportation inquiries to 311	297	328	N/A	200	275
Number of households in RPP district	N/A	N/A	N/A	7,734	7,850
Number of students reached through educational programs with Safe Routes to School	N/A	N/A	N/A	6,767	6,800
Number of development projects reviewed	N/A	N/A	N/A	62	65
Number of traffic signals maintained	N/A	N/A	N/A	101	101

**Note:**

This Office of Transportation section is currently under development and review. It reflects the establishment of a separate Office of Transportation, formerly part of the Planning and Community Environment Department. At the timing of the printing of this document, final allocation of resources and the separation of prior year data was under review. Therefore, some key performance and workload measures are not presented as part of this publication. Staff intends to restate these figures for the publication of the Adopted Budget.

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration	—	—	—	624,274	624,274	—%
Programs	—	—	—	1,687,861	1,687,861	—%
<b>Total</b>	—	—	—	<b>2,312,134</b>	<b>2,312,134</b>	<b>—%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	—	—	—	121,341	121,341	—%
Other Benefits	—	—	—	24,821	24,821	—%
Overtime	—	—	—	7,597	7,597	—%
Pension	—	—	—	295,707	295,707	—%
Retiree Medical	—	—	—	77,220	77,220	—%
Salary	—	—	—	854,147	854,147	—%
Workers' Compensation	—	—	—	17,523	17,523	—%
<b>Total Salary &amp; Benefits</b>	—	—	—	<b>1,398,355</b>	<b>1,398,355</b>	<b>—%</b>
Contract Services	—	—	—	642,779	642,779	—%
Facilities & Equipment	—	—	—	21,000	21,000	—%
General Expense	—	—	—	244,750	244,750	—%
Supplies & Material	—	—	—	5,250	5,250	—%
<b>Total Dollars by Expense Category</b>	—	—	—	<b>2,312,134</b>	<b>2,312,134</b>	<b>—%</b>
<b>Revenues</b>						
Operating Transfers-In	—	—	—	128,000	128,000	—%
Permits and Licenses	—	—	—	13,332	13,332	—%
<b>Total Revenues</b>	—	—	—	<b>141,332</b>	<b>141,332</b>	<b>—%</b>
<b>Positions by Division</b>						
Administration	—	—	—	2.18	2.18	—%
Programs	—	—	—	4.50	4.50	—%
<b>Total</b>	—	—	—	<b>6.68</b>	<b>6.68</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Assistant	—	—	—	0.50	0.50	46,500
Associate Engineer	—	—	—	0.30	0.30	31,787
Associate Planner	—	—	—	0.30	0.30	29,619
Chief Transportation Official	—	—	—	0.70	0.70	143,416
Coordinator Transportation Systems Management	—	—	—	1.25	1.25	126,149
Management Analyst	—	—	—	0.50	0.50	52,718
Project Engineer	—	—	—	0.45	0.45	57,797
Senior Engineer	—	—	—	0.20	0.20	31,680
Senior Planner	—	—	—	0.50	0.50	60,968
Traffic Engineering-Lead	—	—	—	0.35	0.35	41,766
Transportation Planning Manager	—	—	—	1.15	1.15	167,065
<b>Sub-total: Full-Time Equivalent Positions</b>	—	—	—	<b>6.20</b>	<b>6.20</b>	<b>789,464</b>
Temporary/Hourly	—	—	—	0.48	0.48	30,122
<b>Total Positions</b>	—	—	—	<b>6.68</b>	<b>6.68</b>	<b>819,586</b>

## Note:

This Office of Transportation section is currently under development and review. It reflects the establishment of a separate Office of Transportation, formerly part of the Planning and Community Environment Department. At the timing of the printing of this document, final allocation of resources and the separation of prior year data was under review. Therefore, prior year data is currently shown in the Planning and Community Environment Department section in this publication. However, staff plans to restate these figures for the publication of the Adopted Budget.

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	—	—	—	—
<b>One-Time Prior Year Budget Adjustments</b>				
None	—	—	—	—
<b>One-Time Prior Year Budget Adjustments</b>	—	—	—	—
<b>Adjustments to Costs of Ongoing Activities</b>				
Santa Clara Valley Transportation Authority (VTA) Plan Membership	—	26,000	—	26,000
Vehicle Miles Traveled (VMT) Estimation Tool	—	14,000	—	14,000
Shuttle Service Contracts	—	25,000	—	25,000
<b>Adjustments to Costs of Ongoing Activities</b>	—	<b>65,000</b>	—	<b>65,000</b>
<b>Total FY 2020 Base Budget</b>	—	<b>65,000</b>	—	<b>65,000</b>
<b>Budget Adjustments</b>				
1 Reallocation of Transportation Staffing and Operations (Transfer from Planning and Community Environment Department)	5.57	2,017,904	141,332	1,876,572
2 Parking Citation Review Staffing	0.48	29,091	—	29,091
3 Parking and Shuttle Programs	0.50	126,351	—	126,351
4 Transportation Capital Improvement Projects	0.20	53,120	—	53,120
5 Safe Routes to School	(0.07)	20,668	—	20,668
<b>Total Budget Adjustments</b>	<b>6.68</b>	<b>2,247,134</b>	<b>141,332</b>	<b>2,105,802</b>
<b>Total FY 2020 Proposed Budget</b>	<b>6.68</b>	<b>2,312,134</b>	<b>141,332</b>	<b>2,170,802</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Reallocation of Transportation Staffing and Operations (Transfer from Planning and Community Environment Department to the Office of Transportation)	5.57	2,017,904	141,332	1,876,572

This ongoing action realigns the funding of various positions and transportation activities from the Planning and Community Environment Department to the Office of Transportation in order to establish a dedicated office for transportation and traffic programs. The newly established department will provide analytical support and manage the General Fund programming, three parking funds, and capital improvement programming for transportation capital investments. This realignment of funding is a net-zero transaction across all City funds that shifts a total of 14.62 FTE positions: 5.57 FTE positions in the General Fund, 3.60 FTE positions in Parking Funds, and 5.45 FTE positions in the Capital Improvement Fund. Additionally, this action realigns \$845,000 in non-salary expenditures from the Planning and Community Environment Department to the Office of Transportation for continued operational costs of bicycle and pedestrian programs, City shuttle services, and safe routes to school. These costs are partially offset by \$141,332 in State gas tax revenues that are earmarked for transportation and traffic-related improvements. A corresponding adjustment is recommended in the Planning and Community Environment Department. (Ongoing net costs: \$2,069,561)

### Performance Results



This action realigns staffing to establish an Office of Transportation and address the City Council priority to resolve traffic and transportation challenges.

2 Parking Citation Review Staffing	0.48	29,091	0	29,091
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This ongoing action reallocates a vacant 0.48 FTE Administrative Specialist from the City Clerk's Office to the newly established Office of Transportation. This position's duties include initial review of various citations, including Residential Preferential Parking citations. This preliminary review function is not typically a function of a City Clerk's Office and would be better positioned in the Office of Transportation. Aligning the workload of citation review in the Office of Transportation will also ensure clear lines of communication about citations and the process for resolving them. It is anticipated that this position will also be able to offer additional administrative support beyond preliminary review of citations to the Office of Transportation. A corresponding recommendation to reduce this position is included in the City Clerk's Office department section. (Ongoing costs: 30,985)

### Performance Results



This action more accurately aligns the duties of this position to the Office of Transportation and will ensure clear communication and efficient citation review.

3 Parking and Shuttle Programs	0.50	126,351	0	126,351
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This ongoing action adds 1.0 FTE Parking Manager (Transportation Planning Manager) for parking and shuttle programs to provide daily oversight and strategic planning for parking and shuttle programs citywide. This position will report to the Chief Transportation Official with the Parking Operations Lead as their team, and will strategically implement the City's parking goals while ensuring a quality customer service experience. This position is a management classification and will act as the primary authority and contact on all parking and shuttle concerns. This hands-on, working manager will help develop and implement City Council's parking workplan which will include oversight of the residential and employee permit programs in Downtown, California Avenue, and the Residential Preferential Parking Program areas (RPP). The Parking Manager will also implement any new future initiatives that could come from the workplan (such as paid parking). In an internal evaluation from a consultant, one additional Parking Assistant position was recommended; however, staff does not recommend bringing that position forward at this time. Only the most critical positions are being brought forward for addition this year. The total cost of the position is \$252,701 and is recommended to be allocated at 0.50 FTE to the General Fund Operating Budget and 0.50 FTE to Parking Funds. (Ongoing costs: \$126,351)

### Performance Results



This action provides a dedicated full-time resource to administer and implement initiatives associated with parking and shuttle services.

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
4 Transportation Capital Improvement Projects	0.20	53,120	0	53,120

This ongoing action adds 1.0 FTE Senior Engineer to oversee the capital investments and engineering team as well as be the primary project manager for all initiatives related to the grade separation evaluation and identification and execution of a preferred alternative. Similar to the organization of the Public Work's Engineering Division, this Senior Engineer will be a working manager with technical expertise and strategic oversight over the transportation capital improvements and coordinate closely on project hand offs between the Public Works engineering team and this transportation team. This manager and the associated team will primarily work on the stakeholder engagement, traffic analysis, conceptual design, and environmental work of capital improvements and will then transition projects to the Department of Public Works engineering division for construction and final project construction and execution. The total cost of this position is \$265,602 and is recommended to be allocated at 0.20 FTE to the General Fund Operating Budget and 0.80 FTE to the Capital Improvement Fund. (Ongoing costs: \$55,359)

### Performance Results



This actions provides a dedicated full-time resource to oversee the various transportation related capital projects that are planned or in progress.

5 Safe Routes to School	-0.07	20,668	0	20,668
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This ongoing action augments an existing 0.50 FTE Coordinator Transportation Systems Management position to a 1.0 FTE Coordinator Transportation System Management position, partially offset by the elimination of a vacant 0.57 FTE Management Specialist position. This action will better align staffing with the organizational and programmatic needs of the Safe Routes to School Program. This position will assist with education and events that reduce risks to students and encourage more families to walk, bike, and use other alternatives to driving to school. The net cost of this position is recommended to be allocated at 0.50 FTE to the OOT General Fund Operating Budget and 0.50 FTE to the General Capital Fund, with the offsetting position elimination resulting in a net decrease of 0.07 FTE in the General Fund. (Ongoing costs: \$24,099)

### Performance Results



This action provides a dedicated full-time resource to ensure consistency of the program.



# PLANNING AND COMMUNITY ENVIRONMENT

## Mission Statement



The mission of the Planning and Community Environment Department is to provide effective implementation of land use development, planning, housing and environmental policies, and efficient processing of building permit applications 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 actions aimed at preserving and enhancing the quality of life in Palo Alto, protecting

the public health, safety, and general welfare while facilitating land use and development decisions through consistent and transparent processes.



The Planning & Community Environment Organizational chart is currently under development.

## Description

The Planning and Community Environment Department (PCE) is responsible for the following functions:

### ADMINISTRATION

This division provides personnel, contract, budget, and project support, including managing and measuring performance metrics for the department. The division also supports the Planning and Transportation Commission, Architectural Review Board, Historic Resources Board, and other public meetings.

### CODE ENFORCEMENT

This division is responsible for enforcement of code requirements and conditions of approval.

### 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, and providing general information to the public regarding the City's zoning and Comprehensive Plan provisions.

### DEVELOPMENT SERVICES

This division is responsible for taking in applications for entitlements and permits, routing and coordinating with other departments such as Public Works, Fire, and Utilities to ensure that the proposed and completed construction complies with all state and local code requirements, including Green Building requirements.

### LONG RANGE 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 and site-specific plans and is responsible for data and analysis to support a wide variety of planning projects.

Note: This Department section is currently under review. It reflects the recommended merging of the former Development Services and Planning and Community Environment Departments and separation of a new Office of Transportation. At the time of the printing of this document, final allocation of resources continues to be under review. Further adjustments are anticipated and staff plans to refine this section and resource needs between this Proposed Budget and the FY 2020 Adopted Budget.

## Accomplishments

- Completed the 2018 Housing Ordinance, which creates more opportunities for new housing production, streamlines the project review process, increases unit density, reduces parking requirements to be more aligned with industry standards, increases floor area for housing projects, and preserves local control of the design review process. Initiated the North Ventura Coordinated Area Plan Working Group (NVCAP) which seeks to describe a vision for the future of the North Ventura area as a walkable neighborhood with multi-family housing, ground floor retail, a public park, creek improvements and an interconnected street grid.
- Submitted Building Code Effectiveness Grading Schedule reevaluation application to the Insurance Services Office (ISO).
- Completed a Palo Alto building energy code cost effectiveness study for residential and nonresidential buildings and participated in State-wide study to explore exceeding requirements related to the upcoming 2019 Title 24 Building Energy Efficiency Standards.
- Supported approval of Wilton Court affordable housing project at 3705 El Camino Real, which will contain 59 units of below-market-rate housing in the Ventura neighborhood.
- Led the Green Building Technical Advisory Committee by conducting community wide meetings to explore exceeding requirements related to the upcoming 2019 Title 24 Building Energy Efficiency Standards and Green Building Code.
- Participated in Citywide Sustainability Implementation Team committee meetings and presented the City's program at the Alliance for Innovation's annual Transforming Local Government Conference in Reno, Nevada.
- Requested funds from the State's Office of Emergency Services Hazard Mitigation Assistance Grant Program for advancement of the City's Seismic Ordinance program.
- Continued customer service improvements for inspection services by redesigning current technology methods.
- Combined fee collection of the Business Registry Certificate and the Downtown Business Improvement District into one timing period cycle and one invoice and online payment option which reduces the City's costs, increases customer satisfaction, and increases business data accuracy. The Business Registry Certificate program is recommended to be reassigned to the Administrative Services Department in FY 2020.
- Launched Development Center customer queuing software system to provide customers more predictability with wait times at the counter, increase staff productivity, and gain further insights in customer trends.
- Codified Transportation Demand Management (TDM) requirements for Comprehensive Plan requirements.
- Completed updates to clarify the Accessory Dwelling Units (ADU) regulations and support increased production of units, including the elimination of the minimum lots size for all units and elimination of development impact fees for all Junior Accessory Units and garage-conversion ADUs.

- Reviewed and commented on the Recirculated Draft Environmental Impact Review (EIR) and worked with City Council to provide inputs into the County's project Development Agreement negotiations with Stanford and project conditions of approval.

## Initiatives

- Merge the Planning and Community Environment Department with the Development Services Departments into one cohesive unit focused on entitlements, permitting, code enforcement, and land use visioning.
- Present an ordinance for City Council to adopt new 2019 California Building Standards Codes.
- Continue to advance tasks identified in the Housing Work Plan adopted by the City Council in February 2018.
- Pursue a multi-department effort to implement recommendations from the Code Enforcement audit.
- Continue to support the City's interests with the Board of Supervisors as they review the Stanford 2018 GUP application and act, including discussion of the 1985 Stanford Agreement and the administrative protocol.

## Goals and Objectives

### GOAL 1

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

#### Objectives:

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

### GOAL 2

Deliver ongoing programs that improve people's lives, including code enforcement, housing, development services, historic preservation, and community block grant programs.

#### Objectives:

- Manage the City's Community Development Block Grant (CDBG) and Below Market Rate (BMR) housing programs.
- Exemplify the City's commitment to well-enforced building codes, health, safety, and general welfare through achieving the highest Insurance Services Office (ISO) rating.
- Respond to citizen complaints and effectively abate zoning and building code violations.

## PLANNING AND COMMUNITY ENVIRONMENT

### GOAL 3

Work collaboratively with City departments to set fees at full cost recovery while monitoring activity levels to ensure costs and revenues are aligned. This requires monitoring of activities and revenues to ensure rates are set at the appropriate levels and the applicant receives the service established by said fees.

#### Objectives:

- Complete regular fee studies to ensure revenues cover expenditures in each of the departments that collaborate with Development Services.
- Monitor and track real-time activity levels from each of the departments to ensure activities are aligned with expenditures.
- Share and publish goals, metrics, and accomplishments with all stakeholders to ensure the Department is on track with established goals and fees are in line with activity levels.

## Key Performance Measures

### AVERAGE NUMBER OF DAYS FROM ISSUANCE TO FINAL

<b>Goal</b>	Provide a high level of customer service and decrease the total time to approve the construction phase of a commercial tenant improvement.				
<b>Objective</b>	Decrease number of days from permit issuance to final inspection.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Average number of days between permit issuance and temporary occupancy or final inspection	161	186	148	181	176
<b>Description</b>	This measure tracks the amount of days it takes to inspect and approve commercial tenant improvement for occupancy.				
<b>Purpose</b>	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.				
<b>Status</b>	This measure is impacted by the contractor's performance and their ability to complete projects in a timely manner after receiving approved plans from the City. During Fiscal Years 2018 and 2019, the department noticed high levels of construction activity in the Bay Area. The ability for developers to find qualified contractors and for those contractors to perform on schedule had an impact on this measure. The department's inspection team continues to meet the department's expectation of next day inspection.				

## CODE ENFORCEMENT

<b>Goal</b>	Deliver ongoing programs that improve people's lives, including code enforcement, housing, development services, historic preservation, and community block grant.				
<b>Objective</b>	Respond to citizen complaints and effectively abate zoning and building code violations.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of surveyed residents rating the quality of code enforcement as "good" or "excellent"	56%	55%	60%	55%	60%
<b>Description</b>	This measure tracks residents' opinions through data collected in the National Citizen Survey (NCS).				
<b>Purpose</b>	This measure can be used to measure changes in satisfaction as service enhancements to the code enforcement function are implemented.				
<b>Status</b>	According to the 2018 NCS, 55% of respondents rated code enforcement (weeds, abandoned buildings, etc.) as good or excellent.				

## INDIVIDUAL REVIEW AND BUILDING PLAN CHECKS

<b>Goal</b>	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.				
<b>Objective</b>	Improve the review times for building permit applications.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of Planning Review of building plan checks completed within 30 days of application intake	87%	74%	90%	80%	80%
<b>Description</b>	This measure tracks the percentage of building plan checks completed within an expected time frame.				
<b>Purpose</b>	Staff level reviews of building plan checks ensure compliance with land use and development standards.				
<b>Status</b>	Factors that affect results in this area include staff vacancy levels, applicant delays, and application volume.				

## INSURANCE SERVICES OFFICE (ISO) RATING

<b>Goal</b>	Exemplify the City's commitment to well-enforced building codes, health, safety, and general welfare.				
<b>Objective</b>	Obtain and maintain the highest rating (class 1).				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Insurance Services Office (ISO) Rating	1	1	1	1	1
<b>Description</b>	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 class of 1 (exemplary commitment to building code enforcement) to 10.				
<b>Purpose</b>	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.				
<b>Status</b>	Development Services currently holds a class 1 rating. The Class 1 rating indicates that the City maintains the highest standards for structural safety in the nation, which reduces insurance costs to Palo Alto property owners. Development Services continues to work with ISO to ensure that staff training, certifications, public awareness, and outreach programs meet the standards.				

## PERCENT OF PERMITS ISSUED ON TIME

<b>Goal</b>	Work collaboratively with City departments, which support development services, to adequately staff and respond to workload demands and achieve excellent customer service outcomes.				
<b>Objective</b>	Provide customers with clear, succinct, and consistent guidelines.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of permits initiated within a given period where all department reviews are completed	69%	54%	71%	57%	80%
<b>Description</b>	This measure tracks the percentage of time building permit plan reviews are completed by the estimated due date provided to the customer at the time of permit submittal. This includes projects that are submitted for the standard 30-day review period and require multi-departmental review. This measure is a result of the collaborative approach with all involved departments. A project is not deemed on-time unless every review stage is completed on time.				
<b>Purpose</b>	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 timeline provided by Development Services. Being successful at adhering to timelines reduces costs for developers and property owners and has a direct correlation to the economic vitality of the City.				
<b>Status</b>	This performance measure is dependent on plan review staff and contractors reviewing plans on time. In preparation for the FY 2020 budget, management identified that the logic calculating the percentage was skewed due to the software system miscalculation of project due dates to include weekend days. Staff cannot complete a project on a weekend day. Furthermore, the data includes voided and cancelled permits. Additionally, inaccurate data such as outside plan checks not being recorded on time in the system. Due to timing and department work plan objectives, staff has decided to publish the data as is to provide consistency with historic reporting. Staff has initiated a task to have more accurate data and will update the percentages upon project completion. Industry best practices call for 80% on-time plan review. The department will aim for this goal during FY 2020.				



## PERCENT OF PERMITS ISSUED OVER THE COUNTER

<b>Goal</b>	Provide a high level of customer service and decrease application review, processing, and permit issuance times.				
<b>Objective</b>	Increase the number of over-the-counter (OTC) plan checks that result in same day permit issuance.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of permits that are reviewed and approved by all necessary departments over-the-counter.	61%	67%	64%	63%	65%
<b>Description</b>	This measure tracks the percentage of building permits that can be successfully reviewed and approved by all the affected City departments (over-the-counter) 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.				
<b>Purpose</b>	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.				
<b>Status</b>	Development Services strives to issue as many permits over-the-counter as possible. This is a function of all divisions being able to review and approve projects. Additionally, program and policy decisions impact the ability to keep a high over-the-counter approval rate. Furthermore, maintaining customer education program and materials, adequate staff training, and staff levels are contributing factors to this measure. Development Services is satisfied with the historic trend, yet mindful of increasing regulations that may limit staff's ability to process projects over the counter.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of planning and Architectural Review Board applications completed (including staff level)	365	342	365	320	300
Average number of days for Planning to first review building permit applications	25	20	20	20	20
Average number of days from Individual Review application to approval*	210	68	60	80	80
Number of building permit applications	3,709	3,938	3,895	3,870	3,903
Number of building permits issued	2,970	3,105	3,394	3,264	3,336
Number of fire permit inspections	2,873	2,350	2,179	2,505	2,352
Number of walk-in customer interactions	22,107	22,085	22,782	22,096	22,550
Number of building inspections	25,206	26,893	28,182	24,430	27,752

\* Beginning FY 2019, the measure is revised to consider only the time it takes staff in the review process and excludes time that is dependent on information or follow up from the applicant.

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration	3,959,066	4,337,696	4,728,030	4,345,606	(382,424)	(8.1)%
Building	5,026,758	5,635,155	5,037,607	5,264,863	227,257	4.5%
Fire	2,103,697	2,073,943	2,295,830	2,454,984	159,153	6.9%
Green Building	398,807	386,349	304,000	304,000	—	—%
Planning	673,351	644,137	761,947	841,705	79,758	10.5%
Planning and Transportation	6,811,476	5,895,791	7,126,976	5,587,602	(1,539,374)	(21.6)%
Public Works	702,207	942,688	1,227,354	1,249,830	22,476	1.8%
<b>Total</b>	<b>19,675,362</b>	<b>19,915,759</b>	<b>21,481,744</b>	<b>20,048,590</b>	<b>(1,433,154)</b>	<b>(6.7)%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	1,049,463	1,085,895	1,248,380	1,263,409	15,029	1.2%
Other Benefits	167,089	205,561	229,413	208,638	(20,775)	(9.1)%
Overtime	331,788	288,802	102,779	97,854	(4,925)	(4.8)%
Pension	2,007,049	2,230,768	2,424,481	2,780,944	356,463	14.7%
Retiree Medical	687,280	723,053	720,954	665,362	(55,591)	(7.7)%
Salary	6,750,072	6,877,049	7,939,805	7,143,906	(795,899)	(10.0)%
Workers' Compensation	13,037	101,488	188,717	241,480	52,763	28.0%
<b>Total Salary &amp; Benefits</b>	<b>11,005,779</b>	<b>11,512,617</b>	<b>12,854,530</b>	<b>12,401,594</b>	<b>(452,936)</b>	<b>(3.5)%</b>
Allocated Charges	1,496,072	1,769,388	2,206,507	2,186,376	(20,131)	(0.9)%
Contract Services	5,568,542	4,785,918	4,285,478	3,634,699	(650,779)	(15.2)%
Facilities & Equipment	13,721	2,405	40,650	15,650	(25,000)	(61.5)%
General Expense	612,728	658,166	713,944	520,314	(193,630)	(27.1)%
Operating Transfers-Out	7,607	33,933	129,192	7,607	(121,585)	(94.1)%
Rents & Leases	905,229	1,092,015	1,205,224	1,241,381	36,157	3.0%
Supplies & Material	65,683	61,317	46,219	40,969	(5,250)	(11.4)%
<b>Total Dollars by Expense Category</b>	<b>19,675,362</b>	<b>19,915,759</b>	<b>21,481,744</b>	<b>20,048,590</b>	<b>(1,433,154)</b>	<b>(6.7)%</b>
<b>Revenues</b>						
Charges for Services	7,279,119	10,470,401	8,922,715	9,803,826	881,110	9.9%
Charges to Other Funds	222,939	362,500	21,797	21,797	—	—%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Net Sales	—	915	—	—	—	—%
Operating Transfers-In	128,000	128,000	128,000	—	(128,000)	(100.0)%
Other Revenue	93,962	270,931	2,500	3,413	913	36.5%
Other Taxes and Fines	551,529	117,933	25,637	25,637	—	—%
Permits and Licenses	6,666,121	8,089,435	8,086,865	8,160,397	73,532	0.9%
Utility Users Tax	2	—	—	—	—	—%
<b>Total Revenues</b>	<b>14,941,672</b>	<b>19,440,114</b>	<b>17,187,514</b>	<b>18,015,069</b>	<b>827,555</b>	<b>4.8%</b>

### Positions by Division

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Administration	12.12	12.16	12.01	9.14	(2.87)	(23.90)%
Building	17.21	17.81	17.28	17.28	—	—%
Fire	7.08	7.08	6.88	6.88	—	—%
Planning	5.69	5.09	5.09	5.09	—	—%
Planning and Transportation	25.53	24.70	24.83	20.34	(4.49)	(18.08)%
Public Works	4.72	4.81	5.50	5.50	—	—%
<b>Total</b>	<b>72.35</b>	<b>71.65</b>	<b>71.59</b>	<b>64.23</b>	<b>(7.36)</b>	<b>(10.28)%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Assistant	2.00	2.00	2.00	1.00	(1.00)	82,306
Administrative Associate I	1.00	1.00	1.00	1.00	—	65,320
Administrative Associate II	3.00	3.00	2.80	2.80	—	193,094
Administrative Associate III	4.00	4.00	3.59	3.60	0.01	270,862
Assistant Chief Building Official	1.00	1.00	1.00	1.00	—	123,635
Assistant Director PCE	1.00	1.00	1.00	1.00	—	207,272
Associate Engineer	1.02	0.75	0.67	0.22	(0.45)	23,310
Associate Planner	1.00	1.00	3.27	3.15	(0.12)	310,995
Building Inspector Specialist	4.00	4.00	4.00	4.00	—	425,684
Building/Planning Technician	3.00	3.00	3.00	3.00	—	240,213
Business Analyst	1.00	1.00	1.00	1.00	—	139,476
Chief Building Official	1.00	1.00	1.00	1.00	—	179,504

# PLANNING AND COMMUNITY ENVIRONMENT

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Chief Planning Official	1.00	1.00	1.00	1.00	—	160,451
Chief Transportation Official	0.70	0.43	0.64	—	(0.64)	—
Code Enforcement Officer	2.00	2.00	2.00	2.00	—	191,502
Code Enforcement-Lead	1.00	1.00	1.00	1.00	—	102,458
Coordinator Transportation Systems Management	0.60	0.88	0.74	—	(0.74)	—
Deputy Chief/Fire Marshal	0.80	0.80	0.80	0.80	—	160,460
Development Project Coordinator II	2.00	2.00	2.00	2.00	—	174,054
Development Project Coordinator III	3.00	3.00	3.00	3.00	—	287,886
Development Services Director	1.00	1.00	1.00	1.00	—	199,674
Director Planning/Community Environment	1.00	1.00	1.00	1.00	—	238,638
Engineer	0.64	0.64	0.64	0.64	—	76,372
Engineering Technician III	1.78	1.78	1.78	1.78	—	158,828
Fire Inspector	3.20	3.20	3.20	3.20	—	526,356
Hazardous Materials Inspector	1.60	1.60	1.60	1.60	—	263,178
Industrial Waste Inspector	0.01	0.01	0.01	0.01	—	882
Industrial Waste Investigator	0.35	0.35	0.35	0.35	—	34,683
Inspector, Field Services	0.68	0.68	0.68	0.68	—	65,477
Landscape Architect Park Planner	—	—	0.50	0.50	—	57,772
Management Analyst	1.89	1.99	1.81	0.01	(1.80)	1,025
Manager Development Center	1.00	1.00	1.00	1.00	—	134,472
Manager Environmental Control Program	0.10	0.10	0.10	0.10	—	12,357
Manager Planning	4.00	4.00	3.00	3.00	—	426,421
Manager Urban Forestry	0.04	0.04	0.04	0.04	—	5,967
Parking Operations-Lead	0.20	—	0.10	—	(0.10)	—
Planner	4.00	4.00	4.00	4.00	—	415,355
Planning Arborist	0.25	0.29	—	—	—	—
Planning Division Manager	—	—	1.00	1.00	—	161,098
Principal Planner	—	—	1.00	1.00	—	121,971
Program Assistant II	0.35	0.60	—	—	—	—
Project Engineer	1.18	0.53	0.83	0.13	(0.70)	16,697

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Project Manager	0.07	—	—	—	—	—
Senior Engineer	0.46	0.46	0.46	0.46	—	75,887
Senior Industrial Waste Investigator	0.01	0.01	0.01	0.01	—	1,060
Senior Management Analyst	2.00	2.00	1.88	1.80	(0.08)	268,865
Senior Planner	6.94	6.75	3.88	3.60	(0.28)	438,969
Supervisor Inspection and Surveying	0.27	0.27	0.27	0.27	—	35,252
Traffic Engineering-Lead	0.10	0.38	0.65	0.10	(0.55)	11,933
Transportation Planning Manager	0.85	0.20	0.41	—	(0.41)	—
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>68.09</b>	<b>66.74</b>	<b>66.71</b>	<b>59.85</b>	<b>(6.86)</b>	<b>7,087,670</b>
Temporary/Hourly	4.26	4.91	4.88	4.38	(0.50)	323,947
<b>Total Positions</b>	<b>72.35</b>	<b>71.65</b>	<b>71.59</b>	<b>64.23</b>	<b>(7.36)</b>	<b>7,411,617</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>71.59</b>	<b>21,481,744</b>	<b>17,187,514</b>	<b>4,294,230</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(121,585)	—	(121,585)
General Liability Savings (One-time FY 2019 Savings)	—	41,980	—	41,980
Workers' Compensation Savings (One-time FY 2019 Savings)	—	75,207	—	75,207
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(4,398)</b>	<b>—</b>	<b>(4,398)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	0.02	660,992	—	660,992
Proactive Contributions to City's Unfunded Pension Liability	—	341,206	—	341,206
Rent and Lease Expenditure	—	36,157	—	36,157
On-Call Contracts (deposit-based)	—	25,000	25,000	—
Revenue Adjustment (align with cost recovery levels)	—	—	1,118,990	(1,118,990)
Information Technology Allocated Charges	—	(9,749)	—	(9,749)
Liability Insurance Allocated Charges	—	(44,630)	—	(44,630)
Printing & Mailing Services Allocated Charges	—	44,232	—	44,232
Utilities Allocated Charges	—	26,180	—	26,180
Vehicle Replacement & Maintenance Allocated Charges	—	(78,144)	—	(78,144)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>0.02</b>	<b>1,001,244</b>	<b>1,143,990</b>	<b>(142,746)</b>
<b>Total FY 2020 Base Budget</b>	<b>71.61</b>	<b>22,478,590</b>	<b>18,331,504</b>	<b>4,147,086</b>
<b>Budget Adjustments</b>				
1 Reallocation of Transportation Staffing and Operations (Transfer from the Planning and Community Environment Department to the Office of Transportation)	(6.38)	(2,038,578)	(141,332)	(1,716,187)
2 Business Registry Certificate Program (Transfer from former Development Services Department to Administrative Services Department)	(1.00)	(239,029)	(175,103)	(63,926)
3 Planning and Community Environment Vacancies	—	(152,393)	—	(152,393)
<b>Total Budget Adjustments</b>	<b>(7.38)</b>	<b>(2,430,000)</b>	<b>(316,435)</b>	<b>(1,932,506)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>64.23</b>	<b>20,048,590</b>	<b>18,015,069</b>	<b>2,214,580</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Reallocation of Transportation Staffing and Operations (Transfer from the Planning and Community Environment Department to the Office of Transportation)	-6.38	(2,038,578)	(141,332)	(1,897,246)

This ongoing action realigns the funding of various positions and transportation activities from the Planning and Community Environment Department to the Office of Transportation in order to establish a dedicated office for transportation and traffic programs. The newly established department will provide analytical support and manage the General Fund programming, three parking funds, and capital improvement programming for transportation capital investments. This realignment of funding is a net-zero transaction across all City funds that shifts a total of 14.62 FTE positions: 6.38 FTE positions in the General Fund, 0.10 FTE positions in Housing Funds, 3.05 FTE positions in parking funds, and 5.09 FTE positions in the Capital Improvement Fund. Additionally, this action realigns \$845,000 in non-salary expenditures from the Planning and Community Environment Department to the Office of Transportation for continued operational costs of bicycle and pedestrian programs, City shuttle services, and safe routes to school. These costs are partially offset by \$141,332 in revenues received from the State gas tax and earmarked for transportation and traffic-related improvements. A corresponding adjustment is recommended in the Office of Transportation. (Ongoing net savings: \$2,092,389)

### Performance Results



This action realigns staffing to establish an Office of Transportation and address the City Council priority to resolve traffic and transportation challenges.

2 Business Registry Certificate Program (Transfer from former Development Services Department to Administrative Services Department)	-1.00	(239,029)	(175,103)	(63,926)
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This action reallocates the Business Registry Certificate (BRC) program from the former Development Services Department to the Administrative Services Department and reassigns the administrative management of both this program as well as the financial management of the Business Improvement District (BID) to the Administrative Services Department. With the merging of the Development Services Department and the Planning and Community Environment Departments, this function was determined to best be placed in Administrative Services where the majority of taxes and administrative fees are handled by various teams with the Treasury Division of the department. This reallocation of 1.0 FTE Management Analyst, \$50,000 in contract services, and approximately \$175,000 in revenue estimated to be generated from the BRC, aligns the resources added by the City Council in February 29, 2016 (CMR 6661). A corresponding adjustment is recommended in the Administrative Services Department. (Ongoing net savings: \$72,000)

### Performance Results





## Budget Adjustments

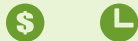
Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
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This action reallocates staff between departments and no performance impacts are anticipated to the Business Registry Certificate program.

3 Planning and Community Environment Vacancies	0.00	(152,393)	0	(152,393)
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This one-time action recognizes vacancy savings equivalent to 1.0 FTE Associate Planner during FY 2020. Currently the Planning and Community Environment Department is experiencing a vacancy factor of approximately 18%, at positions equivalent to or higher than this level. In the coming year, the department will focus on the reorganization of planning, development, and transportation services across departments and will prioritize the recruitment of the more critical positions to assist with these major transitions. It is anticipated that these recruitments will not be fully addressed until further through FY 2020 and therefore savings can be anticipated. (Ongoing savings: \$0)

### Performance Results



This action may result in increases to processing timelines to applicants.

# POLICE

## Mission Statement

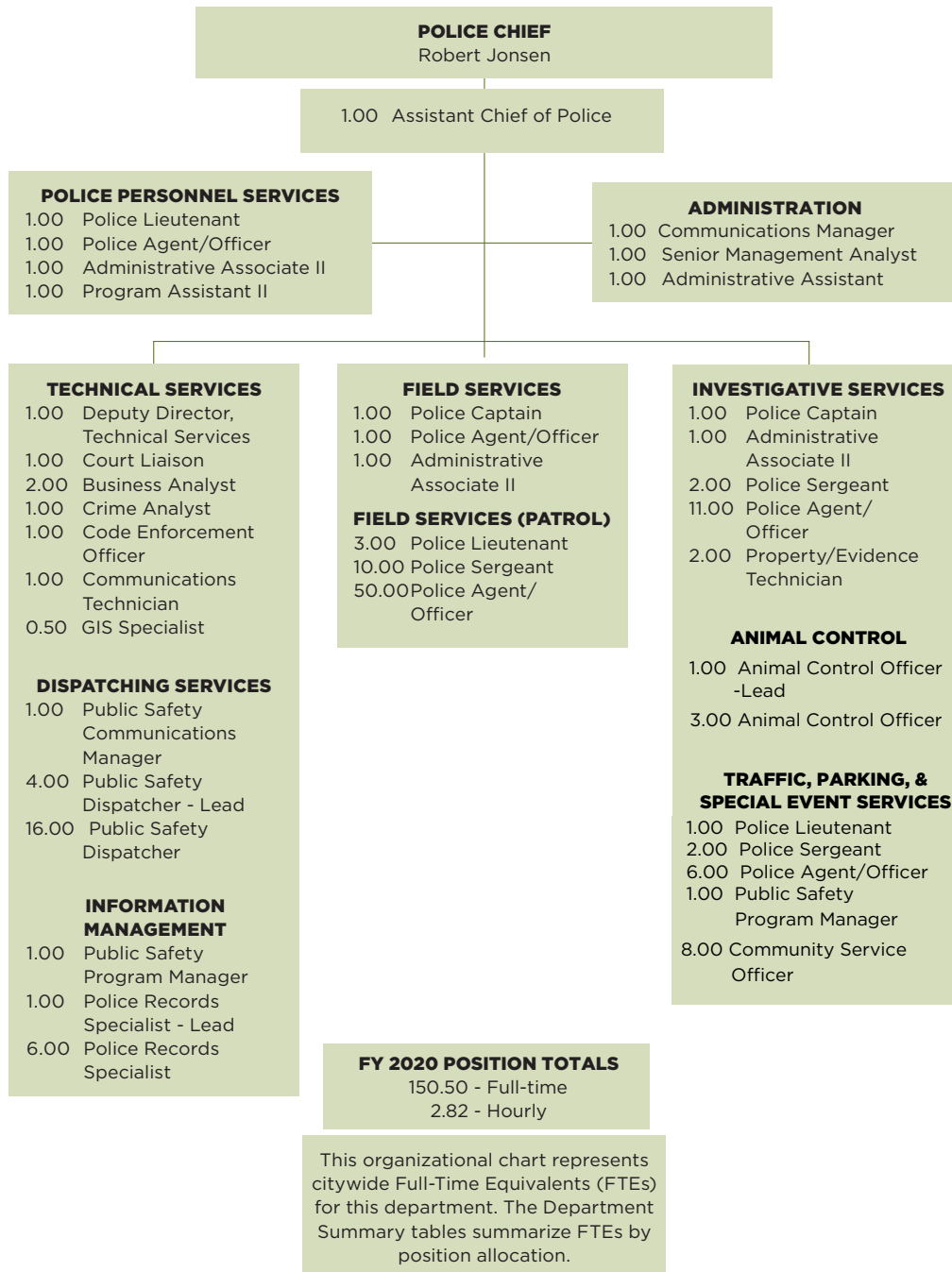


To proudly serve and protect the public with respect and integrity.

## Purpose

In line with the six pillars of the Department of Justice Implementation Guidebook on 21st Century Policing, the purpose of the Police Department is to: build trust and legitimacy; provide for policy and oversight; implement modern technology solutions and social media platforms; focus on community policing and crime reduction; implement officer training and education; and ensure officer safety and wellness.





## 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 technology 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 CONTROL

Provides regional animal control and enforcement.

## Accomplishments

- Re-deployed the Traffic Enforcement Team with an emphasis on general traffic enforcement and school safety issues.
- Trained all Palo Alto officers in the use of naloxone (Narcan) to reduce the incidents of death by opiate overdose.
- Created and implemented a Chief's Advisory Group (CAG) to seek community input on department policy.
- Implemented body-worn cameras in the patrol division to augment the in-car camera system.
- Selected and trained a new canine team, bringing the department total to two dogs. Trained one of the dogs in explosives detection.

- Started a one-year Community Service Officer pilot program to provide enhanced services to the community by supplementing the work of patrol officers.
- Hosted and participated in citywide National Night Out events throughout Palo Alto for the first time in ten years.
- Taught two Basic Citizens Police Academies and one Advanced Citizens Police Academy.
- Implemented a citywide, multi-year radio migration to digital frequencies, allowing for regional communication during normal operations as well as large scale emergencies.
- Partnered with Public Works to obtain City Council approval of the Public Safety Building (PSB) project and the selection of a PSB public artist.

## Initiatives

- Recruit and hire police officers and dispatchers to fill vacancies.
- Assess the employment application process in order to expedite hiring.
- Continue to partner with Public Works on the Public Safety Building project by completing construction documents and submitting plans for building permits.
- Provide accurate and timely public safety information to the community using a variety of sources including traditional news releases and social media networks with an expectation of increasing transparency.
- Explore new technology in an effort to enhance police services to the community.
- Implement online crime reporting for documentation of minor crime reports.
- Continue ancillary educational efforts, including the Basic Citizens Police Academies, Advanced Citizens Police Academies and Parent Project classes.
- Identify and purchase a Records Management System.
- In an effort to focus on employee health, wellness and resiliency, partner with Human Resources to provide Compassion Cultivation Training at a local and regional level.
- Identify resources for fulfilling new Public Records Requests as a result of SB1421 and AB748.

## Goals and Objectives

### GOAL 1

Building Trust and Legitimacy: In line with pillar one of the Department of Justice Implementation Guidebook on 21st Century Policing, the Police Department will embrace a guardian mindset to build public trust and legitimacy.

### 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 control.
- Provide emergency response to the community in the event of a disaster.
- Continue development of the Public Safety Building.

## GOAL 2

Policy and Oversight: In line with pillar two of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will collaborate with community members in developing policies that impact them.

### Objectives:

- Continue Office of Independent Review oversight of internal investigations.
- Increase quality and timeliness of response to citizens' complaints regarding use of force and other internal affairs matters.
- 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.
- Engage the Chief's Advisory Group on key policies and procedures.

## GOAL 3

Technology and Social Media: In line with pillar three of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will continue to use Department and Regional technology solutions to enhance services, as well as leveraging social media platforms to fully engage and educate our community.

### Objectives:

- Enhance the Department's open data initiative efforts by providing additional information to the public, including implementing compliance with SB1421 and AB748.
- Engage the community 24/7/365 through social media and outreach programs.
- Continue the regional Records Management System project.
- Purchase and replace mobile data computers.
- Implement online reporting.
- Enhance technology applications in alignment with national initiatives.

## GOAL 4

Community Policing and Crime Reduction: In line with pillar four of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will continue to engage the community through its cultural mindset that focuses on community policing and community partnerships.

### Objectives:

- Continue to teach two Basic Adult Citizens Academies annually.

- Continue to teach an Advanced Adult Citizens Academy.
- Contribute to the Safe Routes to School Program by contracting crossing guards at major intersections for Palo Alto Unified School District.
- Continue partnership with the Palo Alto Unified School District with the deployment of two School Resource Officers.
- Re-align one sergeant to support the Traffic Team in response to local traffic concerns.

### GOAL 5

Officer Training and Education: In line with pillar five of the Department of Justice Implementation Guideline on 21st Century Policing, the Department will continue to enhance in-service officer training in the areas of fair and impartial policing; de-escalation; legal updates; and community relations. The Department will exceed minimum standards with regard to continuing education standards.

#### Objectives:

- Continue to train and educate all employees in fair and impartial policing philosophies.
- Ensure all officers receive Crisis Intervention Training.
- Implement Crisis Intervention Training for Dispatchers.
- Partner with Santa Clara County Mental Health to explore a Psychiatric Evaluation Response Team (PERT).

### GOAL 6

Officer Safety and Wellness: In line with pillar six of the Department of Justice Implementation Guideline on 21st Century Policing, the Department will ensure that wellness and safety efforts occur at every level of the organization.

- Ensure that critical incident defusing and debriefings occur as needed.
- Enhance employee assistance resources including urgent or emergency access to a psychologist and employee assistance program referrals for employees and their families.
- Build the resiliency of the employee in stressful situations through mindfulness training.
- Stress policies related to safety, in-line with the "Below 100" initiatives, a national initiative to reduce police officer fatalities to under 100 per year: <https://www.below100.org/>.
- Enhance the Department's peer support program.

# Key Performance Measures

## ANIMAL CONTROL RESPONSE TIMES

<b>Goal</b>	Protect and serve the public through proactive and effective policing, animal control, and emergency preparedness.				
<b>Objective</b>	Respond promptly to animal calls for service.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of Palo Alto live animal calls responded to within 45 minutes	89.00%	90.00%	90.00%	90.00%	90.00%
<b>Description</b>	A 45-minute response time to live animal calls is the threshold of service set by the Animal Control Division.				
<b>Purpose</b>	Live animal calls require the most timely response because they are generally life threatening or represent higher danger crimes in progress.				
<b>Status</b>	Animal Control Officers have, historically, assisted with shelter operations. As of FY 2019, the Police Department is no longer operating the animal shelter and therefore, it is expecting that response times should improve. The target will be re-evaluated following a complete year without shelter operations.				

## PERCENT OF SURVEYED RESIDENTS RATING POLICE DEPARTMENT SERVICES GOOD OR EXCELLENT

<b>Goal</b>	Cultivate, enhance, and foster trustworthy relationships with the community.				
<b>Objective</b>	Maintain and enhance the community's satisfaction with police services.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Animal Control Services	80.00%	75.00%	80.00%	77.00%	80.00%
Crime Prevention Services	81.00%	78.00%	80.00%	80.00%	80.00%
Traffic Enforcement Services	60.00%	53.00%	60.00%	55.00%	60.00%
Overall Police Services	93.00%	89.00%	90.00%	90.00%	90.00%
<b>Description</b>	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.				
<b>Purpose</b>	Community satisfaction with the Police Department is an important assessment of the quality of services provided to the City and its residents.				
<b>Status</b>	Overall, the percentage of respondents who rated the quality of overall police services as "excellent" or "good" has remained steady, however, the percentage of residents who rated Traffic Enforcement services as "excellent" or "good" had declined 7% since the last survey. Ratings for Traffic Enforcement services are reported to be statistically similar to benchmark jurisdictions according to the survey. In FY 2019, the designated traffic enforcement team was re-launched, after a 4-year hiatus. The Police Department anticipates a higher rating for Traffic Enforcement in subsequent years. Animal Control services, while down 5% from the last survey, remains statistically similar to previous years. Animal Control is anticipated to be fully staffed in FY 2020. The Police Department looks forward to seeing the rating results of a fully staffed Animal Control unit. Crime prevention ratings are statistically similar to the previous year.				



**POLICE DEPARTMENT RESPONSE TIMES**

<b>Goal</b>	Respond promptly to urgent calls for service.				
<b>Objective</b>	Protect and serve the public through proactive and effective policing, animal control, and emergency preparedness.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of urgent calls responded to within 10 minutes	74.00%	72.00%	90.00%	72.00%	90.00%
Percent of emergency calls responded to within 6 minutes	67.00%	70.00%	90.00%	70.00%	90.00%
<b>Description</b>	Percent of emergency calls responded to within 6 minutes and percent of urgent calls responded to within 10 minutes				
<b>Purpose</b>	Emergency and urgent calls require the most timely police response because they are generally life threatening or represent higher danger crimes in progress.				
<b>Status</b>	The year-over-year percentage of instances an officer arrives to a priority 1 (emergency) and priority 2 (urgent) call within the targeted response time has remained relatively consistent, near 70%. The goal remains at 90% and the Police Department will continue to strive to meet that goal. In FY 2020, the Department will study what must change to reach that goal including elements such as traffic congestion.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of police calls for service	53,901	55,480	54,000	54,000	54,000
Number of Part I crimes	1,672	1,764	1,600	1,705	1,600
Number of Part II crimes	2,579	2,674	2,600	2,594	2,600
Average response time for emergency calls (Goal: within 6 minutes)	5:39	5:10	6:00	5:20	6:00
Average response time for urgent calls (Goal: within 8 minutes)	8:33	8:39	8:00	8:35	8:00
Total number of Palo Alto animal control calls	2,359	2,659	2,300	2,300	2,300
Number of regional animal control calls (Los Altos and Los Altos Hills)	415	719	425	575	425

# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Administration	1,372,907	1,306,311	1,191,493	1,253,980	62,487	5.2%
Animal Control	1,582,082	1,591,383	1,906,145	888,578	(1,017,568)	(53.4)%
Field Services	19,438,878	20,053,299	21,075,775	22,695,327	1,619,552	7.7%
Investigations and Crime Prevention Services	4,494,576	4,651,584	4,780,398	5,359,118	578,720	12.1%
Parking Services	1,367,611	1,517,466	1,626,536	1,751,550	125,015	7.7%
Police Personnel Selection	1,311,192	1,431,168	1,351,115	1,483,792	132,677	9.8%
Technical Services	8,283,058	8,414,141	9,064,759	9,705,588	640,829	7.1%
Traffic Services	1,355,766	1,017,739	1,352,257	1,504,711	152,454	11.3%
<b>Total</b>	<b>39,206,070</b>	<b>39,983,091</b>	<b>42,348,477</b>	<b>44,642,644</b>	<b>2,294,167</b>	<b>5.4%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	2,837,397	2,779,207	3,441,864	3,231,563	(210,301)	(6.1)%
Other Benefits	645,624	1,027,281	772,237	752,408	(19,829)	(2.6)%
Overtime	2,010,204	2,286,527	1,776,500	1,842,231	65,730	3.7%
Pension	6,472,251	7,108,339	7,948,102	10,147,394	2,199,292	27.7%
Retiree Medical	2,666,651	2,805,449	2,575,257	2,652,514	77,258	3.0%
Salary	17,072,244	16,950,029	18,779,800	19,030,233	250,434	1.3%
Workers' Compensation	1,057,455	421,542	840,707	1,157,437	316,731	37.7%
<b>Total Salary &amp; Benefits</b>	<b>32,761,826</b>	<b>33,378,375</b>	<b>36,134,466</b>	<b>38,813,780</b>	<b>2,679,314</b>	<b>7.4%</b>
Allocated Charges	2,783,927	3,202,873	3,483,529	3,487,599	4,071	0.1%
Contract Services	2,710,594	2,397,033	1,253,528	1,365,894	112,366	9.0%
Facilities & Equipment	74,934	48,871	34,500	34,500	—	—%
General Expense	396,720	450,935	480,205	446,089	(34,115)	(7.1)%
Operating Transfers-Out	—	—	398,383	—	(398,383)	(100.0)%
Rents & Leases	3,282	3,335	3,436	3,560	124	3.6%
Supplies & Material	474,787	501,670	560,431	491,221	(69,210)	(12.3)%
<b>Total Dollars by Expense Category</b>	<b>39,206,070</b>	<b>39,983,091</b>	<b>42,348,477</b>	<b>44,642,644</b>	<b>2,294,167</b>	<b>5.4%</b>

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Revenues</b>						
Charges for Services	1,201,130	1,211,543	1,357,313	1,379,804	22,491	1.7%
Charges to Other Funds	427,000	481,000	481,000	481,000	—	—%
From Other Agencies	419,490	258,639	299,900	349,900	50,000	16.7%
Other Revenue	267,310	256,417	273,016	28,899	(244,117)	(89.4)%
Other Taxes and Fines	1,489,330	1,890,505	1,881,255	1,881,255	—	—%
Permits and Licenses	260,297	289,090	230,302	230,302	—	—%
Rental Income	645	400	1,067	1,067	—	—%
<b>Total Revenues</b>	<b>4,065,202</b>	<b>4,387,594</b>	<b>4,523,853</b>	<b>4,352,227</b>	<b>(171,626)</b>	<b>(3.8)%</b>

### Positions by Division

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administration	3.30	5.30	5.30	5.30	—	—%
Animal Control	10.66	10.56	10.56	4.00	(6.56)	(62.12)%
Field Services	61.80	73.55	73.55	73.55	—	—%
Investigations and Crime Prevention Services	21.28	16.38	16.38	16.38	—	—%
Parking Services	8.75	7.75	8.75	8.75	—	—%
Police Personnel Selection	5.10	4.10	4.10	4.22	0.12	2.93%
Technical Services	37.00	37.00	37.00	37.00	—	—%
Traffic Services	10.49	3.74	2.74	2.62	(0.12)	(4.38)%
<b>Total</b>	<b>158.38</b>	<b>158.38</b>	<b>158.38</b>	<b>151.82</b>	<b>(6.56)</b>	<b>(4.14)%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	93,018
Administrative Associate II	3.00	3.00	3.00	3.00	—	212,958
Animal Control Officer	3.00	3.00	3.00	3.00	—	201,592
Animal Control Officer-Lead	1.00	1.00	1.00	1.00	—	71,897
Animal Services Specialist II	2.00	2.00	2.00	—	(2.00)	—
Assistant Police Chief	1.00	1.00	1.00	1.00	—	247,250
Business Analyst	1.20	1.20	1.20	1.20	—	167,371

# Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Code Enforcement Officer	1.00	1.00	1.00	1.00	—	95,751
Communications Manager	—	1.00	1.00	1.00	—	128,149
Communications Technician	1.00	1.00	1.00	1.00	—	97,280
Community Service Officer	8.50	7.50	7.50	7.50	—	548,419
Court Liaison Officer	1.00	1.00	1.00	1.00	—	95,201
Crime Analyst	1.00	1.00	1.00	1.00	—	95,201
Deputy Director Technical Services Division	0.80	0.80	0.80	0.80	—	166,583
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	58,543
Police Agent	19.00	19.00	19.00	19.00	—	3,010,405
Police Captain	2.00	2.00	2.00	2.00	—	444,454
Police Chief	1.00	1.00	1.00	1.00	—	266,510
Police Lieutenant	5.00	5.00	5.00	5.00	—	1,008,758
Police Officer	50.00	50.00	50.00	50.00	—	7,019,574
Police Records Specialist II	6.00	6.00	6.00	6.00	—	424,582
Police Records Specialist-Lead	1.00	1.00	1.00	1.00	—	75,717
Police Sergeant	14.00	14.00	14.00	14.00	—	2,491,923
Program Assistant II	1.00	1.00	1.00	1.00	—	77,417
Property Evidence Technician	2.00	2.00	2.00	2.00	—	146,387
Public Safety Communications Manager	1.00	1.00	1.00	1.00	—	131,352
Public Safety Dispatcher	16.00	16.00	16.00	16.00	—	1,607,934
Public Safety Dispatcher-Lead	4.00	4.00	4.00	4.00	—	461,480
Public Safety Program Manager	2.00	2.00	2.00	2.00	—	256,464
Senior Management Analyst	1.00	1.00	1.00	1.00	—	125,050
Superintendent Animal Services	1.00	1.00	1.00	—	(1.00)	—
Veterinarian	1.00	1.00	1.00	—	(1.00)	—
Veterinarian Technician	2.00	2.00	2.00	—	(2.00)	—
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>155.00</b>	<b>155.00</b>	<b>155.00</b>	<b>149.00</b>	<b>(6.00)</b>	<b>19,827,219</b>
Temporary/Hourly	3.38	3.38	3.38	2.82	(0.56)	265,844
<b>Total Positions</b>	<b>158.38</b>	<b>158.38</b>	<b>158.38</b>	<b>151.82</b>	<b>(6.56)</b>	<b>20,093,063</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>158.38</b>	<b>42,348,477</b>	<b>4,523,853</b>	<b>37,824,624</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(398,383)	—	(398,383)
PD Chief Relocation Package	—	(36,000)	—	(36,000)
General Liability Savings (one-time FY 2019 Savings)	—	73,104	—	73,104
Workers Compensation Savings (one-time FY 2019 Savings)	—	335,033	—	335,033
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(26,246)</b>	<b>—</b>	<b>(26,246)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	3,271,435	—	3,271,435
Proactive Contributions to City's Unfunded Pension Liability	—	1,231,547	—	1,231,547
PAPOA Contract Cost Offset (CMR #9320 approved by the City Council on June 25, 2018)	—	(414,602)	—	(414,602)
Overtime Adjustment (CMR #9320 approved by the City Council on June 25, 2018)	—	65,731	—	65,731
Animal Services Shelter Transition from Police Department to Community Services Department with Pets-In-Need (CMR #9882 approved by the City Council on November 26, 2018)	(6.56)	(1,152,488)	(244,117)	(908,371)
PAUSD Revenue Alignment	—	—	50,000	(50,000)
Stanford Emergency Communication Services Revenue	—	—	22,491	(22,491)
Contractual Increases	—	13,124	—	13,124
CAD Reporting System Update	—	45,000	—	45,000
Crossing Guards (CMR #8952 approved June 25, 2018)	—	141,056	—	141,056
Information Technology Allocated Charges	—	(13,375)	—	(13,375)
Liability Insurance Allocated Charges	—	35,155	—	35,155
Printing & Mailing Services Allocated Charges	—	25,280	—	25,280
Utilities Allocated Charges	—	4,000	—	4,000
Vehicle Replacement & Maintenance Allocated Charges	—	(57,902)	—	(57,902)
Workers' Compensation Allocated Charges	—	(18,302)	—	(18,302)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>(6.56)</b>	<b>3,175,659</b>	<b>(171,626)</b>	<b>3,347,285</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Total FY 2020 Base Budget</b>	<b>151.82</b>	<b>45,497,890</b>	<b>4,352,227</b>	<b>41,145,663</b>
<b>Budget Adjustments</b>				
1 Police Staffing Adjustment	—	(855,246)	—	(855,246)
<b>Total Budget Adjustments</b>	<b>—</b>	<b>(855,246)</b>	<b>—</b>	<b>(855,246)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>151.82</b>	<b>44,642,644</b>	<b>4,352,227</b>	<b>40,290,417</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Police Staffing Adjustment	0.00	(855,246)	0	(855,246)

This action assumes vacancy savings, the equivalent to 4.0 Police Officer positions, in FY 2020 and recommends the elimination of 1.0 to 2.0 positions in FY 2021 (the specific position(s) to be identified at a later date). In total, this FY 2020 budget assumes vacancy savings equivalent to approximately 8.0 Police Officer positions, or 60% of current vacancies. The Police Department continues to face an extremely difficult recruiting market. As a profession, recruiting talent in the Bay Area has been met with significant challenges due to the cost of living and transit. Since July 2016, the Police Department has averaged 10 or more vacant officer positions resulting in increased overtime and a slimming down of dedicated teams such as the Traffic and Downtown Teams. Although the department continues to work to fill vacancies, it is anticipated that they will not be able to fill all of the vacancies during FY 2020. In the face of this difficult recruiting environment, the department is also looking at how to re-image the delivery of services should the high vacancy levels remain. As such, it is anticipated 1.0 to 2.0 full-time positions will be eliminated in FY 2021 as service delivery methods evolve, however, the specific position will be identified at a later date. (Ongoing Savings: \$440,000)

### Performance Results



The Police Department has operated with significant vacancies for the past few years; no additional service impacts are anticipated as a result of this action. Due to the vacancies, the cycle time and customer satisfaction will remain impacted.



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

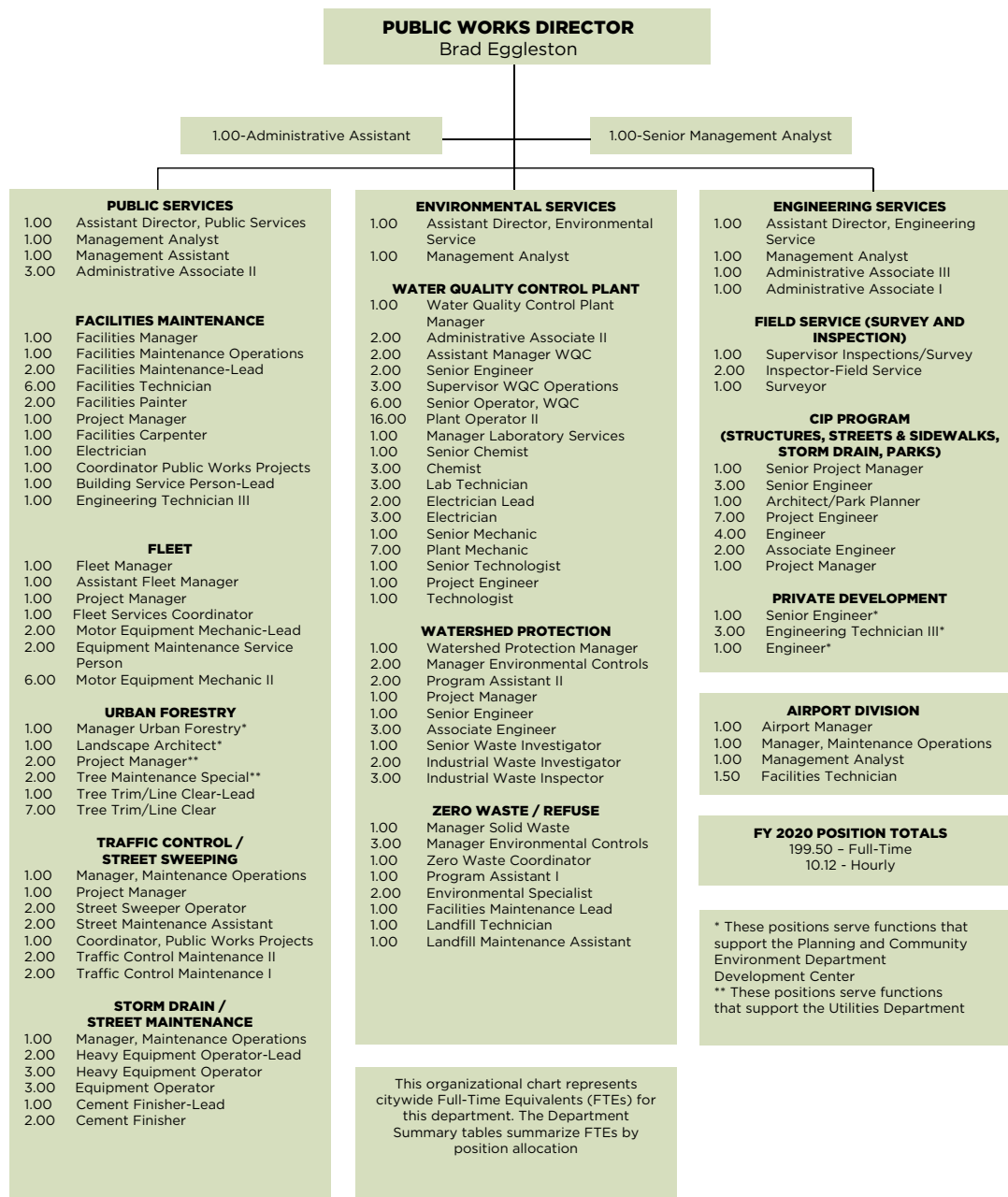


The purpose of the Public Works Department is to ensure the City's valuable infrastructure is well-maintained and available well into the future; promote the protection and enhancement of Palo Alto's urban forest; enhance the quality of life for resi-

dents and visitors 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 compostables 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 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; and 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; manages the 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 and stormwater management information and programs to residents and businesses; manages the City's zero waste programs, household hazardous waste program, and the post-closure maintenance and monitoring of the City's closed landfill.

### AIRPORT OPERATIONS

Operates the Palo Alto Airport; maintains airport facilities and grounds; manages agreements with airport tenants; serves as liaison with the Federal Aviation Administration (FAA) and the Palo Alto flying community; and maintains compliance with FAA regulations.

## Accomplishments

- Achieved the goal of citywide average Pavement Condition Index score of 85 one year earlier than anticipated, which is within the range of very good to excellent ratings for street conditions.
- Continued implementation of the 2014 Council Infrastructure Plan. Completed 90% of construction of the Fire Station No. 3 Replacement project and completed construction of 2 of 3 phases of the Charleston/Arastradero Corridor project. Began construction of the New California Avenue Area Parking Garage project. Completed design and Caltrans approval process for the Highway 101 Bicycle and Pedestrian Overcrossing project and requested bids. Completed the environmental review and planning entitlement phase for the New Downtown Garage project (currently on hold per Council direction).
- Completed the Baylands Boardwalk Improvements project in January 2019 and opened the boardwalk to the public.
- Completed the review of the Draft Environmental Impact Report for the Newell Road Bridge Replacement project.

- Completed a sidewalk program evaluation to determine potential changes to the current sidewalk repairs program.
- Increased the total number of City maintained trees by planting over 200 new trees in addition to replacement trees.
- Completed the construction and testing of the Sludge Dewatering and Loadout Facility allowing for the retirement of the two incinerators at the Regional Water Quality Control Plant in 2019.
- Developed a fleet electrification pilot program to evaluate the performance and maintenance needs of three Plug-in Hybrid electric pick-up trucks assigned for field operation.
- Completed Phase I and II of the Airport Apron Reconstruction project and secured over \$18 million of grant funding from FAA for the project.

## Initiatives

- Continue managing the 2014 Council Infrastructure Plan (IP) projects as a program and develop a funding strategy that will allow for the completion of the IP projects while maintaining funding in the Capital Improvement Fund for other citywide capital needs.
- Continue working toward the goals and objectives identified in the Urban Forest Master Plan, with a FY 2020 focus on utilizing geographic information system tools to analyze canopy coverage trends and to determine tree protection needed at construction sites during permitting process.
- Continue to build the Infrastructure Management System (IMS) to capture street and sidewalk maintenance conducted by the Public Services Division and begin using the IMS to report to Council on the status of Palo Alto's infrastructure.
- Complete Municipal Services Center mechanical and electrical improvements and roofing replacements.
- Secure funding and complete design for a 1-2 Million Gallons per Day (MGD) microfiltration/ ultrafiltration and reverse osmosis facility.
- Implement Stormwater Blue Ribbon Committee recommendations on the high priority storm drain infrastructure improvements and implement the completed green stormwater infrastructure plan.
- Continue the fleet electrification pilot program to evaluate the performance, maintenance needs, and repair needs of the Plug-in Hybrid electric pick-up trucks assigned for field operation.

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Fund</b>						
Airport Fund	3,893,603	11,884,689	12,380,506	2,447,323	(9,933,183)	(80.2)%
General Fund	16,671,892	18,412,469	18,586,577	19,177,810	591,234	3.2%
Refuse Fund	30,767,437	28,300,353	29,744,645	38,600,779	8,856,134	29.8%
Stormwater Management Fund	8,108,294	9,873,062	9,364,028	9,944,891	580,863	6.2%
Vehicle Replacement & Maintenance Fund	10,450,914	10,718,000	14,091,495	14,872,704	781,210	5.5%
Wastewater Treatment Fund	23,810,516	39,920,647	35,507,663	55,588,826	20,081,163	56.6%
<b>Total</b>	<b>93,702,655</b>	<b>119,109,220</b>	<b>119,674,912</b>	<b>140,632,333</b>	<b>20,957,421</b>	<b>17.5%</b>
<b>Revenues</b>						
Charges for Services	211,441	202,666	205,168	199,208	(5,960)	(2.9)%
Charges to Other Funds	11,532,830	13,390,921	11,407,111	11,762,186	355,076	3.1%
From Other Agencies	2,393,409	13,333,527	9,499,500	—	(9,499,500)	(100.0)%
Net Sales	60,349,838	65,334,402	66,255,981	69,427,158	3,171,177	4.8%
Operating Transfers-In	1,133,888	222,433	196,107	196,107	—	—%
Other Revenue	4,488,760	5,491,951	9,568,500	30,938,300	21,369,800	223.3%
Other Taxes and Fines	(2,200)	900	6,500	6,500	—	—%
Permits and Licenses	787,993	656,944	631,894	622,096	(9,798)	(1.6)%
Rental Income	688,642	527,173	755,400	778,100	22,700	3.0%
Return on Investments	997,160	1,113,433	687,800	1,414,100	726,300	105.6%
<b>Total Revenues</b>	<b>82,581,762</b>	<b>100,274,350</b>	<b>99,213,960</b>	<b>115,343,755</b>	<b>16,129,795</b>	<b>16.3%</b>
<b>Positions by Fund</b>						
Airport Fund	5.88	5.46	5.46	5.94	0.48	8.79%
General Fund	57.85	56.66	52.49	50.45	(2.04)	(3.89)%
Refuse Fund	15.65	15.65	15.65	15.93	0.28	1.79%
Stormwater Management Fund	10.34	13.55	13.55	13.55	—	—%
Vehicle Replacement and Maintenance Fund	17.26	17.26	16.53	16.01	(0.52)	(3.15)%
Wastewater Treatment Fund	73.47	71.26	71.26	71.26	—	—%
<b>Total</b>	<b>180.45</b>	<b>179.84</b>	<b>174.94</b>	<b>173.14</b>	<b>(1.80)</b>	<b>(1.03)%</b>

# GENERAL FUND

## Goals and Objectives

### GOAL 1

Ensure the City's assets and infrastructure inventory are updated and well-maintained.

#### Objectives:

- Use 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.
- Begin implementing repairs identified in the completed Sidewalk Program Evaluation Study.
- Begin developing a citywide facilities assessment plan to identify facility conditions and prioritize improvement needs.

### GOAL 2

Provide high quality, cost-effective oversight of the City's capital improvement and facilities maintenance programs.

#### Objectives:

- Continue implementation of the 2014 City Council approved Infrastructure Plan for key infrastructure needs, managing the projects as a program.
- Provide cost-effective custodial and facilities maintenance services that meet the expectations of the public and provide clean and safe buildings.
- Continue to evaluate and implement the recommendations identified in the Facilities Work Group Organizational Study, which includes data collection, performance standards, benchmarking, and customer satisfaction surveys.

### GOAL 3

Preserve the public's health and safety to ensure a vibrant, sustainable community for future generations.

#### Objectives:

- Complete the planning entitlements, obtain regulatory permits, and prepare construction documents necessary to proceed with the Newell Road Bridge Replacement project.
- Ensure compliance with all applicable regulations related to the public's health and safety.
- Increase the total number of City trees by committing to plant a total of 400 new and replacement trees annually while maintaining the health of the City's urban forest and ensuring proper tree clearance of all utility lines.

- Modernize City building systems to reduce energy consumption by including LED lighting conversions, roofing replacement upgrades, water efficient fixtures, more efficient mechanical equipment, computer controls of lighting and heating, ventilation and air conditioning (HVAC) systems.

## Key Performance Measures

### CITIZEN SURVEY - QUALITY OF SIDEWALK MAINTENANCE

<b>Goal</b>	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
<b>Objective</b>	Increase rating given by residents for quality of sidewalk maintenance.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of citizens rating the quality of sidewalk maintenance as "good" or "excellent"	65.00%	61.00%	67.00%	63.00%	65.00%
<b>Description</b>	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of sidewalk maintenance. 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.				
<b>Purpose</b>	Obtain feedback from residents on whether sidewalks are being maintained adequately in order to determine if the program's resources are appropriate.				
<b>Status</b>	The Department had estimated that a 66% rating would be reached in FY 2018 and the actual measured rating for FY 2018 was 61%. In consideration of the continued higher budgets for sidewalk maintenance that allowed for increased sidewalk improvements since FY 2013, the FY 2019 estimated and FY 2020 ratings reflect continued modest increases.				

### CITIZEN SURVEY - STREET MAINTENANCE

<b>Goal</b>	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
<b>Objective</b>	Increase rating given by residents for quality of street maintenance.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of citizens rating the quality of street repair as "good" or "excellent"	55.00%	46.00%	58.00%	52.00%	54.00%
<b>Description</b>	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of street maintenance. 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.				
<b>Purpose</b>	Obtain feedback from residents on whether streets are being maintained adequately in order to determine if the program's resources are appropriate.				
<b>Status</b>	The Department estimated a 57% rating for FY 2018; the actual measured rating for FY 2018 was 46%. However, in consideration of the continued higher budgets for street maintenance that allowed for increased paving since FY 2012, the FY 2019 estimated and FY 2020 ratings reflect continued modest increases.				

## CITIZEN SURVEY - STREET TREE MAINTENANCE

<b>Goal</b>	Preserve the public's health and safety to ensure a vibrant, sustainable community for future generations.				
<b>Objective</b>	Increase rating given by residents for quality of street tree maintenance.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of citizens rating street tree maintenance "good" or "excellent"	75.00%	72.00%	75.00%	72.00%	72.00%
<b>Description</b>	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of street tree maintenance. 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.				
<b>Purpose</b>	Obtain feedback from residents on whether street trees are being maintained adequately in order to determine if the program's resources are appropriate.				
<b>Status</b>	The Department has been achieving between 72% and 75% satisfaction and anticipates to maintain 72% in FY 2020.				

## PAVEMENT CONDITION SCORE

<b>Goal</b>	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
<b>Objective</b>	Maintain and enhance the overall condition of the City's streets.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Pavement Condition Score	83	84	85	85	85
<b>Description</b>	This measure tracks the condition of the City's streets based on Pavement Condition Index (PCI) published by the Metropolitan Transportation Commission (MTC) as well as changes in that PCI score. The PCI scores are rated as follows: 80+ = very good or excellent, 70-79 = good, 60-69 = fair, 50-59 = at risk, 25-49 = poor, 0-24 = failed.				
<b>Purpose</b>	Improving the condition of the City's streets reduces overall maintenance costs and increases ride satisfaction.				
<b>Status</b>	The City Council set a goal of raising the citywide average PCI score to 85 by FY 2019 and the Department has achieved this goal. Annual reports by the 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**

<b>Goal</b>	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
<b>Objective</b>	Maintain a standard timeframe for pothole repairs.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of potholes repaired within 15 days of notification	85.00%	80.00%	80.00%	80.00%	80.00%
<b>Description</b>	This measure records the number of potholes that are repaired within 15 days of the Department being notified of the problem.				
<b>Purpose</b>	The Department has a goal of repairing potholes within 15 days to ensure streets are maintained and repaired in a timely manner.				
<b>Status</b>	The Department has been making repairs within 15 days 80% of the time. FY 2020 percentages will remain at 80% due to a previous reduction in workforce impacting timeliness of job completion. 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.				

**Workload Measures**

	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Square feet of sidewalk replaced or permanently repaired	17,275	38,557	20,000	89,700	64,250
Number of lane miles resurfaced	39	31	41	9	28
Percent of lane miles resurfaced	8.30%	6.50%	8.80%	2.00%	6.00%
Total square footage of facilities maintained	1,660,832	1,659,028	1,815,298	1,815,298	1,815,298
Cost per square foot for custodial services	\$1.06	\$2.11	\$2.15	\$1.84	\$1.88
Cost per square footage for maintenance services	\$2.11	\$2.21	\$2.25	\$2.29	\$2.29
Number of facilities work order requests completed	7,533	7,291	7,000	7,400	7,400
Number of trees trimmed annually	11,194	8,762	7,000	5,883	5,220
Total of trees maintained by the City	36,863	36,378	38,000	36,545	36,545
Number of tree related electrical service disruptions	10	8	10	8	8
Number of publicly available electric vehicle chargers in garages and city facilities	35	53	N/A	53	79



## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
General Fund Administration	1,300,643	1,543,614	1,526,070	1,643,241	117,171	7.7%
General Fund Engineering Services	1,058,913	1,257,574	1,408,076	1,095,381	(312,694)	(22.2)%
General Fund Public Services: Streets	3,651,602	3,763,354	3,679,770	3,878,053	198,283	5.4%
General Fund Public Services: Structures and Grounds	6,427,443	7,655,871	7,610,835	8,029,740	418,905	5.5%
General Fund Public Services: Trees	4,233,292	4,192,056	4,361,827	4,531,396	169,570	3.9%
<b>Total</b>	<b>16,671,892</b>	<b>18,412,469</b>	<b>18,586,577</b>	<b>19,177,810</b>	<b>591,234</b>	<b>3.2%</b>

### Dollars by Category

#### Salary & Benefits

Healthcare	1,141,450	1,116,308	1,145,678	1,137,805	(7,873)	(0.7)%
Other Benefits	123,151	151,664	148,624	146,112	(2,512)	(1.7)%
Overtime	259,626	239,717	163,631	167,886	4,254	2.6%
Pension	1,432,169	1,491,805	1,481,087	1,804,560	323,473	21.8%
Retiree Medical	902,347	949,314	825,829	850,603	24,775	3.0%
Salary	5,053,753	5,094,927	5,059,572	4,920,549	(139,023)	(2.7)%
Workers' Compensation	37,720	127,270	133,352	199,115	65,763	49.3%
<b>Total Salary &amp; Benefits</b>	<b>8,950,217</b>	<b>9,171,005</b>	<b>8,957,773</b>	<b>9,226,630</b>	<b>268,857</b>	<b>3.0%</b>
Allocated Charges	3,039,392	3,425,459	3,489,133	3,830,309	341,176	9.8%
Contract Services	3,341,172	4,688,287	4,827,205	4,879,358	52,153	1.1%
Facilities & Equipment	5,148	2,000	2,146	2,146	—	—%
General Expense	60,381	67,588	125,449	125,009	(440)	(0.4)%
Operating Transfers-Out	16,574	16,574	94,518	16,574	(77,944)	(82.5)%
Rents & Leases	189,242	210,191	220,543	227,974	7,431	3.4%
Supplies & Material	1,069,766	831,365	869,811	869,811	—	—%
<b>Total Dollars by Expense Category</b>	<b>16,671,892</b>	<b>18,412,469</b>	<b>18,586,577</b>	<b>19,177,810</b>	<b>591,234</b>	<b>3.2%</b>

#### Revenues

Charges for Services	43,096	77,881	53,280	47,320	(5,960)	(11.2)%
Charges to Other Funds	3,046,528	3,796,696	2,127,989	2,355,516	227,527	10.7%
Operating Transfers-In	196,107	196,107	196,107	196,107	—	—%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Other Revenue	47,179	46,345	54,500	54,500	—	—%
Permits and Licenses	787,993	656,944	631,894	622,096	(9,798)	(1.6)%
<b>Total Revenues</b>	<b>4,120,903</b>	<b>4,773,973</b>	<b>3,063,770</b>	<b>3,275,539</b>	<b>211,769</b>	<b>6.9%</b>
<b>Positions by Division</b>						
General Fund Administration	3.05	3.05	3.05	3.05	—	—%
General Fund Engineering Services	4.56	5.29	4.92	3.38	(1.54)	(31.30)%
General Fund Public Services: Streets	18.02	18.22	15.74	15.74	—	—%
General Fund Public Services: Structures and Grounds	18.81	17.31	15.83	15.33	(0.50)	(3.16)%
General Fund Public Services: Trees	13.41	12.79	12.95	12.95	—	—%
<b>Total</b>	<b>57.85</b>	<b>56.66</b>	<b>52.49</b>	<b>50.45</b>	<b>(2.04)</b>	<b>(3.89)%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	89,128
Administrative Associate I	0.60	0.60	0.60	0.10	(0.50)	6,532
Administrative Associate II	2.65	2.65	2.65	2.65	—	188,113
Administrative Associate III	0.01	0.01	0.01	0.01	—	761
Assistant Director Public Works	0.87	0.87	0.87	0.73	(0.14)	132,186
Associate Engineer	0.30	0.30	0.30	—	(0.30)	—
Building Serviceperson	1.00	1.00	—	—	—	—
Building Serviceperson-Lead	1.80	1.00	1.00	1.00	—	62,569
Cement Finisher	3.00	3.00	2.00	2.00	—	172,145
Cement Finisher-Lead	0.26	0.26	0.26	0.26	—	23,944
Coordinator Public Works Projects	0.50	1.50	1.50	1.50	—	117,173
Director Public Works/City Engineer	1.00	1.00	1.00	1.00	—	215,010
Electrician	0.80	0.80	0.80	0.80	—	80,229
Engineer	0.66	0.66	0.66	0.36	(0.30)	42,959
Engineering Technician III	1.47	1.47	1.47	1.47	—	131,167
Equipment Operator	3.46	3.46	2.46	2.46	—	194,912

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Facilities Carpenter	1.00	1.00	1.00	1.00	—	86,072
Facilities Maintenance-Lead	1.85	1.85	1.85	1.85	—	205,769
Facilities Painter	1.75	1.75	1.75	1.75	—	150,627
Facilities Technician	5.55	4.05	4.05	4.05	—	384,485
Heavy Equipment Operator	2.33	2.33	2.33	2.33	—	209,047
Heavy Equipment Operator-Lead	0.85	0.85	0.85	0.85	—	81,581
Inspector, Field Services	0.11	0.11	0.11	0.11	—	10,592
Landscape Architect Park Planner	0.10	0.10	0.60	0.60	—	71,203
Management Analyst	0.70	0.70	0.70	0.70	—	82,474
Manager Facilities	0.90	0.90	0.90	0.90	—	137,199
Manager Maintenance Operations	1.20	1.20	1.20	1.20	—	164,550
Manager Urban Forestry	0.96	0.96	0.96	0.96	—	143,210
Manager Watershed Protection	0.05	0.05	0.05	0.05	—	7,708
Planning Arborist	0.75	0.71	—	—	—	—
Project Engineer	0.50	0.50	0.50	—	(0.50)	—
Project Manager	2.58	2.65	2.65	2.65	—	293,456
Senior Engineer	0.79	0.79	0.79	0.59	(0.20)	98,593
Senior Management Analyst	1.11	1.11	1.11	1.11	—	141,057
Senior Project Manager	0.10	0.10	0.10	—	(0.10)	—
Supervisor Inspection and Surveying	0.10	0.10	0.10	0.10	—	13,056
Surveyor, Public Works	0.33	0.33	0.33	0.33	—	32,155
Traffic Controller Maintainer I	1.94	1.94	1.94	1.94	—	150,909
Traffic Controller Maintainer II	2.00	2.00	2.00	2.00	—	144,030
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	79,815
Tree Trim/Line Clear	7.00	7.00	7.00	7.00	—	550,004
Tree Trim/Line Clear-Lead	1.00	1.00	1.00	1.00	—	84,051
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>55.93</b>	<b>54.66</b>	<b>51.45</b>	<b>49.41</b>	<b>(2.04)</b>	<b>4,778,470</b>
Temporary/Hourly	1.92	2.00	1.04	1.04	—	58,993
<b>Total Positions</b>	<b>57.85</b>	<b>56.66</b>	<b>52.49</b>	<b>50.45</b>	<b>(2.04)</b>	<b>4,837,463</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	<b>52.49</b>	<b>18,586,577</b>	<b>3,063,770</b>	<b>15,522,807</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(77,944)	—	(77,944)
Private Development Workgroup Pilot Study	—	(30,000)	—	(30,000)
General Liability Savings (one-time FY 2019 Savings)	—	45,762	—	45,762
Workers' Compensation Savings (one-time FY 2019 Savings)	—	53,143	—	53,143
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(9,039)</b>	<b>—</b>	<b>(9,039)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	354,580	—	354,580
Proactive Contributions to City's Unfunded Pension Liability	—	232,965	—	232,965
Charges to Other Funds for Engineering Services	—	—	1,036	(1,036)
Public Restroom/Facility Rent	—	7,431	—	7,431
Special Services Municipal Fee Revenue Adjustment	—	—	(15,758)	15,758
San Francisquito Creek Joint Powers Authority (SFJPA) Annual Membership Fee	—	33,000	—	33,000
Custodial Contract (Year 3 & Contingency)	—	49,153	—	49,153
Coaxial Communication Line Maintenance Allocated Charges (CMR #9946, approved by Council on February 4, 2019)	—	(141,600)	—	(141,600)
General Fund Cost Allocation Plan	—	—	192,896	(192,896)
Liability Insurance Allocated Charges	—	(17,614)	—	(17,614)
Information Technology Allocated Charges	—	76,305	—	76,305
Printing & Mailing Services Allocated Charges	—	13,626	—	13,626
Public Works Administration Allocated Charges	—	—	33,596	(33,596)
Stormwater Management Allocated Charges	—	3,081	—	3,081
Utilities Allocated Charges	—	181,596	—	181,596
Vehicle Replacement & Maintenance Allocated Charges	—	180,020	—	180,020
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>972,543</b>	<b>211,769</b>	<b>760,774</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Total FY 2020 Base Budget</b>	<b>52.49</b>	<b>19,550,081</b>	<b>3,275,539</b>	<b>16,274,542</b>
<b>Budget Adjustments</b>				
1 Capital Engineering Staffing Realignment	(2.04)	(372,271)	—	(372,271)
<b>Total Budget Adjustments</b>	<b>(2.04)</b>	<b>(372,271)</b>	<b>—</b>	<b>(372,271)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>50.45</b>	<b>19,177,810</b>	<b>3,275,539</b>	<b>15,902,271</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Capital Engineering Staffing Realignment	(2.04)	(372,271)	0	(372,271)

This ongoing action realigns staffing in the Public Works Department; this action consolidates staffing and also shifts positions from the General Fund to the Capital Fund. This action eliminates a vacant 0.5 FTE Administrative Associate I, entirely in the General Fund, and 1.0 FTE vacant Associate Engineer (0.1 FTE in the General Fund, 0.9 FTE in the Capital Fund). Those eliminations will shift work to other positions. Additionally, various positions, including an Associate Engineer, Engineer, Senior Engineer, Project Engineer, and Senior Project Engineer each had portions of their position budgeted in the General Fund even though they currently work exclusively on capital projects. This action shifts 1.44 FTE from the General Fund to the Capital Fund to shift those portions of positions. (Ongoing savings: \$394,000)

### Performance Results



This action will impact administrative response time for public inquiries and the current level of Capital Improvement Fund engineering staff capacity.

# 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 fourth busiest airport in the Bay Area, averaging 150,000 annual operations; open 24 hours each day, 365 days annually; and has a Federal Aviation Administration-staffed air traffic control tower.

## Accomplishments

- Completed Phase I & II of the Apron Reconstruction project with a total project cost of \$21.7 million while utilizing Federal Aviation Administration (FAA) grant reimbursement of over \$18 million.
- Completed paving for 65% of the airport apron under the Apron Reconstruction project. Prior to paving, the pavement was in poor condition with a Pavement Condition Index (PCI) score of 36. The score is anticipated to improve when the next PCI evaluation is conducted.

## Initiatives

- Complete an Airport Facilities Assessment which evaluates facility repairs and safety needs.
- Develop an Airport Business Plan to establish goals, objectives, and action plans that will frame the day-to-day operation and management of the airport as well as identify capital improvements and inform staffing decisions.
- Continue seeking grant funding opportunities from the FAA and other agencies for capital improvements.

## Goals and Objectives

### GOAL 1

Operate a safe and viable airport.

#### Objectives:

- Maintain compliance with federal and state requirements for airfield conditions.
- Continue to follow industry standards and trends in staff training and education.

## PUBLIC WORKS

- Maintain sufficient staff to provide coverage during the FAA air traffic control tower operating hours of 7:00 am to 9:00 pm.

### GOAL 2

Provide high quality, cost-effective oversight of the airport's capital improvement program (CIP).

#### Objectives:

- Continue management of FAA-sponsored CIP projects at the airport.
- Submit grant applications to the FAA for multi-phase projects that ensure efficiency and airfield safety.
- Maintain grant funding eligibility by submitting a Five-Year Airport CIP work plan to the FAA annually.

### GOAL 3

Manage a financially sustainable and self-sufficient airport enterprise fund.

#### Objectives:

- Adopt and implement an Airport Business Plan to guide future development and ensure fund stability.
- Control expenses and generate sufficient revenues to accommodate the needs of the Palo Alto Airport, including loan repayment to the General Fund.

## Key Performance Measures

### AIRCRAFT OPERATIONS

<b>Goal</b>	Operate a safe and viable airport.				
<b>Objective</b>	Provide a safe, aesthetically pleasing, and profitable airport.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Number of aircraft operations	149,000	149,000	160,000	150,000	160,000
<b>Description</b>	The Palo Alto Airport (PAO) is owned and operated by the City of Palo Alto and is a general aviation field. The Federal Aviation Administration defines workload measures for airports with an air traffic control tower by the number of aircraft operations (sum of landings and takeoffs). In addition to being the twelfth busiest airport in California, PAO is a reliever to three Bay Area airports. PAO's significant air traffic must be accommodated by the one paved runway which measures 2,443 x 70 feet.				
<b>Purpose</b>	Providing a safe, well maintained and attractive airport will appeal to the tenants, pilots, visitors, outside agencies, residents, and the flying community at large.				
<b>Status</b>	Total operations were 149,000 in FY 2017 and in FY 2018, and estimated to be 150,000 in FY 2019 and increase to 160,000 in FY 2020. Operations are affected by construction, weather, and training schools in the area.				

**PERCENTAGE OF TIE-DOWNS LEASED**

<b>Goal</b>	Manage a financially sustainable and self-sufficient airport enterprise fund.				
<b>Objective</b>	Increase tenant occupancy by providing a safe and well maintained airport that is also cost recoverable.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percentage of Tie-downs Leased	70.00%	72.00%	70.00%	65.00%	75.00%
<b>Description</b>	The City of Palo Alto operates and maintains the Palo Alto Airport and provides airport users with safe transportation options and a high level of airport services. The airport has a total of 510 tie-down spaces, including spaces under construction or maintenance. Out of the total number spaces, 468 are available to rent.				
<b>Purpose</b>	Maximizing tie-down space occupancy increases revenue and provides 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 appeals to the tenants, pilots, visitors, outside agencies, residents, and the flying community at large.				
<b>Status</b>	Airport staff is responsible for maintaining 102.4 acres of airport facilities, infrastructure and equipment; and managing over 250 tenants and 329 leased tie-down spaces. In FY 2018 the percentage of leased rentable tie-downs was 72%. In FY 2019 it decreased to 65% due to the Airport Apron Reconstruction project, causing some airport tenants to temporarily move to other airports during construction. The percentage of leased rentable tie-downs is anticipated to increase to 75% in FY 2020 after project Phase II completion.				



## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Airport Administration	692,581	893,430	923,171	1,058,650	135,479	14.7%
Airport Operations	552,847	620,616	688,960	1,042,477	353,516	51.3%
CIP Airport Fund	2,648,175	10,370,643	10,768,374	346,196	(10,422,178)	(96.8)%
<b>Total</b>	<b>3,893,603</b>	<b>11,884,689</b>	<b>12,380,506</b>	<b>2,447,323</b>	<b>(9,933,183)</b>	<b>(80.2)%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	97,561	101,705	112,975	131,582	18,606	16.5%
Other Benefits	14,956	18,545	20,358	21,521	1,163	5.7%
Overtime	33,105	11,972	—	—	—	—%
Pension	100,457	136,462	148,243	217,892	69,650	47.0%
Retiree Medical	11,221	11,804	43,990	45,310	1,320	3.0%
Salary	507,794	531,225	579,432	632,325	52,893	9.1%
Workers' Compensation	580	—	14,961	20,763	5,802	38.8%
<b>Total Salary &amp; Benefits</b>	<b>765,673</b>	<b>811,714</b>	<b>919,959</b>	<b>1,069,393</b>	<b>149,434</b>	<b>16.2%</b>
Allocated Charges	340,236	647,135	526,486	669,891	143,405	27.2%
Contract Services	174,962	100,229	259,124	140,700	(118,424)	(45.7)%
General Expense	76,199	89,588	40,480	36,480	(4,000)	(9.9)%
Operating Transfers-Out	—	11,231	5,611	281,200	275,589	4,911.7%
Rents & Leases	6,106	10,322	11,630	11,630	—	—%
Supplies & Material	47,358	29,947	56,472	56,472	—	—%
Capital Improvement Program	2,483,071	10,184,522	10,560,743	181,556	(10,379,187)	(98.3)%
<b>Total Dollars by Expense Category</b>	<b>3,893,603</b>	<b>11,884,689</b>	<b>12,380,506</b>	<b>2,447,323</b>	<b>(9,933,183)</b>	<b>(80.2)%</b>
<b>Revenues</b>						
From Other Agencies	2,371,729	9,333,527	9,499,500	—	(9,499,500)	(100.0)%
Net Sales	566,297	641,868	647,767	654,767	7,000	1.1%
Other Revenue	244,186	1,145,804	975,000	1,008,800	33,800	3.5%
Rental Income	539,829	593,303	755,400	778,100	22,700	3.0%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Return on Investments	5,895	20,629	1,700	21,400	19,700	1,158.8%
<b>Total Revenues</b>	<b>3,727,937</b>	<b>11,735,131</b>	<b>11,879,367</b>	<b>2,463,067</b>	<b>(9,416,300)</b>	<b>(79.3)%</b>
<b>Positions by Division</b>						
Airport Administration	2.00	2.00	2.00	2.48	0.48	24.00%
Airport Operations	2.42	2.21	2.21	2.71	0.50	22.62%
CIP Airport Fund	1.46	1.25	1.25	0.75	(0.50)	(40.00)%
<b>Total</b>	<b>5.88</b>	<b>5.46</b>	<b>5.46</b>	<b>5.94</b>	<b>0.48</b>	<b>8.79%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Facilities Technician	—	1.50	1.50	1.50	—	142,402
Management Analyst	1.00	1.00	1.00	1.00	—	93,725
Manager Airport	1.00	1.00	1.00	1.00	—	168,126
Manager Maintenance Operations	1.00	1.00	1.00	1.00	—	123,698
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>3.00</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>—</b>	<b>527,950</b>
Temporary/Hourly	2.88	0.96	0.96	1.44	0.48	87,050
<b>Total Positions</b>	<b>5.88</b>	<b>5.46</b>	<b>5.46</b>	<b>5.94</b>	<b>0.48</b>	<b>615,001</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Airport Fund
<b>Prior Year Budget</b>	<b>5.46</b>	<b>12,380,506</b>	<b>11,879,367</b>	<b>501,139</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Airport Business Plan and Facility Assessment	—	(122,424)	—	(122,424)
Supplemental Pension Trust Fund Contribution	—	(7,471)	—	(7,471)
General Liability Savings (one-time FY 2019 Savings)	—	5,134	—	5,134
Workers' Compensation Savings (one-time FY 2019 Savings)	—	5,962	—	5,962
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(118,798)</b>	<b>—</b>	<b>(118,798)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	66,921	—	66,921
Proactive Contributions to City's Unfunded Pension Liability	—	23,960	—	23,960
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	23,500	—	23,500
Airport Tie-Down and Rental Income	—	—	63,500	(63,500)
Return on Investments	—	—	19,700	(19,700)
Transfer to Technology Fund (TE-19001 Council Chambers Project)	—	9,200	—	9,200
Capital Improvement Projects and FAA Grant Funding	—	(10,378,183)	(9,499,500)	(878,683)
General Fund Cost Allocation Plan	—	46,210	—	46,210
Information Technology Allocated Charges	—	(513)	—	(513)
Liability Insurance Allocated Charges	—	(5,449)	—	(5,449)
Printing & Mailing Services Allocated Charges	—	1,259	—	1,259
Public Works Administration Allocated Charges	—	3,360	—	3,360
Utilities Allocated Charges	—	81,740	—	81,740
Vehicle Replacement & Maintenance Allocated Charges	—	12,520	—	12,520
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>(10,115,476)</b>	<b>(9,416,300)</b>	<b>(699,176)</b>
<b>Total FY 2020 Base Budget</b>	<b>5.46</b>	<b>2,146,232</b>	<b>2,463,067</b>	<b>(316,835)</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Airport Fund
<b>Budget Adjustments</b>				
1 Airport Administrative Staffing Augmentation	0.48	29,091	—	29,091
2 General Fund Loan Repayment	—	272,000	—	272,000
<b>Total Budget Adjustments</b>	<b>0.48</b>	<b>301,091</b>	<b>—</b>	<b>301,091</b>
<b>Total FY 2020 Proposed Budget</b>	<b>5.94</b>	<b>2,447,323</b>	<b>2,463,067</b>	<b>(15,744)</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Airport Fund
1 Airport Administrative Staffing Augmentation	0.48	29,091	0	29,091

This ongoing action will add a part-time 0.48 FTE Administrative Specialist I Hourly position to enhance administrative support and provide assistance to Airport managers and the community. As airport has successfully increased business operations, current staffing levels are insufficient to provide the consistent coverage of customer support functions including front desk service counter, revenue collections, and various administrative duties. This action will improve service delivery by providing additional coverage that is anticipated to improve customer service time at the on-call counter. This will allow other airport staff such as the Facilities Technician and General Laborer to focus on daily duties on the airport apron and taxiway and provide more flexibility when staff is short-handed. (Ongoing costs: \$31,000)

### Performance Results



The addition of a part-time Administrative Specialist will improve customer service functions by covering the email, phone, and front desk counter regularly.

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Airport Fund
2 General Fund Loan Repayment	0.00	272,000	0	272,000

This ongoing action will begin the loan repayment to the General Fund for loans received to support Airport operations as responsibility of the Airport transitioned from the County to the City. While the City officially assumed operations in FY 2015, two years before the lease with the County was set to expire, it was determined the Airport Fund required a loan and did not have the ability to increase revenues from current levels to cover operating and non-grant funded capital expenses. It was anticipated that once Airport operations have fully transitioned and business operations begin to mature, the Airport Fund will be able to collect revenues to build up reserve levels and begin to pay back the General Fund for loans issued in prior years. (Ongoing costs: \$272,000)

### Performance Results



The loan repayment will have little to no impact in service delivery as Airport operations mature and the Airport Fund can begin to sustain itself.

# REFUSE FUND

## Description

Public Works provides refuse-related services on a user charge basis to Palo Alto's residents and businesses. The Refuse Fund goals are to minimize waste generation, maximize recycling and reuse to meet and exceed the City's Zero Waste goals, protect the environment by safely collecting and disposing of household hazardous waste, and maintain and monitor the City's closed landfill.

## Accomplishments

- Prepared an updated Zero Waste Plan containing new initiatives to help meet the City's sustainability and climate action plan goals. The Zero Waste Plan was accepted by Council in August 2018.
- Amended and extended the agreement with the City's waste collector, GreenWaste of Palo Alto, Inc., to add new services including an expanded 'Clean Up Day' program focusing on reusable materials, an increased effort to clean up commercial recyclables to meet stricter market standards, new construction related waste collection services and the purchase of additional vehicles including electric vehicles. The agreement is now extended through June 2026.
- Developed a new ordinance and policy to require deconstruction of buildings, increase salvage and reuse of materials, and mandate source separation of materials for increased recyclability and recovery.
- Created a clean recyclables campaign and began implementation with the goal for Palo Alto's recyclables to meet new market demands for cleaner material. This included increasing outreach to the community, conducting additional commercial enforcement, and requiring more segregation and sorting of commercial recyclables.
- Developed a new foodware ordinance with a goal to reduce litter in the environment by prohibiting the use of disposable plastic foodware items, requiring compostable alternatives, and requiring food service establishments to provide disposable foodware items only upon request.

### Initiatives

- Implement a new enhanced curbside 'Clean Up Day' service with a focus on collection of reusable items and recyclable materials. Create and execute an outreach and educational plan to ensure successful communication and transition for the community.
- Develop and begin outreach and educational strategies in preparation for the implementation of requirements on the new deconstruction and construction materials management ordinance.
- Conduct Request for Proposal process for garbage processing and disposal services in preparation for when the current agreement with the Sunnyvale Materials Recovery and Transfer Station (SMaRT Station) ends in 2021.
- Implement the new foodware ordinance requirements with the goal to prohibit the use of disposable plastics such as plastic straws and utensils.
- Continue to provide outreach and training, perform audits and enforcement of commercial customers' waste sorting policies to improve compliance with the City's waste sorting requirements.

### Goals and Objectives

#### GOAL 1

Minimize waste generation and maximize recycling and reuse programs to achieve zero waste to landfills by 2030.

#### Objectives:

- Promote waste prevention, reuse, recycling, and composting through educational programs and outreach to increase public participation.
- Reduce waste sent to landfills by implementing new programs and enforcing existing requirements such as the recycling and composting ordinance.
- Develop and recommend new innovative policies and programs to minimize and divert waste and other problem materials.

#### GOAL 2

Protect the environment by providing convenient, weekly, and local household hazardous waste collection services to residents and small businesses.

#### Objectives:

- Increase participation in 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 minimize the impacts of postclosure maintenance on Byxbee Park users.

**Objectives:**

- Perform annual repairs of settled 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.

## Key Performance Measures

### NUMBER OF HOUSEHOLDS SERVICED THROUGH THE HOUSEHOLD HAZARDOUS WASTE PROGRAM ON AN ANNUAL BASIS

<b>Goal</b>	Protect the environment by providing convenient, weekly, and local household hazardous waste collection services to residents and small businesses.				
<b>Objective</b>	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.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of households participating in the Household Hazardous Waste program	5,594	5,814	5,700	5,700	5,800
<b>Description</b>	The number of households serviced at the Household Hazardous Waste Station is a direct measurement of the usage of the program which indirectly measures the convenience and public awareness of the program.				
<b>Purpose</b>	The more the residents use the Household Hazardous Waste collection program, the less likely unused hazardous products may be disposed in the garbage or down the drain.				
<b>Status</b>	The City's Household Hazardous Waste Program continues to have one of the highest public participation rates in the state at 19.9% in FY 2018. By comparison, the County of Santa Clara Household Hazardous Waste Program had a participation rate of 5.4% in FY 2018. The State did not generate data for FY 2018, but historically the participation rate has been between 4-5% statewide.				



**PERCENTAGE OF HOUSEHOLDS WITH MINI-CAN GARBAGE SERVICE**

<b>Goal</b>	Minimize waste generation and maximize recycling and reuse programs in order to achieve zero waste to landfills by 2030.				
<b>Objective</b>	Promote recycling, composting, and reuse through educational programs and outreach in order to increase public participation.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of households with mini-can garbage service	40.00%	42.00%	44.00%	43.00%	45.00%
<b>Description</b>	The percentage of households with mini-can garbage service measures reductions in residential garbage generation. As more residents participate in the City's zero waste programs and elect smaller mini-can garbage service, their garbage volume will be reduced. This increases the City's diversion from landfill disposal and helps the community meet its zero waste and sustainability goals.				
<b>Purpose</b>	Verify if residents are reducing their garbage generation to achieve zero waste to landfills by 2030.				
<b>Status</b>	Palo Alto residents have continued the trend of decreasing the size of their garbage carts by diverting their recyclable and compostable waste to the blue and green carts thereby decreasing the amount of garbage landfilled. Residents with larger garbage containers are also trending toward smaller garbage carts.				

**PERCENTAGE OF WASTE DIVERTED FROM LANDFILLS**

<b>Goal</b>	Minimize waste generation and maximize recycling and reuse programs to achieve zero waste to landfills by 2030.				
<b>Objective</b>	Promote recycling, composting, and reuse through educational programs and outreach to increase public participation.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percentage of waste diverted from landfills	81.50%	80.00%	83.00%	80.00%	82.00%
<b>Description</b>	As of FY 2017, this measure replaced the old measure of using the average number of pounds disposed per day per resident with an easier to understand percentage to indicate the City's effectiveness of Zero Waste programs. The percent of waste diverted from landfills is derived from both the amount of waste sent to landfills in the previous calendar year based on data from CalRecycle and the per capita disposal rate in landfills.				
<b>Purpose</b>	Track waste generation and verify the City is meeting its zero waste goals.				
<b>Status</b>	The City's waste diversion percentage decreased to 80%. This is due to increased residential and day time population, increased restrictions of the recycling markets overseas towards contaminated recyclables, and a large amount of construction waste being generated from development projects.				

**PERCENTAGE OF COMMERCIAL ACCOUNTS WITH COMPOST SERVICE**

<b>Goal</b>	Minimize waste generation and maximize recycling and reuse programs in order to achieve zero waste to landfills by 2030.				
<b>Objective</b>	Reduce landfilled waste by implementing new programs such as the recycling and composting ordinance approved by Council in January 2016.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percentage of commercial accounts with compost service	52.00%	97.00%	100.00%	100.00%	100.00%
<b>Description</b>	The percentage of commercial customers with compost service measures commercial customer participation in the City's Zero Waste programs, and compliance with the Recycling and Composting Ordinance. As more customers order compost service and sort their waste properly, additional food scraps and soiled paper will be diverted from landfills, thereby advancing the City's goals.				
<b>Purpose</b>	Tracking commercial customer compost service usage provides insight to levels at which they are reducing garbage generation and verifies compliance with the City's Recycling and Composting Ordinance.				
<b>Status</b>	As required by ordinance, 97% commercial accounts had compost service in FY 2018, 100% participation is anticipated for FY 2019. As commercial customers improve their waste sorting capabilities, an increase in waste diverted from landfill disposal should be evident.				

## Workload Measures

	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Tons of materials recycled or composted	60,582	57,744	60,000	58,000	60,000

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
CIP Refuse Fund	217,426	—	—	—	—	—%
Refuse Administration	4,189,042	3,771,780	3,580,855	3,652,067	71,211	2.0%
Refuse Collection, Hauling and Disposal: Operations	5,143,988	4,501,196	21,193,443	29,749,071	8,555,628	40.4%
Refuse Collection, Hauling and Disposal: Payment to GreenWaste	16,503,152	15,264,971	—	—	—	—%
Refuse Solid Waste: Operations	3,578,001	3,476,378	3,519,258	3,710,915	191,657	5.4%
Refuse Street Sweeping	1,135,828	1,286,027	1,451,088	1,488,727	37,639	2.6%
<b>Total</b>	<b>30,767,437</b>	<b>28,300,353</b>	<b>29,744,645</b>	<b>38,600,779</b>	<b>8,856,134</b>	<b>29.8%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	244,378	226,357	280,929	293,415	12,486	4.4%
Other Benefits	39,782	44,742	51,215	53,426	2,211	4.3%
Overtime	21,466	41,215	42,875	43,990	1,115	2.6%
Pension	401,494	409,227	445,904	650,896	204,991	46.0%
Retiree Medical	361,874	380,709	219,089	225,662	6,573	3.0%
Salary	1,628,137	1,551,087	1,627,458	1,699,773	72,316	4.4%
Workers' Compensation	328,122	29,936	41,152	60,728	19,576	47.6%
<b>Total Salary &amp; Benefits</b>	<b>3,025,253</b>	<b>2,683,274</b>	<b>2,708,622</b>	<b>3,027,889</b>	<b>319,267</b>	<b>11.8%</b>
Allocated Charges	1,816,408	1,841,980	1,840,811	1,863,189	22,379	1.2%
Contract Services	6,108,321	6,103,675	6,205,681	6,355,681	150,000	2.4%
Debt Service	564,840	155,637	196,299	195,864	(435)	(0.2)%
Facilities & Equipment	—	—	3,000	3,000	—	—%
General Expense	54,575	29,660	112,275	112,275	—	—%
Operating Transfers-Out	28,718	62,283	42,586	55,100	12,514	29.4%
Rents & Leases	2,516,090	2,277,759	2,212,657	2,161,066	(51,590)	(2.3)%
Supplies & Material	72,309	86,334	142,805	142,805	—	—%
Transfer to Infrastructure	—	—	27,000	73,000	46,000	170.4%
Utility Purchase	16,463,048	15,059,752	16,252,909	24,610,909	8,358,000	51.4%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Capital Improvement Program	117,874	—	—	—	—	—%
<b>Total Dollars by Expense Category</b>	<b>30,767,437</b>	<b>28,300,353</b>	<b>29,744,645</b>	<b>38,600,779</b>	<b>8,856,134</b>	<b>29.8%</b>

Revenues						
Charges for Services	96,858	70,804	34,000	34,000	—	—%
Charges to Other Funds	210,574	251,309	212,502	160,552	(51,950)	(24.4)%
Net Sales	30,247,663	31,202,240	30,109,500	30,662,000	552,500	1.8%
Operating Transfers-In	13,325	—	—	—	—	—%
Other Revenue	3,219,715	3,186,411	2,546,000	2,311,000	(235,000)	(9.2)%
Other Taxes and Fines	(2,200)	(1,300)	—	—	—	—%
Rental Income	148,813	(66,129)	—	—	—	—%
Return on Investments	309,611	428,095	178,900	517,800	338,900	189.4%
<b>Total Revenues</b>	<b>34,244,359</b>	<b>35,071,430</b>	<b>33,080,902</b>	<b>33,685,352</b>	<b>604,450</b>	<b>1.8%</b>

Positions by Division						
CIP Refuse Fund	0.65	—	—	—	—	—%
Refuse Administration	0.43	0.43	0.43	0.43	—	—%
Refuse Collection, Hauling and Disposal: Operations	1.00	1.00	1.00	1.00	—	—%
Refuse Solid Waste: Operations	10.89	11.54	11.54	11.82	0.28	2.43%
Refuse Street Sweeping	2.68	2.68	2.68	2.68	—	—%
<b>Total</b>	<b>15.65</b>	<b>15.65</b>	<b>15.65</b>	<b>15.93</b>	<b>0.28</b>	<b>1.79%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Account Specialist	0.10	0.10	0.10	0.10	—	6,621
Accountant	0.10	0.10	0.10	0.10	—	10,082
Assistant Director Public Works	0.35	0.35	0.35	0.35	—	69,175
Deputy Chief/Fire Marshal	0.03	0.03	0.03	0.03	—	6,017
Environmental Specialist	2.00	2.00	2.00	2.00	—	209,915
Facilities Maintenance Lead	1.00	1.00	1.00	1.00	—	97,320

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Hazardous Materials Inspector	0.02	0.02	0.02	0.02	—	3,290
Landfill Technician	1.00	1.00	1.00	1.00	—	97,320
Management Analyst	0.43	0.43	0.43	0.43	—	48,368
Manager Environmental Control Program	3.00	3.00	3.00	3.00	—	397,800
Manager Maintenance Operations	0.46	0.46	0.46	0.46	—	59,897
Manager Solid Waste	1.00	1.00	1.00	1.00	—	160,576
Program Assistant I	1.00	1.00	1.00	1.00	—	72,020
Project Manager	0.20	0.20	0.20	0.20	—	23,358
Senior Accountant	0.10	0.10	0.10	0.10	—	12,721
Senior Management Analyst	0.08	0.08	0.08	0.08	—	8,160
Street Maintenance Assistant	1.00	1.00	1.00	1.00	—	66,453
Street Sweeper Operator	1.63	1.63	1.63	1.63	—	128,913
Zero Waste Coordinator	1.00	1.00	1.00	1.00	—	92,065
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>14.50</b>	<b>14.50</b>	<b>14.50</b>	<b>14.50</b>	<b>—</b>	<b>1,570,070</b>
Temporary/Hourly	1.15	1.15	1.15	1.43	0.28	72,008
<b>Total Positions</b>	<b>15.65</b>	<b>15.65</b>	<b>15.65</b>	<b>15.93</b>	<b>0.28</b>	<b>1,642,078</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Refuse Fund
<b>Prior Year Budget</b>	<b>15.65</b>	<b>29,744,644</b>	<b>33,080,902</b>	<b>(3,336,258)</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(22,483)	—	(22,483)
General Liability Savings (One-time FY 2019 Savings)	—	14,122	—	14,122
Workers' Compensation Savings (One-time FY 2019 Savings)	—	16,400	—	16,400
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>8,039</b>	<b>—</b>	<b>8,039</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	146,867	—	146,867
Proactive Contributions to City's Unfunded Pension Liability	—	71,579	—	71,579
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	70,100	—	70,100
Return on Investments	—	—	338,900	(338,900)
Residential and Commercial Refuse Hauling and Processing Services	—	130,000	317,500	(187,500)
Postclosure Landfill Rent	—	(51,590)	—	(51,590)
Transfers to Infrastructure Fund (City facilities CIP)	—	46,000	—	46,000
Transfers to Technology Fund (Citywide Technology CIP)	—	34,997	—	34,997
Debt Service: City of Sunnyvale Solid Waste Revenue Refunding Bonds	—	(435)	—	(435)
Street Sweeping Services	—	20,000	—	20,000
Landfill Gas Sales to Wastewater Treatment Plant	—	—	(51,950)	51,950
General Fund Cost Allocation Plan	—	53,329	—	53,329
General Liability Insurance Allocated Charges	—	(6,190)	—	(6,190)
Information Technology Allocated Charges	—	(41,297)	—	(41,297)
Printing & Mailing Services Allocated Charges	—	8,816	—	8,816
Public Works Administration Allocated Charges	—	6,719	—	6,719
Stormwater Management Allocated Charges	—	(470)	—	(470)
Utilities Allocated Charges	—	657	—	657
Vehicle Replacement & Maintenance Allocated Charges	—	(13,308)	—	(13,308)
Workers' Compensation Allocated Charges	—	(16,329)	—	(16,329)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>459,445</b>	<b>604,450</b>	<b>(145,005)</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Refuse Fund
<b>Total FY 2020 Base Budget</b>	<b>15.65</b>	<b>30,212,128</b>	<b>33,685,352</b>	<b>(3,473,224)</b>
<b>Budget Adjustments</b>				
1 Zero Waste Staffing	0.28	30,650	—	30,650
2 Deconstruction and Construction Materials Management Program	—	567,000	—	567,000
3 New Zero Waste Programs	—	691,000	—	691,000
4 Refuse Hauling Fleet Replacement	—	7,100,000	—	7,100,000
<b>Total Budget Adjustments</b>	<b>0.28</b>	<b>8,388,650</b>	<b>—</b>	<b>8,388,650</b>
<b>Total FY 2020 Proposed Budget</b>	<b>15.93</b>	<b>38,600,778</b>	<b>33,685,352</b>	<b>4,915,426</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Refuse Fund
1 Zero Waste Staffing	0.28	30,650	0	30,650

This action increases a part-time Management Specialist position by 0.28 FTE, from 0.20 FTE to 0.48 FTE. The Management Specialist is responsible for conducting field inspections and customer compliance outreach for the Zero Waste group. The increased staffing will provide the capacity needed to conduct additional field inspections and waste audits and interact with customers that are non-compliant and require follow-up information. This will align staffing with the enforcement needs for the current recycling, compost, and foodware/plastic reduction programs, as well as the added outreach and enforcement needs for the new Deconstruction and Construction Materials Management program. (Ongoing costs: \$31,700)

### Performance Results



This action will give the Zero Waste group the capacity needed to most effectively implement new programs to achieve the City's Zero Waste goals outlined in the Zero Waste Plan.

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Refuse Fund
2 Deconstruction and Construction Materials Management Program	0.00	567,000	0	567,000

This action increases the expense budget for the Collections and Hauling contract managed by GreenWaste by \$567,000 on an ongoing basis to fund a new Deconstruction and Construction Materials Management program. This program is in response to a new initiative outlined in the City's recently adopted Zero Waste Plan. The plan identified construction-related waste as being a major contributor to landfill disposal with over 40% of material being landfilled coming from Palo Alto's construction sites. The program, in addition to the newly added Deconstruction Ordinance, will require structures be deconstructed instead of demolished and materials be source-separated for salvage as well as higher recovery of recycled materials. (Ongoing costs: \$567,000)

### Performance Results

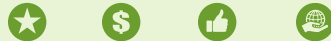


This action aligns funding with the City's Zero Waste goals outlined in the Zero Waste Plan.

3 New Zero Waste Programs	0.00	691,000	0	691,000
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This action increases the expense budget for the Collections and Hauling Contract managed by GreenWaste to fund new programs identified in the City's recently adopted Zero Waste Plan. New programming includes increased recyclables clean-up efforts, 'Clean Up Day' program enhancements, and expanded education and outreach efforts to advance in achieving the City's sustainability goals and to being a zero waste city/community. (Ongoing costs: \$691,000)

### Performance Results

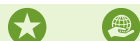


This will align funding with the City's Zero Waste goals outlined in the adopted Zero Waste Plan.

4 Refuse Hauling Fleet Replacement	0.00	7,100,000	0	7,100,000
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This action adds \$7,100,000 in funding for contract expenses for the purchase of 20 vehicles to replace aging vehicles and trucks in the collection and hauling fleet managed, maintained, and operated by the City's contractor, GreenWaste. This purchase will be made using excess funds accumulated in the Refuse Fund Rate Stabilization Reserve to ensure future rates and service levels are maintained at a consistent and appropriate level. (Ongoing costs: \$0)

### Performance Results



This action will enhance the City's collection and hauling fleet with up-to-date vehicles that emit less greenhouse gases in alignment with the City's Zero Waste goals.



# STORMWATER MANAGEMENT FUND

## Description

The City's stormwater management services are funded through user fees charged to property owners of developed parcels in Palo Alto. Stormwater management activities include inspection, clean-up, operation, maintenance, replacement of and improvement to the storm drainage system to ensure adequate local drainage consistent with the 2015 Stormwater Master Plan and the 2019 Green Stormwater Infrastructure Plan. The Fund also provides litter reduction, urban pollution prevention programs, commercial and residential rebates, and flooding emergency-response services with the goals of reducing stormwater runoff and maintaining stormwater quality protection for discharge to creeks and San Francisco Bay.

## Accomplishments

- Initiated design of the Loma Verde Avenue Trunk Line Improvements project, the first of the 13 high-priority projects included in the 2017 Storm Water Management Fee ballot measure.
- Completed the Bay-to-Highway 101 flood control project, a cooperative effort with the San Francisquito Creek Joint Powers Authority (SFCJPA). The completion of this project allows for improvements to be made upstream of Highway 101.
- Completed the Green Stormwater Infrastructure (GSI) Plan which describes the gradual incorporation of GSI features in the City to treat pollutants and reduce stormwater flow.
- Developed a demolition ordinance ensuring products containing polychlorinated biphenyl (PCBs) are disposed of properly during demolition.

## Initiatives

- Continue implementing the 13 high-priority stormwater management projects outlined in the Storm Water Management Fee ballot measure passed in April 2017.

- Continue to assist the SFCJPA with public outreach, environmental documents, and plan review for the San Francisquito Creek: Upstream to Highway 101 project.
- Continue planning efforts for the Newell Road Bridge Replacement project, which will improve multi-modal access and increase creek channel capacity to contain future 50-year storm event flows.
- Implement the GSI Plan recommendations.
- Implement the City's Long-Term Trash Reduction Plan to achieve an 80% reduction in the volume of trash entering local creeks and San Francisco Bay through local storm drains.

## Goals and Objectives

### GOAL 1

Effectively manage the storm drain system to ensure adequate local drainage.

#### Objectives:

- Systematically clean storm drain lines to prevent backups and ponding on City streets.
- Complete the 13 high-priority stormwater management projects, Green Stormwater Infrastructure improvements, and the Storm Drain Blue Ribbon Committee's recommendation for stormwater management programs outlined in the Storm Water Management Fee ballot measure passed in April 2017.
- Assist with inter-agency projects such as the San Francisquito Creek: Upstream to Highway 101 Project.

### GOAL 2

Reduce stormwater runoff and protect the quality of waters discharged to creeks and San Francisco Bay.

#### Objectives:

- Continue to comply with the 2015 Municipal Regional Stormwater Discharge Permit.
- Conduct regular inspections of commercial facilities, industrial facilities, and construction sites to ensure compliance with stormwater discharge regulations.
- Develop ordinance requirements that improve water quality during construction as required in the Municipal Regional Stormwater Discharge Permit.

## Key Performance Measures

### CITIZEN SURVEY - STORM DRAIN

<b>Goal</b>	Effectively manage the storm drainage system to ensure adequate local drainage.				
<b>Objective</b>	Measure ratings from residents on the quality of storm drainage.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of respondents rating the quality of storm drainage as good or excellent	81.00%	71.00%	80.00%	80.00%	80.00%
<b>Description</b>	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of storm drain management. 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.				
<b>Purpose</b>	Obtain feedback from residents on whether storm drains are being maintained adequately in order to determine if the program's resources are appropriate.				
<b>Status</b>	The quality of storm drainage has been achieving between 71% and 81% satisfaction since FY 2016. The City is estimating to achieve and maintain an 80% rating.				

### PERCENT OF INSPECTIONS IN COMPLIANCE WITH STORM WATER REGULATIONS

<b>Goal</b>	Reduce stormwater runoff and protect the quality of waters discharged to creeks and San Francisco Bay.				
<b>Objective</b>	Conduct regular inspections to ensure compliance.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of inspections in compliance with stormwater regulations	85.00%	92.00%	80.00%	85.00%	85.00%
<b>Description</b>	Watershed Protection staff conducts a comprehensive program of public outreach and education, site inspections, and enforcement actions to prevent pollutants from contaminating stormwater runoff. Inspections are conducted at industrial facilities, commercial facilities, construction sites, and other outdoor activities.				
<b>Purpose</b>	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.				
<b>Status</b>	Watershed Protection staff conducts inspections at commercial and industrial facilities, construction projects, stormwater treatment measures, and reported illicit discharges to ensure compliance in the City's stormwater regulations. Staff anticipates attaining a compliance rate of 85% in FY 2020 based on the inspections conducted and associated compliance to date.				

## NUMBER OF CAPITAL PROJECTS ON THE STORM DRAINAGE FEE BALLOT MEASURE COMPLETED

<b>Goal</b>	Effectively manage the storm drainage system to ensure adequate local drainage.				
<b>Objective</b>	Manage a capital improvement program that utilizes annual revenues and staff resources in an efficient manner to complete capital improvement projects resulting from Storm Ballot Measures.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of 2005 Ballot Measure capital projects completed - as of June 30	6	6	7	7	7
Number of 2017 Ballot Measure capital projects completed - as of June 30	0	0	0	0	0
<b>Description</b>	Public Works Engineering Services staff manages a capital improvement program to increase the capacity and maintain the condition of the storm system infrastructure in accordance with Storm Ballot Measures.				
<b>Purpose</b>	The storm drain system must be improved and maintained on a regular basis so that it will continue to provide service to the community.				
<b>Status</b>	In FY 2019, staff completed all seven of the capital improvement projects identified in the 2005 Storm Drainage Fee Measure. In total, thirteen capital improvement projects were identified in the 2017 Storm Water Management Fee Measure. Design for the first project in the 2017 Storm Water Management Fee Measure began in early FY 2019 and is scheduled to be completed in Summer 2020.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of inspections performed annually (Stormwater Management)	506	532	N/A	684	800

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
CIP Stormwater Management Fund	4,608,150	5,551,183	4,056,012	4,505,895	449,883	11.1%
Storm Drainage Operations and Maintenance	1,359,040	1,425,879	1,731,325	1,646,677	(84,648)	(4.9)%
Stormwater Environmental Compliance	487,412	935,125	1,035,175	1,156,254	121,079	11.7%
Stormwater Management Administration	1,407,783	1,768,546	1,845,156	1,934,221	89,065	4.8%
Stormwater Systems Improvement Flood Control	245,910	192,330	696,360	701,845	5,485	0.8%
<b>Total</b>	<b>8,108,294</b>	<b>9,873,062</b>	<b>9,364,028</b>	<b>9,944,891</b>	<b>580,863</b>	<b>6.2%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	198,979	236,012	243,089	242,292	(797)	(0.3)%
Other Benefits	21,435	35,186	42,217	43,837	1,620	3.8%
Overtime	24,941	17,655	50,714	52,032	1,319	2.6%
Pension	290,983	406,962	418,581	605,953	187,372	44.8%
Retiree Medical	63,585	66,895	144,909	149,256	4,347	3.0%
Salary	1,017,360	1,287,106	1,462,271	1,512,516	50,245	3.4%
Workers' Compensation	19,694	94,896	28,410	53,111	24,701	86.9%
<b>Total Salary &amp; Benefits</b>	<b>1,636,977</b>	<b>2,144,712</b>	<b>2,390,191</b>	<b>2,658,997</b>	<b>268,805</b>	<b>11.2%</b>
Allocated Charges	956,201	1,089,398	1,173,474	1,059,274	(114,200)	(9.7)%
Contract Services	464,178	474,599	907,899	907,899	—	—%
Debt Service	335,877	298,580	949,300	949,300	—	—%
Facilities & Equipment	(260)	7,881	7,621	7,621	—	—%
General Expense	51,551	11,059	145,960	145,960	—	—%
Operating Transfers-Out	133,472	34,722	21,589	36,700	15,111	70.0%
Rents & Leases	40,045	47,482	48,805	50,468	1,663	3.4%
Supplies & Material	77,396	63,949	94,726	94,726	—	—%
Transfer to Infrastructure	—	330,000	—	—	—	—%
Capital Improvement Program	4,412,857	5,370,680	3,624,464	4,033,947	409,483	11.3%
<b>Total Dollars by Expense Category</b>	<b>8,108,294</b>	<b>9,873,062</b>	<b>9,364,028</b>	<b>9,944,891</b>	<b>580,863</b>	<b>6.2%</b>

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Revenues</b>						
Charges for Services	71,488	53,980	117,888	117,888	—	—%
Charges to Other Funds	2,961	—	—	—	—	—%
From Other Agencies	21,680	—	—	—	—	—%
Net Sales	6,600,488	6,911,617	7,128,430	7,449,209	320,779	4.5%
Other Revenue	(243)	129	—	—	—	—%
Other Taxes and Fines	—	2,200	2,500	2,500	—	—%
Return on Investments	186,051	153,636	129,700	225,900	96,200	74.2%
<b>Total Revenues</b>	<b>6,882,425</b>	<b>7,121,562</b>	<b>7,378,518</b>	<b>7,795,497</b>	<b>416,979</b>	<b>5.7%</b>

<b>Positions by Division</b>						
CIP Stormwater Management Fund	2.17	2.37	2.37	2.37	—	—%
Storm Drainage Operations and Maintenance	5.00	5.00	5.00	5.00	—	—%
Stormwater Environmental Compliance	1.58	4.59	4.59	4.59	—	—%
Stormwater Management Administration	0.60	0.80	0.80	0.80	—	—%
Stormwater Systems Improvement Flood Control	0.99	0.79	0.79	0.79	—	—%
<b>Total</b>	<b>10.34</b>	<b>13.55</b>	<b>13.55</b>	<b>13.55</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Account Specialist	0.10	0.10	0.10	0.10	—	6,621
Accountant	0.05	0.05	0.05	0.05	—	5,041
Administrative Associate I	0.10	0.10	0.10	0.10	—	6,532
Administrative Associate II	0.15	0.15	0.15	0.15	—	10,648
Administrative Associate III	0.10	0.10	0.10	0.10	—	7,609
Assistant Director Public Works	0.20	0.30	0.30	0.30	—	56,996
Associate Engineer	0.19	1.19	1.19	1.19	—	126,088
Electrician	0.10	0.10	0.10	0.10	—	10,029
Electrician-Lead	1.00	1.00	1.00	1.00	—	107,365

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Engineer	0.90	0.90	0.90	0.90	—	107,398
Engineering Technician III	0.25	0.25	0.25	0.25	—	22,307
Equipment Operator	0.54	0.54	0.54	0.54	—	42,786
Heavy Equipment Operator	0.90	0.90	0.90	0.90	—	80,748
Heavy Equipment Operator-Lead	1.15	1.15	1.15	1.15	—	110,375
Industrial Waste Inspector	0.19	0.40	0.40	0.40	—	35,274
Industrial Waste Investigator	0.80	1.00	1.00	1.00	—	99,094
Management Analyst	0.20	0.30	0.30	0.30	—	33,299
Manager Environmental Control Program	0.40	0.70	0.70	0.70	—	86,753
Manager Maintenance Operations	0.50	0.50	0.50	0.50	—	60,726
Manager Watershed Protection	—	0.20	0.20	0.20	—	30,834
Program Assistant II	—	0.60	0.60	0.60	—	46,450
Project Engineer	0.83	0.83	0.83	0.83	—	106,603
Project Manager	0.15	0.55	0.55	0.55	—	64,976
Senior Accountant	0.10	0.10	0.10	0.10	—	12,721
Senior Engineer	0.76	0.76	0.76	0.76	—	108,601
Senior Industrial Waste Investigator	—	0.10	0.10	0.10	—	10,596
Surveyor, Public Works	0.12	0.12	0.12	0.12	—	11,693
Technologist	0.30	0.30	0.30	0.30	—	41,843
Traffic Controller Maintainer I	0.06	0.06	0.06	0.06	—	4,667
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>10.14</b>	<b>13.35</b>	<b>13.35</b>	<b>13.35</b>	<b>—</b>	<b>1,454,670</b>
Temporary/Hourly	0.20	0.20	0.20	0.20	—	8,320
<b>Total Positions</b>	<b>10.34</b>	<b>13.55</b>	<b>13.55</b>	<b>13.55</b>	<b>—</b>	<b>1,462,990</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Stormwater Management Fund
<b>Prior Year Budget</b>	<b>13.55</b>	<b>9,364,028</b>	<b>7,378,518</b>	<b>1,985,510</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(21,104)	—	(21,104)
General Liability Savings (one-time FY 2019 savings)	—	9,749	—	9,749
Workers' Compensation Savings (one-time FY 2019 savings)	—	11,322	—	11,322
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(33)</b>	<b>—</b>	<b>(33)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	137,275	—	137,275
Proactive Contributions to City's Unfunded Pension Liability	—	66,712	—	66,712
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	64,700	—	64,700
Stormwater Rate Adjustment (CPI increase of 4.5%)	—	—	303,089	(303,089)
Return on Investments	—	—	96,200	(96,200)
Rents & Leases Expenditures	—	1,663	—	1,663
Transfers to Technology Fund (Citywide Technology CIP)	—	32,401	—	32,401
Capital Improvement Program	—	413,297	—	413,297
General Fund Cost Allocation Plan	—	(58,211)	—	(58,211)
Information Technology Allocated Charges	—	86,579	—	86,579
Liability Insurance Allocated Charges	—	6,658	—	6,658
Printing & Mailing Services Allocated Charges	—	(9,618)	—	(9,618)
Public Works Administration Allocated Charges	—	5,039	—	5,039
Stormwater Management Allocated Charges	—	—	17,690	(17,690)
Utilities Allocated Charges	—	(128,421)	—	(128,421)
Vehicle Replacement & Maintenance Allocated Charges	—	(25,975)	—	(25,975)
Workers' Compensation Allocated Charges	—	(11,203)	—	(11,203)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>580,896</b>	<b>416,979</b>	<b>163,917</b>
<b>Total FY 2020 Proposed Budget</b>	<b>13.55</b>	<b>9,944,891</b>	<b>7,795,497</b>	<b>2,149,394</b>



# 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 27 vehicles and nine pieces of equipment in FY 2019 to maintain safe, reliable, and efficient use of resources.
- Developed a fleet electrification pilot program, including three Plug-in Hybrid electric pick-up trucks assigned for field operation, to evaluate performance, operational compatibility, maintenance and repair needs, fuel efficiency, and total cost of ownership.
- Awarded a contract for vehicle/equipment auction services, automotive and industrial lubricants, fleet software maintenance/support, compressed natural gas (CNG) station maintenance/repair, and police outfitting.
- Reduced fuel consumption due to newer vehicles providing a significant improvement in fuel efficiency.
- Evaluated and updated rates to ensure cost-recovery is being achieved for CNG, shop and commercial maintenance and repairs, and parts.

## Initiatives

- Perform review of underutilized vehicles annually and remove vehicles from fleet that do not meet the minimum usage requirements per policy.

- Continue to reduce the backlog of older vehicles that need to be replaced with more efficient vehicles/equipment to reduce the City's carbon footprint.
- Continue increasing the number of electric and alternative fuel vehicles/equipment in the fleet where possible.
- Award a multi-year contract to vendor(s) for the removal and installation of outfitting equipment from surplus for new vehicles/equipment.
- Continue to implement recommendations from the fleet cost recovery study.
- Continue the fleet electrification pilot program to evaluate performance, operational compatibility, and maintenance and repair needs of the Plug-in Hybrid electric pick-up trucks in service.
- Continue implementation of the updated Vehicle and Equipment Use, Maintenance, and Replacement Policy, including the efforts to evaluate and limit idling time for City vehicles.
- Develop a ride-share pilot in collaboration with commercial rideshare service providers to evaluate the feasibility to replace or minimize the existing City pool vehicle program utilized by multiple departments.

## Goals and Objectives

### GOAL 1

Ensure the City's vehicles, equipment, and fuel storage/dispensing facilities are safe, reliable, and energy efficient to reduce Green House Gas (GHG) emissions.

#### Objectives:

- Continue seeking opportunities to increase the number of electric and alternative fuel vehicles/equipment, thereby reducing fuel consumption.
- Continue providing staff training for safe operation and maintenance of vehicles/equipment and fueling stations.
- Annually review and update the 5-year vehicle/equipment replacement Capital Improvement Program 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:

- Perform fleet utilization analyses annually to ensure the City has an appropriately sized fleet.
- Continue replacing the oldest, least efficient vehicles first; replacing with electric or alternative fuel vehicles when possible.
- Continue providing staff education and training.
- Annually assess rates for Compressed Natural Gas (CNG), shop and commercial maintenance and repairs, and parts to ensure cost-recovery.

## Key Performance Measures

### PERCENT OF NON-EMERGENCY VEHICLES IN FLEET THAT ARE USING ALTERNATE FUEL OR TECHNOLOGIES

<b>Goal</b>	Ensure the City's vehicles, equipment, and storage/dispensing facilities are safe, reliable, and energy efficient.				
<b>Objective</b>	Increase the usage of alternative fuels.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of alternative fuel consumed by non-emergency vehicles	33.00%	32.00%	33.00%	52.00%	52.00%
<b>Description</b>	The City fleet is comprised of vehicles and equipment that are primarily gasoline, diesel, and compressed natural gas (CNG).				
<b>Purpose</b>	To move toward lower emissions goals, the City needs to increase the use of alternative fuel vehicles/equipment.				
<b>Status</b>	The City's fleet used a total of 307,046 gallons of fuel in FY 2018 among unleaded, diesel, and natural gas. It used 99,054 gallons of compressed natural gas, which equates to 32% of alternative fuel use. Actuals for FY 2019 and Estimates for FY 2020 will see an increase due to Green Waste adding nine CNG vehicles that fill at the City of Palo Alto.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of vehicles and equipment that are alternatively fueled or electric	51	51	46	53	51
Number of vehicle repair and preventative maintenance work orders	4,019	3,674	3,590	3,450	3,400
Total number of vehicles and equipment in the City's fleet	555	557	558	558	562

# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
Vehicle Operations and Maintenance	5,463,507	5,399,075	6,389,688	7,389,956	1,000,269	15.7%
Vehicle Replacement and Additions	4,987,407	5,318,926	7,701,807	7,482,748	(219,059)	(2.8)%
<b>Total</b>	<b>10,450,914</b>	<b>10,718,000</b>	<b>14,091,495</b>	<b>14,872,704</b>	<b>781,210</b>	<b>5.5%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	308,844	302,081	352,799	335,879	(16,921)	(4.8)%
Other Benefits	36,622	48,298	49,814	49,456	(358)	(0.7)%
Overtime	4,919	9,277	58,081	59,592	1,510	2.6%
Pension	355,106	394,672	436,630	577,445	140,815	32.3%
Retiree Medical	86,962	91,489	148,359	152,810	4,451	3.0%
Salary	1,292,182	1,296,957	1,511,184	1,447,511	(63,673)	(4.2)%
Workers' Compensation	4,995	69,959	38,855	57,764	18,909	48.7%
<b>Total Salary &amp; Benefits</b>	<b>2,089,629</b>	<b>2,212,733</b>	<b>2,595,722</b>	<b>2,680,456</b>	<b>84,734</b>	<b>3.3%</b>
Allocated Charges	1,366,290	1,287,670	1,352,629	1,262,711	(89,917)	(6.6)%
Contract Services	524,789	437,272	506,696	517,748	11,052	2.2%
Facilities & Equipment	—	126,894	—	—	—	—%
General Expense	108,857	82,805	70,630	70,630	—	—%
Operating Transfers-Out	—	38,394	139,562	184,769	45,207	32.4%
Rents & Leases	181,834	188,086	195,002	202,467	7,465	3.8%
Supplies & Material	1,109,794	1,218,310	1,338,816	1,427,924	89,108	6.7%
Transfer to Infrastructure	263,198	—	540,000	1,460,000	920,000	170.4%
Capital Improvement Program	4,806,522	5,125,837	7,352,438	7,065,999	(286,439)	(3.9)%
<b>Total Dollars by Expense Category</b>	<b>10,450,914</b>	<b>10,718,000</b>	<b>14,091,495</b>	<b>14,872,704</b>	<b>781,210</b>	<b>5.5%</b>
<b>Revenues</b>						
Charges to Other Funds	8,227,916	9,305,728	9,013,976	9,192,300	178,324	2.0%
Operating Transfers-In	924,456	26,326	—	—	—	—%
Other Revenue	312,216	346,482	155,000	155,000	—	—%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Return on Investments	197,278	203,870	178,300	260,000	81,700	45.8%
<b>Total Revenues</b>	<b>9,661,867</b>	<b>9,882,406</b>	<b>9,347,276</b>	<b>9,607,300</b>	<b>260,024</b>	<b>2.8%</b>
<b>Positions by Division</b>						
Vehicle Operations and Maintenance	15.86	15.86	14.28	13.61	(0.67)	(4.69)%
Vehicle Replacement and Additions	1.40	1.40	2.25	2.40	0.15	6.67%
<b>Total</b>	<b>17.26</b>	<b>17.26</b>	<b>16.53</b>	<b>16.01</b>	<b>(0.52)</b>	<b>(3.15)%</b>

## Staffing

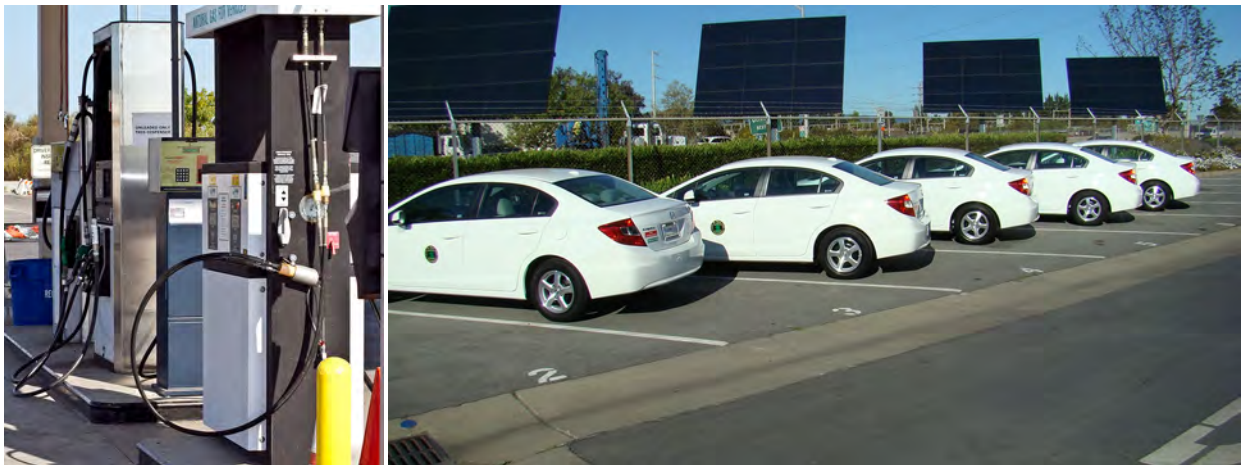
Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Associate III	1.00	1.00	1.00	—	(1.00)	—
Assistant Director Public Works	0.25	0.25	0.25	0.25	—	44,886
Assistant Fleet Manager	1.00	1.00	1.00	1.00	—	107,952
Equipment Maintenance Service Person	2.00	2.00	2.00	2.00	—	125,277
Fleet Services Coordinator	2.00	2.00	2.00	1.00	(1.00)	78,465
Management Analyst	0.20	0.20	0.20	0.20	—	24,074
Management Assistant	—	—	—	1.00	1.00	82,656
Manager Fleet	1.00	1.00	1.00	1.00	—	134,347
Motor Equipment Mechanic II	6.00	6.00	6.00	6.00	—	532,707
Motor Equipment Mechanic-Lead	2.00	2.00	2.00	2.00	—	189,946
Project Manager	1.00	1.00	1.00	1.00	—	99,382
Senior Management Analyst	0.08	0.08	0.08	0.08	—	8,160
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>16.53</b>	<b>16.53</b>	<b>16.53</b>	<b>15.53</b>	<b>(1.00)</b>	<b>1,427,853</b>
Temporary/Hourly	0.73	0.73	—	0.48	0.48	21,935
<b>Total Positions</b>	<b>17.26</b>	<b>17.26</b>	<b>16.53</b>	<b>16.01</b>	<b>(0.52)</b>	<b>1,449,788</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Vehicle Replacement and Maintenance Fund
<b>Prior Year Budget</b>	<b>16.53</b>	<b>14,091,494</b>	<b>9,347,276</b>	<b>4,744,218</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(22,216)	—	(22,216)
General Liability Savings (one-time FY 2019 savings)	—	13,334	—	13,334
Workers' Compensation Savings (one-time FY 2019 savings)	—	15,484	—	15,484
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>6,602</b>	<b>—</b>	<b>6,602</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	156,144	—	156,144
Proactive Contributions to City's Unfunded Pension Liability	—	69,791	—	69,791
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	62,100	—	62,100
Return on Investments	—	—	81,700	(81,700)
Rents & Leases Expenditure	—	7,465	—	7,465
Vehicle Parts and Fuel Contractual and Managed Services	—	100,160	—	100,160
Transfer to Infrastructure Fund (Citywide Facilities CIP)	—	920,000	—	920,000
Capital Improvements Program	—	(283,215)	—	(283,215)
Transfer to Technology Fund (Citywide Technology CIP)	—	64,200	—	64,200
General Fund Cost Allocation Plan	—	(125,294)	—	(125,294)
Information Technology Allocated Charges	—	11,962	—	11,962
Liability Insurance Allocated Charges	—	(9,188)	—	(9,188)
Printing & Mailing Services Allocated Charges	—	(1,256)	—	(1,256)
Public Works Administration Allocated Charges	—	11,758	—	11,758
Utilities Allocated Charges	—	8,766	—	8,766
Vehicle Replacement & Maintenance Allocated Charges	—	—	178,324	(178,324)
Workers' Compensation Allocated Charges	—	(15,365)	—	(15,365)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>978,028</b>	<b>260,024</b>	<b>718,004</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Vehicle Replacement and Maintenance Fund
<b>Total FY 2020 Base Budget</b>	<b>16.53</b>	<b>15,076,124</b>	<b>9,607,300</b>	<b>5,468,824</b>
<b>Budget Adjustments</b>				
1 Fleet Staffing Adjustment	(0.52)	(203,420)	—	(203,420)
<b>Total Budget Adjustments</b>	<b>(0.52)</b>	<b>(203,420)</b>	<b>—</b>	<b>(203,420)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>16.01</b>	<b>14,872,704</b>	<b>9,607,300</b>	<b>5,265,404</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Vehicle Replacement and Maintenance Fund
1 Fleet Staffing Adjustment	-0.52	(203,420)	0	(203,420)

This action restructures various positions in the Fleet Services workgroup of the Public Services Division resulting in a net reduction of 0.52 FTE in the Vehicle Replacement and Maintenance Fund. The elimination of one vacant Fleet Services Coordinator (1.0 FTE) and recognition of savings equivalent to one Equipment Maintenance Service Person (1.0 FTE) is partially offset by the reclassification of one Administrative Associate III (1.0 FTE) to Management Assistant (1.0 FTE) and the addition of one Maintenance Assistant (0.48 FTE). After evaluating options to contain costs while maintaining service delivery, it was determined that this new staffing structure would best provide the coverage needed to maintain activity levels and quality of service in the absence of the Fleet Services Coordinator and Equipment Maintenance Service Person. (Ongoing savings: \$209,000)

### Performance Results



This realignment in staffing will help contain costs in the Vehicle Replacement and Maintenance Fund.

# WASTEWATER TREATMENT FUND

## Description

The City's Regional Water Quality Control Plant (RWQCP) operates 24 hours a day to treat all wastewater from the City of Palo Alto and the City's five partner agency regional service areas (Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto Sanitary District) to ensure the compliance with regulations protecting the San Francisco Bay and the environment.

## Accomplishments

- Completed construction of the sludge dewatering and truck loadout facility (Capital Project WQ-14001). It was tested in Winter 2018 and startup commenced Spring 2019. With the facility completed and online, the two sludge-burning incinerators have been placed in standby reserve while pending final retirement by the end of 2019.
- Continued design activities for Secondary Treatment Upgrades project (Capital Project WQ-19001) and the Laboratory/Environmental Services Building project (Capital Project WQ-14002) as part of fulfilling the RWQCP's 2012 Long Range Facilities Plan.
- Continued progress on the Northwest County Recycled Water Strategic Plan including completion of the Indirect Potable Reuse Feasibility and Groundwater Assessment.
- Initiated environmental review of the advanced water purification (i.e. reverse osmosis) facility (Capital Project WQ-19003) to improve recycled water quality.

## Initiatives

- Begin construction of the Primary Sedimentation Tank Rehabilitation project (Capital Project WQ-14003).
- Secure funding and complete design for a 1-2 million gallons per day (MGD) microfiltration/ultrafiltration and reverse osmosis advanced water purification facility.
- Complete the Recycled Water Strategic Plan which assesses the feasibility of the reuse options for the RWQCP's effluent including non-potable reuse, indirect potable reuse, and direct 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 RWQCP'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.
- Follow the Palo Alto Baylands Nature Preserve Design Guidelines and the Architectural Review Board's recommendation when planning and constructing new facilities and buildings.

### GOAL 3

Expand recycled water use.

#### Objectives:

- Improve recycled water quality through source control of salt water intrusion into sanitary sewers and potential future advanced treatment for recycled water.
- Conduct ongoing research on potential regional expansion of recycled water usage in the RWQCP's service areas.

## Key Performance Measures

### DISCHARGE TESTS IN COMPLIANCE

<b>Goal</b>	Protect the environment and the public's health.				
<b>Objective</b>	Maintain 99% discharge test compliance.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent of wastewater treatment discharge tests in compliance	100.00%	100.00%	99.00%	100.00%	99.00%
<b>Description</b>	The plant has numerous effluent limits and requirements to meet as part of its National Pollutant Discharge Elimination System (NPDES) discharge permit for water discharged to the south San Francisco Bay. 99% or higher compliance with these limits is the goal of the RWQCP.				
<b>Purpose</b>	Measure compliance of the RWQCP treatment system's final water discharged compared to the limits established in the NPDES discharge permit.				
<b>Status</b>	Over 99% of discharge tests are expected to be in compliance with discharge limits in FY 2019 and FY 2020.				

### PERCENT OF PASSED FISH ACUTE TOXICITY BIOASSAY TESTS

<b>Goal</b>	Protect the environment and the public's health.				
<b>Objective</b>	Obtain fish acute toxicity bioassays with 100% survival.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Fish toxicity test (percent survival)	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Description</b>	Percent of acute fish toxicity bioassay tests passed.				
<b>Purpose</b>	Fish survival in the bioassay is an indicator that the RWQCP discharges to the Bay are safe for receiving water marine life.				
<b>Status</b>	In FY 2018, all acute toxicity bioassay tests passed with 100% survival rate. This trend is expected to continue in FY 2019 and FY 2020.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Millions of gallons of recycled water delivered	180	260	250	233	260
Number of inspections performed annually (Wastewater Treatment)	301	406	350	600	550
Millions of gallons processed by the Palo Alto's Regional Water Quality Control Plant	7,176	6,464	6,935	6,337	6,422

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
CIP Wastewater Treatment Fund	2,644,342	16,876,892	9,824,740	28,436,859	18,612,120	189.4%
Wastewater Treatment Administration	817,337	633,281	4,755,198	4,188,831	(566,367)	(11.9)%
Wastewater Treatment Environmental Compliance	4,357,398	4,865,706	3,731,579	3,801,407	69,828	1.9%
Wastewater Treatment Systems Improvement Operations	15,991,438	17,544,767	17,196,146	19,161,729	1,965,583	11.4%
<b>Total</b>	<b>23,810,516</b>	<b>39,920,647</b>	<b>35,507,663</b>	<b>55,588,826</b>	<b>20,081,163</b>	<b>56.6%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	1,333,363	1,311,044	1,444,680	1,459,350	14,671	1.0%
Other Benefits	131,812	175,441	198,135	206,957	8,822	4.5%
Overtime	260,776	310,868	318,189	326,462	8,273	2.6%
Pension	1,872,666	1,986,062	2,116,386	3,059,763	943,377	44.6%
Retiree Medical	816,320	858,810	853,066	878,658	25,592	3.0%
Salary	6,698,533	6,788,334	7,563,716	7,802,750	239,034	3.2%
Workers' Compensation	52,654	102,448	195,136	277,378	82,242	42.1%
<b>Total Salary &amp; Benefits</b>	<b>11,166,125</b>	<b>11,533,008</b>	<b>12,689,308</b>	<b>14,011,318</b>	<b>1,322,010</b>	<b>10.4%</b>
Allocated Charges	5,311,133	6,659,425	6,122,299	5,593,553	(528,746)	(8.6)%
Contract Services	1,909,211	2,524,990	3,007,839	3,738,908	731,069	24.3%
Debt Service	443,920	406,136	1,468,851	1,468,851	—	—%
Facilities & Equipment	4,110	—	7,500	7,500	—	—%
General Expense	449,456	452,963	451,029	389,029	(62,000)	(13.7)%
Operating Transfers-Out	335,213	210,478	104,568	156,100	51,532	49.3%
Supplies & Material	1,630,955	1,391,491	2,090,754	2,069,754	(21,000)	(1.0)%
Capital Improvement Program	2,560,394	16,742,155	9,565,514	28,153,813	18,588,298	194.3%
<b>Total Dollars by Expense Category</b>	<b>23,810,516</b>	<b>39,920,647</b>	<b>35,507,663</b>	<b>55,588,826</b>	<b>20,081,163</b>	<b>56.6%</b>
<b>Revenues</b>						
Charges to Other Funds	44,851	37,189	52,644	53,818	1,174	2.2%
From Other Agencies	—	4,000,000	—	—	—	—%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Net Sales	22,935,389	26,578,677	28,370,284	30,661,182	2,290,898	8.1%
Other Revenue	665,707	766,779	5,838,000	27,409,000	21,571,000	369.5%
Other Taxes and Fines	—	—	4,000	4,000	—	—%
Return on Investments	298,324	307,203	199,200	389,000	189,800	95.3%
<b>Total Revenues</b>	<b>23,944,271</b>	<b>31,689,848</b>	<b>34,464,128</b>	<b>58,517,000</b>	<b>24,052,872</b>	<b>69.8%</b>

### Positions by Division

CIP Wastewater Treatment Fund	1.30	1.30	1.30	1.30	—	—%
Wastewater Treatment Administration	0.59	0.59	0.59	0.59	—	—%
Wastewater Treatment Environmental Compliance	15.22	13.21	13.21	13.21	—	—%
Wastewater Treatment Systems Improvement Operations	56.36	56.16	56.16	56.16	—	—%
<b>Total</b>	<b>73.47</b>	<b>71.26</b>	<b>71.26</b>	<b>71.26</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Account Specialist	0.10	0.10	0.10	0.10	—	6,621
Accountant	0.25	0.25	0.25	0.25	—	25,204
Administrative Associate II	2.00	2.00	2.00	2.00	—	141,972
Assistant Director Public Works	0.75	0.65	0.65	0.65	—	133,172
Assistant Manager WQCP	2.00	2.00	2.00	2.00	—	300,256
Associate Engineer	1.80	1.80	1.80	1.80	—	190,721
Chemist	3.00	3.00	3.00	3.00	—	285,657
Deputy Chief/Fire Marshal	0.04	0.04	0.04	0.04	—	8,023
Electrician	2.90	2.90	2.90	2.90	—	290,828
Electrician-Lead	1.00	1.00	1.00	1.00	—	107,365
Hazardous Materials Inspector	0.02	0.02	0.02	0.02	—	3,290
Industrial Waste Inspector	2.80	2.59	2.59	2.59	—	228,398
Industrial Waste Investigator	0.35	0.15	0.15	0.15	—	14,864
Laboratory Technician WQC	3.00	3.00	3.00	3.00	—	255,501

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Management Analyst	0.67	0.57	0.57	0.57	—	62,754
Manager Environmental Control Program	1.50	1.20	1.20	1.20	—	150,552
Manager Laboratory Services	1.00	1.00	1.00	1.00	—	145,018
Manager Water Quality Control Plant	1.00	1.00	1.00	1.00	—	187,117
Manager Watershed Protection	0.95	0.75	0.75	0.75	—	115,627
Plant Mechanic	7.00	7.00	7.00	7.00	—	654,777
Program Assistant II	2.00	1.40	1.40	1.40	—	108,383
Project Engineer	1.00	1.00	1.00	1.00	—	128,437
Project Manager	1.00	0.60	0.60	0.60	—	71,186
Senior Accountant	0.10	0.10	0.10	0.10	—	12,721
Senior Buyer	1.00	1.00	1.00	1.00	—	94,413
Senior Chemist	1.00	1.00	1.00	1.00	—	105,811
Senior Engineer	3.00	3.00	3.00	3.00	—	401,898
Senior Industrial Waste Investigator	0.99	0.89	0.89	0.89	—	94,301
Senior Management Analyst	0.13	0.13	0.13	0.13	—	14,725
Senior Mechanic	1.00	1.00	1.00	1.00	—	100,573
Senior Operator WQC	6.00	6.00	6.00	6.00	—	640,310
Senior Technologist	1.00	1.00	1.00	1.00	—	153,005
Storekeeper	1.00	1.00	1.00	1.00	—	68,918
Supervisor WQCP Operations	3.00	3.00	3.00	3.00	—	369,554
Technologist	0.70	0.70	0.70	0.70	—	97,633
WQC Plant Operator II	16.00	16.00	16.00	16.00	—	1,505,572
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>71.05</b>	<b>68.84</b>	<b>68.84</b>	<b>68.84</b>	<b>—</b>	<b>7,275,158</b>
Temporary/Hourly	2.42	2.42	2.42	2.42	—	213,567
<b>Total Positions</b>	<b>73.47</b>	<b>71.26</b>	<b>71.26</b>	<b>71.26</b>	<b>—</b>	<b>7,488,725</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Treatment Fund
<b>Prior Year Budget</b>	<b>71.26</b>	<b>35,507,663</b>	<b>34,464,128</b>	<b>1,043,535</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Strategic Plan (Revenue from Santa Clara Valley Water District) Recycled Water Year 2	—	(188,000)	(188,000)	—
Supplemental Pension Trust Fund Contribution	—	(104,568)	—	(104,568)
General Liability Savings (one-time FY 2019 savings)	—	66,965	—	66,965
Workers' Compensation Savings (one-time FY 2019 savings)	—	77,764	—	77,764
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(147,839)</b>	<b>(188,000)</b>	<b>40,161</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	655,237	—	655,237
Proactive Contributions to City's Unfunded Pension Liability	—	336,423	—	336,423
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	330,200	—	330,200
Tributary Agency Partner Contribution	—	—	1,258,347	(1,258,347)
Return on Investments	—	—	189,800	(189,800)
FY 2020 Municipal Fee Revenue Adjustment	—	—	75,000	(75,000)
Landfill Gas Sales to Wastewater Treatment Plant	—	(51,950)	—	(51,950)
Water Quality Control Plant (WQCP) Chemicals and Supplies	—	(21,000)	—	(21,000)
Strategic Plan (Revenue from Santa Clara Valley Water District) Recycled Water Year 3	—	47,000	47,000	—
Landscape Maintenance Contract	—	55,437	—	55,437
Transfer to Technology Fund (Citywide Technology CIP)	—	156,100	—	156,100
Replacement of Incinerator with Dewatering Facility	—	810,069	—	810,069
Capital Improvements Projects	—	18,588,299	21,712,000	(3,123,701)
General Fund Cost Allocation Plan	—	142,967	—	142,967
Information Technology Allocated Charges	—	(890,371)	—	(890,371)
Liability Insurance Allocated Charges	—	(41,123)	—	(41,123)
Printing & Mailing Services Allocated Charges	—	6,430	—	6,430
Public Works Administration Allocated Charges	—	6,719	—	6,719

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Treatment Fund
Stormwater Management Allocated Charges	—	1,786	—	1,786
Utilities Allocated Charges	—	174,303	—	174,303
Vehicle Replacement & Maintenance Allocated Charges	—	90	—	90
Wastewater Treatment Allocated Charges	—	—	958,725	(958,725)
Workers' Compensation Allocated Charges	—	(77,615)	—	(77,615)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>20,229,001</b>	<b>24,240,872</b>	<b>(4,011,871)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>71.26</b>	<b>55,588,825</b>	<b>58,517,000</b>	<b>(2,928,175)</b>

# UTILITIES

## Mission Statement



in sound financial condition.

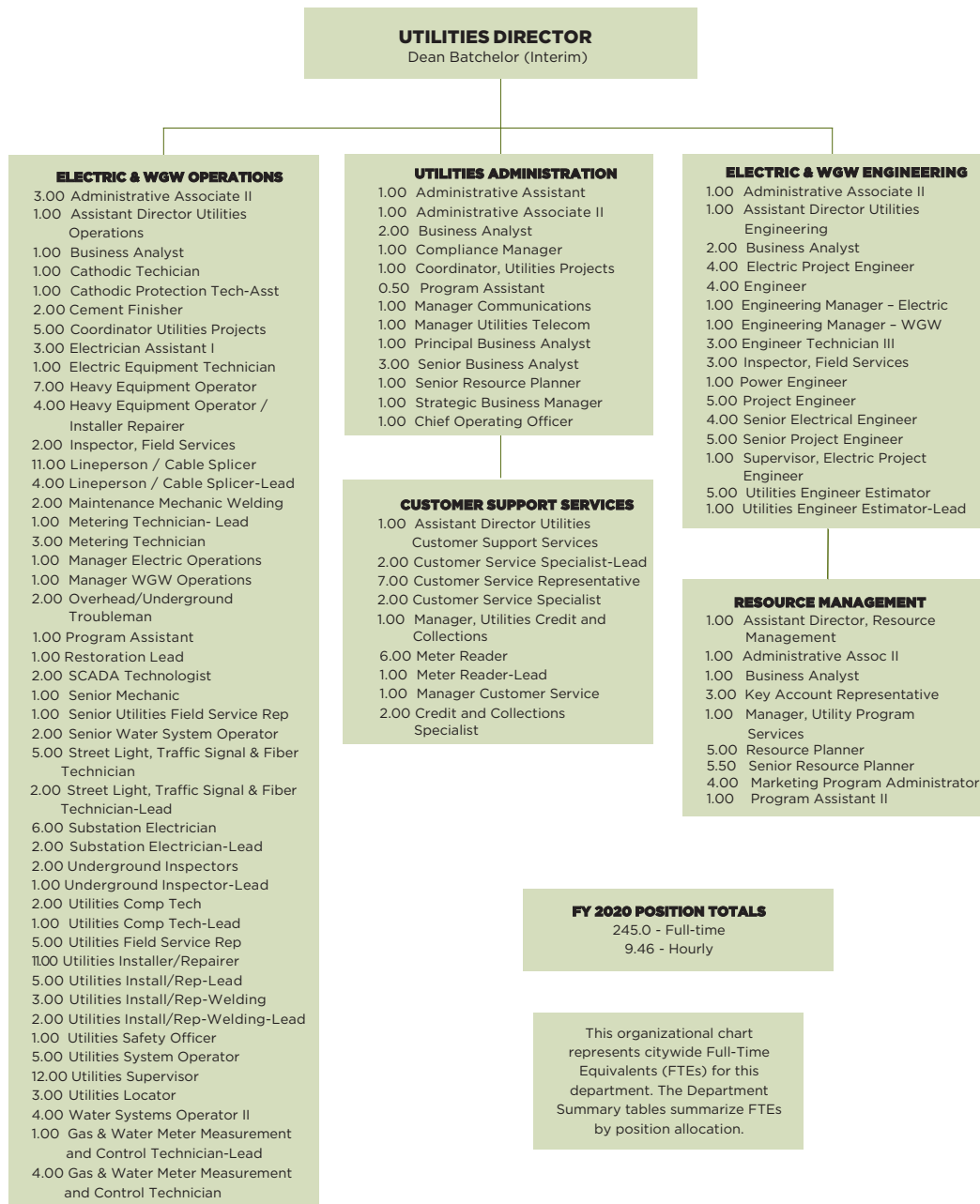
The City of Palo Alto Utilities' mission is to provide safe, reliable, environmentally sustainable, and cost-effective services.

## 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



# UTILITIES



## 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. CPAU also supports the City's sustainability goals by building a low-carbon energy supply through the use of renewable energy and offsets and by promoting programs to help customers use energy and water more efficiently, reduce their carbon footprint, and help them integrate new technologies.

At CPAU, our people empower tomorrow's ambitions while caring for today's needs. We make this possible with our outstanding professional workforce, leading through collaboration, and optimizing resources to ensure a sustainable and resilient Palo Alto.

### 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 and financial assistance programs.

### 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

- Completed the Upgrade Downtown project in collaboration with Public Works and Transportation, including utility pipe replacements, road repaving, and traffic signal enhancements.
- Received Council approval for the Utilities Smart Grid Assessment and Utilities Technology Implementation Plan, which lays out a roadmap for Advanced Metering Infrastructure and other major software projects including the Utilities customer information and billing system replacement.
- Positioned in first place for the number of solar contracts and electric vehicle sign-ups in the Bay Area SunShares program, a regional solar group-buy program.
- Launched new Electric Vehicle Charging Station rebate program for schools, apartment complexes, and non-profit buildings with common area charging accommodations.
- Collaborated with Public Works and Santa Clara Valley Water District to begin the Recycled Water Strategic Plan, a comprehensive evaluation of all potential recycled water supply options including non-potable and potable reuse options.
- Completed construction of a Sanitary Sewer Replacement Project for the Jr. Museum and Zoo (JMZ).
- Received the Tree Line USA Award for the fifth year in a row by the National Arbor Day Foundation for delivering safe and reliable electricity while maintaining healthy community trees.
- Won Voice of the People Award for Excellence in the Natural Environment, from the National Research Center and International City/County Management Association (ICMA)
- Received the Diamond Level Award as a Public Power Provider - the highest honor - for proficiency, sound business practices, and a utility-wide commitment to safe and reliable delivery of electricity, system improvement, energy efficiency and workforce development, from the American Public Power Association (APPA).

- Launched the new Utilities customer engagement portal to provide customers additional 24/7 self-services and customer information to better manage their consumption and choices.

## Initiatives

- Continue to implement the 2018 Utilities Strategic Plan to focus resources towards meeting priority initiatives related to workforce, technology, collaboration, financial efficiency, and resource optimization.
- Develop and issue a request for proposal for Advanced Metering Infrastructure (AMI)/Meter Data Management System (MDM) functional and system requirements.
- Integrate new Geographical Information System (GIS) to ensure accurate infrastructure information for customer service and infrastructure improvements.
- Conduct a comprehensive utility meter survey for 75,000 electric, gas, and water meters in the field in preparation of new AMI, GIS and utility billing systems.
- Explore a partnership with VMware to develop a microgrid at its campus which could provide a charging site for the City's emergency command vehicles during major emergencies.
- Implement the Distributed Energy Resources plan to ensure local generation (e.g. solar), storage, electric vehicles (EVs), and controllable loads (like heat pump water heaters) are integrated into the distribution system in a way that benefits both the customer and the broader community and support City's efforts to meet greenhouse gas reduction goals.
- Expand the fiber network to support AMI and internal wireless communication networks and enhance infrastructure resiliency.
- Develop a near and long term succession planning strategy including professional development, recruitment, and market-based compensation.
- Engage in community outreach to identify what aspects of resiliency are important to the community for each utility to support development of a resiliency work plan.
- Collaborate with Public Works and Santa Clara Valley Water District to complete the Recycled Water Strategic Plan, a comprehensive evaluation of all potential recycled water supply options including non-potable and potable reuse options.
- Develop and launch new energy and water efficiency programs and services for customers to adopt energy and water saving measures, reduce their utility bills, and improve sustainability.

## Key Performance Measures

### COMPARABLE AND COST-EFFECTIVE SERVICES

<b>Goal</b>	Ensure fiscally sound and cost-effective services.				
<b>Objective</b>	Reduce the cost of delivering services through best management practices.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Palo Alto's average residential monthly utility bill above/below the median of neighboring cities	(10.40)%	(8.25)%	(14.00)%	(12.00)%	(12.00)%
<b>Description</b>	This compares the average residential monthly utility bill which includes electricity, gas, water, and wastewater services to the nearby communities (Santa Clara \$188.66, Hayward \$233.38, Los Altos \$236.40, Mountain View \$242.04, Redwood City \$294.07, and Menlo Park \$311.12).				
<b>Purpose</b>	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).				
<b>Status</b>	<p>Palo Alto's electric rates are significantly lower than PG&amp;E and slightly higher than Santa Clara. Natural gas rates are lower than surrounding communities due to PG&amp;E 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 water supply comes from the San Francisco Public Utilities Commission, which is in the middle of a \$4.6 billion improvement project, and Palo Alto is investing more than other areas in improving local distribution pipelines and enhancing emergency water supply system. Despite fee increases, CPAU rates remain lower than neighboring cities.</p> <p>Rates for neighboring cities are not yet available for FY 2020.</p>				

## CUSTOMER SATISFACTION

<b>Goal</b>	Provide excellent customer service.				
<b>Objective</b>	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 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percent rating services (electric, gas, wastewater, and water) "Good" or Excellent	86.00%	84.75%	86.00%	86.00%	86.00%
<b>Description</b>	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. There are ten California communities participating in the survey.				
<b>Purpose</b>	To get feedback on whether customers are satisfied with the nature, extent and delivery of services provided, using random-selection survey processes that include a good cross-section of the customer base.				
<b>Status</b>	Results are statistically weighted to reflect the proper demographic composition of the entire community. A total of 614 completed surveys were obtained, providing an overall response rate of 21 percent. Typically, response rates obtained on citizen surveys range from 25 percent to 40 percent. From FY 2012 to FY 2017, Utilities has met its target of 83 percent and anticipates this continuing through FY 2019 and FY 2020.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Total cost of Capital Improvement Program annually (Millions)	\$20.40	\$24.10	\$35.40	\$35.40	\$51.50

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Fund</b>						
Electric Fund - Operating	50,350,245	51,443,024	70,081,759	71,470,449	1,388,690	2.0%
Electric Supply	94,096,708	108,624,454	104,723,604	110,734,779	6,011,176	5.7%
Fiber Optics	2,385,108	3,377,476	4,165,484	4,249,641	84,157	2.0%
Gas Fund - Operating	19,025,805	23,120,579	26,851,951	26,179,525	(672,427)	(2.5)%
Gas Supply	14,246,460	14,110,302	16,704,380	18,215,277	1,510,897	9.0%
Wastewater Collection - Operating	24,361,592	17,880,581	23,875,272	26,697,743	2,822,471	11.8%
Water Fund - Operating	38,572,014	46,737,022	59,028,147	59,312,068	283,921	0.5%
<b>Total</b>	<b>243,037,932</b>	<b>265,293,438</b>	<b>305,430,596</b>	<b>316,859,482</b>	<b>11,428,885</b>	<b>3.7%</b>

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Revenues</b>						
Charges for Services	588,350	459,431	270,000	420,000	150,000	55.6%
Charges to Other Funds	716,165	841,410	504,525	354,717	(149,808)	(29.7)%
From Other Agencies	512,301	500,773	576,632	576,632	—	—%
Net Sales	229,843,108	248,735,959	246,383,948	264,139,740	17,755,792	7.2%
Operating Transfers-In	2,922,786	3,977,536	4,203,098	3,163,724	(1,039,374)	(24.7)%
Other Revenue	9,701,750	9,785,634	11,953,278	11,719,065	(234,213)	(2.0)%
Property Taxes	39	—	—	—	—	—%
Rental Income	5,000	5,000	—	—	—	—%
Return on Investments	3,794,136	4,131,918	4,442,200	5,160,700	718,500	16.2%
<b>Total Revenues</b>	<b>248,083,635</b>	<b>268,437,661</b>	<b>268,333,681</b>	<b>285,534,578</b>	<b>17,200,897</b>	<b>6.4%</b>
<b>Positions by Fund</b>						
Electric Fund	113.32	111.23	111.33	110.95	(0.38)	(0.34)%
Fiber Optics Fund	6.82	7.60	7.60	7.50	(0.10)	(1.32)%
Gas Fund	52.55	53.11	53.83	53.83	—	—%
Utilities Administration	18.22	19.21	19.21	19.46	0.25	1.30%
Wastewater Collection Fund	29.17	29.00	29.16	29.16	—	—%
Water Fund	47.99	47.90	46.92	46.94	0.02	0.04%
<b>Total</b>	<b>268.06</b>	<b>268.05</b>	<b>268.05</b>	<b>267.84</b>	<b>(0.21)</b>	<b>(0.08)%</b>

# 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 customers is of paramount importance to CPAU. The Electric Fund strives 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

- Completed installation of underground substructure for Underground District 46 near the intersection of El Camino Real and Arastradero Road.
- Updated long-term electric supply portfolio strategic document (Electric Integrated Resource Plan).
- Adopted a hydroelectric rate adjuster to manage hydroelectric cost variability during drought seasons.
- Began operations for all solar projects on parking garages. Added new solar rooftops for two City garages (Bryant and Webster). Continued work on remaining projects that were initiated as part of the Palo Alto Clean Local Energy Accessible Now (CLEAN) Programs (aka Feed-In Tariffs).
- Completed 1.2 megawatt Solar System at Hewlett Packard campus which will provide about 20% of the facility's electricity usage.
- Approval of the advanced metering infrastructure (AMI) plan and technology roadmap to install advance/smart meters by 2023.



## UTILITIES

- Surveyed residents on new technologies such as electric vehicles, solar, and energy storage. Results of survey were used to inform planning for these new technologies.
- Developed a plan (the Distribution System Assessment) for integrating new energy technologies like electric vehicles, solar, and energy storage into the electric distribution system.
- Smoothly transitioned from existing net energy metering (NEM) program to NEM 2.0 successor program as of December 2018.
- Completed Phase I of the Veterans Affairs Hospital upgrade including relocation of 60kV equipment.
- Created online calculator to help residents calculate energy storage when they evaluate Electric Vehicles (EV) and photovoltaic (PV) solar panels.
- Increased participation in EV and building decarbonization rebate programs.
- Completed feeder relay coordination review and testing of relays at nine city substations.
- Completed phase one of supervisory control and data acquisition (SCADA) cybersecurity upgrade.
- Engineered and completed replacement of 65 wood utility poles.
- Sponsored a successful EV ride and drive event and participated in a successful solar/EV group buy program.
- Processed over 600 customer requests for new electric services.
- Completed the Utilities Control Center room upgrade including new video screens and consoles.

## Initiatives

- Continue to reduce barriers to building electrification and electric vehicle adoption, build on existing electrification programs, and evaluate new programs. Begin program to assist multi-family customers with EV charger installations as a complement to existing rebate program.
- Complete the installation of the failed 115/60kV transformer and breaker to improve the electrical fault at City's main electric receiving station.
- Effectively advocate with the Federal Government to preserve and enhance value of Federal hydropower contract in advance of 2020 contract renewal.
- Continue to assist customers with their energy use and promote efficiency. Launch new energy efficiency programs and resources for residents and small businesses.
- Expand effort to lower greenhouse gas emissions through electrification of the transportation sector such as encouraging adoption of electric vehicles.
- Implement updated electric supply strategies embodied in Electric Integrated Resource Plan.
- Revisit strategy for promoting solar energy. Bring remaining Palo Alto CLEAN projects online.

- Continue to offer electric safety education presentations to school and community groups.
- Continue discussions on building a second transmission line to provide electric service to Palo Alto.
- Replace aging 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 Veterans Affairs Hospital for their site upgrades.
- Relocate/reconstruct City's electric and communication facilities as necessary to facilitate the electrification of the Caltrain system.
- Develop plans to ensure safe operation of the overhead electric system in the western foothills area.

## Goals and Objectives

### GOAL 1

Provide safe and reliable delivery of electric services to customers.

#### Objectives:

- Develop a plan to complete a second electric transmission line source to improve service reliability.
- Establish a proactive infrastructure replacement program based on planned replacement before failure to support reliability and resiliency.
- Enhance planned maintenance programs for all utilities through clearly defined maintenance plans, improved management reporting, and developing innovative ways to ensure efficient completion of all maintenance.

### GOAL 2

Increase environmental sustainability and promote efficient use of resources.

#### Objectives:

- Achieve the ten-year goal for electric energy efficiency of 5.7 percent of the electric load by 2027.
- Accelerate Electric Vehicle (EV) penetration for both Palo Alto-based and inbound vehicles by providing more charging infrastructure.
- Expand effort to lower greenhouse gas emissions through electrification of the transportation sector such as encouraging adoption of electric vehicles.

# Key Performance Measures

## ENVIRONMENTAL SUSTAINABILITY

<b>Goal</b>	Support environmental sustainability and promote efficient use of resources.				
<b>Objective</b>	Achieve Renewable Portfolio Standard (RPS) of at least 50 percent by 2030.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of retail electric sales volume provided by renewable supply resources under long-term PPAs	51.00%	61.00%	58.20%	61.00%	60.00%
<b>Description</b>	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.				
<b>Purpose</b>	The Clean Energy and Pollution Reduction Act (SB 350) of 2015 raised the state's renewable portfolio standard (RPS) to 50 percent by 2030 and required a doubling of energy efficiency savings by 2030.				
<b>Status</b>	The City continues to meet both its RPS and carbon neutrality objectives, and has achieved an RPS level of greater than 60 percent in 2017 – 13 years earlier than it is required to achieve that level under state law.				

## SYSTEM RELIABILITY

<b>Goal</b>	Provide safe and efficient delivery of electric services to customers.				
<b>Objective</b>	Provide exceptional system reliability.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Average duration of customer outages in minutes as reported using industry guidelines	63.76	87.98	60.00	70.09	60.00
<b>Description</b>	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.				
<b>Purpose</b>	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.				
<b>Status</b>	The goal to attain 60 minutes or less in overall response time to restore outages was impacted in FY 2019 due to staffing vacancies and abnormally stormy weather causing a cluster of outages that resulted in longer response times. The Electric Utility had 27 sustained outages affecting a range of customers from 48 to 3,365 customers. Of the 27 outages, 19 were storm related and 8 non-storm. The non-storm outages were contributed to various types of equipment failure throughout the distribution system.				

**ENVIRONMENTAL SUSTAINABILITY - SOLAR**

<b>Goal</b>	Support environmental sustainability and promote efficient use of resources.				
<b>Objective</b>	Increase the penetration of local solar installations.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Cumulative installed capacity of photovoltaic (PV) systems measured in megawatts (MW)	8.70	11.80	14.90	13.30	14.00
<b>Description</b>	This represents the cumulative installed capacity of PV systems in Palo Alto, measured in MW. It includes PV systems installed prior to the passage of California Senate Bill 1 (SB1), which enacted the Million Solar Roofs Initiative and expands upon the current California Solar Initiative (CSI) and the Energy Commission's New Solar Homes Partnership (NSHP).				
<b>Purpose</b>	This measure supports the City's goal of achieving a 100 percent carbon neutral electric supply portfolio, meeting 4 percent of the City's electricity needs through local solar by 2023, and complying with California Senate Bill 1 (SB1) to increase PV installations. Increasing the cumulative installed capacity of PV systems will also benefit the environment and expand the flexibility of the City's electric generation portfolio.				
<b>Status</b>	California Senate Bill 1 (SB1) became effective in 2006 and required all California electric utilities to achieve a Statewide goal of adding 3,000 MW of new PV systems over ten years. The City of Palo Alto's portion of this statewide goal was to hit 3.0 MW cumulative installed capacity of PV systems by FY 2016. The City has exceeded the goal set by the state and was at 7.70 MW in FY 2016. With the costs of installing PV systems steadily decreasing, along with additional incentives such as rebates, staff anticipates an increase of PV installations to 14.00 MW in FY 2020 primarily from residential and commercial construction projects.				

## Workload Measures

	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Number of Customer Accounts (Electric)	29,616	29,475	29,600	29,600	29,746
Number of momentary outages	1	2	1	1	0
Percent of residents surveyed who rate the quality of the Electric Utility as "Good" or "Excellent"	87%	88%	88%	88%	88%
Total Number of Outages	20	35	17	30	28

# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
CIP Electric Fund	11,558,306	10,315,316	21,400,284	20,484,366	(915,918)	(4.3)%
Electric Administration	21,628,408	24,586,157	25,010,251	25,969,882	959,632	3.8%
Electric Customer Service	2,190,933	2,292,027	2,474,150	2,665,595	191,445	7.7%
Electric Demand Side Management	4,393,262	3,958,743	6,962,177	6,991,511	29,334	0.4%
Electric Engineering (Operating)	1,656,522	1,790,943	2,029,395	2,415,964	386,569	19.0%
Electric Operations and Maintenance	11,834,348	11,664,339	15,174,255	16,103,804	929,549	6.1%
Electric Resource Management	91,185,173	105,459,953	101,754,850	107,574,106	5,819,256	5.7%
<b>Total</b>	<b>144,446,952</b>	<b>160,067,478</b>	<b>174,805,362</b>	<b>182,205,228</b>	<b>7,399,865</b>	<b>4.2%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	1,897,689	1,949,617	2,403,978	2,475,451	71,473	3.0%
Other Benefits	234,198	304,713	329,347	373,996	44,649	13.6%
Overtime	946,401	929,360	504,795	517,920	13,125	2.6%
Pension	2,869,831	3,103,244	3,643,765	5,290,653	1,646,888	45.2%
Retiree Medical	1,537,263	1,617,277	1,555,185	1,601,840	46,656	3.0%
Salary	10,743,153	10,816,735	12,997,024	13,384,300	387,277	3.0%
Workers' Compensation	138,287	123,558	292,351	441,673	149,322	51.1%
<b>Total Salary &amp; Benefits</b>	<b>18,366,822</b>	<b>18,844,505</b>	<b>21,726,445</b>	<b>24,085,834</b>	<b>2,359,389</b>	<b>10.9%</b>
Allocated Charges	2,905,159	5,506,903	8,799,392	9,227,612	428,221	4.9%
Contract Services	4,445,291	3,096,678	7,743,680	7,615,180	(128,500)	(1.7)%
Debt Service	8,857,193	8,770,695	8,722,300	8,476,576	(245,724)	(2.8)%
Equity Transfer	12,035,000	12,887,000	12,709,000	13,129,000	420,000	3.3%
Facilities & Equipment	—	2,174	64,155	64,155	—	—%
General Expense	2,040,146	2,135,223	3,456,870	3,441,967	(14,903)	(0.4)%
Operating Transfers-Out	317,573	560,572	127,819	—	(127,819)	(100.0)%
Rents & Leases	5,449,402	5,612,918	5,893,136	6,276,636	383,501	6.5%
Supplies & Material	639,238	474,977	924,207	924,207	—	—%
Transfer to Infrastructure	189,972	—	—	—	—	—%
Utility Purchase	80,511,136	94,659,116	89,712,000	95,678,373	5,966,373	6.7%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Capital Improvement Program	8,690,020	7,516,715	14,926,359	13,285,687	(1,640,672)	(11.0)%
<b>Total Dollars by Expense Category</b>	<b>144,446,952</b>	<b>160,067,478</b>	<b>174,805,362</b>	<b>182,205,228</b>	<b>7,399,865</b>	<b>4.2%</b>

Revenues						
Charges for Services	455,040	310,863	230,000	380,000	150,000	65.2%
Charges to Other Funds	306,268	460,890	294,362	139,712	(154,650)	(52.5)%
Net Sales	129,124,526	145,962,397	143,040,068	154,329,190	11,289,122	7.9%
Operating Transfers-In	2,678,768	3,465,100	3,663,820	2,615,588	(1,048,232)	(28.6)%
Other Revenue	7,652,336	7,508,222	8,660,000	8,928,000	268,000	3.1%
Property Taxes	39	—	—	—	—	—%
Rental Income	5,000	5,000	—	—	—	—%
Return on Investments	1,800,584	1,941,997	2,507,700	2,158,000	(349,700)	(13.9)%
<b>Total Revenues</b>	<b>142,022,560</b>	<b>159,654,470</b>	<b>158,395,950</b>	<b>168,550,490</b>	<b>10,154,540</b>	<b>6.4%</b>

Positions by Division						
CIP Electric Fund	32.14	31.90	31.90	31.90	—	—%
Electric Customer Service	12.07	11.70	12.00	11.90	(0.10)	(0.83)%
Electric Demand Side Management	6.85	6.17	6.17	5.59	(0.58)	(9.40)%
Electric Engineering (Operating)	4.98	4.98	4.98	4.98	—	—%
Electric Operations and Maintenance	48.36	48.10	48.10	48.10	—	—%
Electric Resource Management	8.92	8.38	8.18	8.48	0.30	3.67%
<b>Total</b>	<b>113.32</b>	<b>111.23</b>	<b>111.33</b>	<b>110.95</b>	<b>(0.38)</b>	<b>(0.34)%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Account Specialist	0.33	0.31	0.31	0.31	—	20,526
Administrative Associate II	4.00	3.90	3.90	3.30	(0.60)	234,254
Assistant Director Administrative Services	0.20	0.20	0.20	0.20	—	35,397
Assistant Director Utilities Customer Support Services	0.40	0.40	0.40	0.40	—	78,025

## UTILITIES

### Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Assistant Director Utilities Engineering	0.40	0.40	0.40	0.40	—	77,958
Assistant Director Utilities Operations	0.60	0.60	0.60	0.60	—	130,366
Assistant Director Utilities/Resource Management	0.50	0.50	0.50	0.50	—	100,391
Business Analyst	2.04	1.94	1.60	1.60	—	223,161
Contracts Administrator	0.10	0.10	0.10	0.10	—	11,754
Coordinator Utilities Projects	1.55	1.55	1.55	1.55	—	134,364
Customer Service Representative	1.62	1.87	1.87	1.87	—	131,557
Customer Service Specialist	0.66	0.66	0.66	0.66	—	51,059
Customer Service Specialist-Lead	0.58	0.58	0.58	0.58	—	47,991
Electric Project Engineer	1.95	1.95	1.95	3.25	1.30	439,118
Electric Underground Inspector	2.00	2.00	2.00	2.00	—	189,016
Electric Underground Inspector-Lead	1.00	1.00	1.00	1.00	—	101,074
Electrical Equipment Technician	1.00	1.00	1.00	1.00	—	86,281
Electrician Assistant I	3.00	3.00	3.00	3.00	—	224,931
Engineering Manager - Electric	0.55	0.55	0.55	0.55	—	113,084
Engineering Technician III	2.40	1.40	1.40	1.40	—	124,921
Heavy Equipment Operator	2.00	2.00	2.00	2.00	—	179,439
Inspector, Field Services	0.25	0.25	0.25	0.25	—	24,073
Lineperson/Cable Specialist	11.00	11.00	11.00	11.00	—	1,314,588
Lineperson/Cable Specialist-Lead	4.00	4.00	4.00	4.00	—	511,582
Manager Customer Service	0.33	0.33	0.33	0.33	—	50,052
Manager Electric Operations	1.00	1.00	1.00	1.00	—	176,238
Manager Treasury, Debt & Investments	0.30	0.30	0.30	0.30	—	44,703
Manager Utilities Compliance	0.15	0.15	0.15	0.15	—	28,386
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	22,973
Manager Utilities Program Services	0.40	0.40	0.40	0.40	—	59,912
Meter Reader	1.99	1.99	1.99	1.99	—	131,501
Meter Reader-Lead	0.33	0.33	0.33	0.33	—	23,329
Metering Technician	3.00	3.00	3.00	3.00	—	338,001

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Metering Technician-Lead	1.00	1.00	1.00	1.00	—	120,562
Offset Equipment Operator	0.48	0.48	0.48	0.48	—	30,263
Overhead Underground Troubleshooter	2.00	2.00	2.00	2.00	—	251,105
Power Engineer	2.30	2.30	2.30	1.00	(1.30)	127,393
Principal Business Analyst	0.34	0.34	0.34	0.34	—	60,013
Program Assistant II	—	—	—	0.60	0.60	46,450
Project Manager	0.75	0.75	0.75	0.75	—	78,234
Resource Planner	3.65	3.85	3.65	2.85	(0.80)	364,298
SCADA Technologist	1.00	1.00	1.00	1.00	—	136,953
Senior Business Analyst	0.68	0.68	1.02	1.02	—	151,320
Senior Electrical Engineer	3.95	3.95	3.95	3.95	—	736,251
Senior Management Analyst	0.10	0.10	0.10	0.10	—	13,130
Senior Resource Planner	3.80	3.06	3.06	3.36	0.30	563,779
Senior Utilities Field Service Representative	0.10	0.10	0.10	0.10	—	10,426
Street Light, Traffic Signal & Fiber Technician	3.00	3.00	3.00	3.00	—	323,311
Street Light, Traffic Signal & Fiber-Lead	1.00	1.00	1.00	1.00	—	115,314
Substation Electrician	5.50	5.50	5.50	5.50	—	646,599
Substation Electrician-Lead	2.00	2.00	2.00	2.00	—	251,621
Supervising Electric Project Engineer	1.00	1.00	1.00	1.00	—	156,624
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	79,815
Utilities Compliance Technician	2.00	2.00	2.00	2.00	—	230,629
Utilities Compliance Technician-Lead	1.00	1.00	1.00	1.00	—	123,374
Utilities Credit/Collection Specialist	2.00	2.00	2.00	2.00	—	170,447
Utilities Engineer Estimator	3.25	3.25	3.25	3.25	—	362,352
Utilities Field Services Representative	0.50	0.50	0.50	0.50	—	48,732
Utilities Key Account Representative	1.60	1.35	1.35	1.35	—	146,841
Utilities Locator	1.95	1.95	1.95	1.95	—	174,444



## UTILITIES

### Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Utilities Marketing Program Administrator	1.90	1.60	1.90	2.70	0.80	278,966
Utilities Safety Officer	0.55	0.55	0.55	0.55	—	70,653
Utilities Supervisor	5.00	5.00	5.00	5.00	—	759,429
Utilities System Operator	5.00	5.00	5.00	5.00	—	640,575
Utility Engineering Estimator - Lead	—	1.00	1.00	1.00	—	120,058
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>108.18</b>	<b>107.12</b>	<b>107.22</b>	<b>107.52</b>	<b>0.30</b>	<b>12,849,966</b>
Temporary/Hourly	5.15	4.11	4.11	3.43	(0.68)	322,602
<b>Total Positions</b>	<b>113.32</b>	<b>111.23</b>	<b>111.33</b>	<b>110.95</b>	<b>(0.38)</b>	<b>13,172,568</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Electric Fund
<b>Prior Year Budget</b>	<b>111.33</b>	<b>174,805,362</b>	<b>158,395,950</b>	<b>16,409,412</b>
<b>One-time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(183,857)	—	(183,857)
General Liability Savings (one-time FY 2019 Savings)	—	29,753	—	29,753
Workers' Compensation Savings (one-time FY 2019 Savings)	—	116,506	—	116,506
<b>One-time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(37,598)</b>	<b>—</b>	<b>(37,598)</b>
<b>Base Adjustments</b>				
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	1,066,833	—	1,066,833
Proactive Contributions to City's Unfunded Pension Liability	—	579,551	—	579,551
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	578,300	—	578,300
Electric Customer Sales Revenue (8% Rate Increase)	—	—	11,152,304	(11,152,304)
Electric Consultant Services Contract (sunset in FY2019)	—	(128,500)	—	(128,500)
Communication Maintenance and Utilities Payment Adjustments	—	—	(154,650)	154,650
Rents & Leases Expenditure Alignment	—	212,710	—	212,710
Return on Investments	—	—	(349,700)	349,700
Equity Transfer to the General Fund	—	420,000	—	420,000
Transfer from the Water and Gas Fund (EL-11014 Smart Grid Installation)	—	—	(470,000)	470,000
Transfer from the General Fund (Traffic Signal and Streetlight Electric Costs)	—	—	(578,232)	578,232
Electric Commodity Purchases Expenditure	—	5,720,649	—	5,720,649
Capital Improvement Program	—	(1,593,175)	(60,000)	(1,533,175)
General Fund Cost Allocation Plan	—	117,210	—	117,210
Grounds Maintenance Allocated Charges	—	1,896	—	1,896
Printing & Mailing Services Allocated Charges	—	16,776	—	16,776
Public Works Services Engineering & Inspection Allocated Charges	—	122	—	122
Stormwater Management Allocated Charges	—	1,409	—	1,409
Utilities Administration Allocated Charges	—	193,275	—	193,275

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Electric Fund
Utilities Allocated Charges	—	113,629	614,818	(501,189)
Vehicle Replacement & Maintenance Allocated Charges	—	(37,310)	—	(37,310)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>7,263,376</b>	<b>10,154,540</b>	<b>(2,891,164)</b>
<b>Total FY 2020 Base Budget</b>	<b>111.33</b>	<b>182,031,140</b>	<b>168,550,490</b>	<b>13,480,649</b>
<b>Budget Proposals</b>				
1 Resource Management Administrative Staffing Realignment	(0.68)	(33,943)	—	(33,943)
2 Resource Management Program Administration Staffing Realignment	—	(29,784)	—	(29,784)
3 Administrative Services Staffing Vacancies	—	(19,968)	—	(19,968)
4 Engineering Staffing Alignment	0.00	14,286	—	14,286
5 Resource Management Resource Planning Staffing Realignment	0.30	72,707	—	72,707
6 Elwell Court Improvements	—	170,791	—	170,791
<b>Budget Changes</b>	<b>(0.38)</b>	<b>174,088</b>	<b>—</b>	<b>174,088</b>
<b>Total FY 2020 Proposed Budget</b>	<b>110.95</b>	<b>182,205,228</b>	<b>168,550,490</b>	<b>13,654,738</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Electric Fund
1 Resource Management Administrative Staffing Realignment	-0.68	(33,943)	0	(33,943)

This ongoing action will eliminate 0.60 FTE Administrative Associate, 0.68 FTE Project Specialist, and add 0.60 Program Specialist in this fund as a part of the Resource Management Division department-wide realignment to ensure staffing levels commensurate with current workload needs and meet the City's sustainability goals. This action will add one 1.0 FTE Program Assistant II position; eliminate one 1.0 FTE Administrative Associate II position, one 0.48 FTE Project Specialist position, and one vacant 0.48 FTE Project Specialist position in the Utilities Department. Currently the Utilities Sustainability and Efficiency programs rely on hourly employees to provide regular customer program support; however, the hourly positions have been difficult to fill on an extended basis. This action will allow more continuity of internal and external support for the Sustainability and Efficiency programs and will enable staff development for succession planning purposes throughout the Resource Management Division. (Ongoing savings: \$32,900)

### Performance Results



The full-time Program Assistant II position will streamline customer support and service delivery, while providing administrative support for these programs.

2 Resource Management Program Administration Staffing Realignment	0.00	(29,784)	0	(29,784)
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This ongoing action will eliminate 0.80 FTE Resource Planner positions and add 0.80 FTE Utility Marketing Program Administrator positions in this fund as a part of the Resource Management Division department-wide realignment to ensure staffing levels commensurate with current workload needs and meet the City's sustainability goals. This action will eliminate one 1.0 FTE Utility Marketing Program Administrator and eliminate two vacant 0.5 FTE vacant Resource Planner positions in the Utilities Department. Adding 1.0 FTE Utility Marketing Program Administrator will facilitate overall energy program management; this need has grown since the City adopted energy efficiency requirements beyond the State minimums. Since the City is now utilizing 100% renewable energy for electricity commodity purchases, the focus for carbon reduction efforts has shifted from electric commodity purchases to expanding the use of electrification throughout the City from other utility sources. (Ongoing savings: \$32,500)

### Performance Results



This action will help streamline energy program management.

3 Administrative Services Staffing Vacancies	0.00	(19,968)	0	(19,968)
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This one-time action recognizes vacancy savings for the equivalent of 1.0 FTE Senior Management Analyst and 1.0 FTE Account Specialist during FY 2020. Currently the Administrative Services Department is experiencing a vacancy factor of nearly 15%, including positions at these levels. Due to the priority of other staffing recruitments of a more urgent need, such as Purchasing Division staffing, it is anticipated that these recruitments will not be addressed until further through FY 2020 and therefore savings can be anticipated. The functions of these positions are currently being absorbed temporarily by the Chief Financial Officer, Assistant Director, and additional administrative assistance, primarily on overtime. This diminishes staff's ability to continue to make progress on service delivery evolutions and requires staff to rely more heavily on contractual assistant and status quo business processes. (Ongoing savings: \$0)

### Performance Results



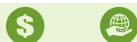
This action is anticipated to help contain costs for FY 2020.

# Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Electric Fund
4 Engineering Staffing Alignment	0.00	14,286	0	14,286

This ongoing action will reclassify 1.30 FTE Power Engineer to an Electric Project Engineer for a net zero FTE change in this fund as a part of the Utilities Department engineering staff alignment. The department-wide reclassification of two 1.0 FTE Power Engineer positions to two 1.0 FTE Electric Project Engineers will align with current workload needs to meet the City's sustainability goals. These positions are partially funded in the Electric, Fiber, and Water funds. The Electric Project Engineer position requires a Professional Engineering (PE) license and is qualified to work independently on electric engineering projects with minimal guidance from concept through design, construction and closeout of the project. The Power Engineer position does not require a PE and works under the supervision of a Senior Electrical Engineer. This action facilitates retention of engineering staff and enhances succession planning. (Ongoing costs: \$14,700)

## Performance Results

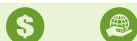


This action assists the Utilities Department's Strategic Plan goal to recruit and retain high performing employees, preventing loss of institutional knowledge, and mitigating service impact to customers.

5 Resource Management Resource Planning Staffing Realignment	0.30	72,707	0	72,707
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This ongoing action will add 0.30 FTE Senior Resource Planner position in this fund as a part of the Resource Management Division department-wide realignment to ensure staffing is commensurate with current workload needs and meet the City's sustainability goals. This action will increase one vacant 0.5 FTE Senior Resource Planner position to 1.0 FTE Senior Resource Planner. The Resource Management Division manages the City's electric, water, and gas supply contracts, which included annual utility commodity purchases of approximately \$90 million for electric, \$22 million for water, and \$15 million for gas. Attracting and retaining experienced high-level talent across multiple utilities is important; the City competes with other Community Choice Aggregators (CCAs) in the Electricity industry to recruit in the Bay Area. Adding a full-time Senior Resource Planner will enable the team to implement tasks under the Sustainability and Climate Action Plan while preparing for anticipated Senior Resource Planner retirements expected in the next few years. (Ongoing costs: \$75,800)

## Performance Results



The full-time Senior Resource Planner will enhance the City's ability to pursue the City's sustainability and carbon reduction goals, without diverting staffing resources from core functions.

6 Elwell Court Improvements	0.00	170,791	0	170,791
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This one-time action will increase rental expenses for one year on office space rented and occupied by staff from the Utilities Department at Elwell Court. This increase will fund the costs of renovation and associated moving expenses. Under the current lease agreement, the tenant, the City of Palo Alto, is responsible for improvements and repairs within the rented space. While minor improvements have been performed on an as-needed basis, renovations are needed to address the worn out interior and to bring the space in compliance with the American Disability Act (ADA) requirements. Elwell has been rented for over 20 years and provides more than 16,000 square feet of office space for 45 full time employees. (Ongoing costs: \$0)

## Performance Results



Updating the rented space at Elwell Court will provide employees with a safe and comfortable environment while also complying to the American Disability Act (ADA) requirements.

# 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. This service excludes the transmitters, receivers, and data itself, which are owned and operated by each customer.

## Accomplishments

- Added new fiber conduit on University Avenue as part of the Upgrade Downtown project.
- Installed new services for Stanford University offsite facilities and other customers in Stanford Research Park.
- Installed public Wi-Fi to unserved City facilities, including community areas in Cubberley, Lucie Stern, and Baylands Golf Links.
- Reviewed bid proposals to develop a business case for a Fiber-to-the-Node (FTTN) network for fiber and broadband expansion, including an expansion option to build citywide Fiber-to-the-Premises (FTTP).

## Initiatives

- Provide high-quality and competitively-priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto.
- Continue Capital Improvement Projects to upgrade the City's dark fiber network to enhance network capacity to enable future expansion opportunities for licensing dark fiber for commercial purposes.

- Evaluate new opportunities to expand the existing commercial dark fiber customer base in other business sectors (e.g. licensing dark fiber to the mobile service operator for network backhaul links for small cell deployments).
- Develop a plan to ensure the retention of commercial dark fiber customers due to anticipated changes in the market for business broadband services.
- Develop a new dedicated fiber ring for city substations to enhance reliability and security.
- Retain a management consultant to develop a business case for a FTTN/FTTP network and prepare a detailed engineering design of fiber expansion to support AMI, internal wireless communication network, and other city services.
- Develop policies and ordinances to support the expansion of broadband in Palo Alto and to preserve City street conditions and other critical infrastructure (e.g. Dig Once, Multi-unit Dwelling and One Touch Make Ready).
- Install fiber from Dahl Reservoir to Montebello Reservoir to enable full remote-control valves at Montebello and improve radio coverage in the foothills area for emergency response.

## 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 City and customer needs.
- Make system enhancements to prevent damage from outside sources and improve reliability.

## Key Performance Measures

### CUSTOMER SATISFACTION

<b>Goal</b>	Provide excellent customer service.				
<b>Objective</b>	Provide high-quality and competitively-priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of commercial fiber connections completed	228	198	238	207	215
<b>Description</b>	This measure shows the growth of the Fiber Enterprise based on customers and connections. Estimates are based on analyzing the number of upcoming developments, anticipating how many customers would sign on for Fiber, and taking into account how many existing connections may result in disconnections such as companies leaving. Some customers may also have multiple fiber connections at various locations.				
<b>Purpose</b>	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.				
<b>Status</b>	The Fiber Enterprise continues to build out its network to provide more service options to the ever-expanding customer base. Based on seven connections currently in the pipeline and the anticipation for Stanford to increase their Fiber connections (new hospital, housing units, etc.) the estimated connections for FY 2020 is 215.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of Customer Accounts (Fiber)	110	93	110	110	98
Number of Wholesale re-sellers	12	13	14	14	15



# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
CIP Fiber Optics Fund	458,664	1,047,968	1,650,000	1,525,441	(124,559)	(7.5)%
Fiber Optics Administration	174,885	188,357	748,831	843,079	94,248	12.6%
Fiber Optics Customer Service	515,324	678,580	1,170,484	1,241,621	71,136	6.1%
Fiber Optics Operations and Maintenance	1,236,236	1,462,572	596,169	639,500	43,331	7.3%
<b>Total</b>	<b>2,385,108</b>	<b>3,377,476</b>	<b>4,165,484</b>	<b>4,249,641</b>	<b>84,157</b>	<b>2.0%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	150,743	163,825	163,151	171,660	8,508	5.2%
Other Benefits	18,999	24,736	26,007	29,786	3,778	14.5%
Overtime	11,593	21,055	24,874	25,521	647	2.6%
Pension	209,591	242,846	251,105	358,230	107,125	42.7%
Salary	825,396	1,007,041	955,812	967,733	11,921	1.2%
Workers' Compensation	1,166	666	19,047	30,967	11,920	62.6%
<b>Total Salary &amp; Benefits</b>	<b>1,217,489</b>	<b>1,460,169</b>	<b>1,439,997</b>	<b>1,583,895</b>	<b>143,899</b>	<b>10.0%</b>
Allocated Charges	438,939	542,597	575,882	671,131	95,249	16.5%
Contract Services	134,006	161,241	454,646	454,646	—	—%
Facilities & Equipment	—	—	2,457	2,457	—	—%
General Expense	3,161	2,430	13,900	12,000	(1,900)	(13.7)%
Operating Transfers-Out	103,915	129,531	113,684	102,176	(11,508)	(10.1)%
Rents & Leases	73,038	75,375	79,326	82,360	3,034	3.8%
Supplies & Material	—	8,738	9,000	9,000	—	—%
Transfer to Infrastructure	13,756	5,700	—	—	—	—%
Capital Improvement Program	400,805	991,695	1,476,592	1,331,975	(144,616)	(9.8)%
<b>Total Dollars by Expense Category</b>	<b>2,385,108</b>	<b>3,377,476</b>	<b>4,165,484</b>	<b>4,249,641</b>	<b>84,157</b>	<b>2.0%</b>
<b>Revenues</b>						
Charges for Services	28,052	37,224	—	—	—	—%
Charges to Other Funds	—	135,895	—	—	—	—%
Net Sales	4,526,098	4,356,872	4,989,512	4,594,824	(394,687)	(7.9)%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Other Revenue	1,181	66,032	200,000	200,000	—	—%
Return on Investments	499,412	582,095	366,400	749,500	383,100	104.6%
<b>Total Revenues</b>	<b>5,054,743</b>	<b>5,178,117</b>	<b>5,555,912</b>	<b>5,544,324</b>	<b>(11,587)</b>	<b>(0.2)%</b>

### Positions by Division

CIP Fiber Optics Fund	0.79	0.79	0.79	0.79	—	—%
Fiber Optics Customer Service	2.90	3.68	3.68	3.58	(0.10)	(2.72)%
Fiber Optics Operations and Maintenance	3.13	3.13	3.13	3.13	—	—%
<b>Total</b>	<b>6.82</b>	<b>7.60</b>	<b>7.60</b>	<b>7.50</b>	<b>(0.10)</b>	<b>(1.32)%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Administrative Associate II	0.10	0.20	0.20	0.20	—	14,197
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	39,012
Assistant Director Utilities Engineering	0.05	0.05	0.05	0.05	—	9,745
Business Analyst	0.20	0.30	0.30	0.30	—	41,843
Electric Project Engineer	0.05	0.05	0.05	0.45	0.40	60,801
Manager Utilities Compliance	0.10	0.10	0.10	0.10	—	18,924
Manager Utilities Credit & Collection	0.40	0.40	0.40	0.40	—	61,260
Manager Utilities Program Services	0.20	0.20	0.20	0.20	—	29,956
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	—	150,072
Power Engineer	0.40	0.40	0.40	—	(0.40)	—
Senior Electrical Engineer	0.05	0.05	0.05	0.05	—	9,262
Street Light, Traffic Signal & Fiber Technician	2.00	2.00	2.00	2.00	—	215,541
Street Light, Traffic Signal & Fiber- Lead	1.00	1.00	1.00	1.00	—	115,314
Utilities Key Account Representative	0.70	0.80	0.80	0.80	—	87,017

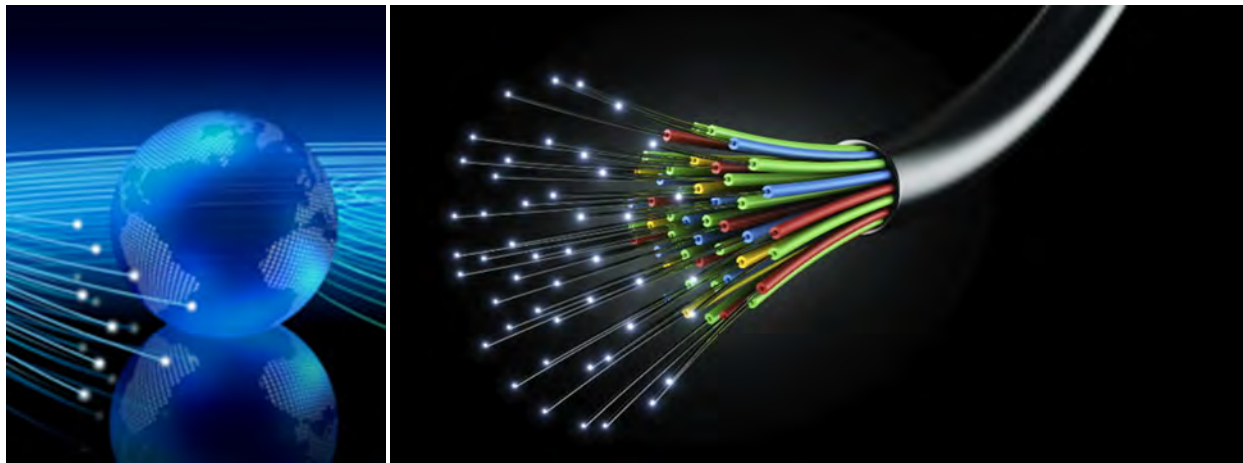
## UTILITIES

### Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Utilities Locator	0.03	0.03	0.03	0.03	—	2,684
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>6.48</b>	<b>6.78</b>	<b>6.78</b>	<b>6.78</b>	<b>—</b>	<b>855,628</b>
Temporary/Hourly	0.34	0.82	0.82	0.72	(0.10)	73,587
<b>Total Positions</b>	<b>6.82</b>	<b>7.60</b>	<b>7.60</b>	<b>7.50</b>	<b>(0.10)</b>	<b>929,215</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Fiber Optics Fund
<b>Prior Year Budget</b>	<b>7.60</b>	<b>4,165,484</b>	<b>5,555,912</b>	<b>(1,390,428)</b>
<b>One-time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(12,661)	—	(12,661)
General Liability Savings (one-time FY 2019 Savings)	—	1,938	—	1,938
Workers' Compensation Savings (one-time FY 2019 savings)	—	7,590	—	7,590
<b>One-time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(3,133)</b>	<b>—</b>	<b>(3,133)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	64,370	—	64,370
Proactive Contributions to City's Unfunded Pension Liability	—	39,265	—	39,265
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	38,500	—	38,500
Return on Investments	—	—	383,100	(383,100)
Rents & Leases Expenditures	—	3,034	—	3,034
Fiber Optics Revenue (Rate Increase of 4.5% for EDF-1)	—	—	(394,687)	394,687
Capital Improvement Program	—	(149,688)	—	(149,688)
General Fund Cost Allocation Plan	—	83,150	—	83,150
Liability Insurance Allocated Charges	—	2,261	—	2,261
Utilities Administration Allocated Charges	—	8,065	—	8,065
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>88,955</b>	<b>(11,587)</b>	<b>100,543</b>
<b>Total FY 2020 Base Budget</b>	<b>7.60</b>	<b>4,251,306</b>	<b>5,544,324</b>	<b>(1,293,018)</b>
<b>Budget Proposals</b>				
1 Resource Management Administrative Staffing Realignment	(0.10)	(6,061)	—	(6,061)
2 Engineering Staffing Alignment	—	4,396	—	4,396
<b>Budget Changes</b>	<b>(0.10)</b>	<b>(1,665)</b>	<b>—</b>	<b>(1,665)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>7.50</b>	<b>4,249,641</b>	<b>5,544,324</b>	<b>(1,294,683)</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Fiber Optics Fund
1 Resource Management Administrative Staffing Realignment	-0.10	(6,061)	0	(6,061)

This ongoing action will eliminate 0.10 FTE vacant Project Specialist position in this fund as a part of the Resource Management Division department-wide realignment to ensure staffing levels commensurate with current workload needs and meet the City's sustainability goals. This action will add one 1.0 FTE Program Assistant II position; eliminate one 1.0 FTE Administrative Associate II position, one 0.48 FTE Project Specialist position, and one vacant 0.48 FTE Project Specialist position in the Utilities Department. Currently the Utilities Sustainability and Efficiency programs rely on hourly employees to provide regular customer program support; however, the hourly positions have been difficult to fill on an extended basis. This action will allow more continuity of internal and external support for the Sustainability and Efficiency programs and will enable staff development for succession planning purposes throughout the Resource Management Division. (Ongoing savings: \$6,500)

### Performance Results



The full-time Program Assistant II position will streamline customer support and service delivery, while providing administrative support for these programs.

2 Engineering Staffing Alignment	0.00	4,396	0	4,396
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This ongoing action will reclassify 0.40 FTE Power Engineer to an Electric Project Engineer for a net zero FTE change in this fund as a part of the Utilities Department engineering staff alignment. The department-wide reclassification of two 1.0 FTE Power Engineer positions to two 1.0 FTE Electric Project Engineers will align with current workload needs to meet the City's sustainability goals. These positions are partially funded in the Electric, Fiber, and Water funds. The Electric Project Engineer position requires a Professional Engineering (PE) license and is qualified to work independently on electric engineering projects with minimal guidance from concept through design, construction and closeout of the project. The Power Engineer position does not require a PE and works under the supervision of a Senior Electrical Engineer. This action facilitates retention of engineering staff and enhances succession planning. (Ongoing costs: \$4,500)

### Performance Results



This action assists the Utilities Department's Strategic Plan goal to recruit and retain high performing employees, preventing loss of institutional knowledge, and mitigating service impact to customers.

# 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 maintain 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

- Continued to implement Carbon Neutral Gas Plan by buying carbon offsets equal to Palo Alto's annual gas use as a transitional measure while focusing on reducing natural gas use.
- Began a prepaid natural gas purchase program with Munigas that will save gas consumers over \$1M per year.
- Advocated for Palo Alto's interests in PG&E Gas Transmission and Storage rate case, achieved savings in certain transmission costs.
- Completion of the construction of approximately 19,500 linear feet of natural gas mains and 370 natural gas service pipelines under the Gas Main Replacement (GMR) 22 and Upgrade Downtown project.
- Completed design of the Acrylonitrile Butadiene Styrene (ABS)/Tenite natural gas service replacement project to replace approximately 130 natural gas service pipelines at various locations within the city.
- Completed design on Phase II of the Crossbore Gas Safety Program to inspect sanitary sewer laterals of potential damage during natural gas pipeline installation.
- Began design of the Gas Main Replacement 23 project within business districts to replace approximately 20,000 linear feet of natural gas mains and 350 natural gas service pipelines made of Polyvinyl Chloride (PVC).

### Initiatives

- Complete construction of the Acrylonitrile Butadiene Styrene (ABS)/Tenite natural gas service replacement project to replace approximately 130 natural gas service pipelines at various locations within the city.
- Begin construction of Gas Main Replacement 23 project within business districts to replace approximately 20,000 linear feet of natural gas mains and 350 natural gas service pipelines made of Polyvinyl Chloride (PVC).
- Begin work on Phase II of the Crossbore Gas Safety Program to inspect high priority sanitary sewer laterals for the presence of natural gas pipelines.
- Complete an updated natural gas utility cost of service study; the previous study was conducted in 2012.
- Explore local carbon offset project (refrigerant recycling).
- Launch new gas efficiency programs and resources for residents and small businesses.

### Goals and Objectives

#### GOAL 1

Provide safe and efficient delivery of natural gas to customers.

##### Objectives:

- Continue repairing 100 percent of laterals damaged by crossbore within 24 hours.
- Remove and replace the remaining PVC 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 (base year 2013).
- Reduce the carbon intensity of the gas portfolio in accordance with the Sustainability and Climate Action Plan (S/CAP) using offsets.

# Key Performance Measures

## GAS LEAKS REPAIRED

<b>Goal</b>	Provide safe and efficient delivery of natural gas to customers.				
<b>Objective</b>	Respond to and repair all Grade 1 gas leaks immediately.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percentage of Grade 1 leaks responded to within 24 hours	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Description</b>	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.				
<b>Purpose</b>	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.				
<b>Status</b>	Utilities Operations responds immediately to Grade 1 leaks. The average repair time can vary depending on the size and location of the gas leak.				

## GAS SAFETY

<b>Goal</b>	Provide safe and efficient delivery of natural gas to our customers.				
<b>Objective</b>	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.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percentage of gas system surveyed by walking	0.00%	100.00%	100.00%	50.00%	50.00%
Percentage of gas system surveyed by mobile (vehicle)	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Description</b>	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. The Federal Department of Transportation (DOT) regulations require a survey of the entire City once every five years. In addition to a walking survey, a mobile (vehicle) survey of all gas mains and some gas service lines (services in the business district) are conducted annually.				
<b>Purpose</b>	To ensure the safety of all who live and work in Palo Alto and to comply with Federal DOT requirements.				
<b>Status</b>	<p>The department did not perform a walking survey in 2017 due to staffing constraint.</p> <p>The department is meeting the requirements and repairing all discovered gas leaks in a timely manner.</p>				



## INCREASE ENVIRONMENTAL SUSTAINABILITY AND PROMOTE EFFICIENT USE OF NATURAL GAS RESOURCES

<b>Goal</b>	Support environmental sustainability and promote efficient use of natural gas resources.				
<b>Objective</b>	Increase gas efficiency participation.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Natural gas savings achieved annually through efficiency programs (therms)	228,707	249,725	301,000	301,000	316,000
<b>Description</b>	The department measures specific savings achieved from the installation of natural gas efficiency improvements, which are tracked through energy efficiency incentive programs. The Department can also track overall savings by customer class. Much of the non-residential savings were achieved through third party contractors who help large customers give their buildings a tune-up known as retro-commissioning.				
<b>Purpose</b>	The carbon intensity of the natural gas portfolio is a function of where and how the gas is acquired and how much of it is burned in use. Improving gas efficiency directly reduces the gas-related carbon footprint in Palo Alto.				
<b>Status</b>	FY 2017 gas efficiency savings were above the annual target for the tenth year in a row. As the cost of gas decreases, the Department anticipates a decline in the type of large commercial gas savings projects that made up the majority of this year's savings.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of Customer Accounts (Gas)	23,637	23,395	23,664	23,664	23,665
Number of gas leaks repaired	82	81	50	90	80

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
CIP Gas Fund	2,694,478	5,504,869	5,567,183	3,742,737	(1,824,446)	(32.8)%
Gas Administration	10,476,335	11,065,620	12,069,893	12,602,068	532,176	4.4%
Gas Customer Service	1,440,930	1,529,936	1,779,485	1,911,680	132,195	7.4%
Gas Demand Side Management	855,204	828,561	1,547,073	1,567,605	20,532	1.3%
Gas Engineering (Operating)	354,827	350,902	561,931	670,487	108,556	19.3%
Gas Operations and Maintenance	4,321,176	4,673,257	6,632,739	7,101,687	468,948	7.1%
Gas Resource Management	13,129,316	13,277,736	15,398,027	16,798,537	1,400,510	9.1%
<b>Total</b>	<b>33,272,265</b>	<b>37,230,881</b>	<b>43,556,331</b>	<b>44,394,802</b>	<b>838,471</b>	<b>1.9%</b>

<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	905,632	883,093	1,089,891	1,143,407	53,515	4.9%
Other Benefits	94,385	120,687	153,760	176,172	22,412	14.6%
Overtime	241,406	200,797	193,144	198,165	5,022	2.6%
Pension	1,234,331	1,333,372	1,571,349	2,310,105	738,756	47.0%
Retiree Medical	594,708	625,662	667,617	687,645	20,028	3.0%
Salary	3,484,177	4,151,790	5,569,839	5,832,855	263,016	4.7%
Workers' Compensation	101,734	90,119	124,864	186,916	62,052	49.7%
<b>Total Salary &amp; Benefits</b>	<b>6,656,373</b>	<b>7,405,521</b>	<b>9,370,463</b>	<b>10,535,265</b>	<b>1,164,802</b>	<b>12.4%</b>
Allocated Charges	2,771,186	2,690,914	4,328,918	4,453,179	124,262	2.9%
Contract Services	896,927	617,044	2,463,313	2,463,313	—	—%
Debt Service	226,747	203,683	802,615	802,615	—	—%
Equity Transfer	6,726,000	6,699,000	6,563,000	7,106,000	543,000	8.3%
Facilities & Equipment	—	2,027	19,039	19,039	—	—%
General Expense	465,031	421,873	769,134	762,991	(6,143)	(0.8)%
Operating Transfers-Out	457,658	972,491	640,642	410,403	(230,239)	(35.9)%
Rents & Leases	713,115	735,359	759,870	851,539	91,669	12.1%
Supplies & Material	324,485	344,184	488,816	488,816	—	—%
Transfer to Infrastructure	71,969	5,700	—	—	—	—%
Utility Purchase	12,562,932	12,921,050	14,671,556	16,012,329	1,340,773	9.1%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Capital Improvement Program	1,399,844	4,212,033	2,678,965	489,312	(2,189,653)	(81.7)%
<b>Total Dollars by Expense Category</b>	<b>33,272,265</b>	<b>37,230,881</b>	<b>43,556,331</b>	<b>44,394,802</b>	<b>838,471</b>	<b>1.9%</b>

<b>Revenues</b>						
Charges for Services	24,303	28,560	20,000	20,000	—	—%
Charges to Other Funds	219,023	115,229	98,072	100,622	2,550	2.6%
Net Sales	35,214,383	35,794,564	36,160,635	37,278,530	1,117,895	3.1%
Other Revenue	957,753	1,109,304	1,091,935	1,124,303	32,368	3.0%
Return on Investments	506,216	568,475	526,300	802,300	276,000	52.4%
<b>Total Revenues</b>	<b>36,921,679</b>	<b>37,616,132</b>	<b>37,896,942</b>	<b>39,325,755</b>	<b>1,428,813</b>	<b>3.8%</b>

<b>Positions by Division</b>						
CIP Gas Fund	17.10	15.80	15.80	15.80	—	—%
Gas Customer Service	8.78	9.03	9.13	9.03	(0.10)	(1.10)%
Gas Demand Side Management	1.34	1.94	1.54	1.54	—	—%
Gas Engineering (Operating)	1.40	1.40	1.40	1.40	—	—%
Gas Operations and Maintenance	22.43	23.98	24.30	24.30	—	—%
Gas Resource Management	1.50	0.96	1.66	1.76	0.10	6.03%
<b>Total</b>	<b>52.55</b>	<b>53.11</b>	<b>53.83</b>	<b>53.83</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Account Specialist	0.23	0.23	0.23	0.23	—	15,229
Administrative Associate II	0.75	0.85	0.85	0.60	(0.25)	42,592
Assistant Director Administrative Services	0.05	0.05	0.05	0.05	—	8,849
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	39,012
Assistant Director Utilities Engineering	0.20	0.20	0.20	0.20	—	38,979
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	32,592

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Assistant Director Utilities/Resource Management	0.25	0.25	0.25	0.25	—	50,196
Business Analyst	1.28	1.48	1.15	1.15	—	160,397
Cathodic Protection Technician Assistant	1.00	1.00	1.00	1.00	—	95,886
Cathodic Technician	1.00	1.00	1.00	1.00	—	117,717
Cement Finisher	0.25	0.68	0.68	0.68	—	58,529
Contracts Administrator	0.10	0.10	0.10	0.10	—	11,754
Coordinator Utilities Projects	1.26	1.26	1.26	1.26	—	130,462
Customer Service Representative	1.62	1.87	1.87	1.87	—	131,557
Customer Service Specialist	0.68	0.68	0.68	0.68	—	52,606
Customer Service Specialist-Lead	0.58	0.58	0.58	0.58	—	47,991
Engineer	2.00	2.00	2.00	2.00	—	238,662
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	30,841
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	64,597
Engineering Technician III	0.70	0.70	0.70	0.70	—	62,460
Equipment Operator	0.43	—	—	—	—	—
Gas and Water Meter Measurement and Control Technician	—	3.20	3.20	3.20	—	325,012
Gas and Water Meter Measurement and Control Technician - Lead	—	0.80	0.80	0.80	—	86,944
Gas System Technician II	2.90	—	—	—	—	—
Heavy Equipment Operator	2.52	2.52	2.52	2.52	—	226,093
Heavy Equipment Operator - Install/Repair	0.65	0.65	0.65	0.65	—	61,508
Inspector, Field Services	1.42	1.42	1.42	1.42	—	136,732
Maintenance Mechanic-Welding	1.00	1.00	1.00	1.00	—	95,789
Manager Customer Service	0.33	0.33	0.33	0.33	—	50,052
Manager Treasury, Debt & Investments	0.10	0.10	0.10	0.10	—	14,901
Manager Utilities Compliance	0.25	0.25	0.25	0.25	—	47,310
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	22,973
Manager Utilities Operations WGW	0.20	0.20	0.20	0.20	—	35,427
Manager Utilities Program Services	0.20	0.20	0.20	0.20	—	29,956
Meter Reader	1.98	1.98	1.98	1.98	—	130,840

# UTILITIES

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Meter Reader-Lead	0.33	0.33	0.33	0.33	—	23,329
Principal Business Analyst	0.33	0.33	0.33	0.33	—	58,248
Program Assistant I	0.33	0.33	0.33	0.33	—	23,767
Program Assistant II	—	—	—	0.25	0.25	19,354
Project Engineer	1.00	1.00	1.00	1.00	—	128,437
Resource Planner	0.65	(0.05)	0.65	0.45	(0.20)	57,521
Restoration Lead	0.43	0.43	0.43	0.43	—	40,238
SCADA Technologist	0.20	0.20	0.20	0.20	—	27,391
Senior Business Analyst	0.66	0.66	0.99	0.99	—	146,869
Senior Engineer	2.70	2.70	2.70	2.70	—	438,539
Senior Mechanic	0.33	0.33	0.33	0.33	—	33,189
Senior Resource Planner	0.30	0.46	0.46	0.56	0.10	89,696
Senior Utilities Field Service Representative	0.41	0.41	0.41	0.41	—	42,745
Substation Electrician	0.10	0.10	0.10	0.10	—	11,756
Utilities Engineer Estimator	0.85	0.85	0.85	0.85	—	93,179
Utilities Field Services Representative	1.75	1.75	1.75	1.75	—	170,561
Utilities Install Repair-Lead-Welding Certified	1.30	1.30	1.30	1.30	—	137,991
Utilities Install Repair-Welding Certified	1.95	1.95	1.95	1.95	—	178,386
Utilities Install/Repair	3.85	3.85	3.85	3.85	—	365,894
Utilities Install/Repair Assistant	0.65	0.65	0.65	0.65	—	52,393
Utilities Install/Repair-Lead	1.98	1.98	1.98	1.98	—	190,111
Utilities Key Account Representative	0.45	0.50	0.50	0.50	—	54,386
Utilities Locator	0.29	0.29	0.29	0.29	—	25,943
Utilities Marketing Program Administrator	0.70	1.00	0.70	0.90	0.20	92,989
Utilities Safety Officer	0.20	0.20	0.20	0.20	—	25,692
Utilities Supervisor	2.37	2.37	2.37	2.37	—	345,536
Water System Operator II	0.66	0.66	0.66	0.66	—	59,193
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>49.68</b>	<b>51.14</b>	<b>51.54</b>	<b>51.64</b>	<b>0.10</b>	<b>5,627,779</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Temporary/Hourly	2.88	1.97	2.29	2.19	(0.10)	122,813
<b>Total Positions</b>	<b>52.55</b>	<b>53.11</b>	<b>53.83</b>	<b>53.83</b>	<b>—</b>	<b>5,750,591</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Gas Fund
<b>Prior Year Budget</b>	<b>53.83</b>	<b>43,556,331</b>	<b>37,896,942</b>	<b>5,659,390</b>
<b>One-time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(79,311)	—	(79,311)
General Liability Savings (one-time FY 2019 Savings)	—	12,708	—	12,708
Workers' Compensation Savings (one-time FY 2019 Savings)	—	49,760	—	49,760
<b>One-time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(16,843)</b>	<b>—</b>	<b>(16,843)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	587,962	—	587,962
Proactive Contributions to City's Unfunded Pension Liability	—	253,748	—	253,748
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	248,700	—	248,700
Gas Customer Sales Revenue (5% Rate Increase)	—	—	1,117,895	(1,117,895)
Return on Investments	—	—	276,000	(276,000)
Transfer to the Electric Fund	—	(180,000)	—	(180,000)
Connection Charge (GS-80017)	—	—	32,368	(32,368)
Charges to Other Funds	—	—	2,550	(2,550)
Transfer to the Water Fund	—	4,429	—	4,429
Rents & Leases Expenditure Alignment	—	24,217	—	24,217
Equity Transfer to the General Fund	—	543,000	—	543,000
Gas Commodity Purchases Expenditures	—	1,340,774	—	1,340,774
Capital Improvement Program	—	(2,165,638)	—	(2,165,638)
General Fund Cost Allocation Plan	—	58,942	—	58,942
Landscape Maintenance Contract	—	254	—	254
Liability Insurance Allocated Charges	—	8,612	—	8,612
Printing & Mailing Services Allocated Charges	—	3,925	—	3,925
Public Works Services Allocated Charges	—	122	—	122
Stormwater Management Allocated Charges	—	13	—	13
Utilities Administration Allocated Charges	—	51,718	—	51,718
Vehicle Replacement & Maintenance Allocated Charges	—	(8,035)	—	(8,035)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>772,743</b>	<b>1,428,813</b>	<b>(656,070)</b>
<b>Total FY 2020 Base Budget</b>	<b>53.83</b>	<b>44,312,232</b>	<b>39,325,755</b>	<b>4,986,477</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Gas Fund
<b>Budget Proposals</b>				
1 Resource Management Program Administration Staffing Realignment	—	(7,446)	—	(7,446)
2 Resource Management Administrative Staffing Realignment	(0.10)	(1,672)	—	(1,672)
3 Resource Management Resource Planning Staffing Realignment	0.10	24,236	—	24,236
4 Elwell Court Improvements	—	67,452	—	67,452
<b>Budget Changes</b>	<b>0.00</b>	<b>82,570</b>	<b>—</b>	<b>82,570</b>
<b>Total FY 2020 Proposed Budget</b>	<b>53.83</b>	<b>44,394,802</b>	<b>39,325,755</b>	<b>5,069,047</b>



# Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Gas Fund
1 Resource Management Program Administration Staffing Realignment	0.00	(7,446)	0	(7,446)

This ongoing action will eliminate 0.20 FTE Resource Planner positions and add 0.20 FTE Utility Marketing Program Administrator positions in this fund as a part of the Resource Management Division department-wide realignment to ensure staffing levels commensurate with current workload needs and meet the City's sustainability goals. This action will eliminate one 1.0 FTE Utility Marketing Program Administrator and eliminate two vacant 0.5 FTE vacant Resource Planner positions in the Utilities Department. Adding 1.0 FTE Utility Marketing Program Administrator will facilitate overall energy program management; this need has grown since the City adopted energy efficiency requirements beyond the State minimums. Since the City is now utilizing 100% renewable energy for electricity commodity purchases, the focus for carbon reduction efforts has shifted from electric commodity purchases to expanding the use of electrification throughout the City from other utility sources. (Ongoing savings: \$8,000)

## Performance Results



This action will help streamline energy program management.



# Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Gas Fund
2 Resource Management Administrative Staffing Realignment	-0.10	(1,672)	0	(1,672)

This ongoing action will eliminate 0.25 FTE Administrative Associate II, 0.10 FTE Project Specialist, and add 0.25 Program Assistant II in this fund as a part of the Resource Management Division department-wide realignment to ensure staffing levels commensurate with current workload needs and meet the City's sustainability goals. This action will add one 1.0 FTE Program Assistant II position; eliminate one 1.0 FTE Administrative Associate II position, one 0.48 FTE Project Specialist position, and one vacant 0.48 FTE Project Specialist position in the Utilities Department. Currently the Utilities Sustainability and Efficiency programs rely on hourly employees to provide regular customer program support; however, the hourly positions have been difficult to fill on an extended basis. This action will allow more continuity of internal and external support for the Sustainability and Efficiency programs and will enable staff development for succession planning purposes throughout the Resource Management Division. (Ongoing savings: \$600)

## Performance Results



The full-time Program Assistant II position will streamline customer support and service delivery, while providing administrative support for these programs.

3 Resource Management Resource Planning Staffing Realignment	0.10	24,236	0	24,236
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This ongoing action will add 0.10 FTE Senior Resource Planner position in this fund as a part of the Resource Management Division department-wide realignment to ensure staffing is commensurate with current workload needs and meet the City's sustainability goals. This action will increase one vacant 0.5 FTE Senior Resource Planner position to 1.0 FTE Senior Resource Planner in the Utilities Department. The Resource Management Division manages the City's electric, water, and gas supply contracts, which included annual utility commodity purchases of approximately \$90 million for electric, \$22 million for water, and \$15 million for gas. Attracting and retaining experienced high-level talent across multiple utilities is important; the City competes with other Community Choice Aggregators (CCAs) in the Electricity industry to recruit in the Bay Area. Adding a full-time Senior Resource Planner will enable the team to implement tasks under the Sustainability and Climate Action Plan while preparing for anticipated Senior Resource Planner retirements expected in the next few years. (Ongoing costs: \$25,300)

## Performance Results



The full-time Senior Resource Planner will enhance the City's ability to pursue the City's sustainability and carbon reduction goals, without diverting staffing resources from core functions.

4 Elwell Court Improvements	0.00	67,452	0	67,452
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This one-time action will increase rental expenses for one year on office space rented and occupied by staff from the Utilities Department at Elwell Court. This increase will fund the costs of renovation and associated moving expenses. Under the current lease agreement, the tenant, the City of Palo Alto, is responsible for improvements and repairs within the rented space. While minor improvements have been performed on an as-needed basis, renovations are needed to address the worn out interior and to bring the space in compliance with the American Disability Act (ADA) requirements. Elwell has been rented for over 20 years and provides more than 16,000 square feet of office space for 45 full time employees. (Ongoing costs: \$0)

## Performance Results



Updating the rented space at Elwell Court will provide employees with a safe and comfortable environment while also complying to the American Disability Act (ADA) requirements.

# 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

- Completed construction of Sanitary Sewer Replacement Project (SSR 28) Part A to replace approximately 477 linear feet of sewer main pipelines the Jr. Museum and Zoo.
- Completed design and solicitation package of Sanitary Sewer Replacement Project (SSR 28) Part B to replace approximately 6,000 linear feet of sewer main pipelines on Oregon Avenue and rehabilitate 2,000 linear feet of sewer main pipelines on lower Page Mill Road and Colorado Avenue.
- Started design of Sanitary Sewer Replacement Project 29 (SSR 29) to replace approximately 16,000 linear feet of sewer main pipelines in the Charleston Meadows neighborhood.
- Updated Utility Standards for wastewater specifications and details.

### Initiatives

- Complete construction of Sanitary Sewer Replacement Project SSR 28 Part B to replace approximately 6,000 linear feet of sewer main pipelines on Oregon Avenue and rehabilitate 2,000 linear feet of sewer main pipelines on lower Page Mill Road and Colorado Avenue.
- Complete design of Sanitary Sewer Replacement Project 29 (SSR29) to replace approximately 16,000 linear feet of sewer main pipelines in the Charleston Meadows neighborhood.
- Solicit proposals and perform evaluation of replacement software for Wastewater Enterprise Asset Management System.
- Update the wastewater utility's cost of service study

### Goals and Objectives

#### GOAL 1

Maintain and provide reliable and cost-effective wastewater services to customers.

#### Objectives:

- Clean and maintain sewer mains in commercial areas on a quarterly basis.
- Clean and video a minimum of 17%, or 3,060, of the City-owned laterals annually to comply with the 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 the City's wastewater collection system by replacing mains and laterals as identified in the Wastewater Collection System Rehabilitation/Augmentation Capital Improvement Project plan.
- Minimize sanitary sewer overflows and stoppages.
- Maintain a fleet of dependable vehicles to provide high quality cleaning and servicing of the sewer system.

## Key Performance Measures

### MAINTAIN AND PROVIDE RELIABLE SERVICES

<b>Goal</b>	Maintain and provide a reliable wastewater system to customers.				
<b>Objective</b>	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 the City's Sewer Overflow Reduction Plan.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of miles of sewer lines cleaned/treated in a fiscal year	61.00	134.00	75.00	75.00	75.00
Percentage of sewer laterals inspected annually	19.00%	19.00%	18.00%	18.00%	18.00%
<b>Description</b>	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.				
<b>Purpose</b>	To prevent blockage, sewer overflows, and to comply with the City's SSMP, all the City's sewer mains must be cleaned within 30 months.				
<b>Status</b>	The City is meeting the objectives of its SSMP; through the implementation of an aggressive sewer main cleaning, the number of blockages and overflows has decreased. The division is on target to complete inspection of 19%, or 3,528, laterals of 18,141 in the City.				

## Workload Measures

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Number of Customer Accounts (Wastewater)	22,216	21,979	22,010	21,979	22,010
Number of sewage overflows in a fiscal year	100	65	63	61	58
Percent of sewage spill responses within two hours	94.00%	98.00%	100.00%	100.00%	100.00%
Percent of surveyed residents rating the quality of the Sewer Service as good/excellent	88.00%	85.00%	89.00%	86.00%	86.00%
Percent of miles of sewer lines replaced	1.20%	0.04%	1.50%	1.00%	1.00%

# Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
CIP Wastewater Collection Fund	10,265,576	2,948,288	6,631,085	7,965,240	1,334,155	20.1%
Wastewater Collection Administration	2,379,821	2,024,750	2,648,640	2,719,148	70,508	2.7%
Wastewater Collection Customer Service	274,932	283,291	332,034	355,693	23,660	7.1%
Wastewater Collection Engineering (Operating)	291,893	345,136	479,537	560,183	80,645	16.8%
Wastewater Collection Operations and Maintenance	11,149,370	12,279,116	13,783,976	15,097,480	1,313,504	9.5%
<b>Total</b>	<b>24,361,592</b>	<b>17,880,581</b>	<b>23,875,272</b>	<b>26,697,743</b>	<b>2,822,471</b>	<b>11.8%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	541,581	530,834	621,177	659,170	37,993	6.1%
Other Benefits	50,285	65,624	78,258	88,978	10,720	13.7%
Overtime	250,958	204,273	150,985	154,911	3,926	2.6%
Pension	673,275	748,942	867,095	1,271,815	404,720	46.7%
Retiree Medical	136,521	143,626	259,629	267,418	7,789	3.0%
Salary	2,741,131	2,238,681	3,050,134	3,192,081	141,947	4.7%
Workers' Compensation	31,589	19,139	68,779	104,473	35,695	51.9%
<b>Total Salary &amp; Benefits</b>	<b>4,425,340</b>	<b>3,951,119</b>	<b>5,096,057</b>	<b>5,738,846</b>	<b>642,789</b>	<b>12.6%</b>
Allocated Charges	918,413	1,173,511	2,540,312	2,723,456	183,143	7.2%
Contract Services	114,936	95,622	248,986	248,986	—	—%
Debt Service	42,568	38,190	129,001	129,001	—	—%
Facilities & Equipment	214	—	12,828	12,828	—	—%
General Expense	59,133	67,985	125,420	122,900	(2,520)	(2.0)%
Operating Transfers-Out	414,853	442,062	294,055	274,068	(19,987)	(6.8)%
Rents & Leases	396,092	432,531	419,562	480,121	60,558	14.4%
Supplies & Material	272,399	270,575	380,618	380,618	—	—%
Transfer to Infrastructure	50,002	—	—	—	—	—%
Utility Purchase	8,390,646	9,559,183	10,276,371	11,233,922	957,551	9.3%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
Capital Improvement Program	9,276,997	1,849,801	4,352,062	5,352,998	1,000,937	23.0%
<b>Total Dollars by Expense Category</b>	<b>24,361,592</b>	<b>17,880,581</b>	<b>23,875,272</b>	<b>26,697,743</b>	<b>2,822,471</b>	<b>11.8%</b>
<b>Revenues</b>						
Charges for Services	20,955	22,450	10,000	10,000	—	—%
Charges to Other Funds	30,107	30,107	30,890	31,693	803	2.6%
Net Sales	18,237,556	18,026,146	19,835,873	21,106,047	1,270,174	6.4%
Other Revenue	245,565	229,212	1,069,995	1,082,534	12,539	1.2%
Return on Investments	215,909	169,663	266,500	297,700	31,200	11.7%
<b>Total Revenues</b>	<b>18,750,093</b>	<b>18,477,578</b>	<b>21,213,257</b>	<b>22,527,974</b>	<b>1,314,716</b>	<b>6.2%</b>
<b>Positions by Division</b>						
CIP Wastewater Collection Fund	12.52	12.52	12.52	12.52	—	—%
Wastewater Collection Customer Service	2.19	2.22	2.22	2.22	—	—%
Wastewater Collection Engineering (Operating)	1.40	1.40	1.40	1.40	—	—%
Wastewater Collection Operations and Maintenance	13.06	12.86	13.02	13.02	—	—%
<b>Total</b>	<b>29.17</b>	<b>29.00</b>	<b>29.16</b>	<b>29.16</b>	<b>—</b>	<b>—%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Account Specialist	0.23	0.23	0.23	0.23	—	15,229
Administrative Associate II	0.40	0.40	0.40	0.40	—	28,394
Assistant Director Utilities Engineering	0.15	0.15	0.15	0.15	—	29,234
Assistant Director Utilities Operations	0.10	0.10	0.10	0.10	—	21,728
Business Analyst	0.75	0.75	0.75	0.75	—	104,607
Cement Finisher	0.50	0.76	0.76	0.76	—	65,415
Contracts Administrator	0.05	0.05	0.05	0.05	—	5,877

# UTILITIES

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Coordinator Utilities Projects	1.10	1.10	1.10	1.10	—	113,895
Customer Service Representative	1.20	1.45	1.45	1.45	—	102,009
Customer Service Specialist-Lead	0.25	0.25	0.25	0.25	—	20,686
Engineer	1.00	1.00	1.00	1.00	—	119,331
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	30,841
Engineering Manager - WGW	0.34	0.34	0.34	0.34	—	66,555
Engineering Technician III	0.45	0.45	0.45	0.45	—	40,153
Equipment Operator	0.26	—	—	—	—	—
Heavy Equipment Operator	0.23	0.23	0.23	0.23	—	20,636
Heavy Equipment Operator - Install/Repair	3.15	3.15	3.15	3.15	—	274,831
Industrial Waste Investigator	0.50	0.50	0.50	0.50	—	49,547
Inspector, Field Services	1.68	1.68	1.68	1.68	—	161,768
Maintenance Mechanic-Welding	0.20	0.20	0.20	0.20	—	19,158
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	22,973
Manager Utilities Operations WGW	0.30	0.30	0.30	0.30	—	53,140
Program Assistant I	0.34	0.34	0.34	0.34	—	24,487
Project Engineer	2.00	2.00	2.00	2.00	—	256,874
Restoration Lead	0.26	0.26	0.26	0.26	—	24,330
Senior Engineer	1.30	1.30	1.30	1.30	—	199,706
Senior Mechanic	0.33	0.33	0.33	0.33	—	33,189
Utilities Engineer Estimator	0.47	0.47	0.47	0.47	—	50,559
Utilities Field Services Representative	1.25	1.25	1.25	1.25	—	121,829
Utilities Install Repair-Lead-Welding Certified	0.24	0.24	0.24	0.24	—	25,475
Utilities Install Repair-Welding Certified	0.36	0.36	0.36	0.36	—	32,933
Utilities Install/Repair	4.25	4.25	4.25	4.25	—	403,909
Utilities Install/Repair-Lead	2.00	2.00	2.00	2.00	—	207,443
Utilities Locator	0.39	0.39	0.39	0.39	—	34,889
Utilities Safety Officer	0.10	0.10	0.10	0.10	—	12,846

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Utilities Supervisor	1.72	1.72	1.72	1.72	—	233,206
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>28.15</b>	<b>28.40</b>	<b>28.40</b>	<b>28.40</b>	<b>—</b>	<b>3,027,682</b>
Temporary/Hourly	1.02	0.60	0.76	0.76	—	50,662
<b>Total Positions</b>	<b>29.17</b>	<b>29.00</b>	<b>29.16</b>	<b>29.16</b>	<b>—</b>	<b>3,078,344</b>



# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
<b>Prior Year Budget</b>	<b>29.16</b>	<b>23,875,272</b>	<b>21,213,257</b>	<b>2,662,015</b>
<b>One-time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(43,849)	—	(43,849)
General Liability Savings (one-time FY 2019 Savings)	—	7,000	—	7,000
Workers' Compensation Savings (one-time FY 2019 Savings)	—	27,409	—	27,409
<b>One-time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(9,440)</b>	<b>—</b>	<b>(9,440)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	334,287	—	334,287
Proactive Contributions to City's Unfunded Pension Liability	—	139,883	—	139,883
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	136,900	—	136,900
Wastewater Collection Customer Sales Revenue (7% Rate Increase)	—	(72)	1,270,174	(1,270,247)
Return on Investments	—	—	31,200	(31,200)
Utility Payment Processing	—	—	803	(803)
Transfer to Water Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data)	—	4,429	—	4,429
Rents & Leases Expenditure Alignment	—	12,471	—	12,471
Wastewater Treatment Expenses	—	957,551	—	957,551
Capital Improvement Program	—	1,019,046	12,539	1,006,507
General Fund Cost Allocation Plan	—	129,009	—	129,009
Liability Insurance Allocated Charges	—	3,430	—	3,430
Printing & Mailing Allocated Charges	—	688	—	688
Public Works Services Allocated Charges	—	670	—	670
Utilities Administration Allocated Charges	—	63,348	—	63,348
Vehicle Replacement & Maintenance Allocated Charges	—	(17,815)	—	(17,815)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>2,783,825</b>	<b>1,314,717</b>	<b>1,469,108</b>
<b>Total FY 2020 Base Budget</b>	<b>29.16</b>	<b>26,649,656</b>	<b>22,527,974</b>	<b>4,121,682</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
<b>Budget Proposals</b>				
1 Elwell Court Improvements	—	48,087	—	48,087
<b>Budget Changes</b>	<b>—</b>	<b>48,087</b>	<b>—</b>	<b>48,087</b>
<b>Total FY 2020 Proposed Budget</b>	<b>29.16</b>	<b>26,697,743</b>	<b>22,527,974</b>	<b>4,169,769</b>

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Wastewater Collection Fund
1 Elwell Court Improvements	0.00	48,087	0	48,087

This one-time action will increase rental expenses for one year on office space rented and occupied by staff from the Utilities Department at Elwell Court. This increase will fund the costs of renovation and associated moving expenses. Under the current lease agreement, the tenant, the City of Palo Alto, is responsible for improvements and repairs within the rented space. While minor improvements have been performed on an as-needed basis, renovations are needed to address the worn out interior and to bring the space in compliance with the American Disability Act (ADA) requirements. Elwell has been rented for over 20 years and provides more than 16,000 square feet of office space for 45 full time employees. (Ongoing costs: \$0)

### Performance Results



Updating the rented space at Elwell Court will provide employees with a safe and comfortable environment while also complying to the American Disability Act (ADA) requirements.

# 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, the engineering division is implementing a seismic upgrade to the existing reservoirs, wells and receiving stations to increase supply reliability during catastrophic emergencies.

## Accomplishments

- Updated the business plan to explore the economic feasibility of installing Phase III of the recycled water irrigation pipeline to serve the Stanford Research Park.
- Completed construction of Water Main Replacement project (WMR 26) project in University Park and Downtown North to replace approximately 13,000 linear feet of water main pipelines, 200 service pipelines, and 40 fire hydrants.
- Completed construction of the Water Main Replacement project as part of the Upgrade Downtown project to replace approximately 3,155 linear feet of water main pipelines, 52 service pipelines, and 10 fire hydrants.
- Started design of Water Main Replacement project (WMR 27) in the Oak Creek and Greenmeadow neighborhoods to replace approximately 10,000 linear feet of water main pipelines.

- Completed the geological investigation of the foundation leaks at the Mayfield Tank and provided a report containing results of the subsurface explorations and laboratory testing and recommended repair alternatives.
- Completed a survey and geotechnical investigation of the Corte Madera reservoir site.
- Completed two transmission valve replacements on Arastradero Road.
- Completed the Conceptual Engineering Report (CER) and 25% of the Drawings and Specification for the Corte Madera Reservoir.
- Completed seismic work and upgrades for Arastradero, Page Mill, and California Avenue turnouts.
- Implemented a water leak policy, applying financial credits to residential and commercial accounts experiencing high bills due to unforeseen leaks.
- Completed the second annual water loss audit (SB 555) to the State Water Resource Control Board (SWRCB).

## Initiatives

- Collaborate with Public Works and Santa Clara Valley Water District to complete the Recycled Water Strategic Plan, a comprehensive evaluation of all potential recycled water supply options including non-potable and potable reuse options.
- Update Water Integrated Resources Plan and consider future role of recycled water in water supply portfolio.
- Update the water utility's cost of service and benchmark studies.
- Complete Water Main Replacement project (WMR 26) and Upgrade Downtown project in University Park and Downtown North.
- Begin construction of Water Main Replacement project (WMR 27) in the Oak Creek and Greenmeadow neighborhoods to replace approximately 10,000 linear feet of water main pipelines.
- Design Water Main Replacement project (WMR 28) in Duveneck, Barron Park, and Charleston Meadows neighborhoods to replace approximately 13,000 linear feet of water main pipelines.
- Begin construction of the Corte Madera Reservoir Replacement.
- Complete the water system improvement evaluation study and emergency plan study.
- Plan for the next reservoir replacement project based on the water system improvement findings of the consultant.
- Complete the Old Page Mill transmission main repair and valve installation in the foothills area west of Highway 280.
- Begin design of the Mayfield Reservoir Screen Replacement project.

- Enhance supervisory control and data acquisition (SCADA) system for the El Camino Real Pump Station and Mayfield Pump Station to improve operational flexibility and system resiliency.

## Goals and Objectives

### GOAL 1

Provide safe and clean drinking water for 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 (e.g. reservoirs, receiving stations, and wells).

### GOAL 2

Increase environmental sustainability of the water supply system.

#### Objective:

- Increase water conservation and efficiency participation.
- Develop programs to facilitate the use of non-traditional, non-potable water resources (e.g. storm water, recycled water, gray water).
- Collaborate with the Regional Water Quality Control Plant and the Santa Clara Valley Water District to evaluate multiple water reuse opportunities to meet both near and long-term water demands.

## Key Performance Measures

### PROVIDE SAFE AND CLEAN DRINKING WATER FOR OUR CUSTOMERS

<b>Goal</b>	Provide safe and clean drinking water for customers.				
<b>Objective</b>	Ensure drinking water meets all regulatory standards.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Percentage of customer-owned water backflow prevention devices in compliance	91.00%	90.00%	92.00%	92.00%	92.00%
<b>Description</b>	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.				
<b>Purpose</b>	The California Department of Public Health provides regulations for the City and its customers through California Code of Regulations, Title 17. These regulations specify the types of hazards that require backflow devices.				
<b>Status</b>	The City is achieving a compliance rate of up to 90-95 percent on an annual basis. There are 3,979 backflow devices. This number is growing every year as current codes require backflow installation for residences as well as commercial properties.				

### WATER EFFICIENCY

<b>Goal</b>	Increase environmental sustainability of the water supply system.				
<b>Objective</b>	Increase water conservation and efficiency participation.				
	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Estimated	FY 2020 Proposed
Annual savings achieved through water efficiency programs as a percentage of total sales	1.40%	1.07%	0.91%	0.91%	0.91%
<b>Description</b>	The department measures specific savings achieved by the installation of water efficiency improvements through the programs that the City offers through the Santa Clara Valley Water District. The California drought greatly affected the City's water savings numbers with the largest amount of savings attributed to the non-residential installation of drought tolerant landscapes and water efficient irrigation hardware.				
<b>Purpose</b>	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 goal to reduce expected water use by 20 percent by 2020.				
<b>Status</b>	Water efficiency program savings were significantly higher from FY 2015 through FY 2017 compared to previous years due to the California drought and the Governor's Executive Order mandating water conservation. However, after the drought ended and rainy seasons resumed, program participation decreased in FY 2018 and leveled off in FY 2019. As program marketing and general drought awareness effort continues, FY 2019 levels are anticipated to be maintained at acceptable levels of program participation.				

# UTILITIES

## WATER QUALITY

<b>Goal</b>	Ensure the provision of safe and clean drinking water for customers.				
<b>Objective</b>	Safe testing of drinking water to meet all regulatory standards.				
	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percentage of samples passed from all sampling stations	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Description</b>	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 areas, 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.				
<b>Purpose</b>	Complying with regulations guarantees the City maintains its high standards of water quality and avoids fines.				
<b>Status</b>	Palo Alto drinking water continues to be in complete compliance with all existing county, state, and federal standards for water quality.				

## Workload Measures

	<b>FY 2017 Actuals</b>	<b>FY 2018 Actuals</b>	<b>FY 2019 Adopted</b>	<b>FY 2019 Estimated</b>	<b>FY 2020 Proposed</b>
Percent of miles of water mains replaced	0.20%	2.00%	1.00%	0.10%	1.00%
Number of Customer Accounts (Water)	20,213	20,000	20,213	20,213	20,219
Percent of surveyed rating the quality of the Drinking Water (Water) as "Good" or "Excellent"	88.00%	87.00%	88.00%	88.00%	88.00%

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Division</b>						
CIP Water Fund	3,453,732	8,504,410	16,043,824	15,945,834	(97,990)	(0.6)%
Water Administration	7,038,937	7,639,414	8,782,413	8,538,901	(243,513)	(2.8)%
Water Customer Service	1,488,960	1,625,334	2,282,720	2,443,155	160,435	7.0%
Water Engineering (Operating)	355,852	354,598	537,839	641,946	104,107	19.4%
Water Operations and Maintenance	5,291,117	5,732,995	7,681,920	8,371,072	689,153	9.0%
Water Resource Management	20,943,416	22,880,271	23,699,431	23,371,160	(328,271)	(1.4)%
<b>Total</b>	<b>38,572,014</b>	<b>46,737,022</b>	<b>59,028,147</b>	<b>59,312,068</b>	<b>283,921</b>	<b>0.5%</b>
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	822,738	821,267	958,317	1,021,133	62,815	6.6%
Other Benefits	94,370	119,660	142,932	164,802	21,870	15.3%
Overtime	231,860	199,089	274,930	282,078	7,148	2.6%
Pension	1,165,780	1,246,740	1,428,203	2,091,774	663,571	46.5%
Retiree Medical	285,198	300,042	427,827	440,662	12,835	3.0%
Salary	4,627,885	4,959,173	5,154,784	5,372,634	217,850	4.2%
Workers' Compensation	225,163	92,187	118,581	181,202	62,621	52.8%
<b>Total Salary &amp; Benefits</b>	<b>7,452,994</b>	<b>7,738,159</b>	<b>8,505,574</b>	<b>9,554,284</b>	<b>1,048,710</b>	<b>12.3%</b>
Allocated Charges	3,212,511	3,702,043	4,516,536	4,716,493	199,957	4.4%
Contract Services	155,818	190,454	819,002	819,002	—	—%
Debt Service	1,757,088	1,697,010	3,222,606	3,222,606	—	—%
Facilities & Equipment	—	—	16,711	16,711	—	—%
General Expense	417,045	511,796	667,170	658,077	(9,093)	(1.4)%
Operating Transfers-Out	317,220	698,113	486,353	136,335	(350,018)	(72.0)%
Rents & Leases	1,862,485	1,906,700	3,003,388	3,144,502	141,114	4.7%
Supplies & Material	413,824	451,691	610,982	610,982	—	—%
Transfer to Infrastructure	84,211	5,700	—	—	—	—%
Utility Purchase	20,075,377	21,957,711	22,620,000	22,177,643	(442,357)	(2.0)%
Capital Improvement Program	2,823,442	7,877,646	14,559,826	14,255,434	(304,393)	(2.1)%
<b>Total Dollars by Expense Category</b>	<b>38,572,014</b>	<b>46,737,022</b>	<b>59,028,147</b>	<b>59,312,068</b>	<b>283,921</b>	<b>0.5%</b>



## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Revenues</b>						
Charges for Services	60,000	60,334	10,000	10,000	—	—%
Charges to Other Funds	160,766	99,288	81,201	82,690	1,488	1.8%
From Other Agencies	512,301	500,773	576,632	576,632	—	—%
Net Sales	42,740,545	44,595,981	42,357,861	46,831,149	4,473,288	10.6%
Operating Transfers-In	244,018	512,436	539,278	548,136	8,858	1.6%
Other Revenue	844,915	872,864	931,348	384,228	(547,120)	(58.7)%
Return on Investments	772,015	869,689	775,300	1,153,200	377,900	48.7%
<b>Total Revenues</b>	<b>45,334,560</b>	<b>47,511,365</b>	<b>45,271,620</b>	<b>49,586,035</b>	<b>4,314,415</b>	<b>9.5%</b>
<b>Positions by Division</b>						
CIP Water Fund	9.05	8.03	8.03	8.03	—	—%
Water Customer Service	9.68	9.66	9.66	9.58	(0.08)	(0.83)%
Water Engineering (Operating)	1.37	1.35	1.35	1.35	—	—%
Water Operations and Maintenance	25.44	25.34	24.85	24.85	—	—%
Water Resource Management	2.44	3.52	3.02	3.12	0.10	3.31%
<b>Total</b>	<b>47.99</b>	<b>47.90</b>	<b>46.92</b>	<b>46.94</b>	<b>0.02</b>	<b>0.04%</b>

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Account Specialist	0.23	0.23	0.23	0.23	—	15,229
Administrative Associate II	0.75	0.65	0.65	0.50	(0.15)	35,493
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	39,012
Assistant Director Utilities Engineering	0.20	0.20	0.20	0.20	—	38,979
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	32,592
Assistant Director Utilities/Resource Management	0.25	0.25	0.25	0.25	—	50,196
Business Analyst	1.73	1.53	1.20	1.20	—	167,371
Cement Finisher	0.25	0.56	0.56	0.56	—	48,200
Contracts Administrator	0.10	0.10	0.10	0.10	—	11,754

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Coordinator Utilities Projects	1.09	1.09	1.09	1.09	—	112,860
Customer Service Representative	1.56	1.81	1.81	1.81	—	127,336
Customer Service Specialist	0.66	0.66	0.66	0.66	—	51,059
Customer Service Specialist-Lead	0.59	0.59	0.59	0.59	—	48,818
Electric Project Engineer	—	—	—	0.30	0.30	40,534
Engineer	1.00	1.00	1.00	1.00	—	119,331
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	30,841
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	64,597
Engineering Technician III	1.45	0.45	0.45	0.45	—	40,153
Equipment Operator	0.31	—	—	—	—	—
Gas and Water Meter Measurement and Control Technician	—	0.80	0.80	0.80	—	81,253
Gas and Water Meter Measurement and Control Technician - Lead	—	0.20	0.20	0.20	—	21,736
Gas System Technician II	0.10	—	—	—	—	—
Heavy Equipment Operator	1.95	1.95	1.95	1.95	—	174,953
Heavy Equipment Operator - Install/Repair	0.20	0.20	0.20	0.20	—	18,742
Inspector, Field Services	1.65	1.65	1.65	1.65	—	158,879
Maintenance Mechanic-Welding	0.80	0.80	0.80	0.80	—	76,632
Manager Customer Service	0.34	0.34	0.34	0.34	—	51,569
Manager Utilities Compliance	0.50	0.50	0.50	0.50	—	94,619
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	22,973
Manager Utilities Operations WGW	0.50	0.50	0.50	0.50	—	88,566
Manager Utilities Program Services	0.20	0.20	0.20	0.20	—	29,956
Meter Reader	2.03	2.03	2.03	2.03	—	134,144
Meter Reader-Lead	0.34	0.34	0.34	0.34	—	24,036
Power Engineer	0.30	0.30	0.30	—	(0.30)	—
Principal Business Analyst	0.33	0.33	0.33	0.33	—	58,248
Program Assistant I	0.33	0.33	0.33	0.33	—	23,767
Program Assistant II	—	—	—	0.15	0.15	11,613
Project Engineer	2.00	2.00	2.00	2.00	—	256,874
Resource Planner	0.70	1.20	0.70	0.70	—	89,477

# UTILITIES

## Staffing

Job Classification	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Salary
Restoration Lead	0.31	0.31	0.31	0.31	—	29,009
SCADA Technologist	0.80	0.80	0.80	0.80	—	109,562
Senior Business Analyst	0.66	0.66	0.99	0.99	—	146,869
Senior Engineer	1.00	1.00	1.00	1.00	—	158,541
Senior Mechanic	0.34	0.34	0.34	0.34	—	34,195
Senior Resource Planner	1.10	1.68	1.68	1.78	0.10	304,190
Senior Utilities Field Service Representative	0.49	0.49	0.49	0.49	—	51,085
Senior Water Systems Operator	2.00	2.00	2.00	2.00	—	203,431
Substation Electrician	0.40	0.40	0.40	0.40	—	47,025
Utilities Engineer Estimator	0.43	0.43	0.43	0.43	—	46,073
Utilities Field Services Representative	1.50	1.50	1.50	1.50	—	146,195
Utilities Install Repair-Lead-Welding Certified	0.46	0.46	0.46	0.46	—	48,828
Utilities Install Repair-Welding Certified	0.69	0.69	0.69	0.69	—	63,121
Utilities Install/Repair	1.90	1.90	1.90	1.90	—	180,571
Utilities Install/Repair Assistant	0.35	0.35	0.35	0.35	—	28,212
Utilities Install/Repair-Lead	1.02	1.02	1.02	1.02	—	97,936
Utilities Key Account Representative	0.25	0.35	0.35	0.35	—	38,070
Utilities Locator	0.34	0.34	0.34	0.34	—	30,416
Utilities Marketing Program Administrator	0.40	0.40	0.40	0.40	—	41,328
Utilities Safety Officer	0.15	0.15	0.15	0.15	—	19,269
Utilities Supervisor	2.91	2.91	2.91	2.91	—	437,920
Water System Operator I	1.00	—	—	—	—	—
Water System Operator II	3.34	3.34	3.34	3.34	—	299,554
<b>Sub-total: Full-Time Equivalent Positions</b>	<b>45.26</b>	<b>45.29</b>	<b>44.79</b>	<b>44.89</b>	<b>0.10</b>	<b>5,053,791</b>
Temporary/Hourly	2.73	2.61	2.13	2.05	(0.08)	172,182
<b>Total Positions</b>	<b>47.99</b>	<b>47.90</b>	<b>46.92</b>	<b>46.94</b>	<b>0.02</b>	<b>5,225,974</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net Water Fund
<b>Prior Year Budget</b>	<b>46.92</b>	<b>59,028,147</b>	<b>45,271,620</b>	<b>13,756,527</b>
<b>One-time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(72,005)	—	(72,005)
General Liability Savings (one-time FY 2019 Savings)	—	12,068	—	12,068
Workers' Compensation Savings (one-time FY 2019 Savings)	—	47,256	—	47,256
<b>One-time Prior Year Budget Adjustments</b>	<b>—</b>	<b>(12,681)</b>	<b>—</b>	<b>(12,681)</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits Adjustments	—	511,620	—	511,620
Proactive Contributions to City's Unfunded Pension Liability	—	229,724	—	229,724
FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability	—	225,700	—	225,700
Water Customer Sales Revenue (1% Rate Increase)	—	—	3,898,119	(3,898,119)
Water Commodity Purchases Expenditure	—	(442,357)	—	(442,357)
Return on Investment	—	—	377,900	(377,900)
Transfer to Electric Fund (EL-11014 - Smart Grid Installation)	—	(290,000)	—	(290,000)
Revenue from Water System Customer Connections (WS-80013)	—	—	27,880	(27,880)
Transfer From Wastewater and Gas Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data)	—	—	8,858	(8,858)
Utilities Payment Processing	—	—	1,658	(1,658)
Rents & Leases Expenditure Alignment	—	71,471	—	71,471
Capital Improvement Program	—	(294,527)	—	(294,527)
General Fund Cost Allocation Plan	—	(65,240)	—	(65,240)
Liability Insurance Allocated Charges	—	9,822	—	9,822
Printing & Mailing Services Allocated Charges	—	3,898	—	3,898
Public Works Services Allocated Charges	—	122	—	122
Stormwater Management Allocated Charges	—	60	—	60
Utilities Administration Allocated Charges	—	49,987	—	49,987
Utilities Allocated Charges	—	111,642	—	111,642
Vehicle Replacement & Maintenance Allocated Charges	—	79,719	—	79,719

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net Water Fund
<b>Adjustments to Costs of Ongoing Activities</b>	—	<b>201,641</b>	<b>4,314,415</b>	<b>(4,112,774)</b>
<b>Total FY 2020 Base Budget</b>	<b>46.92</b>	<b>59,217,107</b>	<b>49,586,035</b>	<b>9,631,072</b>
<b>Budget Proposals</b>				
1 Resource Management Administrative Staffing Realignment	(0.08)	(2,215)	—	(2,215)
2 Engineering Staffing Alignment	—	3,297	—	3,297
3 Resource Management Resource Planning Staffing Realignment	0.10	24,236	—	24,236
4 Elwell Court Improvements	—	69,643	—	69,643
<b>Budget Changes</b>	<b>0.02</b>	<b>94,960</b>	<b>—</b>	<b>94,960</b>
<b>Total FY 2020 Proposed Budget</b>	<b>46.94</b>	<b>59,312,068</b>	<b>49,586,035</b>	<b>9,726,033</b>



## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Water Fund
1 Resource Management Administrative Staffing Realignment	-0.08	(2,215)	0	(2,215)

This ongoing action will eliminate 0.15 FTE Administrative Associate II, 0.08 Project Specialist, and add 0.15 Program Assistant II in this fund as a part of the Resource Management Division department-wide realignment to ensure staffing levels commensurate with current workload needs and meet the City's sustainability goals. This action will add one 1.0 FTE Program Assistant II position; eliminate one 1.0 FTE Administrative Associate II position, one 0.48 FTE Project Specialist position, and one vacant 0.48 FTE Project Specialist position in the Utilities Department. Currently the Utilities Sustainability and Efficiency programs rely on hourly employees to provide regular customer program support; however, the hourly positions have been difficult to fill on an extended basis. This action will allow more continuity of internal and external support for the Sustainability and Efficiency programs and will enable staff development for succession planning purposes throughout the Resource Management Division. (Ongoing savings: \$1,700)

### Performance Results



The full-time Program Assistant II position will streamline customer support and service delivery, while providing administrative support for these programs.

2 Engineering Staffing Alignment	0.00	3,297	0	3,297
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This ongoing action will reclassify 0.30 FTE Power Engineer to an Electric Project Engineer for a net zero FTE change in this fund as a part of the Utilities Department engineering staff alignment. The department-wide reclassification of two 1.0 FTE Power Engineer positions to two 1.0 FTE Electric Project Engineers will align with current workload needs to meet the City's sustainability goals. These positions are partially funded in the Electric, Fiber, and Water funds. The Electric Project Engineer position requires a Professional Engineering (PE) license and is qualified to work independently on electric engineering projects with minimal guidance from concept through design, construction and closeout of the project. The Power Engineer position does not require a PE and works under the supervision of a Senior Electrical Engineer. This action facilitates retention of engineering staff and enhances succession planning. (Ongoing costs: \$3,400)

### Performance Results



This action assists the Utilities Department's Strategic Plan goal to recruit and retain high performing employees, preventing loss of institutional knowledge, and mitigating service impact to customers.

3 Resource Management Resource Planning Staffing Realignment	0.10	24,236	0	24,236
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This ongoing action will add 0.10 FTE Senior Resource Planner position in this fund as a part of the Resource Management Division department-wide realignment to ensure staffing is commensurate with current workload needs and meet the City's sustainability goals. This action will increase one vacant 0.5 FTE Senior Resource Planner position to 1.0 FTE Senior Resource Planner in the Utilities Department. The Resource Management Division manages the City's electric, water, and gas supply contracts, which included annual utility commodity purchases of approximately \$90 million for electric, \$22 million for water, and \$15 million for gas. Attracting and retaining experienced high-level talent across multiple utilities is important; the City competes with other Community Choice Aggregators (CCAs) in the Electricity industry to recruit in the Bay Area. Adding a full-time Senior Resource Planner will enable the team to implement tasks under the Sustainability and Climate Action Plan while preparing for anticipated Senior Resource Planner retirements expected in the next few years. (Ongoing costs: \$25,300)

### Performance Results



The full-time Senior Resource Planner will enhance the City's ability to pursue the City's sustainability and carbon reduction goals, without diverting staffing resources from core functions.

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net Water Fund
4 Elwell Court Improvements	0.00	69,643	0	69,643

This one-time action will increase rental expenses for one year on office space rented and occupied by staff from the Utilities Department at Elwell Court. This increase will fund the costs of renovation and associated moving expenses. Under the current lease agreement, the tenant, the City of Palo Alto, is responsible for improvements and repairs within the rented space. While minor improvements have been performed on an as-needed basis, renovations are needed to address the worn out interior and to bring the space in compliance with the American Disability Act (ADA) requirements. Elwell has been rented for over 20 years and provides more than 16,000 square feet of office space for 45 full time employees. (Ongoing costs: \$0)

### Performance Results



Updating the rented space at Elwell Court will provide employees with a safe and comfortable environment while also complying to the American Disability Act (ADA) requirements.

# 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 costs typically benefit the City as a whole and include such items as Cubberley lease payments to Palo Alto Unified School District (PAUSD). 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 the nature and frequency of the item.

In Fiscal Year 2020, various one-time items that appeared in the Fiscal Year 2019 Budget, including the \$4.0 million reduction, as directed by the City Council, and the addition of one-time funding for the November 2018 City Council Elections, have been removed.

The FY 2020 budget includes various adjustments in the non-departmental section. This budget includes: \$1.4 million in a reserve to partially offset anticipated costs associated with labor agreements and provide resources for new programs anticipated to begin in FY 2020 such as the reopening of the Junior Museum and Zoo; a transfer of \$720,000 to the Residential Preferential Parking program to offset the operating deficit of that program; \$500,000 in a reserve to provide funding for new initiatives focused on employee recruitment and retention; \$300,000 in a reserve that the City Council could use to lessen potential service delivery impacts; \$100,000 to continue the City's efforts responding to Airplane Noise; \$50,000 for a Sea Level Rise Vulnerability Study, and an ongoing reduction of \$50,000 to the City Manager's contingency. Each of these changes is described in greater detail in the following pages.



## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Category</b>						
Cubberley - Lease Payments to PAUSD	5,642,424	5,737,855	6,101,395	6,284,437	183,042	3.0%
<b>Contingent Accounts</b>						
City Manager	—	—	250,000	200,000	(50,000)	(20.0)%
City Council	—	—	225,000	125,000	(100,000)	(44.4)%
City Attorney	—	—	100,000	100,000	—	—%
Human Resources	—	—	50,000	50,000	—	—%
Human Services Resource Allocation Process (HSRAP)	4,025	10,000	50,000	50,000	—	—%
Innovations & Special Events	—	—	50,000	50,000	—	—%
Sustainability	—	—	—	100,000	100,000	—%
Budget Operational Reserve	—	—	(4,000,000)	—	4,000,000	(100.0)%
Budget Uncertainty Reserve	—	—	—	2,203,000	2,203,000	—%
<b>Other</b>						
Contract Services	14,112	2,200	120,000	170,000	50,000	41.7%
Debt Service	432,150	432,271	612,948	—	(612,948)	(100.0)%
General Expense	130,186	42,026	89,012	91,326	2,314	2.6%
Operating Transfers-Out	6,538,924	4,674,446	4,450,215	4,989,118	538,903	12.1%
Rents & Leases	177,506	177,786	177,127	177,127	—	—%
Transfer to Infrastructure	22,859,355	24,800,953	25,172,648	28,961,724	3,789,076	15.1%
<b>Total Dollars by Expense</b>	<b>35,798,682</b>	<b>35,877,536</b>	<b>33,448,345</b>	<b>43,551,732</b>	<b>10,103,387</b>	<b>30.2%</b>

# Budget Reconciliation

	Positions	Expenditures	Revenues	Net General Fund
<b>Prior Year Budget</b>	—	<b>33,448,345</b>	—	<b>33,448,345</b>
<b>One-Time Prior Year Budget Adjustments</b>				
FY 2019 City Council Election Costs	—	(100,000)	—	(100,000)
FY 2019 General Fund Structural Reduction	—	4,000,000	—	4,000,000
<b>One-Time Prior Year Budget Adjustments</b>	<b>—</b>	<b>3,900,000</b>	<b>—</b>	<b>3,900,000</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
City Council Contingency Reduction (CMR #9925, approved 12/17/2018)	—	(100,000)	—	(100,000)
Sustainability Contingency (FY 2019 Reappropriation)	—	100,000	—	100,000
Transfer to Infrastructure	—	3,789,076	—	3,789,076
Cubberley Lease Payments to PAUSD	—	183,042	—	183,042
Property Tax Administration	—	2,314	—	2,314
Traffic and Streetlight Electricity Costs Adjustment	—	(578,232)	—	(578,232)
Transfer to Technology Fund (Technology Surcharge)	—	28,774	—	28,774
Transfer to University Avenue Parking Fund	—	(1,500)	—	(1,500)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>3,179,577</b>	<b>—</b>	<b>3,179,577</b>
<b>Total FY 2020 Base Budget</b>	<b>—</b>	<b>40,527,922</b>	<b>—</b>	<b>40,527,922</b>
<b>Budget Adjustments</b>				
1 Reserve: Budget Operations Reserve	—	1,403,000	—	1,403,000
2 Residential Parking Permit Program Operating Deficit Transfer to RPP Fund	—	720,810	—	720,810
3 Reserve: Recruitment and Retention Initiatives	—	500,000	—	500,000
4 Reserve: Budget Uncertainty Reserve (City Council)	—	300,000	—	300,000
5 Airplane Noise Funding	—	100,000	—	100,000
6 Sea Level Rise Study Funding	—	50,000	—	50,000
7 City Manager's Contingency Reduction	—	(50,000)	—	(50,000)
<b>Total Budget Adjustments</b>	<b>—</b>	<b>3,023,810</b>	<b>—</b>	<b>3,023,810</b>
<b>Total FY 2020 Proposed Budget</b>	<b>—</b>	<b>43,551,732</b>	<b>—</b>	<b>43,551,732</b>

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
1 Reserve: Budget Operations Reserve	0.00	1,403,000	0	1,403,000

This ongoing action established a reserve for FY 2020 in the amount of \$1.4 million for anticipated, but not yet quantified, impacts in the General Fund on an ongoing basis that do not have fully refined costs or financial implications outlined yet. During the development of this FY 2020 proposed budget, a number of initiatives were under evaluation or consideration such as labor negotiations with non-safety, also known as miscellaneous employee groups, one-time start-up costs for projects such as the Junior Museum and Zoo coming online summer 2020, the realignment of staffing and funding in association with the reorganization of departmental resources among Planning and Community Environment, Development Services Departments and the Office of Transportation, as well as other potential programs the City may undertake in FY 2020. This reserve is intended to proactively set aside some funding for the needs anticipated to arise in FY 2020. As projects and needs are evaluated and funding needs are refined, recommendations for use of this reserve will be brought forward through City Manager Reports for City Council approval. As some of these activities are expected to have ongoing implications, the reserve is recommended to be "ongoing" in recognition of these costs to ensure both near-term and long-term financial planning are holistically analyzed. (Ongoing costs: \$2.4 million)

### Performance Results



This funding supports the City's efforts to recruit and retain a talented workforce; it also provides funding for initiatives that are anticipated to begin in FY 2020.

2 Residential Parking Permit Program Operating Deficit Transfer to RPP Fund	0.00	720,810	0	720,810
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This one-time action transfers \$720,000 from the General Fund to the Residential Preferential Parking (RPP) Fund to ensure sufficient resources are available in the RPP Fund. The City's RPP Fund (discussed in greater detail in the Special Revenue Funds section of this document) currently operates at a level significantly below full cost-recovery. The continued administration, operations, and expansion of the RPP program necessitates a transfer from the General Fund in order to ensure sufficient funds are available in FY 2020. It is anticipated that the City's newly created Office of Transportation will review actions necessary to align the RPP program with available resources. Recommendations regarding the long-term viability and fiscal sustainability of the RPP will be brought forward as appropriate. (Ongoing Costs: \$0)

### Performance Results



This action ensures the continued operation of the Residential Preferential Parking program.

3 Reserve: Recruitment and Retention Initiatives	0.00	500,000	0	500,000
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This one-time action provides \$500,000 in funding for various recruitment/retention initiatives throughout the organization. This funding is in an addition to \$250,000 which has been appropriated in the City Manager's Office for the initial expenses, discussed at greater length in that section of this Budget. This \$500,000 represents a reserve that can be used once a more formal plan is developed to offset the General Fund's share of expenses associated with implementing and accomplishing the plan. The City of Palo Alto faces incredible competition for attracting and retaining a high-quality workforce; this funding represents an important commitment to addressing that competition and investing in the City's human capital. Staff anticipates returning to the full City Council with recommendations during FY 2020. In addition, this funding may be recommended to be supplemented by Enterprise Funds funding to maximize resources and appropriately allocate costs. (Ongoing costs: \$0)

### Performance Results



This action will maintain the quality of services the city offers through the recruitment and retention of a high-quality workforce.

## Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Net General Fund
4 Reserve: Budget Uncertainty Reserve (City Council)	0.00	300,000	0	300,000

This action, consistent with past practice, sets aside \$300,000 in one-time funding to be used at the City Council's discretion during the FY 2020 Budget review process.

### Performance Results

This action will help ensure that customer satisfaction can be maintained in areas identified by the City Council.

5 Airplane Noise Funding	0.00	100,000	0	100,000
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This one-time action provides funding of \$100,000 to continue the City's current efforts related to Airplane Noise. Since the inception of the Federal Aviation Administration's (FAA) 'NextGen' initiative, the City of Palo Alto has experienced worsening impacts from airplane noise. This funding will provide resources for technical consultants, legislative consultants, and outside counsel to help advocate for the City's goals and will also ensure that the City continues to participate in regional initiatives such as the 'Santa Clara | Santa Cruz Community Roundtable'. (Ongoing Costs: \$0)

### Performance Results



This action will contribute to the City's efforts to respond to resident concerns regarding airplane noise.

6 Sea Level Rise Study Funding	0.00	50,000	0	50,000
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This one-time action provides \$50,000 to conduct a Sea Level Rise Vulnerability Assessment and begin the development of an adaptation plan. Staff anticipates discussing a Sea Level Rise Policy with City Council in Spring 2019; following the adoption of that policy the next step would be to conduct an assessment and begin work on the adaptation plan. This study will bring the City's ability to analyze Sea Level Rise Vulnerability into alignment with commitments made as part of the Sustainability/Climate Action Plan (S/CAP) and address elements of the Comprehensive Plan and the Local Hazard Mitigation and Adaptation Plan. (Ongoing costs: \$0)

### Performance Results



This action represents a significant element of the City's response to climate change.

7 City Manager's Contingency Reduction	0.00	(50,000)	0	(50,000)
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This ongoing action reduces the City Manager's Contingency by \$50,000 from \$250,000 to \$200,000 annually. This action will limit the City Manager's ability to address unanticipated items throughout the year. This funding is usually used on items that cross departments and are of significant interest to the City or requested by the City Council. Through the past few years, portions of this funding have been used for items such as supporting Ada's Café, paying membership dues in various organizations to ensure that the City is represented at a regional level, ballot measure polling, and some of the initial costs of the Caltrain camera system. (Ongoing savings: \$50,000).

### Performance Results

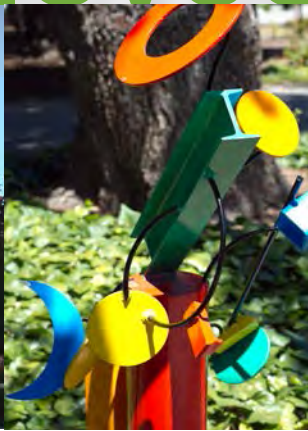


This action will slightly increase cycle time but will contribute to the City's long-term fiscal sustainability.



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# Employee Information





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# EMPLOYEE INFORMATION

## General Benefits Fund Overview

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, discussed elsewhere in this document.

There is an overall net \$12.3 million, or 19.1%, increase in costs in the General Benefits Fund over FY 2019 Adopted levels of \$63.4 million to \$76.4 million. This reflects increases for pension, healthcare, and other benefits. Of the \$12.3 million increase, \$8.6 million is attributable to City Council direction to proactively contribute to the City's long-term pension liabilities through funding sent to the irrevocable Section 115 Trust Fund. This increase is partially offset by the removal of one-time funding in FY 2019 of \$2.0 million that was transferred into the General Benefits fund for the same purpose. The remaining increase is driven primarily by increases in Pension costs, which are dictated and set by CalPERS. Overall, the increase in benefit costs is slightly diminished through a citywide decrease of 8.5 full-time, benefited positions; this represents a 0.8% decrease from FY 2019 Adopted levels of 1,041.35 positions to 1,032.85. Certain positions have been committed as being held vacant for the duration of FY 2020, further limiting cost escalation for pension and benefits. Further discussion of the costs follows below.

### PENSION COSTS

The City of Palo Alto provides a defined pension benefit to its employees through the State of California Pension Retirement System (CalPERS), which manages and administers the program. The CalPERS program maintains two trust accounts: 1) a plan for safety employees (sworn fire and police personnel); and 2) a plan for miscellaneous employees (all other non-safety personnel employed by the City such as field personnel, administrative support, and managers). With the passage of the California Public Employees' Pension Reform Act (PEPRA), the City has three retirement benefit tiers for Miscellaneous and Safety Plans. As of 2019, approximately 47 percent of the City's employees are either in Tier 2 or Tier 3.

Annually, CalPERS provides actuarial reports detailing the latest status of the City of Palo Alto Pension trust plans for employees and retirees. These actuarial reports are used to calculate the Actuarial Determined Contribution (ADC) which reflects the blended or combined cost of both the Normal Cost (NC) and Unfunded Accrued Liability (UAL) used in the annual billing of employer contributions to the trust for pension obligations. Staff transmits these valuation reports to the Finance Committee for review and discussion, most recently on September 18th, 2018, the June 30, 2017 CalPERS Annual Valuation Reports (CMR 9604): <https://www.cityof-paloalto.org/civicax/filebank/documents/66718>. The total **ADC for FY 2020 is \$45.6 million** (\$30.4 million for the Miscellaneous Plan and \$15.2 million for the Safety Plan). This reflects the



## GENERAL BENEFITS FUND OVERVIEW

blended cost of both the NC (percentage of payroll) and UAL (flat rate) as outlined in more detail below:

- Miscellaneous plan: There is a blended cost increase of 3.0 percentage points, from an employer contribution rate of 32.6 percent to 35.6 percent (9.2 percent growth).
- Safety plan: Blended cost increase of 3.8 percentage points, from an employer contribution rate of 55.6 percent to 59.4 percent (6.8 percent growth).

Normal Costs: The NC reflects the employer contribution for the plan retirement benefits provided to current employees assessed as a percentage of payroll. The CalPERS calculated normal cost is increasing by 0.5 percentage points, from 10.2% to 10.7%, for Miscellaneous and by 0.8 percentage points, 19.4% to 20.2%, for Safety.

Unfunded Accrued Liability: The UAL represents the employer amortization of unfunded accrued liability and is assessed as a flat rate. The **City's current net UAL is \$414.9 million** (\$260.7 million for the Miscellaneous Plan and \$154.2 million for the Safety Plan), a \$10.2 million or 2.5% increase over the prior year.

The annual payment towards the UAL calculated by CalPERS and assumed in the development of the FY 2020 budget is \$30.2 million (\$20.5 million for the Miscellaneous Plan and \$9.7 million for the Safety Plan). The budget assumes pre-payment of the UAL portion of the annual pension cost, which confers \$1,077,000 in savings across the organization (\$660,000 realized in the General Fund). These savings are calculated by CalPERS.

**The City's current funded status is 66.3% for the Miscellaneous Plan and 63.5% for the Safety Plan.**

Timeline of the City's Pension Discussions:

The City has been diligent in its discussion and planning efforts to address the costs both known and forecasted for pension benefits. Below is a brief timeline of notable discussions or actions CalPERS and/or the City has taken in recent years.

- December 2016, the CalPERS board voted to lower actuarial assumptions for the discount rate (assumed rate of return on investments) from 7.50 percent to 7.00 percent using a three-year phase-in beginning in FY 2019, ending in FY 2021. The annual valuation report (dated June 30, 2017) and used for FY 2020 budget development assumes a discount rate of 7.25 percent.
- During FY 2017 and FY 2018 the City staff and Council acted to establish an irrevocable IRS section 115 Pension Trust Fund and began contributing funds above the ADC as additional funding was available. By the close of FY 2018, \$5.5 million had been contributed to this trust citywide.
- As part of the FY 2019 Adopted Budget, staff began more robust reporting of the City's pension liabilities including an alternative scenario calculation that reflected the FY 2019 budget with a more conservative discount rate assumption of 6.2% instead of the CalPERS rate of 7.375%. The City Council approved a reduction of \$4.0 million in budgeted expenses in the General Fund to proactively address pension obligations by contributing the 'normal cost' assuming the more conservative discount rate.

## GENERAL BENEFITS FUND OVERVIEW

- December 2018, the City Council approved transactions to complete the additional \$4 million General Fund contribution to the Trust Fund, successfully accounting for the FY 2019 normal cost pension expenses at the more conservative discount rate of 6.2 percent for General Funded staffing (with proceeds above the CalPERS ADC being contributed to the Trust Fund).
- In December 2018, per Council direction, the first Long Range Financial Forecast for FY 2020-2029 was built with a base case that reflected the newly Council approved more conservative discount rate for the normal cost of pension contributions.
- This FY 2020 Proposed Budget implements the Council direction and recommends two additional contributions to the Trust Fund: 1) A one-time contribution of \$2.3 million to account for the FY 2019 normal cost pension expenses at the more conservative discount rate of 6.2 percent to align all other funds with the General Fund's contributions to date; 2) All benefited staffing costs presume normal cost pension expenses at the 6.2% discount rate for FY 2020, resulting in budgeted retirement costs of \$6.2 million (all funds) above required CalPERS levels.

In total, planned contributions (principal) of \$22.0 million to the pension Trust Fund will have been made since inception in FY 2017 through FY 2020 (\$14.3 million, or 65 percent, of the total is from the General Fund), an average annual contribution of \$5.5 million.

Annually, one-time surpluses resulting from excess revenues or expense savings at year-end continue to be brought forward for City Council consideration as potential contributions to the Trust Fund.

The City continues to strive to contain costs with measures such as cost sharing with employees. New labor agreements with the Safety Units that extend through FY 2021 will increase contributions up to 4.0%. It is anticipated that additional cost-share agreements with the miscellaneous units, who currently pick-up 1.0% of the employer share, will also be explored through current and future negotiations.

Staff will return to the Finance Committee to continue the discussion of formalized policies and procedures to address the City's pension liabilities as previously discussed and as included in the 2019 Fiscal Sustainability Workplan. These options are intended to identify a path forward for the City to address its pension obligations on an ongoing basis in order to ensure not only prudent but proactive financial planning.

### HEALTHCARE COSTS

The Fiscal Year 2020 budget for healthcare is based on the health plan choices employees made for Calendar Year 2019. Increases for the various bargaining units' healthcare costs are included in the memoranda of agreements and these costs are modeled appropriately throughout the budget per these terms. All bargaining units are now on a flat rate medical plan, with UMPAPA converting from a 90/10 contribution structure to a flat rate plan in Fall 2018. The flat rate medical plan helps the City's efforts to contain benefit costs as it provides a maximum exposure level to rising health costs. For calendar year 2020, the budget models a four percent annual increase in flat rate medical costs. Ongoing increases in healthcare and other benefit costs are an important factor in labor negotiations; now that the City is finishing negotiations

## GENERAL BENEFITS FUND OVERVIEW

with each major bargaining unit, cost increases commensurate with the agreements will be incorporated into future forecasts and budgets.

Consistent with the Fiscal Year 2019 Adopted Budget and Government Accounting Standards Board regulations that require government agencies to recognize the true cost of medical health care by active employees and retirees, an implied subsidy for retiree healthcare was calculated. Health care premiums are contracted at a blended rate, they are the same regardless of age or active versus retired status, with the exception of Medicare premiums. Despite the contractually blended rate, the implied subsidy is calculated in order to recognize the higher cost of medical services for retirees, which is reduced from the active employees' health care costs and identified as a retiree medical cost.

In Fiscal Year 2020, the City's 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, health care costs for active employees have been reduced in the General Benefits Fund by \$2.2 million, and a corresponding transfer from the General Benefits Fund to the Retiree Health Benefits Fund has been continued to reflect the full payment of the City's Actuarial Determined Contribution (ADC) for Retiree Healthcare in the Retiree Health Benefits Fund. Additional discussion of Retiree Healthcare costs and the ADC are located in the Retiree Health Benefits Fund section of this document.

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Healthcare	18,249,553	18,505,699	19,104,761	19,662,524	557,763	2.9%
Other Benefits	609,884	611,652	1,118,506	1,118,496	(10)	(0.0)%
Pension	28,812,075	32,031,449	41,435,938	53,141,658	11,705,720	28.3%
Salary	279,010	570,924	24,571	23,882	(689)	(2.8)%
<b>Total Salary &amp; Benefits</b>	<b>47,950,521</b>	<b>51,719,725</b>	<b>61,683,776</b>	<b>73,946,560</b>	<b>12,262,785</b>	<b>19.9%</b>
Contract Services	128,773	214,103	220,795	220,795	(0)	(0.0)%
General Expense	(196)	14,110	—	—	—	—%
Operating Transfers-Out	2,203,000	2,444,000	2,197,000	2,197,000	—	—%
<b>Total Dollars by Expense Category</b>	<b>50,282,099</b>	<b>54,391,938</b>	<b>64,101,571</b>	<b>76,364,355</b>	<b>12,262,784</b>	<b>19.1%</b>
<b>Revenues</b>						
Charges for Services	485	535	—	—	—	—%
Operating Transfers-In	2,055,000	1,427,044	1,991,729	—	(1,991,729)	(100.0)%
Other Revenue	52,322,332	56,428,791	61,361,570	75,701,183	14,339,613	23.4%
Return on Investments	50,385	197,653	16,175	433,000	416,825	2,577.0%
<b>Total Revenues</b>	<b>54,428,202</b>	<b>58,054,023</b>	<b>63,369,473</b>	<b>76,134,183</b>	<b>12,764,710</b>	<b>20.1%</b>

## GENERAL BENEFITS FUND OVERVIEW

### Budget Reconciliation

	Positions	Expenditures	Revenues	Net
<b>Prior Year Budget</b>	<b>0.48</b>	<b>64,101,571</b>	<b>63,369,473</b>	<b>732,098</b>
<b>One-Time Prior Year Budget Adjustments</b>				
Supplemental Pension Trust Fund Contribution	—	(1,991,729)	(1,991,729)	—
<b>One-Time Prior Year Budget Adjustments</b>	<b>-</b>	<b>(1,991,729)</b>	<b>(1,991,729)</b>	<b>-</b>
<b>Adjustments to Costs of Ongoing Activities</b>				
Salary and Benefits	—	(689)	—	(689)
PARs Contributions and Expenses (Normal Cost Calculated at 6.2 Percent Discount Rate)	—	6,215,326	6,215,326	—
PARs Contributions (FY 2019 Catch-Up Proactive Contributions to City's Unfunded Pension Liability)	—	2,336,300	2,336,300	—
Citywide Pension	—	5,145,822	—	5,145,822
Citywide Healthcare Insurance	—	585,747	—	585,747
Citywide Dental Insurance	—	(11,226)	—	(11,226)
Citywide Vision Insurance	—	(16,767)	—	(16,767)
Return on Investments	—	—	416,825	(416,825)
Department Charges for General Benefits	—	—	5,787,988	(5,787,988)
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>14,254,513</b>	<b>14,756,439</b>	<b>(501,926)</b>
<b>Total FY 2020 Proposed Budget</b>	<b>0.48</b>	<b>76,364,355</b>	<b>76,134,183</b>	<b>230,172</b>

## Retiree Health Benefit Fund Overview

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 payments for the unfunded liability for future medical benefits that will be provided to current and future retirees. The City's actuarial consultant, Bartel Associates, completed their June 30, 2017 biennial actuarial study in FY 2018 to inform both the FY 2019 and FY 2020 Operating Budgets. This study captured investment gains for the Retiree Healthcare Trust Fund as of June 30, 2017, lowered the assumed investment returns from 7.25 percent to 6.75 percent, and restated the City's Fiscal Year 2019 annual Actuarial Determined Contribution (ADC). The City's ADC for FY 2020 is \$16.5 million, or a 3.1% increase from FY 2019 (\$16.0 million). This increase aligns with actuarial expectations in the most recent report. Another actuarial study is anticipated to be performed in Spring 2020, which will provide an update on the fund's status as of June 30, 2019.

The June 30, 2017 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 ADC includes both the normal cost for the plan for FY 2019 as well as the amortization towards the Unfunded Actuarial Accrued Liability (UAAL). According to the valuation as of June 30, 2017, approximately 34 percent of the UAAL is attributable to current active employees, and 66 percent is attributable to retirees. The City has established an irrevocable trust fund to account for assets accumulated to offset the retiree medical costs for current and future retirees. The annual ADC is fully funded in the City's General Fund (64%), Enterprise Funds (30%), and Other Funds (6%).

As stated above, the ADC assumed for the Fiscal Year 2020 budget is \$16.5 million. However, the charges to the City's funds are budgeted at \$14.3 million. The difference of \$2.2 million represents the City's implied subsidy for retiree healthcare. This is the same subsidy briefly mentioned in the General Benefits Fund Overview section preceding this. There is a requirement, first imposed in Fiscal Year 2017, 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 performed to recognize the higher cost of medical services for retirees, which is reduced from the active employees' health care costs. This difference is known as the 'implied subsidy'. In Fiscal Year 2019, 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 \$2.2 million, and a transfer from the General Benefits Fund of \$2.2 million to the Retiree Health Benefits Fund has been established. This transfer reflects the full payment of the City's annual ADC for Retiree Healthcare in the Retiree Health Benefits Fund.

# RETIREE HEALTH BENEFIT FUND OVERVIEW

## Budget Summary

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change \$	FY 2020 Change %
<b>Dollars by Category</b>						
<b>Salary &amp; Benefits</b>						
Other Benefits	66,286	42,599	61,560	61,560	—	— %
Retiree Medical	16,365,000	16,867,362	15,997,000	16,410,999	413,999	2.6%
<b>Total Salary &amp; Benefits</b>	<b>16,431,286</b>	<b>16,909,962</b>	<b>16,058,560</b>	<b>16,472,559</b>	<b>413,999</b>	<b>2.6%</b>
<b>Total Dollars by Expense Category</b>	<b>16,431,286</b>	<b>16,909,962</b>	<b>16,058,560</b>	<b>16,472,559</b>	<b>413,999</b>	<b>2.6%</b>
<b>Revenues</b>						
Operating Transfers-In	2,203,000	2,444,000	2,197,000	2,197,000	—	— %
Other Revenue	13,808,255	14,526,970	13,800,000	14,213,999	413,999	3.0%
Return on Investments	73,868	69,691	59,200	46,900	(12,300)	(20.8)%
<b>Total Revenues</b>	<b>16,085,122</b>	<b>17,040,661</b>	<b>16,056,200</b>	<b>16,457,899</b>	<b>401,699</b>	<b>2.5%</b>

## Budget Reconciliation

	Positions	Expenditures	Revenues	Net
<b>Prior Year Budget</b>	—	16,058,560	16,056,200	2,360
<b>Base Adjustments</b>				
<b>Adjustments to Costs of Ongoing Activities</b>				
Citywide Retiree Health Benefits Adjustment	—	413,999	413,999	—
Return on Investments	—	—	(12,300)	12,300
<b>Adjustments to Costs of Ongoing Activities</b>	<b>—</b>	<b>413,999</b>	<b>401,699</b>	<b>12,300</b>
<b>Total FY 2020 Proposed Budget</b>	<b>—</b>	<b>16,472,559</b>	<b>16,457,899</b>	<b>14,660</b>





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## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
<b>General Fund</b>						
<b>Administrative Services</b>						
Account Specialist	5.88	4.88	4.63	4.63	0.00	0.00%
Account Specialist-Lead	4.05	3.05	3.45	3.45	0.00	0.00%
Accountant	3.00	3.00	3.00	3.00	0.00	0.00%
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	0.00	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	1.65	1.65	0.00	0.00%
Buyer	1.00	1.00	1.00	1.00	0.00	0.00%
Chief Procurement Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Contracts Administrator	1.70	2.70	2.70	2.70	0.00	0.00%
Director Administrative Services/CFO	0.80	0.80	0.80	0.80	0.00	0.00%
Director Office of Management and Budget	1.00	1.00	1.00	1.00	0.00	0.00%
Management Analyst	0.00	0.00	1.00	2.00	1.00	100.00%
Manager Accounting	1.00	1.00	0.00	0.00	0.00	0.00%
Manager Budget	1.00	1.00	2.00	2.00	0.00	0.00%
Manager Real Property	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Revenue Collections	0.62	0.62	0.62	0.62	0.00	0.00%
Manager Treasury, Debt & Investments	0.60	0.60	0.60	0.60	0.00	0.00%
Manager, Finance	0.00	0.00	1.00	1.00	0.00	0.00%
Payroll Analyst	2.00	2.00	2.00	2.00	0.00	0.00%
Principal Management Analyst	0.00	0.00	0.00	0.00	0.00	0.00%
Senior Accountant	3.00	3.00	3.00	3.00	0.00	0.00%
Senior Buyer	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Management Analyst	4.90	4.90	2.30	2.30	0.00	0.00%
Storekeeper	1.00	1.00	1.00	1.00	0.00	0.00%
Storekeeper-Lead	0.20	0.20	0.20	0.20	0.00	0.00%
Warehouse Supervisor	0.20	0.20	0.20	0.20	0.00	0.00%
<b>Total Administrative Services</b>	<b>38.60</b>	<b>38.60</b>	<b>38.15</b>	<b>39.15</b>	<b>1.00</b>	<b>2.62%</b>
<b>City Attorney</b>						
Assistant City Attorney	1.00	3.00	3.00	3.00	0.00	0.00%
Chief Assistant City Attorney	0.00	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%
Deputy City Attorney	0.00	1.00	1.00	1.00	0.00	0.00%
Legal Fellow	1.00	1.00	1.00	1.00	0.00	0.00%

## TABLE OF ORGANIZATION

### Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Principal Attorney	1.00	0.00	0.00	0.00	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	0.00	0.00	0.00	0.00	0.00%
Senior Deputy City Attorney	1.00	0.00	0.00	0.00	0.00	0.00%
Senior Legal Secretary	1.00	1.00	0.00	0.00	0.00	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
<b>Total City Attorney</b>	<b>11.00</b>	<b>11.00</b>	<b>10.00</b>	<b>10.00</b>	<b>0.00</b>	<b>0.00%</b>
<b>City Auditor</b>						
Administrative Assistant	0.00	0.00	0.00	0.00	0.00	0.00%
City Auditor	1.00	1.00	1.00	1.00	0.00	0.00%
Performance Auditor I	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Performance Auditor II	1.00	1.00	2.00	2.00	0.00	0.00%
Senior Performance Auditor	2.00	2.00	1.00	1.00	0.00	0.00%
<b>Total City Auditor</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>4.00</b>	<b>-1.00</b>	<b>(20.00)%</b>
<b>City Clerk</b>						
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	0.00	0.00	0.00	0.00%
<b>Total City Clerk</b>	<b>5.75</b>	<b>5.75</b>	<b>5.00</b>	<b>5.00</b>	<b>0.00</b>	<b>0.00%</b>
<b>City Manager</b>						
Administrative Assistant	1.00	1.00	1.00	2.00	1.00	100.00%
Administrative Associate III	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Assistant City Manager	2.00	0.00	0.00	1.00	1.00	0.00%
Assistant City Manager/Utilities General Manager	0.00	0.25	0.25	0.00	-0.25	(100.00)%
Assistant to the City Manager	0.00	2.00	2.00	2.00	0.00	0.00%
Chief Communications Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Chief Sustainability Officer	1.00	1.00	1.00	0.00	-1.00	(100.00)%
City Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Deputy City Manager	0.00	2.00	2.00	1.00	-1.00	(50.00)%
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	0.00	0.00%
Management Analyst	0.00	0.00	0.75	0.75	0.00	0.00%
Manager Communications	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Economic Development	1.00	0.00	0.00	0.00	0.00	0.00%
<b>Total City Manager</b>	<b>10.00</b>	<b>11.25</b>	<b>12.00</b>	<b>10.75</b>	<b>-1.25</b>	<b>(10.42)%</b>

## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
<b>Community Services</b>						
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 Community Services	2.00	2.00	2.00	2.00	0.00	0.00%
Building Serviceperson	2.00	2.00	2.00	1.25	-0.75	(37.50)%
Building Serviceperson-Lead	2.00	2.00	2.00	0.60	-1.40	(70.00)%
Coordinator Recreation Programs	4.00	4.00	3.00	3.00	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	2.75	3.60	3.60	3.60	0.00	0.00%
Management Analyst	1.00	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	5.00	5.00	5.00	5.00	0.00	0.00%
Manager Community Services Senior Program	4.00	4.00	4.00	4.00	0.00	0.00%
Manager Human Services	1.00	1.00	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 Program	12.50	11.00	11.00	11.00	0.00	0.00%
Program Assistant I	8.00	8.00	8.00	8.00	0.00	0.00%
Program Assistant II	4.00	4.00	4.00	4.00	0.00	0.00%
Project Manager	0.10	0.10	0.10	0.10	0.00	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	1.00	1.00	1.00	1.00	0.00	0.00%
Theater Specialist	1.00	2.00	2.00	2.00	0.00	0.00%
Volunteer Coordinator	0.00	0.00	0.00	0.00	0.00	0.00%
<b>Total Community Services</b>	<b>78.42</b>	<b>78.77</b>	<b>77.77</b>	<b>75.62</b>	<b>-2.15</b>	<b>(2.76)%</b>
<b>Development Services<sup>1</sup></b>						
Administrative Assistant	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Administrative Associate II	3.00	3.00	2.80	0.00	-2.80	(100.00)%
Administrative Associate III	1.00	1.00	1.00	0.00	-1.00	(100.00)%

## TABLE OF ORGANIZATION

### Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Assistant Chief Building Official	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Associate Engineer	0.02	0.02	0.02	0.00	-0.02	(100.00)%
Associate Planner	0.90	0.90	1.02	0.00	-1.02	(100.00)%
Building Inspector Specialist	4.00	4.00	4.00	0.00	-4.00	(100.00)%
Building/Planning Technician	2.30	2.30	2.30	0.00	-2.30	(100.00)%
Chief Building Official	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Chief Planning Official	0.00	0.00	0.01	0.00	-0.01	(100.00)%
Code Enforcement Officer	0.40	0.40	0.40	0.00	-0.40	(100.00)%
Code Enforcement-Lead	0.20	0.20	0.20	0.00	-0.20	(100.00)%
Deputy Chief/Fire Marshal	0.80	0.80	0.80	0.00	-0.80	(100.00)%
Development Project Coordinator II	2.00	2.00	2.00	0.00	-2.00	(100.00)%
Development Project Coordinator III	3.00	3.00	3.00	0.00	-3.00	(100.00)%
Development Services Director	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Engineer	0.64	0.64	0.64	0.00	-0.64	(100.00)%
Engineering Technician III	1.78	1.78	1.78	0.00	-1.78	(100.00)%
Fire Inspector	3.20	3.20	3.20	0.00	-3.20	(100.00)%
Hazardous Materials Inspector	1.60	1.60	1.60	0.00	-1.60	(100.00)%
Industrial Waste Inspector	0.01	0.01	0.01	0.00	-0.01	(100.00)%
Industrial Waste Investigator	0.35	0.35	0.35	0.00	-0.35	(100.00)%
Inspector, Field Services	0.68	0.68	0.68	0.00	-0.68	(100.00)%
Landscape Architect Park Planner	0.00	0.00	0.50	0.00	-0.50	(100.00)%
Management Analyst	1.01	1.01	1.01	0.00	-1.01	(100.00)%
Manager Development Center	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Manager Environmental Control Program	0.10	0.10	0.10	0.00	-0.10	(100.00)%
Manager Planning	2.00	2.00	2.00	0.00	-2.00	(100.00)%
Manager Urban Forestry	0.04	0.04	0.04	0.00	-0.04	(100.00)%
Manager Watershed Protection	0.00	0.00	0.00	0.00	0.00	0.00%
Planner	0.17	0.17	0.15	0.00	-0.15	(100.00)%
Planning Arborist	0.25	0.29	0.00	0.00	0.00	0.00%
Principal Planner	0.00	0.00	0.01	0.00	-0.01	(100.00)%
Project Engineer	0.03	0.03	0.03	0.00	-0.03	(100.00)%
Project Manager	0.07	0.00	0.00	0.00	0.00	0.00%
Senior Engineer	0.46	0.46	0.46	0.00	-0.46	(100.00)%
Senior Industrial Waste Investigator	0.01	0.01	0.01	0.00	-0.01	(100.00)%
Senior Management Analyst	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Senior Planner	0.24	0.24	0.12	0.00	-0.12	(100.00)%
Supervisor Inspection and Surveying	0.27	0.27	0.27	0.00	-0.27	(100.00)%
<b>Total Development Services</b>	<b>36.53</b>	<b>36.50</b>	<b>36.51</b>	<b>0.00</b>	<b>-36.51</b>	<b>(100.00)%</b>

## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
<b>Fire</b>						
40-Hour Training Battalion Chief	1.00	1.00	1.00	1.00	0.00	0.00%
40-Hour Training Captain	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Administrative Associate II	2.00	2.00	2.20	2.20	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	0.05	0.05	0.05	0.05	0.00	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	26.00	26.00	0.00	0.00%
Fire Captain	21.00	21.00	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	41.00	34.00	34.00	0.00	0.00%
Fire Inspector	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%
Hazardous Materials Inspector	0.30	0.30	0.30	0.30	0.00	0.00%
Police Chief	0.00	0.00	0.00	0.00	0.00	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Technologist	0.00	0.00	0.00	0.00	0.00	0.00%
<b>Total Fire</b>	<b>108.65</b>	<b>108.65</b>	<b>97.85</b>	<b>97.85</b>	<b>0.00</b>	<b>0.00%</b>
<b>Human Resources</b>						
Administrative Assistant	1.00	0.00	0.00	0.00	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 Representative	2.00	3.00	3.00	3.00	0.00	0.00%
Human Resources Technician	4.00	4.00	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	3.00	3.00	3.00	0.00	0.00%
Senior Management Analyst	1.00	2.00	2.00	2.00	0.00	0.00%
<b>Total Human Resources</b>	<b>16.00</b>	<b>16.00</b>	<b>16.00</b>	<b>16.00</b>	<b>0.00</b>	<b>0.00%</b>

## TABLE OF ORGANIZATION

### Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
<b>Library</b>						
Administrative Assistant	1.00	0.00	0.00	0.00	0.00	0.00%
Administrative Associate III	0.00	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%
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	7.00	7.00	7.00	6.00	-1.00	(14.29)%
Library Assistant	0.00	0.00	0.00	0.00	0.00	0.00%
Library Associate	7.00	7.00	7.00	7.00	0.00	0.00%
Library Specialist	12.50	12.50	11.50	11.50	0.00	0.00%
Management Analyst	0.00	1.00	1.00	1.00	0.00	0.00%
Management Assistant	1.00	0.00	0.00	0.00	0.00	0.00%
Manager Library Services	4.00	4.00	4.00	3.00	-1.00	(25.00)%
Senior Librarian	9.00	9.00	9.00	8.00	-1.00	(11.11)%
Supervising Librarian	2.00	2.00	2.00	4.00	2.00	100.00%
<b>Total Library</b>	<b>48.50</b>	<b>48.50</b>	<b>47.50</b>	<b>46.50</b>	<b>-1.00</b>	<b>(2.11)%</b>
<b>Office of Emergency Services</b>						
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	0.00	0.00	0.00	0.00%
Program Assistant II	0.00	0.00	1.00	1.00	0.00	0.00%
<b>Total Office of Emergency Services</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>0.00</b>	<b>0.00%</b>
<b>Office of Transportation<sup>2</sup></b>						
Administrative Assistant	0.00	0.00	0.00	0.50	0.50	0.00%
Associate Engineer	0.00	0.00	0.00	0.30	0.30	0.00%
Associate Planner	0.00	0.00	0.00	0.30	0.30	0.00%
Chief Transportation Official	0.00	0.00	0.00	0.70	0.70	0.00%
Coordinator Transportation Systems Management	0.00	0.00	0.00	1.25	1.25	0.00%
Management Analyst	0.00	0.00	0.00	0.50	0.50	0.00%
Project Engineer	0.00	0.00	0.00	0.45	0.45	0.00%
Senior Engineer	0.00	0.00	0.00	0.20	0.20	0.00%
Senior Planner	0.00	0.00	0.00	0.50	0.50	0.00%
Traffic Engineering-Lead	0.00	0.00	0.00	0.35	0.35	0.00%
Transportation Planning Manager	0.00	0.00	0.00	1.15	1.15	0.00%
<b>Total Office of Transportation</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6.20</b>	<b>6.20</b>	<b>0.00%</b>

## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
<b>Planning and Community Environment <sup>1,2</sup></b>						
Administrative Assistant	1.00	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	0.00	0.00	0.00	2.80	2.80	0.00%
Administrative Associate III	3.00	3.00	3.00	3.60	1.01	39.00%
Assistant Chief Building Official	0.00	0.00	0.00	1.00	1.00	0.00%
Assistant Director PCE	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Public Works	0.00	0.00	0.00	0.00	0.00	0.00%
Associate Engineer	1.00	0.73	0.65	0.22	-0.43	(66.15)%
Associate Planner	0.10	0.10	2.25	3.15	0.90	40.00%
Building Inspector Specialist	0.00	0.00	0.00	4.00	4.00	0.00%
Building/Planning Technician	0.70	0.70	0.70	3.00	2.30	328.57%
Business Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Chief Building Official	0.00	0.00	0.00	1.00	1.00	0.00%
Chief Planning Official	1.00	1.00	0.99	1.00	0.01	1.01%
Chief Transportation Official	0.70	0.43	0.64	0.00	-0.64	(100.00)%
Code Enforcement Officer	1.60	1.60	1.60	2.00	0.40	25.00%
Code Enforcement-Lead	0.80	0.80	0.80	1.00	0.20	25.00%
Coordinator Transportation Systems Management	0.60	0.88	0.74	0.00	-0.74	(100.00)%
Deputy Chief/Fire Marshal	0.00	0.00	0.00	0.80	0.80	0.00%
Development Project Coordinator II	0.00	0.00	0.00	2.00	2.00	0.00%
Development Project Coordinator III	0.00	0.00	0.00	3.00	3.00	0.00%
Development Services Director	0.00	0.00	0.00	1.00	1.00	0.00%
Director Planning/Community Environment	1.00	1.00	1.00	1.00	0.00	0.00%
Engineer	0.00	0.00	0.00	0.64	0.64	0.00%
Engineering Technician III	0.00	0.00	0.00	1.78	1.78	0.00%
Fire Fighter	0.00	0.00	0.00	0.00	0.00	0.00%
Fire Inspector	0.00	0.00	0.00	3.20	3.20	0.00%
Hazardous Materials Inspector	0.00	0.00	0.00	1.60	1.60	0.00%
Industrial Waste Inspector	0.00	0.00	0.00	0.01	0.01	0.00%
Industrial Waste Investigator	0.00	0.00	0.00	0.35	0.35	0.00%
Inspector, Field Services	0.00	0.00	0.00	0.68	0.68	0.00%
Landscape Architect Park Planner	0.00	0.00	0.00	0.50	0.50	0.00%
Management Analyst	0.88	0.98	0.80	0.01	-0.79	(98.75)%
Manager Development Center	0.00	0.00	0.00	1.00	1.00	0.00%
Manager Environmental Control Program	0.00	0.00	0.00	0.10	0.10	0.00%
Manager Planning	2.00	2.00	1.00	3.00	2.00	200.00%



## TABLE OF ORGANIZATION

### Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Manager Urban Forestry	0.00	0.00	0.00	0.04	0.04	0.00%
Parking Operations-Lead	0.20	0.00	0.10	0.00	-0.10	(100.00)%
Planner	3.83	3.83	3.85	4.00	0.15	3.90%
Planning Arborist	0.00	0.00	0.00	0.00	0.00	0.00%
Planning Division Manager	0.00	0.00	1.00	1.00	0.00	0.00%
Principal Planner	0.00	0.00	0.99	1.00	0.01	1.01%
Program Assistant II	0.35	0.60	0.00	0.00	0.00	0.00%
Project Engineer	1.15	0.50	0.80	0.13	-0.67	(83.75)%
Senior Engineer	0.00	0.00	0.00	0.46	0.46	0.00%
Senior Industrial Waste Investigator	0.00	0.00	0.00	0.01	0.01	0.00%
Senior Management Analyst	1.00	1.00	0.88	1.80	0.92	104.55%
Senior Planner	6.70	6.51	3.76	3.60	-0.16	(4.26)%
Supervisor Inspection and Surveying	0.00	0.00	0.00	0.27	0.27	0.00%
Traffic Engineering-Lead	0.10	0.38	0.65	0.10	-0.55	(84.62)%
Transportation Planning Manager	0.85	0.20	0.41	0.00	-0.41	(100.00)%
<b>Total Planning and Community Environment</b>	<b>31.56</b>	<b>30.24</b>	<b>30.20</b>	<b>59.85</b>	<b>29.65</b>	<b>98.18%</b>

<b>Police</b>						
Administrative Assistant	1.00	1.00	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	3.00	3.00	3.00	3.00	0.00	0.00%
Animal Control Officer-Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Animal Services Specialist II	2.00	2.00	2.00	0.00	-2.00	(100.00)%
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 Manager	0.00	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	7.50	7.50	7.50	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%
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	1.00	1.00	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%

## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
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	1.00	1.00	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 Program Manager	2.00	2.00	2.00	2.00	0.00	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Superintendent Animal Services	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Veterinarian	1.00	1.00	1.00	0.00	-1.00	(100.00)%
Veterinarian Technician	2.00	2.00	2.00	0.00	-2.00	(100.00)%
<b>Total Police</b>	<b>155.00</b>	<b>155.00</b>	<b>155.00</b>	<b>149.00</b>	<b>-6.00</b>	<b>(3.87)%</b>

**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	0.10	-0.50	(83.33)%
Administrative Associate II	2.65	2.65	2.65	2.65	0.00	0.00%
Administrative Associate III	0.01	0.01	0.01	0.01	0.00	0.00%
Assistant Director Public Works	0.87	0.87	0.87	0.73	-0.14	(16.09)%
Associate Engineer	0.30	0.30	0.30	0.00	-0.30	(100.00)%
Building Serviceperson	1.00	1.00	0.00	0.00	0.00	0.00%
Building Serviceperson-Lead	1.80	1.00	1.00	1.00	0.00	0.00%
Cement Finisher	3.00	3.00	2.00	2.00	0.00	0.00%
Cement Finisher-Lead	0.26	0.26	0.26	0.26	0.00	0.00%
Coordinator Public Works Projects	0.50	1.50	1.50	1.50	0.00	0.00%
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	0.66	0.66	0.66	0.36	-0.30	(45.45)%
Engineering Technician III	1.47	1.47	1.47	1.47	0.00	0.00%
Equipment Operator	3.46	3.46	2.46	2.46	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 Painter	1.75	1.75	1.75	1.75	0.00	0.00%
Facilities Technician	5.55	4.05	4.05	4.05	0.00	0.00%
Heavy Equipment Operator	2.33	2.33	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	0.11	0.11	0.11	0.11	0.00	0.00%

## TABLE OF ORGANIZATION

### Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Landscape Architect Park Planner	0.10	0.10	0.60	0.60	0.00	0.00%
Management Analyst	0.70	0.70	0.70	0.70	0.00	0.00%
Manager Facilities	0.90	0.90	0.90	0.90	0.00	0.00%
Manager Maintenance Operations	1.20	1.20	1.20	1.20	0.00	0.00%
Manager Urban Forestry	0.96	0.96	0.96	0.96	0.00	0.00%
Manager Watershed Protection	0.05	0.05	0.05	0.05	0.00	0.00%
Planning Arborist	0.75	0.71	0.00	0.00	0.00	0.00%
Project Engineer	0.50	0.50	0.50	0.00	-0.50	(100.00)%
Project Manager	2.58	2.65	2.65	2.65	0.00	0.00%
Senior Engineer	0.79	0.79	0.79	0.59	-0.20	(25.32)%
Senior Management Analyst	1.11	1.11	1.11	1.11	0.00	0.00%
Senior Project Manager	0.10	0.10	0.10	0.00	-0.10	(100.00)%
Supervisor Inspection and Surveying	0.10	0.10	0.10	0.10	0.00	0.00%
Surveyor, Public Works	0.33	0.33	0.33	0.33	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	55.93	54.66	51.45	49.41	-2.04	(3.96)%
<b>Total General Fund</b>	<b>603.94</b>	<b>602.92</b>	<b>585.43</b>	<b>572.33</b>	<b>-13.10</b>	<b>(2.24)%</b>
<b>Enterprise Fund</b>						
<b>Public Works</b>						
Account Specialist	0.30	0.30	0.30	0.30	0.00	0.00%
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%
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	1.99	2.99	2.99	2.99	0.00	0.00%
Chemist	3.00	3.00	3.00	3.00	0.00	0.00%
Deputy Chief/Fire Marshal	0.07	0.07	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	0.90	0.90	0.90	0.90	0.00	0.00%
Engineering Technician III	0.25	0.25	0.25	0.25	0.00	0.00%
Environmental Specialist	2.00	2.00	2.00	2.00	0.00	0.00%

## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Equipment Operator	0.54	0.54	0.54	0.54	0.00	0.00%
Facilities Maintenance Lead	1.00	1.00	1.00	1.00	0.00	0.00%
Facilities Technician	0.00	1.50	1.50	1.50	0.00	0.00%
Hazardous Materials Inspector	0.04	0.04	0.04	0.04	0.00	0.00%
Heavy Equipment Operator	0.90	0.90	0.90	0.90	0.00	0.00%
Heavy Equipment Operator-Lead	1.15	1.15	1.15	1.15	0.00	0.00%
Industrial Waste Inspector	2.99	2.99	2.99	2.99	0.00	0.00%
Industrial Waste Investigator	1.15	1.15	1.15	1.15	0.00	0.00%
Laboratory Technician WQC	3.00	3.00	3.00	3.00	0.00	0.00%
Landfill Technician	1.00	1.00	1.00	1.00	0.00	0.00%
Management Analyst	2.30	2.30	2.30	2.30	0.00	0.00%
Manager Airport	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Environmental Control Program	4.90	4.90	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	1.96	1.96	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	0.95	0.95	0.95	0.95	0.00	0.00%
Plant Mechanic	7.00	7.00	7.00	7.00	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	1.83	1.83	1.83	1.83	0.00	0.00%
Project Manager	1.35	1.35	1.35	1.35	0.00	0.00%
Senior Accountant	0.30	0.30	0.30	0.30	0.00	0.00%
Senior Buyer	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Chemist	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Engineer	3.76	3.76	3.76	3.76	0.00	0.00%
Senior Industrial Waste Investigator	0.99	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	1.00	1.00	1.00	1.00	0.00	0.00%
Storekeeper	1.00	1.00	1.00	1.00	0.00	0.00%
Street Maintenance Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Street Sweeper Operator	1.63	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	0.12	0.12	0.12	0.12	0.00	0.00%
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%

# TABLE OF ORGANIZATION

## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
WQC Plant Operator II	16.00	16.00	16.00	16.00	0.00	0.00%
Zero Waste Coordinator	1.00	1.00	1.00	1.00	0.00	0.00%
<b>Total Public Works</b>	<b>98.69</b>	<b>101.19</b>	<b>101.19</b>	<b>101.19</b>	<b>0.00</b>	<b>0.00%</b>
<b>Utilities</b>						
Account Specialist	1.70	1.70	1.70	1.70	0.00	0.00%
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 II	6.00	7.00	7.00	6.00	-1.00	(14.29)%
Assistant City Manager/Utilities General Manager	0.00	0.75	0.75	0.00	-0.75	(100.00)%
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%
Business Analyst	7.00	7.00	6.00	6.00	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	2.00	2.00	2.00	0.00	0.00%
Contracts Administrator	0.70	0.70	0.70	0.70	0.00	0.00%
Coordinator Utilities Projects	6.00	6.00	6.00	6.00	0.00	0.00%
Customer Service Representative	6.00	7.00	7.00	7.00	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%
Deputy City Attorney	0.00	1.00	1.00	1.00	0.00	0.00%
Director Administrative Services/CFO	0.20	0.20	0.20	0.20	0.00	0.00%
Director Utilities	1.00	0.00	0.00	0.00	0.00	0.00%
Electric Project Engineer	2.00	2.00	2.00	4.00	2.00	100.00%
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	1.00	1.00	1.00	1.00	0.00	0.00%
Electrician Assistant I	3.00	3.00	3.00	3.00	0.00	0.00%
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 - WGW	1.00	1.00	1.00	1.00	0.00	0.00%

## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Engineering Technician III	5.00	3.00	3.00	3.00	0.00	0.00%
Equipment Operator	1.00	0.00	0.00	0.00	0.00	0.00%
Gas and Water Meter Measurement and Control Technician	0.00	4.00	4.00	4.00	0.00	0.00%
Gas and Water Meter Measurement and Control Technician - Lead	0.00	1.00	1.00	1.00	0.00	0.00%
Gas System Technician II	3.00	0.00	0.00	0.00	0.00	0.00%
Hazardous Materials Inspector	0.06	0.06	0.06	0.06	0.00	0.00%
Heavy Equipment Operator	6.70	6.70	6.70	6.70	0.00	0.00%
Heavy Equipment Operator - Install/ Repair	4.00	4.00	4.00	4.00	0.00	0.00%
Industrial Waste Investigator	0.50	0.50	0.50	0.50	0.00	0.00%
Inspector, Field Services	5.00	5.00	5.00	5.00	0.00	0.00%
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	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Electric Operations	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Treasury, Debt & Investments	0.40	0.40	0.40	0.40	0.00	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	0.00	0.00	0.00	0.00	0.00	0.00%
Manager Utilities Operations WGW	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Utilities Program Services	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Utilities Strategic Business	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	0.00	0.00%
Marketing Engineer	0.00	0.00	0.00	0.00	0.00	0.00%
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	3.00	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	0.00	0.00	0.00	0.00	0.00	0.00%
Power Engineer	3.00	3.00	3.00	1.00	-2.00	(66.67)%
Principal Business Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Program Assistant I	2.50	1.50	1.50	1.50	0.00	0.00%
Program Assistant II	0.00	0.00	0.00	1.00	1.00	0.00%
Project Engineer	5.00	5.00	5.00	5.00	0.00	0.00%

## TABLE OF ORGANIZATION

### Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Project Manager	0.75	0.75	0.75	0.75	0.00	0.00%
Resource Planner	6.00	6.00	6.00	5.00	-1.00	(16.67)%
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	3.00	3.00	0.00	0.00%
Senior Deputy City Attorney	1.00	0.00	0.00	0.00	0.00	0.00%
Senior Electrical Engineer	4.00	4.00	4.00	4.00	0.00	0.00%
Senior Engineer	5.00	5.00	5.00	5.00	0.00	0.00%
Senior Management Analyst	0.70	0.70	0.70	0.70	0.00	0.00%
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 Resource Planner	6.00	6.00	6.00	6.50	0.50	8.33%
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	1.00	1.00	1.00	1.00	0.00	0.00%
Storekeeper-Lead	0.80	0.80	0.80	0.80	0.00	0.00%
Street Light, Traffic Signal & Fiber Technician	5.00	5.00	5.00	5.00	0.00	0.00%
Street Light, Traffic Signal & Fiber Technician Apprentice	0.00	0.00	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%
Tree Maintenance Person	1.00	1.00	1.00	1.00	0.00	0.00%
Utilities Account Representative	0.00	0.00	0.00	0.00	0.00	0.00%
Utilities Chief Operating Officer	0.00	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 Director	0.00	0.00	0.00	1.00	1.00	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	10.00	10.00	10.00	10.00	0.00	0.00%
Utilities Install/Repair Assistant	1.00	1.00	1.00	1.00	0.00	0.00%

## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
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	3.00	3.00	3.00	4.00	1.00	33.33%
Utilities Safety Officer	1.00	1.00	1.00	1.00	0.00	0.00%
Utilities Supervisor	12.00	12.00	12.00	12.00	0.00	0.00%
Utilities System Operator	5.00	5.00	5.00	5.00	0.00	0.00%
Utility Engineering Estimator - Lead	0.00	1.00	1.00	1.00	0.00	0.00%
Warehouse Supervisor	0.80	0.80	0.80	0.80	0.00	0.00%
Water System Operator I	1.00	0.00	0.00	0.00	0.00	0.00%
Water System Operator II	4.00	4.00	4.00	4.00	0.00	0.00%
<b>Total Utilities</b>	<b>254.92</b>	<b>256.67</b>	<b>256.67</b>	<b>257.42</b>	<b>0.75</b>	<b>0.29%</b>
<b>Total Enterprise Fund</b>	<b>353.61</b>	<b>357.86</b>	<b>357.86</b>	<b>358.61</b>	<b>0.75</b>	<b>0.21%</b>
<b>Other Funds</b>						
<b>Capital Project Fund</b>						
Administrative Assistant	0.00	0.00	0.00	0.15	0.15	0.00%
Administrative Associate I	0.80	0.80	0.80	0.80	0.00	0.00%
Administrative Associate III	0.89	0.89	1.09	1.04	-0.05	(4.59)%
Assistant Director Public Works	0.58	0.58	0.58	0.72	0.14	24.14%
Associate Engineer	2.69	2.96	3.04	2.49	-0.55	(18.09)%
Associate Planner	0.00	0.00	0.31	0.30	-0.01	(3.23)%
Building Serviceperson	0.00	0.00	0.00	0.75	0.75	0.00%
Building Serviceperson-Lead	0.00	0.00	0.00	1.40	1.40	0.00%
Cement Finisher-Lead	0.74	0.74	0.74	0.74	0.00	0.00%
Chief Transportation Official	0.30	0.52	0.36	0.30	-0.06	(16.67)%
Contracts Administrator	0.60	0.60	0.60	0.60	0.00	0.00%
Coordinator Public Works Projects	1.50	1.30	1.30	1.30	0.00	0.00%
Coordinator Transportation Systems Management	0.90	0.62	0.76	0.75	-0.01	(1.32)%
Engineer	2.80	2.80	2.80	3.10	0.30	10.71%
Engineering Technician III	0.50	0.50	0.50	0.50	0.00	0.00%
Facilities Technician	0.00	1.50	1.50	1.50	0.00	0.00%
Heavy Equipment Operator	0.00	0.00	0.00	0.00	0.00	0.00%
Inspector, Field Services	1.21	1.21	1.21	1.21	0.00	0.00%
Landscape Architect Park Planner	0.90	0.90	0.90	0.90	0.00	0.00%
Management Analyst	0.89	0.79	0.82	0.94	0.12	14.63%
Manager Facilities	0.10	0.10	0.10	0.10	0.00	0.00%
Manager Maintenance Operations	0.65	0.65	0.65	0.65	0.00	0.00%



## TABLE OF ORGANIZATION

### Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Parking Operations-Lead	0.30	1.00	0.35	0.40	0.05	14.29%
Program Assistant II	0.20	0.40	0.00	0.00	0.00	0.00%
Project Engineer	6.49	7.14	6.84	7.59	0.75	10.96%
Project Manager	1.15	1.15	1.15	1.15	0.00	0.00%
Senior Engineer	1.99	1.99	1.99	2.99	1.00	50.25%
Senior Management Analyst	0.60	0.60	0.72	0.80	0.08	11.11%
Senior Planner	0.70	0.85	0.72	0.50	-0.22	(30.56)%
Senior Project Manager	0.90	0.90	0.90	1.00	0.10	11.11%
Supervisor Inspection and Surveying	0.63	0.63	0.63	0.63	0.00	0.00%
Surveyor, Public Works	0.55	0.55	0.55	0.55	0.00	0.00%
Traffic Engineering-Lead	0.90	0.62	0.35	0.55	0.20	57.14%
Transportation Planning Manager	0.15	0.50	0.35	0.35	0.00	0.00%
<b>Total Capital Project Fund</b>	<b>30.61</b>	<b>33.79</b>	<b>32.61</b>	<b>36.75</b>	<b>4.14</b>	<b>12.70%</b>
<b>Printing and Mailing Services</b>						
Manager Revenue Collections	0.10	0.10	0.10	0.10	0.00	0.00%
Offset Equipment Operator	1.52	1.52	1.52	1.52	0.00	0.00%
<b>Total Printing and Mailing Services</b>	<b>1.62</b>	<b>1.62</b>	<b>1.62</b>	<b>1.62</b>	<b>0.00</b>	<b>0.00%</b>
<b>Special Revenue Funds</b>						
Account Specialist	1.62	1.62	1.87	1.87	0.00	0.00%
Account Specialist-Lead	0.95	0.95	0.55	0.55	0.00	0.00%
Administrative Assistant	0.00	0.00	0.00	0.35	0.35	0.00%
Administrative Associate II	0.20	0.20	0.20	0.20	0.00	0.00%
Administrative Associate III	0.00	0.00	0.21	0.25	0.04	19.05%
Associate Planner	0.00	0.00	0.42	0.25	-0.17	(40.48)%
Building Serviceperson-Lead	0.20	0.00	0.00	0.00	0.00	0.00%
Chief Transportation Official	0.00	0.05	0.00	0.00	0.00	0.00%
Community Service Officer	0.50	0.50	0.50	0.50	0.00	0.00%
Coordinator Public Works Projects	0.00	0.20	0.20	0.20	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 Painter	0.25	0.25	0.25	0.25	0.00	0.00%
Facilities Technician	0.45	0.45	0.45	0.45	0.00	0.00%
Management Analyst	0.02	0.02	0.17	0.35	0.18	105.88%
Manager Community Services Senior Program	1.00	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	0.28	0.28	0.28	0.28	0.00	0.00%
Parking Operations-Lead	0.50	0.00	0.55	0.60	0.05	9.09%

## Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
Program Assistant II	0.45	0.00	0.00	0.00	0.00	0.00%
Senior Planner	0.36	0.40	0.40	0.40	0.00	0.00%
Street Maintenance Assistant	2.00	2.00	2.00	2.00	0.00	0.00%
Street Sweeper Operator	0.37	0.37	0.37	0.37	0.00	0.00%
Transportation Planning Manager	0.00	0.30	0.24	0.50	0.26	108.33%
<b>Total Special Revenue Funds</b>	<b>9.69</b>	<b>9.13</b>	<b>10.20</b>	<b>10.91</b>	<b>0.71</b>	<b>6.96%</b>
<b>Technology Fund</b>						
Administrative Assistant	1.00	1.00	1.00	1.00	0.00	0.00%
Assistant Director Administrative Services	0.10	0.10	0.10	0.10	0.00	0.00%
Business Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Desktop Technician	6.00	6.00	6.00	6.00	0.00	0.00%
Director Information Technology/CIO	1.00	1.00	1.00	1.00	0.00	0.00%
Manager Information Technology	4.00	4.00	3.00	3.00	0.00	0.00%
Manager Information Technology Security	1.00	1.00	1.00	1.00	0.00	0.00%
Principal Business Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Business Analyst	2.00	2.00	2.00	2.00	0.00	0.00%
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00	0.00%
Senior Technologist	16.00	17.00	18.00	18.00	0.00	0.00%
Technologist	1.00	1.00	1.00	1.00	0.00	0.00%
<b>Total Technology Fund</b>	<b>35.10</b>	<b>36.10</b>	<b>36.10</b>	<b>36.10</b>	<b>0.00</b>	<b>0.00%</b>
<b>Vehicle Replacement and Maintenance Fund</b>						
Administrative Associate III	1.00	1.00	1.00	0.00	-1.00	(100.00)%
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	1.00	-1.00	(50.00)%
Management Analyst	0.20	0.20	0.20	0.20	0.00	0.00%
Management Assistant	0.00	0.00	0.00	1.00	1.00	0.00%
Manager Fleet	1.00	1.00	1.00	1.00	0.00	0.00%
Motor Equipment Mechanic II	6.00	6.00	6.00	6.00	0.00	0.00%
Motor Equipment Mechanic-Lead	2.00	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%
<b>Total Vehicle Replacement and Maintenance Fund</b>	<b>16.53</b>	<b>16.53</b>	<b>16.53</b>	<b>15.53</b>	<b>-1.00</b>	<b>(6.05)%</b>

## TABLE OF ORGANIZATION

### Table of Organization

	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Adopted Budget	FY 2020 Proposed Budget	FY 2020 Change FTE	FY 2020 Change %
<b>Workers' Compensation Program Fund</b>						
Senior Human Resources Administrator	1.00	1.00	1.00	1.00	0.00	0.00%
<b>Workers' Compensation Program Fund</b>						
Total Workers' Compensation Program Fund	1.00	1.00	1.00	1.00	0.00	0.00%
<b>Total Other Funds</b>	<b>94.55</b>	<b>98.17</b>	<b>98.06</b>	<b>101.91</b>	<b>3.85</b>	<b>3.93%</b>
<b>Total Citywide Positions</b>	<b>1,052.10</b>	<b>1,058.95</b>	<b>1,041.35</b>	<b>1,032.85</b>	<b>-8.50</b>	<b>(0.82)%</b>
<sup>1</sup> In FY 2020, Development Services has been combined with the Planning and Community Environment Department.						
<sup>2</sup> In FY 2020, the Office of Transportation has been separated into its own department. Staffing for Transportation in prior years is show in the Planning and Community Environment Department.						

# Supplemental Information





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## 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 2020 Budget assumes a BSR ending balance of \$42.7 million or 18.5 percent; this is aligned with City Council direction.

	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Actuals	FY 2018 Adopted	FY 2019 Adopted	FY 2020 Proposed
<b>Ending BSR Balance (in millions)</b>	<b>\$33.1</b>	<b>\$48.2</b>	<b>\$49.5</b>	<b>\$48.1</b>	<b>\$39.1</b>	<b>\$41.0</b>	<b>\$42.7</b>
<b>% of Total Expenses</b>	<b>19.33%</b>	<b>25.96%</b>	<b>24.06%</b>	<b>22.87%</b>	<b>18.63%</b>	<b>19.16%</b>	<b>18.50%</b>

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 preparation 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.

### **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. These funds are anticipated to be unspent at the conclusion of Fiscal Year 2019, and it is recommended that this reserve be carried forward to Fiscal Year 2020.

## 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 2013, and have reaffirmed these ratings a few times, the last one being in July 2018 by Moody's and February 2019 by S&P. The City is currently moving forward with updates to ratings as part of the upcoming issuance of debt for the golf course remodel. These ratings demonstrate that Palo Alto's prudent financial management and fiscal strength are viewed most favorably by credit agencies.

The four Utility bonds that are rated by S&P also received their highest credit rate of Triple A. Moody's has rated these Utility bonds with either their second highest (Aa1) or third highest (Aa2) ratings.

## 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 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. Between FY 2012 and FY 2018 unspent monies from General Fund capital projects were returned to the IR and retained within the Capital Fund. General Fund Operating Budget surpluses of \$36.9 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 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 Debt Policy establishes the guidelines to support the decision-making process for 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 April 11, 2017 City Council meeting to explicitly comply with the recently passed SB 1029 amendments to Government Code section 8855. A summary of the Debt Service guidelines, including more information on the new reporting requirements, is in the Debt Service Fund Overview section.

### Investment Policy

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/or with a trust - 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 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.



## FINANCIAL POLICIES

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.

City staff is evaluating possible recommendations to the City Council for changes to the Investment Policy and other financial practices to encourage investments that support sound environmental, social, and governance (ESG) investing. This includes, encouraging investments in entities that support community well-being through safe and environmentally sound practices and fair labor practices and equality of rights. Also, administratively, staff doesn't invest in entities that manufacture tobacco products, firearms, or nuclear weapons and production and/or drilling of fossil fuels. Staff will be looking at making a recommendation to formalize this practice in the Investment Policy.

## 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 Budget integrates the 1998-2010 Comprehensive Plan into the budget process.

**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.

## GLOSSARY

**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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# Americans with Disabilities Act



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IN COMPLIANCE WITH

AMERICANS WITH DISABILITIES ACT (ADA) OF 1990,

THIS DOCUMENT MAY BE PROVIDED

IN OTHER ACCESSIBLE FORMATS.

For information contact:

ADA Coordinator

City of Palo Alto

285 Hamilton Ave

(650) 329-2550