

ADOPTED OPERATING BUDGET



CITY OF
**PALO
ALTO**

FISCAL YEAR 2022



CITY OF
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OVERVIEW





CITY OF
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ALTO**

TRANSMITTAL LETTER

August 30, 2021

To the Honorable Mayor and City Council

2022 Fiscal Year Adopted Operating & Capital Budget Transmittal

Dear Mayor and Council Members:

In accordance with the City Charter, I am presenting the City of Palo Alto's Fiscal Year 2022 Adopted Operating Budget and Fiscal Year 2022 Adopted Capital Budget along with the 2022-2026 Capital Improvement Plan (CIP).

This Budget Message outlines the adopted budget balancing strategy that addresses the community's immediate service needs, while positioning Palo Alto to restore services and evolve as recovery takes shape. The adopted budgets are based on City Council direction to use the Long-Range Financial Forecast (LRFF) Scenario B for financial planning, which outlined a conservative financial balancing approach assuming an extended community recovery from the current pandemic over a three to five-year period.

This budget process followed an extremely difficult year for the community and advanced a number of discussions around the City's continued economic condition and fiscal challenges. The adopted Operating Budget and Capital Budget balancing strategies maintain services at the same levels as the previous year, but these service levels are not sustainable for the fiscal health of Palo Alto in the long-term. The Adopted Budget reflects our current fiscal reality as a result of the ongoing, extended pandemic, related economic challenges and continued resource limitations. As the hopeful signs for recovery continue, this Adopted Budget positions Palo Alto well to respond quickly and adapt should more moderate growth occur than forecasted. However, the City's long-term fiscal health must be addressed through more sustainable approaches to address the community's service priorities into the future. The budget process earlier this year provided an opportunity to engage in public dialogue on how to most effectively resource services that have the greatest impact on the community.

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Reflections on A Challenging Year & Positioning to Pivot as Recovery Continues

In reflecting over the past year and the variety of adversity and challenges that came with it, the work of the City is a true testament to our team's ability to remain nimble and think strategically when faced with navigating the challenges of the unknown and unexpected. This adopted budget is another step of this adaptation; it began the next phase of a conversation on how best to deliver services and ensure the priorities of the community are maintained through the allocation of constrained resources. The Adopted Budget also recommends a balancing strategy that positions the City well to add back reduced services quickly should recovery occur at a faster rate than assumed. These strategies are continually revisited and adjusted as new and updated information becomes available, addressing the constraints and needs of today while planning for the future.

California's 'Blueprint for a Safer Economy', which implemented a color-coded tier system and associated restrictions, was lifted on June 15, 2021 and provided a milestone to entering a recovery phase. While COVID-19 has not gone away, work must continue to ensure ongoing safety for all as the longstanding pandemic evolves. As we approach this next year, with limited fiscal resources and limited staffing, it will be more important than ever to be nimble and continue to seek opportunities through community partnerships, explore changes in service delivery and work together to handle unexpected challenges as they come.

Council Directed Budget Approach & Difficult Service Reductions Proposed

In February 2021, Council adopted the Long Range Financial Forecast (LRFF) and the financial balancing Scenario B for staff to use in development of this budget. This proposed budget assumes this conservative forecast and this budget does not assume restoration of the approximately \$20 million in service level reductions experienced in the prior year that addressed the nearly \$40 million loss in General Fund revenues.

FY 2022 Long Range Financial Forecast Council Directed Financial Planning Scenario

	Adopted					
	2021	2022	2023	2024	2025	2026
Total Revenue	\$196,474	\$196,532	\$205,162	\$216,193	\$223,168	\$229,605
		1.8%	4.4%	5.4%	3.2%	2.9%
Total Expenditures	\$196,949	\$203,322	\$217,846	\$229,681	\$238,974	\$247,163
		5.6%	7.1%	5.4%	4.0%	3.4%
Net One-Time Surplus/(Gap)	(\$475)	(\$6,790)	(\$12,684)	(\$13,488)	(\$15,806)	(\$17,558)

Cumulative Net Operating Margin (One-Time)

Net Operating Margin	(\$6,790)	(\$5,894)	(\$804)	(\$2,318)	(\$1,752)

Cumulative Net Operating Margin

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

The operating budget totals \$703.5 million and the capital budget totals \$174.3 million in FY 2022 and \$747.2 million over the five-year CIP. As required by the City Municipal Code, the Planning and Transportation Commission (PTC) reviewed the 2022-2026 CIP in May 2021 to evaluate the program's compliance with the Comprehensive Plan adopted by City Council in November 2017. This adopted budget addresses near term fiscal issues to bridge us through a difficult time, and together with Community Economic Recovery work and other strategic workplan activities, positions the City to continue its agile approach and respond to the needs of the community through the recovery period.

The FY 2022 \$13 million gap stems from a combination of impacts resulting from the pandemic and pending litigation related to the City's Utility Transfer. To balance the gap, the Adopted Budget includes use of General Fund Budget Stabilization Reserve (BSR) funds totaling \$2.5 million, \$8.2 million in American Rescue Plan Act of 2021 (ARPA) funding, and \$1 million in program specific reserves (e.g. Development Center) to maintain service levels for another year, allocate resources to move the City through the next phase of recovery, and strategically address the City's future fiscal sustainability. In addition to use of these one-time funding sources, \$0.7 million in assumed wage reductions, and \$0.6 million in net service and capital improvement investment reductions bridged the remainder of the gap. Detail on specific impacts are noted below in Department Specific Strategies.

Budget Message Elements

This Budget Message outlines the major Proposed Budget elements for the City Council's consideration including:

- Lasting COVID-19 Pandemic Impacts
- Fiscal Reality and Council Directed Budget Approach
- Community Economic Recovery and Long-Term Financial Planning
- City Council Priorities
- Summary of Other Funds (including the FY 2022-2026 Capital Improvement Plan)
- Budget Process and Key Dates
- Acknowledgments

Lasting COVID-19 Pandemic Impacts

In March 2020, the onset of the novel coronavirus (COVID-19) pandemic came with strict health orders for the safety of all and resulted in a drastic drop in revenues, specifically in two of the top three taxes that make up more than 50 percent of the City's General Fund. The City of Palo Alto took swift, decisive, and difficult action to balance an approximately \$40 million decline in FY 2021 revenues. This budget reflects a continuance of the significant service reductions taken in the first year of the pandemic and further aligns service levels with resources that continue to be dampened by the pandemic.

It has been a year and a half since the Santa Clara County Shelter-in-Place Order was issued and one year since the California Governor announce the state's "Blueprint for a Safety Economy." Since that time the one constant has been uncertainty. Examples of how the community has managed through this uncertainty together with community testing, practicing safety guidelines, and getting the COVID-19 vaccine when eligible. These efforts will materialize in recovery through the easing of restrictions such as allowing

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more indoor and outdoor activities, increasing economic activity and tax revenue collections. During this period of shelter-in place orders, the City has supported significant efforts, furthering Race and Equity initiatives, opening of Foothills Nature Preserve to everyone, launching the Uplift Local initiative, taking advantage of historic market conditions to advance capital projects, reopening City playgrounds after being closed for several months, and finalizing a Community and Economic Recovery work plan.

Fiscal Reality and Council Directed Budget Approach

The FY 2022 \$13 million gap stems from a combination of impacts resulting from the pandemic and pending litigation related to the City's Utility Transfer. To balance the gap, the Adopted Budget includes use of General Fund Budget Stabilization Reserve (BSR) funds totaling \$2.5 million, \$8.2 million in ARPA funds, and \$1 million in program specific reserves (e.g. Development Center) to maintains service levels for another year, allocate resources to move the City through the next phase of recovery, and strategically address the City's future fiscal sustainability. In addition to use of these one-time funding sources, \$0.7 million in assumed wage reductions, and \$0.6 million in net service and capital improvement investment reductions bridged the remainder of the gap.

Overall, the City's General Fund is estimated to collect \$206.5 million in revenues against \$209.2 million in expenses. A net use of reserves and program revenue totaling \$1.8 million produces a balanced budget for FY 2022. These funding levels reflect an \$12.2 million, or 6.2 percent, increase compared to the FY 2021 Adopted Budget due to the pending Utility Transfer litigation. The City's Capital Improvement Plan reflects a \$173.4 million FY 2022 budget, and a \$747.2 million plan over the 2022-2026 five-year CIP. Of this, the General Capital Improvement Fund reflects expected expenses of \$64.0 million in the FY 2022 budget and \$189.5 million over the five-year CIP.

This year's budget continues the City Council's hard work accomplished in FY 2020 to address the loss of \$40 million in revenue in the General Fund in FY 2021. It is important to note that in FY 2021, the organization experienced an overall reduction in service in the General Fund totaling \$20 million as a result of the fiscal constraints experienced last year that are not restored in this adopted budget. Overall, this budget reflects a net reduction of 86 full-time staff (equivalent of 78.85 FTE) and 102 part-time staff (equivalent of 24.73 FTE) resulting in a workforce of 956.00 FTE full-time positions and 81.59 FTE part-time positions. The majority of these reductions reflect the City Council's direction to eliminate positions that were defunded and frozen in FY 2021 (CMR 11872). In the General Fund, full-time staffing is reduced from 574.43 FTE to 506.80 FTE (a reduction of 67.63 FTE) and part-time staffing is reduced from 81.31 FTE to 56.58 FTE (a reduction of 24.73 FTE).

While this Adopted Budget builds on reductions taken in the prior year and assumes modest service level reductions, the adopted budget balancing strategy seeks to navigate through this difficult time by focusing limited resources on funding services with the greatest community impact, maintaining core City services, and managing vulnerabilities and risk associated with a shrinking organization. The balancing strategy also uses the opportunity of one-time Federal funding and one-time use of the General Fund Budget Stabilization Reserve to mitigate further and more steep service reductions in the long-term.

Below are overviews of the Citywide Strategies, both in the long-term and specific to this adopted budget, and Department Specific Strategies that bridge the base budget gap identified in the LRFF. Details of specific department actions can be found in each department section of this document.

Citywide Strategies

As noted above, the City's budget strategy addresses immediate City service needs, but is not a sustainable fiscal strategy for the long-term to meet the needs of the community. From an operating budget standpoint, strategies include use of one-time Federal relief funding and General Fund Budget Stabilization Reserves to address immediate resource limitations, while remaining hopeful that we can move forward with a tax measure to maintain or build back services in future years. From a Capital infrastructure standpoint, the level of reductions seen and included in the Adopted Budget will require the City to play 'catch up' in future years. Overall, more sustainable budget approaches are needed as we look to recover from the pandemic such as increased use of non-profit partners to provide services, evaluating current core services and continued modernization of service delivery, and diversifying the City's revenue mix and/or increasing revenues to fund services.

Citywide Cost Containment: Strategies in this area include continuing a hiring freeze and freezing all non-essential travel, eliminating current vacancies and reducing future vacancies through attrition, and service reductions such as reduced walk-in office hours. The FY 2022 Adopted Budget includes wage assumption savings for the City's non-safety groups, totaling \$1.4 million Citywide and \$0.7 million in the General Fund.

City General Capital Infrastructure Fund Transfer Suspension: The City's General Fund transfers total \$9.7 in the Adopted Budget, a 67.7 percent decrease of over \$30 million annually to the General Capital Improvement Fund prior to the economic impacts of the pandemic. The transfer to the City's General Capital Fund consists of a baseline transfer (\$2.6 million) as well as the allocation of Transient Occupancy Tax (TOT) receipts (\$5.9 million) as designated by the City Council, and estimated interest earnings (\$1.2 million). Losses in TOT revenues and an additional \$2.4 million reduction in the General Fund base transfer to the Capital Improvement Fund impacts resulted in restructuring of how projects were previously programmed in the five-year CIP. The 2022-2026 CIP prioritizes investments in essential capital investments, the Public Safety Building, 2014 City Council approved Infrastructure Plan projects, and various transportation projects including grade separations.

Use of American Rescue Program Act (ARPA) Funding: the American Rescue Plan Act of 2021 (ARPA) signed into law in March provides over \$350 billion of relief funds to state and local governments. This amount represents approximately one-fifth of the bill's total allocation and will be deployed to state and local government agencies in two distributions and use of these funds is broadly defined in the bill. As of the printing of this document, the U.S. Department of the Treasury has developed guidelines for eligible uses, compliance, and reporting for the State and Local Fiscal Recovery Fund component of ARPA. The City expects to receive \$13.7 million over two years.

The Adopted Budget balancing strategy uses 60 percent, or \$8.2 million in FY 2022, of the City's \$13.7 million total funding allocation that is distributed over two years. The first allocation, \$6.9 million, was received by the City in May 2021. Use of these funds has allowed the City to abate additional significant service

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reductions. The remaining second year ARPA funds have not yet been allocated and it is likely that these funds will be set aside to assist in a two-year bridge for this current fiscal year and in FY 2023 as the economy recovers. The LRFF articulates an expected gap in revenues and expenses in FY 2023 and staff expects that at least a portion of these funds would be necessary to maintain the current lowered service levels as we manage through the recovery.

Guidelines for use of ARPA funds state that funds can be used to mitigate the fiscal effects stemming from the public health emergency including:

- Assistance to households, small businesses and nonprofits, assistance to hard-hit industries like tourism, travel, and hospitality,
- Response to workers performing essential work during COVID-19,
- The provision of government services to the extent of the reduction in revenue due to the pandemic in the most recent full fiscal year, and/or
- Making necessary infrastructure investments.

Proactive Funding of Long-Term Liabilities: The City Council approved a proactive funding strategy to contribute to the City's Pension Trust Fund assuming a normal cost for contributions with a 6.2 percent discount rate. This resulted in additional annual contribution of \$5.1 million in all funds, \$3.1 million in the General Fund. Council adopted the Pension Funding Policy ([City Manager's Report #11722](#)) with a target goal of reaching a 90 percent funded status with CalPERS in 15 years. The Adopted Budget addresses Council direction by including the necessary funding to follow this Pension Funding Policy as well as the continued proactive funding of the City's Other Post-Employment Benefits (OPEB) liabilities.

Community & Economic Recovery Workplan: The focus areas of the adopted workplan are Managing Through the Pandemic, Community Wellness and Wellbeing, Business Support, and City Priority Initiatives. The City's workplan includes further emergency resilience elements and exploration of a potential ballot measure to address long term funding needs. Current recommended projects have been prioritized based on both project readiness and short- and long-term impacts.

Budget Stabilization Reserve (BSR): This FY 2022 Adopted Budget anticipates a BSR balance of \$36.0 million, or 17.2 percent of General Fund expenses. This is below the City Council target level of 18.5 percent but within the targeted range of 15 percent to 20 percent of General Fund expenses.

Department Specific Service Impacts

Public Safety: Subsidize Animal Control operations for one-year through use of donations. Shift of certain administrative parking enforcement activities to the City's contracted hearing officer. Implement fire alarm response policy changes and enhance equitable hiring practices in the Fire Department. Reduction of system maintenance funding for the railroad train crossing intrusion detection system.

Community & Library Services: Implementation of phased reopening of library branches expected Fall 2021 when vacant positions are filled. Neighborhood library (Children's, Downtown, and College Terrace) open three days a week and full-service branches (Mitchell Park and Rinconada) open six days per week. Additional staff resources to manage increased activity at Foothills Nature Preserve as well as Children's Theater Outreach and Summer Hotdog Series Productions.

Planning, Transportation & Infrastructure: Reduced bicycle program and increased response time to transportation related 311 notifications due to reduction of traffic data services. Implementing license plate recognition for efficiencies in parking enforcement and initiating a paid parking program to increase revenues. Reduced facilities maintenance and repairs or replacement of street and traffic markings. Reduced capital plan investment via the General Fund annual base transfer.

Citywide Internal Support, Administration, and Council Appointed Officers: Administrative support functions in 7 departments reduced and functions shifted to other department staff, resulting in service delays across the organization. Specific to Internal Support departments – Information Technology, Human Resources, and Administrative Services Departments as well as the Council and appointed officers (City Manager, City Attorney, City Auditor and City Clerk) – reductions in these areas in line with the changes in services, increasing timeframes for assistance and review in areas such as recruitments, procurements, and risk management. Technology solutions will be constrained to only essential contracts and systems and to support equipment needs.

Once again, we must recognize that many of these budget balancing strategies are not sustainable over the long term. However, these, or similar solutions, are necessary to bridge the gap created by a steep economic downturn, contain costs, and support our economic recovery.

Economic Recovery and Long-Term Financial Planning

Work on Economic Recovery began in Fall 2020, prior to the City Council setting this priority in January. These efforts began with the “Uplift Local” initiative and convening a panel of experts to discuss national and local revenue trends, the future of workplaces, and initial reactions to staff’s ongoing workplan. Through several conversations with the City Council in 2020 and 2021, the Community and Economic Recovery workplan was developed. This workplan identifies several recommended priority projects and work to connect the City Council’s Priorities and ensure organization support and capacity to further these efforts in the coming year and beyond. The workplan emphasizes four key areas: Manage through the Pandemic; Community Wellness and Welfare; Focused Business Support; and City Priority Initiatives. A summary of the focus areas, including specific priority projects can be found here: [City Manager’s Report #12111](#).

On February 8, 2020, the City Council approved the Long Range Financial Forecast (LRFF) ([City Manager’s Report #11954](#)), the financial balancing scenario to be used in development of the FY 2022 budget, and the Budget Development Guidelines. At the time the LRFF was developed, it was found in reviewing a variety of economic resources that recovery will occur over a three to five-year period, with major tax revenues returning to pre-COVID levels in FY 2025. The Forecast did not assume restoration of service reductions taken in FY 2021 and, if annual budget shortfalls are balanced through service reductions, this would result in approximately a cumulative 25 percent, or \$56 million, overall budget reduction between FY 2021 and FY 2026. This balancing scenario resulted in an overall \$6.8 million budget shortfall for FY 2022 and assumed Shelter-In-Place orders effective through spring/early summer. Recognizing that some of the necessary measures may not be sustainable in the long-term, the forecast assumes deferrals of some long-standing priorities to respond to the downturn and allow for an economic recovery before resuming. We must assume this may take years and hedge against the unknown duration of this downturn.

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This recovery is heavily reliant on resumption of travel to the region and return to pre-COVID level day-time population (e.g. return to in-person work for office and education employees). As of the production of this document, vaccines are being made more widely available and the County of Santa Clara has worked diligently to manage vaccine supply as the State moves to expand eligibility. In sharp comparison to this time last year, as society begins to adjust to loosened social constraints, we are working towards ensuring a safe environment for community activity. Looking forward, the City continues to face several pressures, not only from the global economic impacts of COVID-19, but also funding the growing costs of pension benefits, labor costs, and the current cost of living around Palo Alto; critical choices in balancing long-term financial impacts of pending litigation; and funding for the 2014 Council approved Infrastructure Plan projects.

City Council Priorities

In January of this year, the City Council held a retreat and selected four priorities to focus on in this year. While recognizing the devastating economic impacts of the pandemic by identifying Economic Recovery as the top priority for 2021, the City Council continues its priority of affordable housing from 2020. The priorities include:

- Economic Recovery
- Housing for Social and Economic Balance
- Social Justice
- Climate Change - Protection and Adaptation

Visit the City's website for the [City Council Retreat staff memo](#) highlighting the results of the 2021 City Council Priorities Ranking Survey Responses.

Summary of Other Funds

The City's Enterprise and other funds, including the General Capital Fund reflect the priorities from the FY 2022 budget development with limited adjustments for the zero to minimal rate increases approved for FY 2022. The capital budgets have been updated for the current status and cost estimates of projects based on engineering designs and the need to prioritize investments of limited resources, including deferral of some large projects beyond the five-year CIP. The City will continue to maintain services and facilities for the community and the region, such as Utilities, the Palo Alto Airport, and the Regional Water Quality Control Plant. FY 2022 financial plans for the City's utilities are developed to provide sufficient funding to cover increasing expenses for commodities, replenish lower reserves, and repair and replace the City's aging utility infrastructure. The average monthly utility bill is expected to increase by 1.4 percent. Parking permit prices are also recommended to decrease to pre-pandemic prices, except for resident permits which are recommended to remain at \$50.

The City's Capital Improvement Plan reflects a \$174.3 million budget in FY 2022 and \$747.2 million plan over the 2022-2026 five-year CIP. Major investments continue in the Regional Water Quality Control Plant capital program, with approximately 64 percent of the expenses reimbursed by five contributing partner agencies outside of the City of Palo Alto. The general Capital Improvement Fund is the largest single fund in the 2022-2026 CIP with \$189.5 million planned for 80 projects. Responsible investments and essential infra-

structure are prioritized in this budget and will be necessary as the uncertainty of economically sensitive TOT revenue remains.

Staff proactively re-evaluated the FY 2021 capital project status and funding needs throughout the year in response to TOT revenue declines impacting General Fund capital investments. In addition, the City Council directed staff to find an additional \$2.5 million in savings from the FY 2021 General Fund Capital Budget. The FY 2022 budget was developed accordingly, assuming an additional \$2.5 million reduction in the base capital transfer from the General Fund. In total, transfers from the General Fund to the Capital Improvement Fund decreased in FY 2022 by \$3.1 million, from \$12.8 million to \$9.7 million due to declines in TOT revenue and the \$2.5 million reduction in the base capital transfer. Capital projects were reviewed with the following specific objectives:

- Reduce carryover funding to “keep up” spending on essential infrastructure rather than fall behind and require new funding sources or levels to “catch up” in upcoming years;
- Position shovel-ready projects to take advantage of the favorable construction market pricing typical of a recession;
- Minimize near-term funding of discretionary projects; and,
- Ensure a steady flow of projects that minimizes peaks and valleys in project delivery staffing needs, as this would reduce efficiency and introduce bottlenecks in productivity.

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Acknowledgements

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. It is through the support of this team we have overcome the challenges faced last year, and through this resiliency, our experiences have prepared us for the challenges ahead. Together, we must take action to address issues in the near term to best position the organization for the long-term so that we can meet the needs of the community today and beyond. The Palo Alto community should be proud of your leadership and commitment to service.

A budget document takes countless hours of teamwork, collaboration, and patience to produce. I would like to offer special thanks to Kiely Nose, our Interim Assistant City Manager and Chief Financial Officer and the dedicated Office of Management and Budget Team - Christine Paras, Paul Harper, Jessie Deschamps, Alexandra Harris, Sean Kilger, Oscar Murillo, Kayla Shapiro, Chaitali Paliwal, Joshua Martinez, and Steve Guagliardo. Completing this budget could not have been accomplished without the skill, dedication, and professionalism of this team. Their willingness to work through these unique circumstances and sacrifice countless hours are a testament to their commitment to this organization and to the community. I am also grateful to our Executive Leadership Team especially our Department Directors and Meghan Horrigan-Taylor our Chief Communications Officer who worked on the budget materials and the leadership they have demonstrated. 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

BUDGET BALANCING STRATEGY

The FY 2022 Operating Budget of \$703.5 million reflects a 12.0 percent decrease from the FY 2021 Operating Budget of \$799.1 million. The decrease primarily reflects a large amount of one-time funding programmed in the Capital Improvement Plan (CIP) in FY 2021 for the Public Safety Building project. CIP expenses budgeted in FY 2021 were \$300.0 million; FY 2022 includes programmed expenses of \$174.3 million. The General Fund has \$209.2 million in budgeted expenses and represents 29.7 percent of the City's total expenditures.

The FY 2022 Adopted Budget reflects a balancing strategy that utilizes one-time resources such as the General Fund Budget Stabilization Reserve (BSR) and ARPA funds to prioritize essential services, maintain investments in the City's most critical infrastructure, and continue to proactively fund long term obligations against severely impacted resources due to the severity of COVID-19. The adopted budget sets funding aside to address potential impacts of an ongoing lawsuit involving the City's gas and electric rates, *Green v. City of Palo Alto* (Santa Clara Superior Court, Case No. 1-16-CV-300760). Because either party may appeal an initial decision from the Superior Court, the exact General Fund exposure is not yet known. However, based on the Superior Court's decision, it is prudent to plan for an \$8 million annual impact to the General Fund over the next four years, and an average of \$4 million annually thereafter. The City receives revenue of approximately \$21 million annually in transfers from the Gas and Electric utilities (approximately \$7 million from the Gas enterprise and \$14 million from Electric). The Adopted Budget reduces expenditure of a portion of the Gas transfer in alignment with the Superior Court's interpretation of state law.

The City did not reach agreements with any of the represented labor groups, and therefore, the current terms of the Memorandum of Agreement's (MOA's) are assumed in the FY 2022 Adopted Budget. Upon expiration of the Service Employee International Union (SEIU) contract in December 2021, the Adopted Budget includes an assumption for zero percent wage in this fiscal year. The Management/Professional group is unrepresented and not subject to bargaining. This budget assumes a zero percent wage increase for both groups and generates \$1.4 million in savings (\$710,000 in the General Fund).

CONTINUING FISCAL SUSTAINABILITY ACTIONS

The FY 2022 Adopted Budget maintains service delivery levels with those in the FY 2021 Adopted Budget, while ensuring that the City continues to proactively pay for long-term liabilities, continues capital investments in our most critical infrastructure, and provides resources for the City to successfully adapt from 'shelter in place' to future service delivery models. This budget allocates resources to ensure those service delivery transitions as the community navigates through the

BUDGET BALANCING STRATEGY

recovery phase of the pandemic. In addition, ARPA funds have been designated in the General Fund to begin work on focus areas that support the City's long-term, strategic goals.

As a balanced budget, the assumptions contained herein continue to follow conservative proactive fiscal management across all funds and sets aside funds that enable the City to adapt and respond to the public health emergency and economic recovery. Significant progress towards ongoing cost containment over the past several years and the reductions that have been made across the organization have set the foundation through which the City was able to effectively respond to the financial impacts of COVID-19. It shows the continued push to proactively fund liabilities by maintaining the City Council approved additional annual payments to the City's irrevocable IRS Section 115 Pension Trust Fund (Pension Trust Fund) (\$3.1 million General Fund, \$5.1 million all funds) and additional payments to the City's OPEB Trust (approximately \$2.2 million annually all funds).

Investment in capital infrastructure has been a key priority, in part funded by approval of two Transient Occupancy Tax rate changes as well as a transfer from the General Fund to the Capital Improvement Fund for the catch-up and keep-up priorities identified by the Infrastructure Blue Ribbon Commission (IBRC). This capital budget continues to prioritize the 2014 Council approved Infrastructure Plan in the General Capital Improvement Fund. In order to accomplish this, some of the larger projects previously planned in the five-year CIP have been pushed out beyond the 2022-2026 timeframe.

This prioritization of fiscal sustainability did not come without impacts. The ability to maintain these financial investments in capital and sustain proactive payments towards long-term liabilities, while funding Council priorities over the years, has resulted in service and staffing reductions and service delivery changes such as the animal shelter transition to a public/private partnership with Pets in Need. The FY 2021 Adopted Budget and this FY 2022 Adopted Budget contain reductions previously approved across all City departments, result in a 9.1 percent reduction in the City's workforce and impedes the City's ability to maintain pre-pandemic service levels. Additional significant reductions are included in this budget and one-time use of ARPA Funds has delayed a series of more severe reductions for the short-term.

Staff released the "City Services Guide" in December 2019 to assist in further conversations about the exceptional services provided by the City and the resources necessary to provide them.

You can find the City Services Guide and the appendix here:

[City Services Guide](#)

[City Service Appendix](#)

GENERAL FUND

The FY 2022 Adopted Operating Budget is balanced through aligning reduced available resources that are impacted by COVID-19 with service delivery reductions throughout the organization. Prioritizing essential services and reducing or eliminating discretionary services is reflected in this budget. Notwithstanding the service delivery reductions reflected in this budget, the budget balancing strategy ensures that the City continues to proactively pay for long term liabilities, maintains capital investments in our most critical infrastructure, provides resources for the City to successfully adapt from "shelter in place" to future service

delivery models, and establishes funding to ensure those service delivery transitions. The FY 2022 Adopted Budget includes revenues of \$209.2 million in the General Fund, representing a 5.8 percent increase over the FY 2021 Adopted Budget of \$197.0 million.

The FY 2021 Budget Stabilization Reserve (BSR) is anticipated to be \$35.8 million, which is 18.2 percent of General Fund expenses and \$0.6 million below the City Council target level of \$36.3 million, or 18.5 percent of General Fund expenses. The FY 2022 Adopted Budget assumes a net \$1.8 million drawdown of the BSR therefore it is anticipated that the FY 2022 BSR balance will be \$36.0 million, or 17.2 percent of General Fund expenses, below the City Council target level of 18.5 percent but within the targeted range of 15 percent to 20 percent.

GENERAL FUND BALANCING STRATEGY

REVENUES

Revenues of \$205.6 million in the General Fund represent a more conservative revenue estimate that reflects the severity of the current public health emergency and its impacts on the City's financial situation. On February 8, 2021, the City Council provided direction to staff to assume a \$6.8 million General Fund gap which assumed that the COVID-19 shelter-in-place order would be lifted by spring/early summer 2021, followed by a moderately paced economic recovery over three to five years. The FY 2022 adopted revenue budget represents an overall \$10.0 million increase compared to the FY 2021 Adopted Budget and is driven by \$6.3 million in ARPA Funds that were received in FY 2021. Excluding ARPA Funds, tax revenue constitutes 55 percent of General Fund resources and therefore fluctuations in this category significantly impact the City's financial outlook. Overall, major tax revenue in the FY 2022 Adopted Budget totals \$109.3 million, a 2.0 percent increase compared to \$107.2 million in the FY 2021 Adopted Budget. Estimates for the major tax revenues listed below will be refined as additional data and information become available.

- Sales Tax was is projected to increase by 36.8 percent (from \$20.5 million to \$28.0 million),
- Property Taxes is estimated to decrease by 1.5 percent (from \$52.0 million to \$51.2 million),
- Transient Occupancy Tax (TOT) is anticipated to decrease by 43 percent (from \$14.9 million to \$8.4 million)
- Utilities Users Tax is expected to decrease by 4.8 percent (from \$15.1 million to \$14.4 million), and
- Documentary Transfer Tax estimated to decrease by 51.9 percent (from \$4.7 million to \$7.1 million).

As of the printing of this document, staff is reviewing revenue results as of the end of August and expects further revisions to TOT and Sales Tax estimates due to less restrictive health guidelines implemented the second half of FY 2021. The City will continue to monitor current revenues together with changes in restrictions in social distancing, trends in travel, and vaccine distribution. Although this budget assumes a \$2.5 million reduction in the base transfer to the Capital Improvement Fund, funding from other sources, such as Measure B and SB1, are included in this budget to provide resources for Capital Infrastructure. Impacts to these revenues are discussed in the FY 2022 Adopted Capital Budget. Impacts on external funding sources such as these will be monitored and potentially adjusted as the fiscal year progresses.

BUDGET BALANCING STRATEGY

EXPENSES

The City's FY 2022 General Fund expense budget is \$209.2 million and reflects a 6.2 percent increase compared to the FY 2021 Adopted Budget. As a service-driven organization, salaries and benefits, including the City's proactive pension funding contributions, represent 62.9 percent of total General Fund expenses. Following staffing costs, the next largest expense in the General Fund is contract services, which is increasing 37.6 percent from \$22.0 million in FY 2021 to \$30.2 million in FY 2022. This category includes a variety of services including legal counsel, staffing for Planning and Development Services, facility maintenance and citywide landscaping. The significant increase in this expense category is driven by the reserve for the potential Utility Transfer litigation impacts.

The FY 2022 Adopted Budget assumes that the reduction to the base transfer to the Capital Improvement Fund taken in FY 2021 is not restored and based on financial constraints within the General Fund, the FY 2022 adopted balancing strategy assumes an additional \$2.5 million reduction. In addition to this impact, as health and safety guidelines have continued to restrict travel, the TOT revenue transfer to support capital investments has been adjusted downward, although this impact has been cushioned by two new hotels opening in 2021. Net TOT revenue allocated towards capital investments totals \$5.9 million, a 10.0 percent decrease compared to the FY 2021 Adopted Budget. Cumulatively, for both the base transfer and TOT revenues, support to the Capital Improvement Fund has decreased by \$3.0 million, or 27.1 percent in the FY 2022 Adopted Budget compared to the FY 2021 Adopted Budget.

The FY 2022 Adopted Budget ensures that the City will focus on maintaining outdoor recreation and open space preserves, providing the highest value to the community for the duration of the COVID-19 pandemic when outdoor options are critical during this time. In response to the surge of visitors at the Foothills Nature Preserve, the Adopted Budget adds staffing at the Nature Preserve to manage increased activity. One-time funding totaling \$0.8 million is included in this budget to support long-term strategic goals and the Community Economic Recovery workplan.

The FY 2022 Adopted Budget reflects a 78.85 reduction in full-time equivalent (FTE) positions (67.73 in the General Fund). In addition to these full-time staff reductions, 24.73 part-time FTEs were also reduced in FY 2022. All changes to positions included in the FY 2022 Adopted Budget are discussed in Attachment B of the transmittal letter along with more detail regarding salary and benefit changes.

The General Fund also sets aside funds to assist the community and organization with recovery and restoration efforts related to COVID-19. Details for these reserves can be found in the Non-Departmental section of this book.

ALL FUNDS

In addition to prioritizing essential services, critical infrastructure improvements, and reducing discretionary costs in the General Fund, operations and capital projects in non-General Funds were scrutinized. Revenue estimates contained in this budget here revised to ensure a balanced budget in several funds with economically sensitive revenues. Major activities in non-general funds the FY 2022 Adopted Budget are described below.

Wastewater Treatment Fund

The FY 2022 Adopted Budget includes significant funding for seven system improvement capital projects at the Regional Water Quality Control Plant programmed through the FY 2022 - FY 2026 Capital Improvement Plan. \$30.7 million is budgeted in FY 2022 for these projects, including \$10.6 million for Outfall Line Construction and \$6.2 million for the Primary Sedimentation Tank Replacement. Through the five-year CIP, expenses of \$257.4 million are programmed across the seven projects. It is important to note that approximately 65 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 2022 Adopted Capital Budget.

Airport Fund

Revenues in the Airport Fund are anticipated to be \$0.6 million with corresponding expenses of \$1.4 million in FY 2022. The Airport Fund receives most of its funding through grants from the Federal Aviation Administration (FAA) and the City is required to match 10 percent of the award. Over \$17 million was estimated in FY 2021 from the Federal Aviation Administration (FAA) to cover 90 percent of Airport's major construction projects. Staff intends to continue applying for FAA grants for eligible capital improvements projects to ensure a safe and well-maintained airport. In the past, the Airport Fund received loans from the General Fund, totaling \$3.1 million since the City took over operations in FY 2014. The Airport Fund began repayment to the General Fund in FY 2020 in the amount of \$272,000 annually, and will continue for the next fifteen years as part of its commitment to fiscal sustainability and financial viability.

Various Parking Funds

This FY 2022 Adopted Budget includes minimal changes to staffing levels. Similarly, capital improvement investments are relatively low due to the reprioritization of new projects and extension of timelines for existing projects. As a result of the recommended changes in various parking programs, this budget includes significant changes to the Residential Preferential Parking (RPP) program including a transition to License Plate Reader (LPR) enforcement and virtual permitting, a policy change to no longer provide a first permit free to residents (with limited exceptions), as well as other program updates such as the department's work to fix the 'no reparking' signage issue. These programmatic changes are expected to work to allow the RPP to return the subsidy to the General Fund and remain financially solvent. Corresponding Municipal Fee Schedule adjustments are recommended to reflect the policy change to no longer provide the first annual residential parking permit free, although the annual cost of such permits is not recommended to change in FY 2022. Staff expects to return to the City Council for program change reviews and implementation timeframes in the new fiscal year.

Increases to parking permit revenue estimates reflect the anticipated opening of the new California Avenue parking garage (345 parking spaces) and addition of a residential parking district in Old Palo Alto. Parking permit prices are also recommended to increase by 2.6 percent, consistent with most other fees, with the exception of resident permits which are recommended to remain at \$50. A more detailed presentation of the FY 2022 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 in this document.

BUDGET BALANCING STRATEGY

Stormwater Management Fund

In FY 2022, the Stormwater Management fee is scheduled to increase by 2.0 percent as approved by the voters in 2017 to keep fund revenues consistent with inflationary cost increases and to provide sufficient funds for planned Stormwater Management capital and operating expenditures. The Stormwater Management fee was approved by property owners through a ballot measure in April 2017, with the projects and infrastructure component of this fee sunsetting on June 1, 2032 unless extended through a subsequent ballot measure. This fee provides financial resources for a number of capital projects 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 to continue in the FY 2022 Adopted Capital Budget.

UTILITY RATE CHANGES

In FY 2021, to provide economic relief for residential and commercial customers due to the COVID-19 pandemic, the City Council directed staff to maintain flat rates without compromising the safety and integrity of the utility systems. FY 2022 financial plans for City's utilities are developed to provide sufficient funding to cover increasing expenses for commodities, replenish lower reserves, and to repair and replace the City's aging utility infrastructure. The FY 2022 Adopted Budget assumes the following rate changes:

- 0% rate change for Electric
- 2.0% CPI increase for Fiber
- 3.0% rate increase for Gas
- 0% rate change for Refuse
- 2.0% CPI increase for Stormwater
- 4.7% rate change for Wastewater
- 0% rate change for Water

SALARIES, BENEFITS, & POSITION SUMMARY

The most significant asset the City has in serving the community is its 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 more than 60 percent of the FY 2022 General Fund Budget is attributed to funding salaries and benefits.

The City has actively engaged with labor groups to negotiate concessions that generate cost savings to offset losses resulting from the pandemic. In the prior year, the City successfully negotiated concessions with the safety groups and recognized compensation reductions in the unrepresented Management and Professional (MGMT) group that generated \$3.5 million in savings (\$2.3 million in the General Fund). As part of the FY 2022 budget, the City engaged with all labor groups to reduce or postpone negotiated increases and other forms of compensation for one year to generate potential savings of \$2.5 million (\$1.6 million in the General Fund). The City did not reach agreements with any of the represented labor groups, and therefore, the current terms of the Memorandum of Agreement's (MOA's) are assumed in the FY 2022 Adopted Budget. Upon expiration of the Service Employee International Union (SEIU) contract in December 2021, the adopted budget includes an assumption for zero percent wage in this fiscal year generating savings of \$725,000 (\$260,000 in the General Fund). The MGMT group is unrepresented and not subject to bargaining; this budget assumes a zero percent wage increase and generates \$715,000 in savings (\$430,000 in the General Fund).

This budget includes actions to significantly reduce revenue and expense appropriations due to economic uncertainties surrounding the COVID-19 pandemic and also plans for impacts of pending litigation. Per City Council's direction, this budget includes elimination of positions that were frozen in the FY 2021 Adopted Budget; department budgets in FY 2022 balance limited resources and maintain the City's workforce levels similar to FY 2021. These actions are discussed in detail below and in the individual sections of the budget document where the transactions occur, including the Staffing Tables and Budget Adjustments sections of the respective departments, and the Table of Organization.

POSITION CHANGES

Overall, staffing levels in FY 2022 are reduced by 78.85 FTE, of which 76.5 FTE of these position reductions are attributed to positions that were frozen in FY 2021 and eliminated as part of the base budget. The table below summarizes the changes in full-time positions and is followed by a more detailed discussion.

SALARIES, BENEFITS, & POSITION SUMMARY

Position Changes

FY 2021 Adopted to FY 2022 Adopted Budget

	General Fund	Enterprise Funds	Other Funds*	Total
Fiscal Year 2021 Adopted Budget	574.43	358.74	101.68	1,034.85
Fiscal Year 2021 Approved Adjustments	-	-	-	-
Fiscal Year 2021 Modified Budget	574.43	358.74	101.68	1,034.85
Fiscal Year 2022 Increase	7.00	12.00	1.00	20.00
Fiscal Year 2022 Position Freeze Elimination**	(63.52)	(5.00)	(7.98)	(76.50)
Fiscal Year 2022 Decrease	(8.45)	(8.10)	(5.80)	(22.35)
Fiscal Year 2022 Reallocation	(2.66)	1.10	1.56	-
Fiscal Year 2022 Adopted Budget	506.80	358.74	90.46	956.00
Net Difference	(67.63)	-	(11.22)	(78.85)

NOTE: This Table does not include part-time/hourly positions

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

** Reflects full-time positions that were frozen and defunded in FY 2021 and eliminated in FY 2022.

Position changes recommended in this budget include eliminations, additions, reclassifications, and reallocation/realignment of staff as detailed below.

Eliminations:

Eliminate 83 full-time and 107 part-time positions (76.50 and 26.18 FTE respectively) as part of City Council direction to eliminate positions that were defunded and frozen in FY 2021 ([CMR 11872](#)).

- Eliminate 4.00 positions in the City Auditor Office including 1.00 City Auditor and 3.00 Senior Performance Auditor positions (1.00 allocated to the Utilities Department) as part of the transition of these services from in-house staffing to consultancy services.
- Eliminate 1.00 Public Safety Program Manager in the Police Department as part of parking services reductions.
- Eliminate 1.00 Equipment Maintenance Service Person in the Public Works Department as part of general and equipment service reductions.
- Eliminate 1.00 Traffic Controller Maintenance II position in the Public Works Department as part of traffic control service reductions.

SALARIES, BENEFITS, & POSITION SUMMARY

- Eliminate 1.00 Administrative Associate I in the Public Works Department and net-zero realignment of two administrative positions (-0.51 General Fund, -0.41 Other Funds, +1.0 Enterprise Funds) to reorganize support functions across the department.
- Eliminate 2.00 Senior Technologists and 1.00 Principal Business Analysts in the Information Technology Department as part of operational reductions.
- Reduce two part-time positions across the organization (0.68 FTE); one Administrative Specialist in the Administrative Services Department (0.48) and one Management Specialist in the Public Works Department (0.20).

Additions, reclassifications, and realignments:

- Add 1.0 Buyer in the Administrative Services Department and eliminate 0.60 frozen Contracts Administrator to realign staffing with current workloads and succession planning (partially reduced as part of FY 2021 freezes, this action fully eliminates the position).
- Restore 1.00 frozen Legal Fellow in the City Attorney Office to meet operational needs (partially reduced to 0.50 as part of FY 2021 freezes).
- Restore 1.00 frozen Community Services Manager (Supervising Ranger) to oversee operations at the Foothills Park and Pearson-Arastradero Preserve.
- Restore two Producer Arts/Science Program positions (0.75 FTE) to support Children's Theater outreach and the Summer Hot Dog Series.
- Restore 1.00 frozen 40-hour Training Captain and eliminate 1.00 Fire Captain.
- Reclassify a 0.48 part-time Administrative Specialist to a full-time 1.00 Administrative Associate II in the Fire Department to assist with higher level departmental tasks.
- Restore 2.00 frozen Human Resources Representatives and 1.00 frozen Human Resources Tech (partially frozen at 0.75 total) and eliminate 0.75 frozen Human Resources Technician to realign staffing resources with recruitment needs.
- Reallocate 1.00 Human Resources Representative from the Human Resources Department to the Utilities Department to act as a dedicated resource for recruitments (2-year term).
- Restore 1.00 frozen Director of Information Technology/CIO and eliminate 1.00 Manager of Information Technology Security to realign resources to meet operational needs.
- Net-zero reallocation of 15 positions in the Office of Transportation to align staffing resources with anticipated projects (-1.15 General Fund, -0.30 Other Funds, +1.45 Capital Fund).
- Restore 1.00 frozen Senior Planner in the Planning and Community Environment Department and eliminate 1.00 Administrative Associate III to realign resources for data operations.
- Add 1.00 Building Inspector Specialist in Development Services to ensure sufficient resources for inspection services (converts a limited one-year term position to permanent).
- Reclassify 1.00 Chemist to 1.00 Senior Chemist at the Waste Water Treatment Control Plant to ensure sufficient resources to comply with updated regulations.
- Reclassify 1.00 Supervising Electrical Project Engineer to 1.00 Senior Electrical Engineer in the Public Works Department to realign resources with electrical engineering project needs.
- Restore 5.00 frozen positions in the Utilities Department (1.00 Utilities Chief Operating Officer, 1.00 Assistant Director of Utilities Engineering, 1.00 Utilities Supervisor, 1.00 Substation Electrician, and 1.00 Business Analyst) to address critical staffing needs.

SALARIES, BENEFITS, & POSITION SUMMARY

- Reclassify 5.00 positions in the Utilities Department from a Field Service Inspector to a WGW Utilities Field Inspector to align the role with the area of service (CMR 12156).
- Increase 9 part-time positions across the organization (2.61 FTE); 8 part-time Arts & Sciences Technician/Professional positions in the Community Services Department (2.13 FTE) to support Children's Theater outreach and the Summer Hot Dog Series, and one part-time General Laborer position in Airport operations (0.48 FTE) for facilities maintenance request.

Positions that were frozen in FY 2021 and eliminated in this proposed budget are identified with "Freeze" following the job classification title in department sections and the Table of Organization in this document. A more detailed discussion of position freezes is available in the FY 2021 Adopted Budget in the individual department sections.

Additional information about current year staffing eliminations, additions, reclassification, and reorganizations are available in this FY 2022 Adopted Budget in the individual department sections and the Table of Organization.

SALARY & BENEFITS

SALARIES

The FY 2021 Adopted Budget included compensation reductions in the Unrepresented Management and Professionals (MGMT) group equivalent to a 10 percent 'give-back' that consisted of a wage freeze, furlough, and reduced flexible management benefits. In total, this generated savings of \$3.5 million citywide (\$2.3 million in the General Fund). Agreements with safety groups in FY 2021 included a deferral of wage increases for one year in the Fire Chief's Association (FCA), Police Management Association (PMA), and Palo Alto Peace Officers' Association (PAPOA), and deferral of wage and step increases for one year in the International Association of Fire Fighters (IAFF) group. The savings achieved in the safety groups were used to fund retirement incentives and offset an attrition period that allowed the Fire and Police Departments to delay the separation of filled positions identified to be held vacant in FY 2021 (position freezes).

As part of the FY 2022 budget, the City engaged with represented bargaining units to defer negotiated wage increases one year (zero wage increase) for potential savings of \$2.5 million citywide (\$1.6 million in the General Fund): 2.00 to 4.00 percent in Safety groups, 2.00 percent in the Utilities Management and Professionals Association (UMPAPA) group, and 2.00 percent in the Service Employee International Union (SEIU) group (upon expiration of the SEIU contract in Dec 2021). Under these terms, employees would still be eligible for merit or step increases. The City did not reach a mutual agreement with represented public safety bargaining groups. Therefore, this budget assumes the Memorandum of Agreement's (MOA's) current terms, including scheduled general wage increases. The MOA for SEIU does not expire until December 2021, and negotiations are anticipated to continue in FY 2022. Therefore, this budget assumes a zero percent wage increase upon contract expiration in December 2021 and generates \$725,000 in savings (\$260,000 in the General Fund); staff will revisit this assumption as negotiations continue with this unit. The MGMT group is unrepresented and not subject to bargaining; this budget assumes a zero percent wage increase and generates \$715,000 in savings (\$430,000 in the General Fund).

PENSION

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 percent and 4 percent of the employer portion of CalPERS consistent with current contract terms.
- 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.

This budget reflects the required employer pension contributions determined in the CalPERS actuarial valuation as of June 30, 2019 ([CMR 11607](#)). The actuarial reports provide an update on the funding status, the results of assumption changes such as rate of return (ROR) which impacts the discount rate assumption, the new fiscal year Actuarial Determined Contribution (ADC) and the projected future ADC as a percentage of payroll. Discussed in more detail below, the contribution rates are highly dependent on the investment returns that CalPERS achieves. Therefore, there are potential significant impacts to the City's pension liability resulting from the COVID-19 pandemic and associated market volatility. Most recently, CalPERS reported a 4.7 percent investment return for fiscal year 2019-20, 2.3 percent below the 7.0 percent target. Actuarial reports are completed two years in arrears therefore impacts from losses or other factors will materialize beginning in the June 30, 2020 valuation which will be included in the FY 2023 budget. The City will continue to work to understand the ramifications and strategize appropriate actions that address long-term pension obligations.

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 FY 2019 and reached the final phase in FY 2021. The discount rate used by CalPERS to calculate the City's FY 2022 Actuarially Determined Contribution (ADC) was 7.00 percent.

With the June 30, 2019 valuation, CalPERS has adopted a new amortization policy that shifts from a 30-year to 20-year amortization, shortening the period over which actuarial gains and losses are amortized. This policy change applies to the amortization of new UAL bases established on or after June 30, 2019. A new UAL base is created each time there is an increase or decrease in unfunded liability due to plan changes, assumption changes, method changes, or plan experience (including investment gains/losses). Additionally, the 5-year ramp-up and ramp-down policy on UAL bases is revised to include only a ramp-up period for investment gains/losses. Previously this included a ramp-up and ramp-down period for gains/losses (investment and non-investment).

SALARIES, BENEFITS, & POSITION SUMMARY

The ADC (also referred to as the blended rate) is provided by CalPERS to estimate the total employer contribution and reflects the combined cost of NC and UAL. The ADC for the Miscellaneous Plan is \$35.7 million in FY 2022, an increase of \$2.3 million (6.9 percent), from an ADC of \$33.4 million in FY 2021. The ADC for the Safety Plan is \$19.2 million in FY 2022, an increase of \$2.5 million (15.0 percent), from an ADC of \$16.7 in FY 2021. The ADC will inform the development of the FY 2022 - FY 2031 Long Range Financial Forecast and FY 2022 Adopted Budget.

CalPERS projected pension rates through FY 2027 are included in the table below (expressed in percent).

Pension Rates by Plan (Fiscal Year) – CalPERS

FY	2020	2021	2022	2023	2024	2025	2026	2027
Miscellaneous (%)	35.6	38.4	41.8	43.0	43.3	43.7	40.6	36.2
Safety (%)	59.4	65.3	69.6	72.3	73.5	74.2	73.8	73.2
Discount Rate (%)	7.25	7.0	7.0	7.0	7.0	7.0	7.0	7.0

As the above table indicates, the CalPERS estimate for City pension costs will continue to increase through FY 2025 and decrease or stabilize in 2026. The decrease and stabilization present in 2026 are attributable to the full amortization of relatively large UAL bases, and the CalPERS assumption that normal costs will decrease as employees in lower-cost Public Employees' Pension Reform Act (PEPRA) plans replace classic plan members.

Each 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 (NC), which represents the 'pay-as-you-go' portion and an Unfunded Accrued Liability (UAL) payment calculation which represents the 'catch-up' payment. Thus, if CalPERS investment target is met in a given year, the normal cost would cover the 'pay-as-you-go' portion, and the UAL payment lessens the long-term liability. Thus, if CalPERS investment target is met in a given year, the normal cost would cover 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. It is important to note that CalPERS anticipates a 7.0 return throughout the forecast and does not factor the preliminary 4.7 percent return on investments for the period ending June 30, 2020. If these returns materialize, the losses will likely offset the relief shown in the out-years of the current forecast. Any losses from this period will be realized beginning in the next annual valuation and the FY 2023 Budget.

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 of 6.2 percent, effectively decreasing the City's sensitivity to lower CalPERS returns.

SALARIES, BENEFITS, & POSITION SUMMARY

This additional normal cost (pay as you go) is included in the FY 2022 budget and will be sent to the City's irrevocable section 115 trust. The FY 2022 budget transmits a total of \$5.1 million from all funds (\$3.1 million General Fund) to the 115 Pension Trust Fund, managed by PARS. This brings total contributions through FY 2022 to \$37.3 million (\$24.1 million General Fund) since the trust was created in FY 2017. This funding represents important contributions towards addressing the City's long-term pension liability and will help insulate the City against potential future increases to the UAL. In comparison to the \$54.9 million in CalPERS projected pension costs, this additional pay-as-you-go cost of \$5.1 million is roughly 9 percent of the City's annual pension costs. This contribution level is relatively consistent to the prior year level of \$5.0 million.

On November 30, 2020, the City Council adopted the Pension Funding Policy ([CMR 11722](#)) and represents the culmination of many years of work by the City to proactively address its long-term pension obligations. The Pension Funding Policy sets the following goals and principles:

Funding Goal and Timeframe

- A target of reaching a 90 percent funded status of the CalPERS determined liability within fifteen years (FY 2036).

Funding Components

- 'Pay go' costs also known as Normal Cost of annual pension costs to be funded with a discount rate of 6.2 percent, more conservative than CalPERS rate of 7.0 percent.
- Discretion to the City Manager to make additional contributions from excess Budget Stabilization Reserve (BSR) above the City Council approved target BSR level.

Use of Funds

- City Manager must identify the impacts on the funding goal and timeframe to modify the transmission of contributions to the PARS Trust Fund.
- Any transmission of funds from PARS to CalPERS will require City Council approval.

Reporting

- Every three years, staff will consult with an actuary to inform the City Council on the progress the City has made towards its goal
- Staff will report to the City Council through the annual budget process on the status of the PARS section 115 pension trust fund, recommended contributions to the PARS fund, and potential transmission of any funds from PARS to CalPERS for the coming fiscal year

Currently the City is on pace to meet or exceed the funding goal of 90% - the Miscellaneous plan is projected to meet the goal in 10 years, and the Safety plan in 14 years - however, this presumes that assumptions used in the actuarial analysis are met. For example, it assumes that mortality rates, salary growth, and investment earnings meet actuarial assumptions in the future.

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

SALARIES, BENEFITS, & POSITION SUMMARY

City's outside actuarial consultant (Bartel Associates) performs an actuarial analysis of the City's Other Post-Employment Benefits (OPEB) funding every two years. The most recent report was completed in May 2020 to inform both the FY 2021 and FY 2022 Operating Budgets ([CMR 11284](#)). This study captured investment gains for the Retiree Healthcare Trust Fund as of June 30, 2019, lowered the assumed investment returns from 6.75 percent to 6.25 percent in determining annual funding contributions and restated the City's Fiscal Year 2022 annual Actuarial Determined Contribution (ADC).

Retiree Healthcare Annual Required Contributions (by Fiscal Year)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
General Fund (\$)	10.2	10.5	10.8	11.1	11.5	11.8	12.2	12.6	13.0	13.4	13.8
Non-General Fund (\$)	5.8	5.9	6.1	6.3	6.5	6.7	6.9	7.1	7.3	7.6	7.8
Total (\$)	15.9	16.4	16.9	17.4	18.0	18.5	19.1	19.7	20.3	20.9	21.6

The FY 2022 Budget for Retiree Healthcare increased to \$16.4 million, representing a 3.1 percent increase from the FY 2021 Adopted Budget of \$15.9 million.

Additional information regarding Retiree Healthcare can be found in the Employee Information section of this document.



CITY OF
**PALO
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Fiscal Year 2022 Adopted Operating Budget

City Council

Tom DuBois, Mayor

Patrick Burt, Vice Mayor

Alison Cormack

Eric Filseth

Lydia Kou

Greer Stone

Greg Tanaka

Ed Shikada, City Manager

Kiely Nose, Director of Administrative Services/Chief Financial Officer

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Christine Paras, Assistant Director of Administrative Services

Paul Harper, Budget Manager, Office of Management and Budget

Jessie Deschamps, Budget Manager, Office of Management and Budget

Alison Cormack, 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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**PALO
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INTRODUCTION





CITY OF
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Budget Document Producers - Office of Management & Budget Staff

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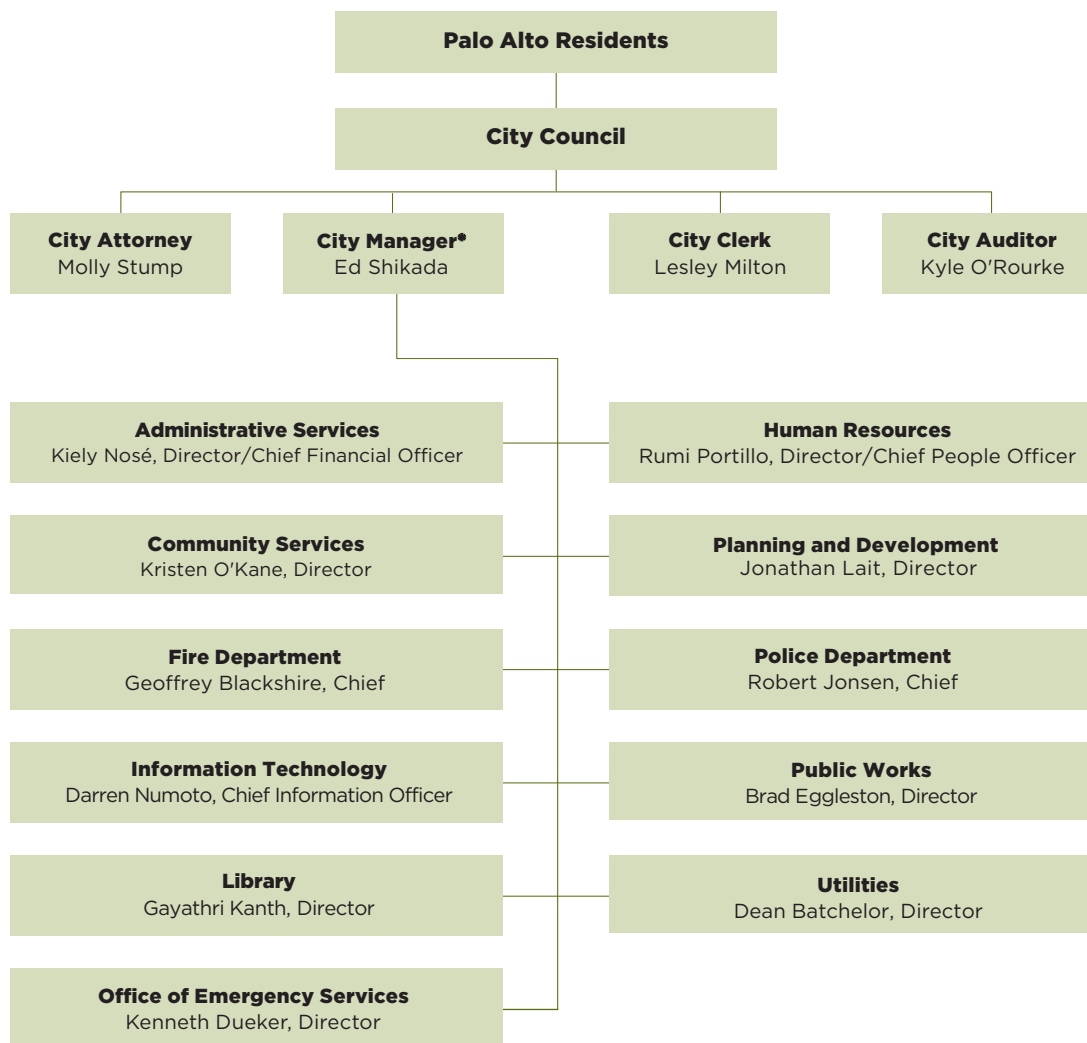
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Kayla Shapiro

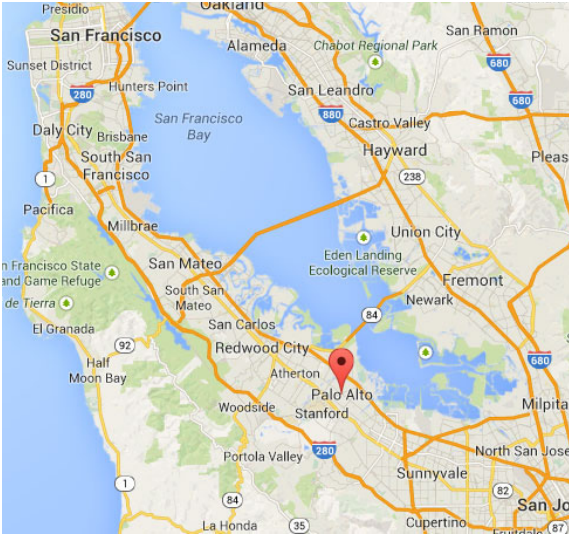
Josh Martinez

CITY OF PALO ALTO ORGANIZATIONAL CHART



*The Office of Transportation is situated in the City Manager's Office.

Palo Alto at a Glance



INCORPORATION

April 23, 1894

GOVERNMENT

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

COUNTY

Santa Clara County

www.sccsgov.org

SCHOOL DISTRICT

Palo Alto Unified School District

www.pausd.org

LOCATION

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

CLIMATE

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

AREA

25.85 square miles

ELEVATION

30 feet above sea level

PARKS, PRESERVES AND OPEN SPACE

4,373.94 acres

CREDIT RATING

AAA

PALO ALTO AT A GLANCE

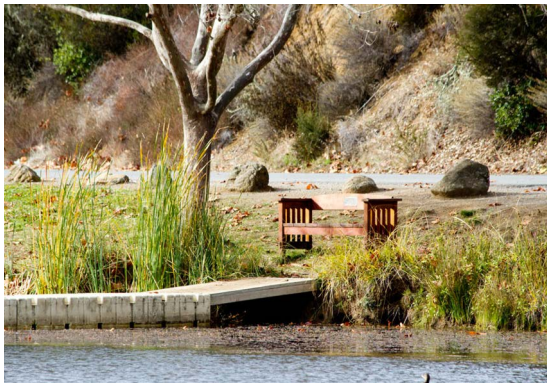
POPULATION

Palo Alto's population was 66,573 in 2020. This represents a 0.7 percent decrease over the previous year and a 12.47 percent increase since 2000. Approximately 22.9 percent of the population is under the age of 18, and the median age is 41.8. Approximately 51.5 percent of the population is female, and 48.5 percent of the population is male.



EDUCATION

Palo Alto has one of the most outstanding educational systems in the nation and was recently named one of California's most educated cities. Over 97.4 percent of Palo Alto residents aged 25 or over have received a high school diploma. Over 82.8 percent have obtained a bachelor's degree or higher and 53.7 percent have earned a post-graduate or professional degree.



School enrollments in Palo Alto decreased to 11,683 from 12,024, or by 2.8 percent between 2011 and 2020. In school-year 2019-20, Palo Alto and Gunn high schools had a average SAT scores of 1,366 and 1,357 on a scale of 1,600. The average scores for the United States and California were 1,051 and 1,049, respectively.

INCOME

In 2019, Palo Alto's median household income was \$158,271 and the per capita income was \$92,590. As of 2019, 65.6 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 2.5 in 2019, compared to 2.3 per household in 2000.



HOUSING UNITS

In 2019, 54.6 percent of the 26,161 housing units were owner-occupied and 45.4 percent were renter-occupied. In 2000, there were 26,048 housing units, 55.4 percent owner-occupied, 41.4 percent renter-occupied, and 3.2 percent were vacant. There were 0.4 percent more total housing units from 2000 to 2019.

DEVELOPMENT

The City issued approximately 2,476 residential and 452 commercial building permits in Fiscal Year (FY) 2020. The combined valuation for all permits was \$312.1 million.

OFFICE AND INDUSTRIAL RENTAL ACTIVITY

Palo Alto's net rentable office space totaled approximately 8.0 million square feet as of the fourth quarter of 2020. The vacancy rate during this same time period was 10.6 percent compared to 8.9 percent for the Silicon Valley market. Average asking rents in Palo Alto and the Silicon Valley were, respectively, \$9.44 and \$5.53 per square foot, as of the fourth quarter of 2020.

Net rentable square footage for industrial facilities in Palo Alto was 834,666 with a vacancy rate of 1.4 percent and average asking rent of \$2.85 per square foot for manufacturing and \$2.20 per square foot for warehouse. The Silicon Valley market had an average vacancy rate of 4.2 percent and average asking rent of \$1.19 per square foot for manufacturing and \$1.10 for warehouse.

Net rentable space for Research and Development (R&D) facilities in Palo Alto totaled 10.2 million square feet with a vacancy factor of 6.5 percent and average asking rent of \$6.46 per square foot. The vacancy rate for the Silicon Valley market was 8.6 percent with an average asking rent of \$2.72 per square foot.



Top 25 Major Sales/Use Tax Contributors, FY 2020

Anderson Honda	Lucile Packard Children's Hospital	Stanford Outpatient Clinic Pharmacy
Apple Stores	Macy's Department Store	Tesla
Audi Palo Alto	Magnussen's Toyota of Palo Alto	Tesla Lease Trust
DELL Marketing	McLaren San Francisco	Tiffany & Company
Hengehold Trucks	Neiman Marcus Department Store	Valero Service Stations
Hermes	Nordstrom Department Stores	Varian Medical Systems
Houzz Shop	Richemont	Volvo Cars Palo Alto
Hp Enterprise Services	Shell Service Stations	
Louis Vuitton	Shreve & Co.	

RETAIL SALES AND SALES TAX REVENUE

Sales and use tax totaled \$30.6 million in FY 2020 a decrease of \$5.9 million, or 16.3 percent, due to impacts of COVID-19. The sales tax revenue receipts are driven by personal income and spending. A larger share of the consumer spending occurred on-line

due to the nations continued transitions from a shopping center country to on-line sales. The first two have been significantly impacted by COVID-19 while the latter (on-line) activity surge has and is expected to partially displace tax revenue from traditional industry segments to state and county pools. The on-line surge is driven by COVID-19 and a recently enacted state law,

PALO ALTO AT A GLANCE

the Marketplace Facilitator Act, requiring on-line retailers like Amazon to collect California sales tax on behalf of smaller companies that sell products on their platforms. Also, some "retailers" impacted by the pandemic are in industries (e.g. hair salons, professional service, etc.) that have minimal or no sales tax collection so those businesses impact to the Palo Alto community are noticeable but their impact to this revenue source is negligible.

Principal Property Taxpayers, FY 2020

Rank	Taxpayer	Taxable Assessed Value
1	Leland Stanford Jr. University	\$5,931,986
2	Google Inc.	\$287,898
3	Space Systems Loral Land LLC	\$173,157
4	ARE-San Francisco 69 LLC	\$138,720
5	395 Page Mill LLC	\$120,669
6	530 Lytton Owner LLC	\$117,500
7	Hohbach Realty Co. LP	\$108,228
8	SVF Sherman Palo Alto Corporation	\$99,813
9	SI 45 LLC	\$82,768
10	Gwin Property Inc.	\$80,111
Total		\$7,140,850

PALO ALTO BUSINESSES

As the birthplace of the Silicon Valley, Palo Alto has been the home to Stanford University and thousands of innovative companies including Hewlett-Packard, IDEO, Tesla, Flipboard, Palantir Technologies, Xerox's Palo Alto Research Center (PARC), Wilson Sonsini Goodrich & Rosati, Manatt Phelps Phillips, Accel Partners, Google, Genencor, Tencent America, Skype Technologies, Nest, the Institute for the Future, and many other leading technology and business services firms.

Palo Alto continues to be a desirable place to live 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), 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. Additionally, the City's Development Center is a "one-stop" service center staffed by the Planning and Development Services, Public Works, Utilities, and Fire departments.

EMPLOYMENT

The City had 31,982 employed residents in 2020. Due to its location on the Peninsula and the presence of Stanford University, the City is a job importer versus exporter with a total of 99,991 jobs citywide. Palo Alto's unemployment rate was 5.7 percent in 2020, which was considerably lower than the nation (11.1 percent), state (14.9 percent), and county (10.7 percent), during the same period.

LARGEST EMPLOYERS

Palo Alto's top ten employers as of June 30, 2020 reflect jobs in industries ranging from education and healthcare to technology and research and development.



Principal Employers, FY 2020

Rank	Employer	Number of Employees
1	Lucile Packard Children's Hospital	6,060
2	Stanford Health Care	5,500
3	Hewlett-Packard Company	5,000
4	Stanford University	4,500
5	Veteran's Affairs Palo Alto Healthcare System	3,900
6	VM ware Inc.	3,500
7	SAP Labs Inc.	3,500
8	Palo Alto Medical Foundation	2,200
9	Varian Medical Systems	1,400
10	Space Systems/Loral*	1,250
Total		36,810

*As of FY 2021, Space Systems/Loral is no longer located in Palo Alto.

Parks, Recreation & Community Centers

Item (FY 2020)	Number
Parks	32
Parks Acreage	174
Dog Parks	4
Playgrounds	30
Community Centers & Museums	5
Zoo	1
Golf Courses	1
Gymnasiums/Fitness Rooms	6
Youth Centers	1
Walking/Biking Trails (Miles)	41



Libraries

Item (FY 2020)	Number
Library Branches	5
Items Checked Out (Circulation)	1,194,673
Books (Inventory)	249,455
eBooks & eMusic (Inventory)	217,244
Audio/Visual - DVD/CDs (Inventory)	47,463
Reference Questions	17,108

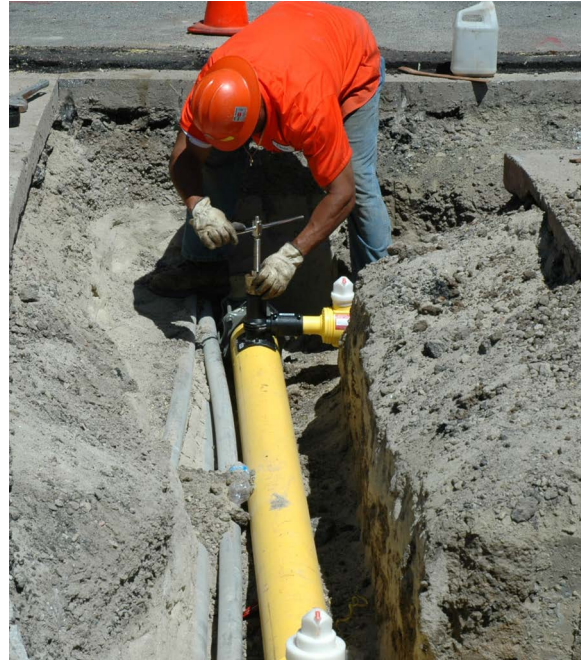
Public Safety

Item (FY 2020)	Number
Police	
Police Stations	1
Sworn Police Personnel	78
Police Vehicles	29
Motorcycles	3
Canine Units	2
Number of Calls for Service	48,394
Item (FY 2020)	Number
Fire	
Fire Stations	7
Sworn Fire Personnel	88
Fire Engines	9
Fire Trucks	1
Ambulances	6
Number of Calls for Service	8,102



Infrastructure, Maintenance & Development Activity

Item (FY 2020)	Number
Street Miles	471
Lane Miles Resurfaced Annually	7.3
Building Permits Issued Annually	2,476
Number of Fire Inspections	9,066
Active Capital Improvement Projects	219
Capital Improvement Projects Exp.	\$109.8 million
Miles of Water Municipal Mains	235.3
Gallons of Water Delivered Daily	9.6 million
Miles of Municipal Wastewater Mains	216
Gallons of Wastewater Treated	6.3 million
Miles of Gas Mains	211
Miles of Overhead Electrical Line	115.6
Miles of Underground Electrical Line	273.2
Miles of Fiber Optic Backbone	48



Sustainability

Item (FY 2020)	Number
Total Tons of Material Recycled or Composted	51,852
Total Megawatt-hours Purchased from Eligible Renewable Sources*	557,328
Percent of Electric Portfolio Purchased from Eligible Renewable Sources	63%
Percent of Electric Portfolio Purchased from Carbon Neutral Sources**	100%

* FY 2020 "Eligible Renewable Sources" are wind, solar, small hydroelectric, and biogas generators whose output is directly purchased by the City under a power purchase agreement.

** FY 2020 "Carbon Neutral Sources" include eligible renewable (63%) and large hydroelectric power (57%). As a result of above-average reservoir levels due to the previous year being a wet one, the City had surplus carbon neutral electricity supplies that it was able to sell to other utilities.

SOURCES:

POPULATION:

U.S. Census Bureau, 2019 American Community Survey, Demographic and Housing Estimates, 5-Year Estimates, Table DP05. 2021 Official City Data Set.

EDUCATION:

U.S. Census Bureau, 2019 American Community Survey, Social Characteristics in United States, Educational Attainment, 5-Year Estimates, Table DP02.

City of Palo Alto 2019-2020 Annual Financial (Demographic and Economic Statistics- Last Ten Fiscal Years).

2020 average SAT scores on Prescholar.com for National and State level SAT scores. Data collected from College Board 2020 SAT reports.

INCOME:

2019 American Community Survey 5-Year Estimates, Selected Economic Characteristics, Table DP03.

PERSONS PER HOUSEHOLD AND HOUSING UNITS:

2019 American Community Survey 5-Year Estimates, Selected Housing Characteristics, Tables, DP04.

DEVELOPMENT:

City of Palo Alto Planning and Development Services Department

OFFICE AND INDUSTRIAL RENTAL ACTIVITY:

CBRE Silicon Valley MarketView Q4 2020

RETAIL SALES AND SALES TAX REVENUE:

Information provided by Treasury, Debt and Investments Division.

TOP 25 MAJOR SALES/USE TAX CONTRIBUTORS:

City Sales Tax consultant Avenu Insights & Analytics.

PRINCIPAL PROPERTY TAXPAYERS:

City of Palo Alto 2019-2020 Annual Comprehensive Financial Report- Principal Property Taxpayers-Current Year and Nine Years Ago.

EMPLOYMENT:

2021 Official City Data Set. California Employment Development Department- Labor Market Information Division for City unemployment rate, US Department of Labor-Bureau of Labor Statistics for Nation and State unemployment rate.

PALO ALTO BUSINESSES:

City of Palo Alto Economic Development

LARGEST EMPLOYERS:

City of Palo Alto 2019-2020 Comprehensive Annual Financial Report

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
- Organizational financial status and budgetary guidelines
- Service level prioritization, as identified by the City Manager and City Council
- Availability and sustainability of revenues
- Legal mandates
- Prioritization criteria, as 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 prior to City Council adoption of the budget in order to incorporate community input into the decision-making process.

City Council Top Priorities

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 2021, adopted in January 2021:

- Economic Recovery
- Housing for Social and Economic Balance
- Social Justice
- Climate Change-Protection and Adaptation

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 Capital Improvement Plan (CIP) Review Committee, consisting of senior managers in Public Works, Community Services, Administrative Services, and the Office of Transportation, 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 website. Through a series of public hearings, the budget is discussed and amendments are proposed.

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 August.

Public Budget Meetings

The schedule of public budget meetings for FY 2022 can be found on the City of Palo Alto's website budget page: www.cityofpaloalto.org/Departments/Administrative-Services/City-Budget.

*Public meetings were being held by virtual teleconference pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020. To prevent the spread of COVID-19, these meetings were held by virtual teleconference only, with no physical location. These meetings are broadcast on Cable TV Channel 26, live on You-Tube at www.youtube.com/c/cityofpaloalto, and Midpen Media Center at www.midpenmedia.org. Members of the public who wish to participate by computer or phone could access the meeting by going to www.zoom.us/join and entering meeting ID 992-2730-7235. If they called from a land line or non-smart phone they were able to call 1-669-900-6833 to join the meeting.

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 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 their allowable uses. The annual budget information is available after the publication of the 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 development services, 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 <https://www.cityofpaloalto.org/Departments/Administrative-Services> under the option "Open Budget."

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

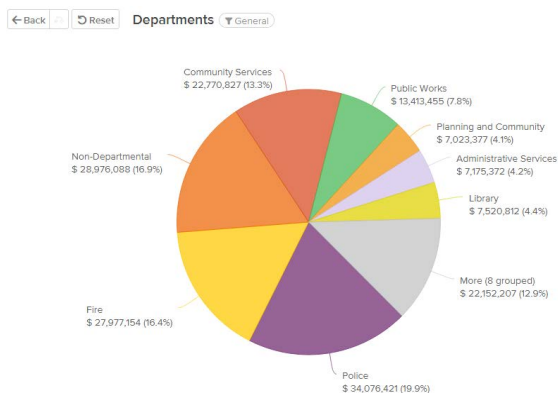
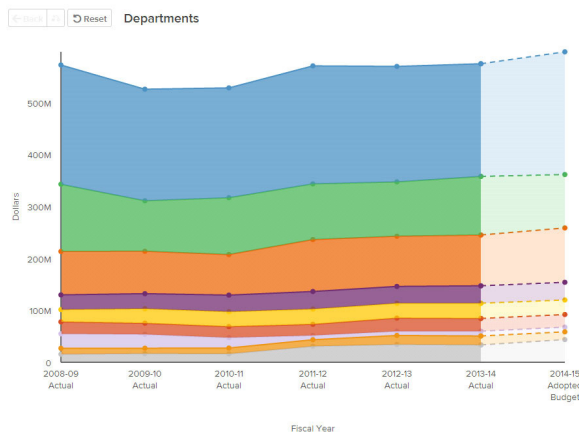
HOW DOES IT WORK?

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 of 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 that 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 department section.

Accomplishments: identifies the department's noteworthy accomplishments of 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.

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 (two prior years of actuals, the current year adopted budget, and the budget for the upcoming year). Revenues are shown as either internal or external depending on their source. External revenues include grant funds as well as fees collected for the provision of 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. It should be noted that a variance will be seen between prior actuals and the current 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 salaries in a department based on their actual levels 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.

Budget Adjustments: 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, identified with icons as follows:

-  Quality
-  Cost
-  Cycle Time
-  Customer Satisfaction
-  Sustainability

BUDGETARY BASIS

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

FUND STRUCTURE AND ACCOUNTING BASIS

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

Governmental Fund Types

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

Proprietary Fund Types

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

Fiduciary Fund Types

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

Agency Fund Types

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





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Palo Alto
California**

For the Fiscal Year Beginning

July 01, 2020

Christopher P. Morill

Executive Director

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

presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

to

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

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

Executive Director

Christopher P. Morill

Date: **March 22, 2021**





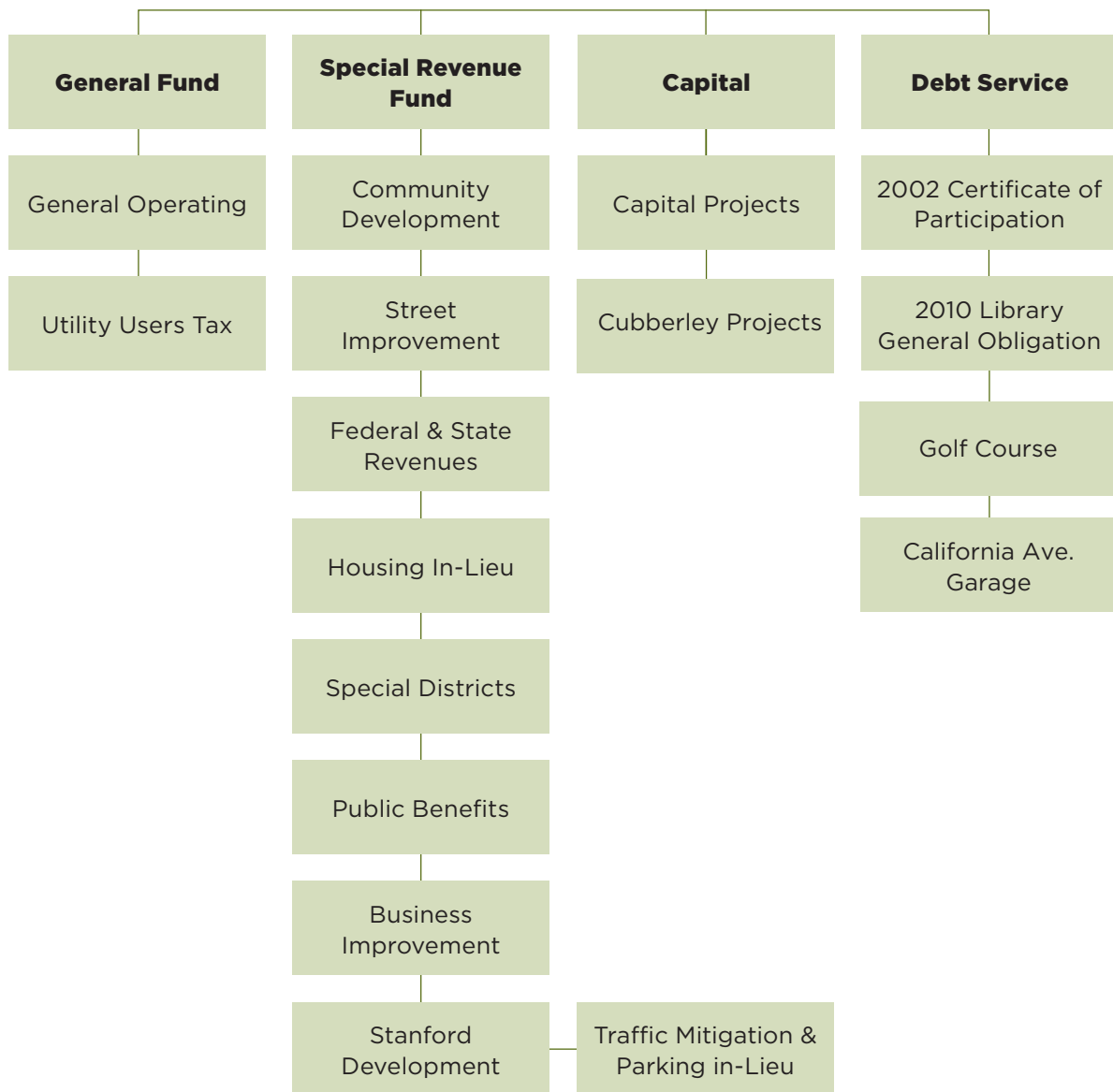
CITYWIDE FUNDS



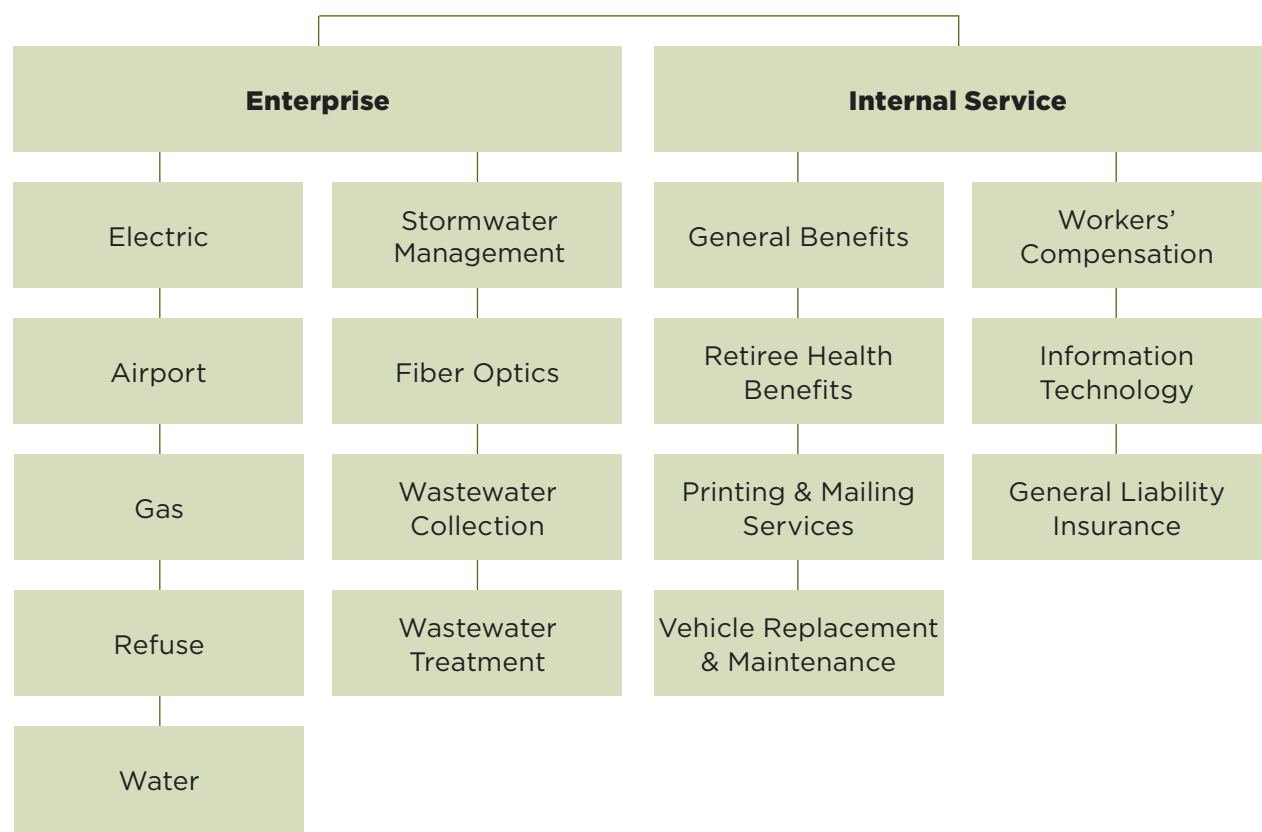


CITY OF
**PALO
ALTO**

Fund Structure



Fund Structure

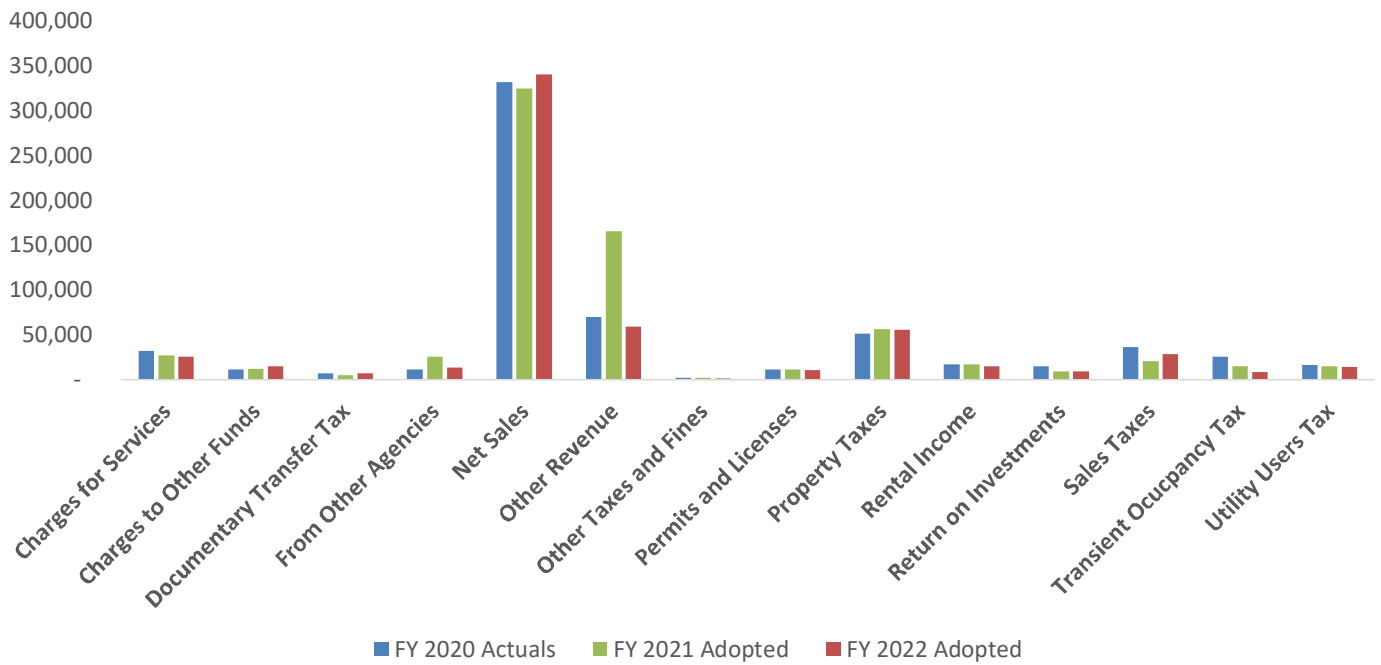


Total Citywide Revenue by Category

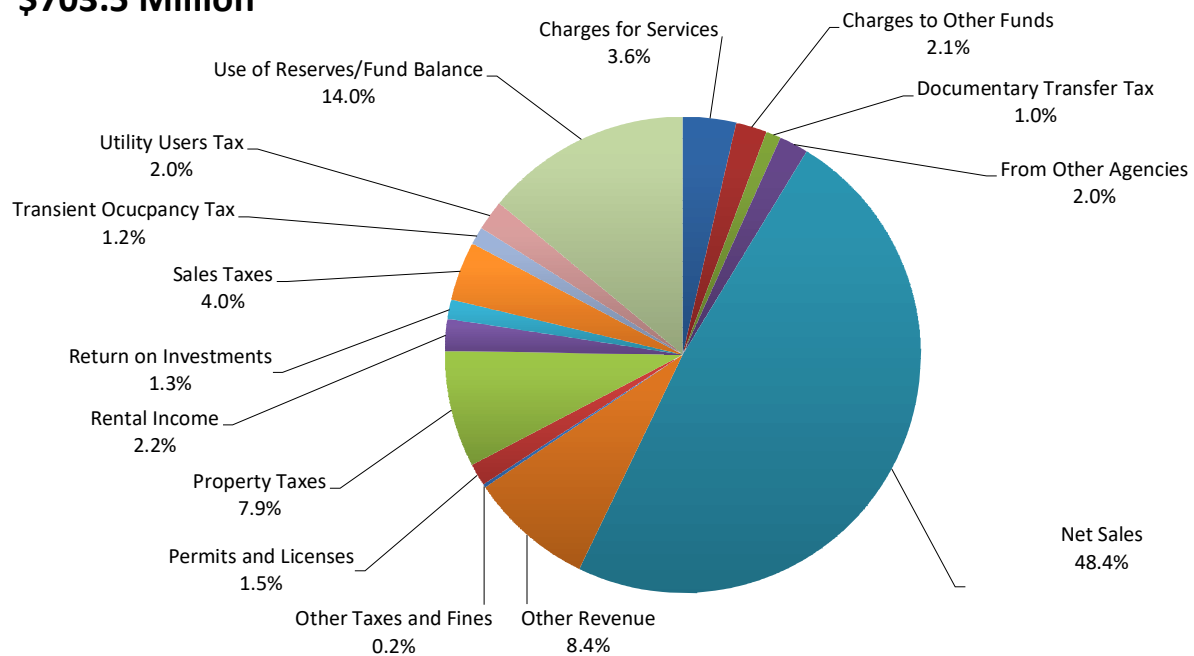
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted	FY 2022 Adopted	FY 2022 Change \$	FY 2022 Change %
Charges for Services	32,298	26,880	26,980	25,470	(1,510)	-5.6%
Charges to Other Funds	11,361	12,081	12,589	14,818	2,229	17.7%
Documentary Transfer Tax	6,923	6,903	4,700	7,137	2,437	51.9%
From Other Agencies	11,492	12,506	25,351	13,864	(11,487)	-45.3%
Net Sales	332,564	338,609	325,499	340,825	15,326	4.7%
Other Revenue	69,846	24,386	165,844	59,398	(106,446)	-64.25%
Other Taxes and Fines	2,029	1,353	2,192	1,597	(595)	-27.1%
Permits and Licenses	11,415	10,194	11,516	10,629	(887)	-7.7%
Property Taxes	51,776	55,628	56,699	55,627	(1,072)	-1.9%
Rental Income	17,059	16,672	16,832	15,245	(1,587)	-9.4%
Return on Investments	14,768	10,697	9,417	9,189	(228)	-2.4%
Sales Taxes	36,508	30,563	20,500	28,184	7,684	37.5%
Transient Ocucpancy Tax	25,649	18,553	14,900	8,428	(6,472)	-43.4%
Utility Users Tax	16,402	16,140	15,100	14,370	(730)	-4.8%
Total	640,090	581,165	708,119	604,781	(103,338)	-14.6%

CITYWIDE FUNDS

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



FY 2022 Sources \$703.5 Million



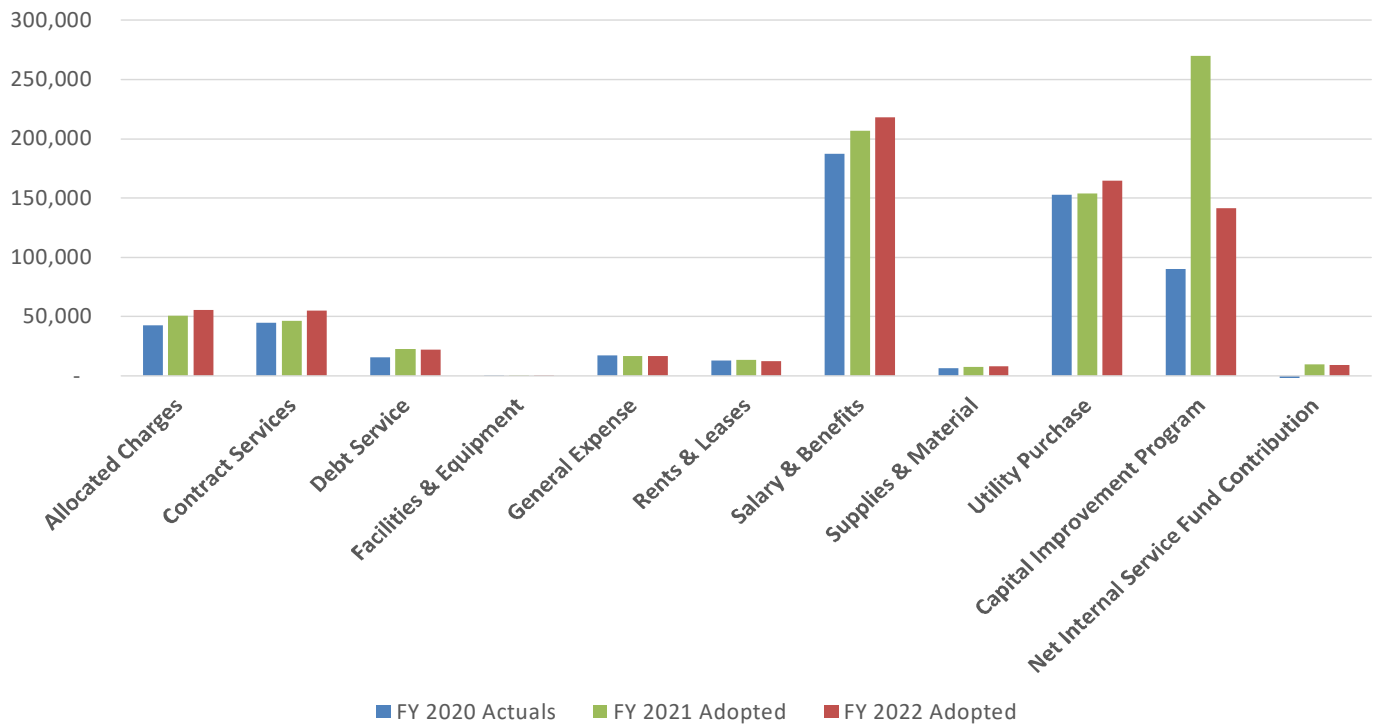
Total Citywide Expense by Category

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted	FY 2022 Adopted	FY 2022 Change \$	FY 2022 Change %
Allocated Charges	42,770	44,002	50,669	55,506	4,837	9.5%
Contract Services	44,806	41,260	46,338	55,097	8,759	18.9%
Debt Service	15,894	14,469	22,767	21,983	(784)	-3.4%
Facilities & Equipment	613	559	478	467	(11)	-2.3%
General Expense	17,225	34,450	16,913	16,510	(403)	-2.4%
Rents & Leases	12,908	13,187	13,735	12,646	(1,089)	-7.9%
Salary & Benefits	187,360	210,127	206,881	218,345	11,464	5.5%
Supplies & Material	6,457	6,706	7,825	7,942	117	1.5%
Utility Purchase	152,748	156,945	153,811	164,452	10,641	6.9%
Capital Improvement Program	90,147	93,652	270,122	141,525	(128,597)	-47.6%
Net Transfers	(6,592)	(20,963)	9,600	9,009	(591)	-6.2%
Total	564,336	594,394	799,139	703,482	(95,657)	-12.0%

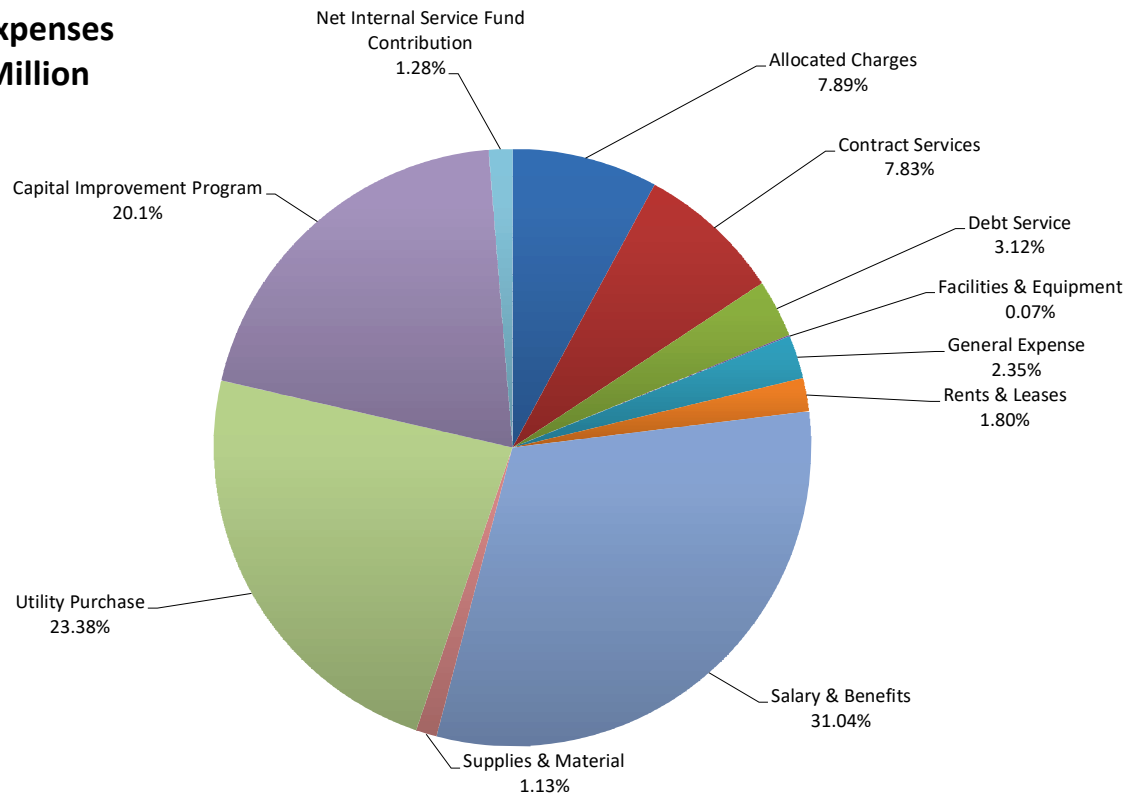
*This table in the FY 2021 Adopted Budget inadvertently excluded in FY 2019 salary and benefit actuals for Capital Projects and FY 2021 Adopted expenses for the 2019 California Avenue Parking Garage Debt Service Fund. The number in the table above correctly reflect the FY 2019 Actuals and FY 2021 Adopted Budget for these amounts.

CITYWIDE FUNDS

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



FY 2022 Expenses \$703.5 Million



Citywide Projected Operating Fund Balance

Fund	Projected Ending Balance 6/30/2021	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 6/30/2022
GENERAL FUND					
General Fund	35,007	183,331	8,419	191,558	35,962
Total General Fund	35,007	183,331	8,419	191,558	35,962
CAPITAL FUNDS					
Capital Improvement Fund	46,530	9,525	19,098	66,420	8,733
Cubberley Property Infrastructure Fund	3,117	0	1,864	2,630	2,351
Total Capital Funds	49,647	9,525	20,962	69,050	11,084
DEBT SERVICE					
2018 Golf Course Capital Improvement	19	0	530	530	19
2019 California Avenue Parking Garage	19	0	2,380	2,380	19
Library Bonds	3,850	4,429	0	4,429	3,850
Total Debt Service	3,888	4,429	2,910	7,339	3,888
ENTERPRISE					
Electric Fund	78,212	168,474	(12,007)	188,031	46,648
Fiber Optics Fund	33,845	5,215	(102)	3,202	35,756
Gas Fund	8,066	42,404	(7,590)	38,904	3,976
Wastewater Collection Fund	(1,454)	21,056	(161)	24,956	(5,515)
Water Fund	23,074	47,685	323	59,612	11,469
Refuse Fund	2,074	33,819	(48)	31,291	4,555
Stormwater Management Fund	1,864	8,688	(6)	11,684	(1,137)
Wastewater Treatment Fund	(15,399)	64,365	(14)	58,957	(10,005)
Airport Fund	(4,748)	3,137	(273)	3,519	(5,402)

CITYWIDE FUNDS

Citywide Projected Operating Fund Balance

Fund	Projected Ending Balance 6/30/2021	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 6/30/2022
Total Enterprise	125,534	394,844	(19,878)	420,155	80,346
INTERNAL SERVICE					
General Benefits Fund	5,598	79,436	(2,619)	76,191	6,224
Retiree Health Benefit Fund	1,312	13,863	2,619	16,480	1,314
Workers' Compensation Fund	66	7,239	0	7,131	174
Liability Insurance Fund	2,938	4,189	5	5,179	1,953
Printing and Mailing Fund	58	1,550	0	1,471	137
Technology Fund	17,764	14,415	1,342	21,040	12,481
Vehicle Replacement and Maintenance Fund	5,770	7,801	(646)	10,711	2,214
Total Internal Service	30,506	128,493	701	138,203	24,497
SPECIAL REVENUE					
Community Development Fund	10,298	1,010	(4,750)	0	6,558
Street Improvement Fund	(36)	3,001	(2,956)	0	9
Federal and State Revenue Funds	5,645	680	0	747	5,578
Housing In-Lieu and BMR Fund	55,969	2,817	0	367	58,419
Special Districts Fund	6,779	3,946	72	4,482	6,315
Traffic Mitigation & Parking In-Lieu Fund	12,740	536	(395)	0	12,881
Downtown Business Improvement District	58	0	0	0	58
Stanford Development Agreement (SUMC)	18,764	370	(2,500)	0	16,634
Public Art Funds	1,916	291	170	225	2,152
Total Special Revenue	112,133	12,651	(10,359)	5,821	108,604
TOTAL OPERATING FUNDS	360,478	733,273	2,755	832,126	264,381

Citywide Average Salary & Benefits

Category	MGMT	UTLM	FCA	IAFF	PMA	PAPOA	SEIU	Avg
Full-Time Equivalent (FTE)	205.75	49.50	4.00	80.00	6.00	72.00	538.75	956.00
% of City	21.5%	5.2%	0.4%	8.4%	0.6%	7.5%	56.4%	100%
Salary (1)	147,931	179,328	199,790	146,605	229,249	155,986	103,511	125,747
In-Lieu Holiday	-	-	-	6,622	-	5,203	297	1,541
Incentive Pay (2)	-	-	-	1,064	-	1,464	428	609
Overtime (Average)	-	-	-	24,139	-	9,470	4,828	7,549
Management Leave (80 Hours)	5,690	6,897	7,684	-	8,817	-	-	6,016
Pension Employer Portion: Misc 41.8%; Safety 69.6% (3)	61,835	74,959	139,054	102,037	159,557	108,566	43,268	59,871
Medicare	2,145	2,600	2,897	2,126	3,324	2,262	1,501	1,823
Medical	20,152	20,385	25,153	22,361	22,814	22,479	20,212	20,595
Dental/Vision	1,949	2,270	2,484	2,238	2,113	2,080	1,919	1,986
Retiree Medical (4)	8,186	7,265	14,091	12,344	15,782	15,250	6,466	8,121
Workers' Comp	5,549	4,735	-	17,099	-	14,316	5,549	7,075
LIFE/LTD/SUI	543	543	543	543	543	543	543	543
Non-salary Benefits (5)	3,438	4,419	4,917	1,885	3,419	2,988	613	1,739
Average Salary & Benefits	257,418	303,400	396,613	339,063	445,618	340,607	189,132	243,215
City's Proactive Contributions to Long-term Pension Liability	5,693	6,761	12,567	8,953	14,420	9,526	3,902	5,384
Isolate Holiday Pay from Salary Category								
Salary, includes holidays	147,931	179,328	199,790	146,605	229,249	155,986	103,511	125,747
Holidays (assumes 11, 9 hour days)	7,041	8,535	9,509	6,978	10,911	7,424	4,927	5,985
Salary, excludes holidays	140,890	170,792	190,281	139,627	218,337	148,562	98,584	119,762

(1) Salary is calculated at actual pay rate (base pay and special pays, as applicable) and adjusted for step or performance increases in accordance with applicable Memorandum of Agreements with the City's bargaining groups.

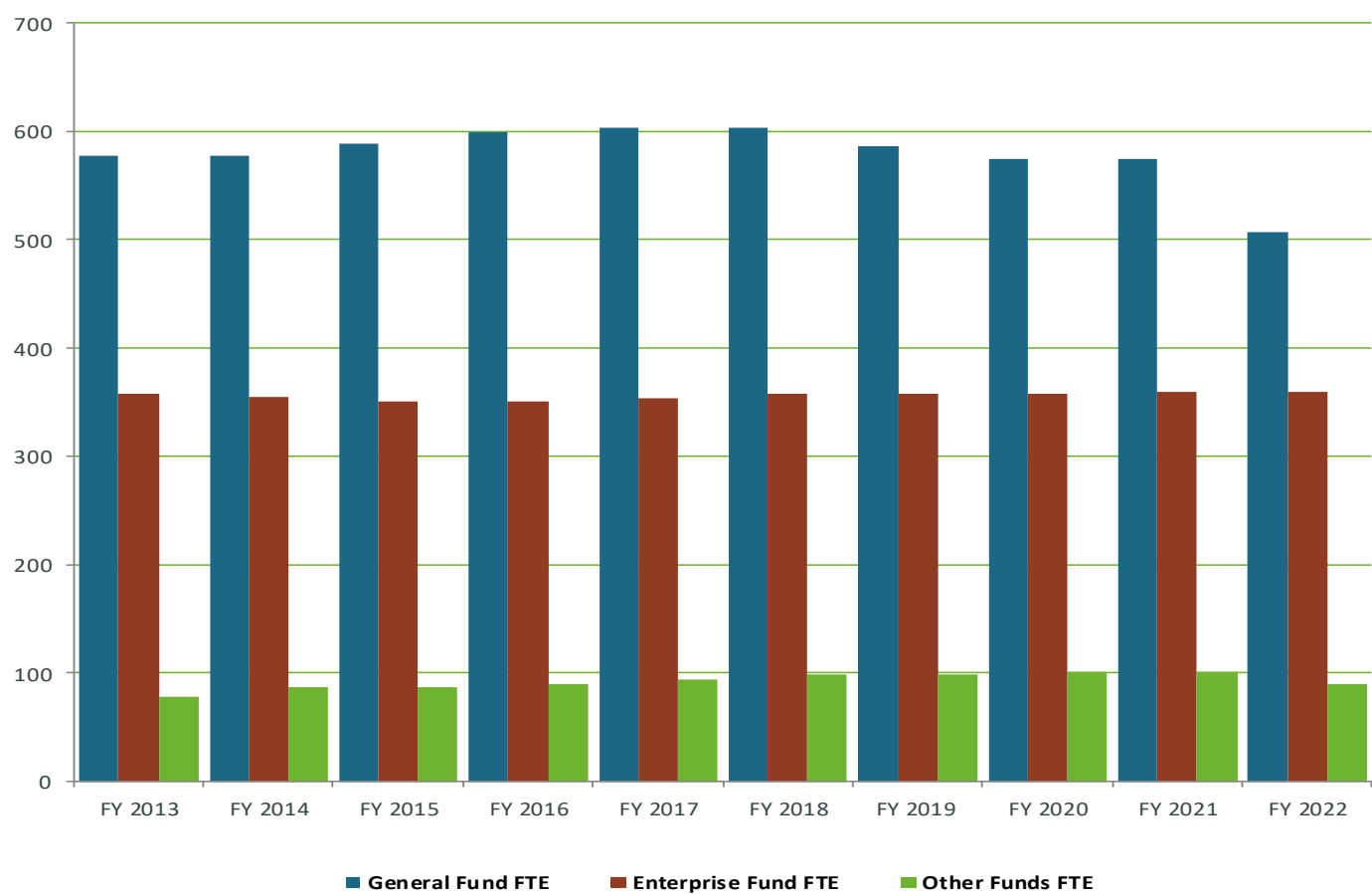
(2) Incentive pay includes: Fair Labor and Standards Act Charges and Night Shift Differential pay.

(3) Employees pick-up a portion of the employer share: MGMT (1.00%), UTLM (1.00%), FCA (4.00%), IAFF (4.00%), PMA (4.00%), PAPOA (3.5%), and SEIU (2.00%)

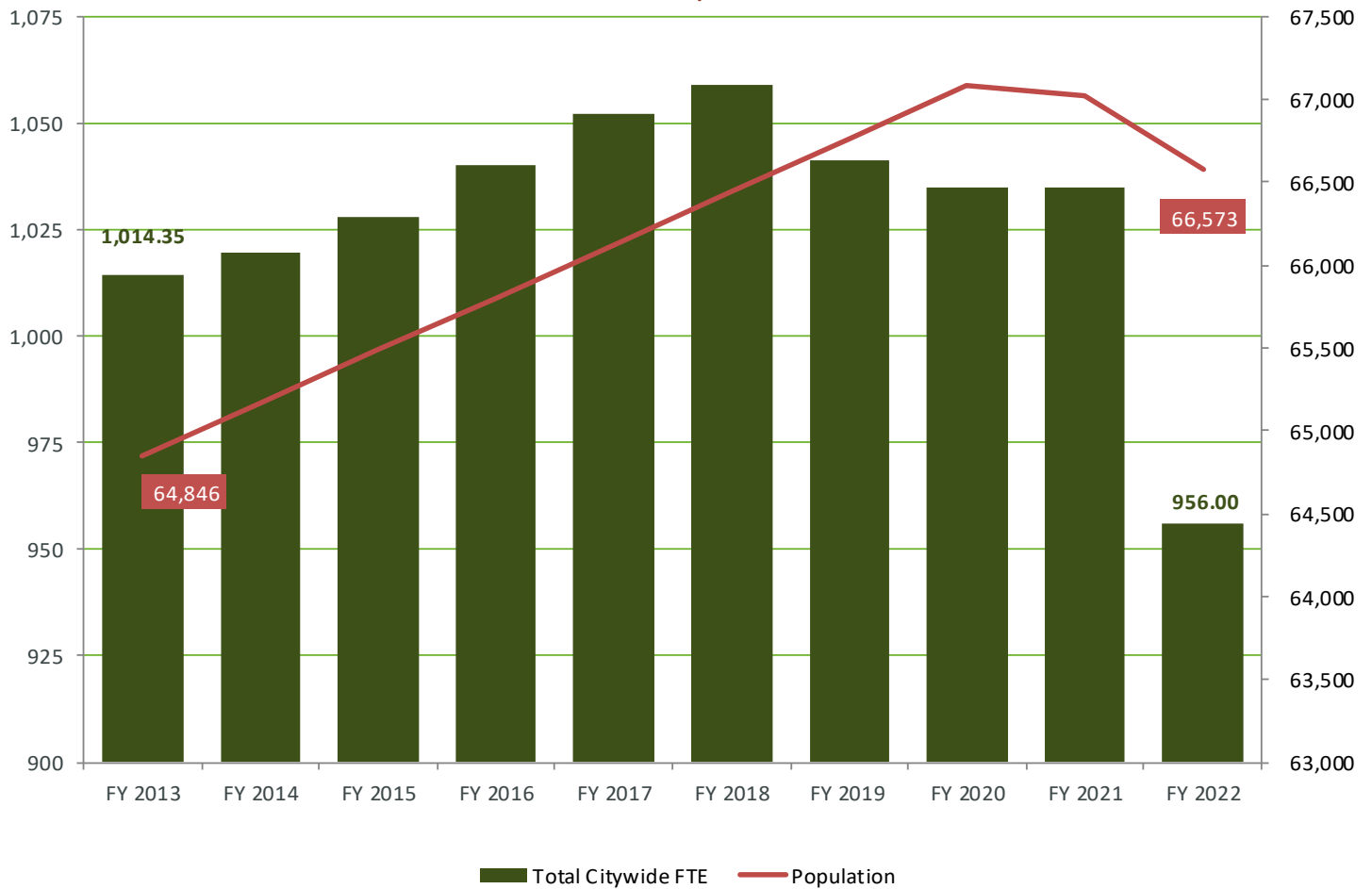
(4) Annual amount incurred for active employees (normal cost only).

(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.

10 Year Trend - Citywide FTE by Fund



10 Year Trend - Citywide FTE Positions vs. Population Growth





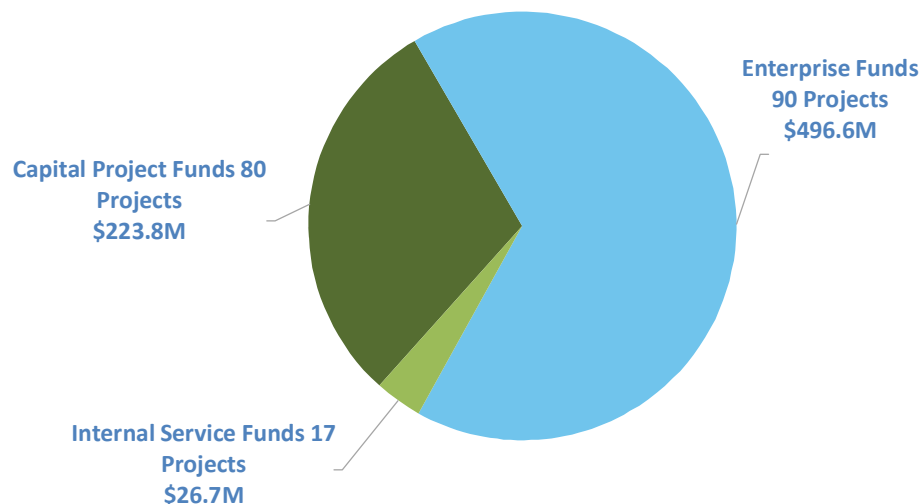
CITY OF
**PALO
ALTO**

MAJOR CAPITAL PROJECTS

Description

The overall 2022-2026 Capital Improvement Program (CIP), which includes the Capital Improvement Funds, Enterprise Funds, and Internal Service Funds is \$747.2 million, a decrease of \$25.2 million, or 3.2 percent, compared to the 2021-2025 CIP of \$772.4 million. The Fiscal Year 2022 Adopted Capital Budget is \$174.3 million, a decrease of \$125.6 million, or 41.9 percent, compared to the Fiscal Year 2021 Adopted Capital Budget of \$299.9 million.

**2022-2026 CIP PLANNED FUNDING
BY FUND TYPE (\$747.2 MILLION)**



On the following pages, please find a listing of major capital improvement projects which include:

- Projects that are part of the City Council Approved Infrastructure Plan
- Projects that are politically sensitive
- Projects with over \$750,000 of costs in the first year of the 5-Year CIP
- One-time projects with over \$3.0 million over the 5-Year CIP

For a detailed discussion of the City's Fiscal Year 2022 Adopted Capital Budget, please visit the City's website at www.cityofpaloalto.org/budget.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost
Airport Enterprise Fund: Airfield Electrical Improvements (AP-19001)	\$0	\$5,266,500	\$5,266,500

This project provides funding for electrical and lighting improvements to the airfield.

Operating Impacts

This project is anticipated to have operating expenses related to pavement maintenance. As these costs are quantified, adjustments will be brought forward in future budgets, as necessary.

Capital Improvement Fund: Americans With Disabilities Act Compliance (PF-93009)	\$767,776	\$2,758,776	Recurring

This project provides funding for accessibility upgrades to City facilities and equipment. It includes continued funding for improvements such as path of travel, restroom upgrades, drinking fountains, and counters. This funding will also be utilized for other CIP project design or construction phases where accessibility improvements are identified.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Animal Shelter Renovation (PE-19002)	\$1,196,195	\$1,196,195	\$3,967,767

This project provides funding for interim facility improvements to the Animal Shelter that accompany operation of the shelter by a contractor. The improvements include expanding and remodeling the medical suite, providing a new 900 square foot modular building for office space, public educational programs, and expanded kennels.

Operating Impacts

There are no additional operating impacts anticipated from this project. Maintenance costs at the facility will be covered by Pets In Need as stipulated in the agreement with the City.

Capital Improvement Fund: Art In Public Spaces (AC-86017)	\$1,508,784	\$2,691,481	Recurring

This project provides funding for innovative temporary and permanent public art for both interior and exterior public spaces in accordance with the City Council-approved Art in City Capital Improvement Projects ordinance.

Operating Impacts

Annual funding in the amount of \$30,000 for public art maintenance is allocated to the Community Services Department in the General Fund.

Capital Improvement Fund: Bicycle and Pedestrian Transportation Plan Implementation (PL-04010)	\$530,642	\$5,580,642	\$15,276,377

This project provides funding for the design and construction of bicycle boulevards, enhanced bikeways, shared-use paths, bicycle parking, and pedestrian improvements in accordance with the Palo Alto Bicycle and Pedestrian Transportation Plan, which was adopted by City Council in 2012.

Operating Impacts

This project is anticipated to impact operating expenses in the future. As these costs are quantified, adjustments will be brought forward in future budgets, as necessary. There may be increased operating impacts due to ongoing maintenance of protected and separate bikeways. Certain types of bikeways may require special equipment or services to maintain them. The amount of impacts are unknown at this time.

Capital Improvement Fund: Boulware Park Improvements (merged with Birch Street Project PE-19003) (PE-17005)	\$3,800,643	\$3,800,643	\$4,083,107

This project provides funding for improvements to the existing Boulware Park, conversion of the Birch Street property purchased by the City in Fiscal Year 2019 into a park facility, and connecting the existing park to the Birch Street property by removing Ash Street and reconfiguring Chestnut Avenue. The park improvements include development of the existing Boulware Park and Birch Street property and one park facility, installation of a new play structure, replacement of existing lighting, drinking fountains, benches, trash receptacles, rubberized surfacing, accessibility upgrades, addition of a new restroom, new park facilities, and streets improvements.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost

Operating Impacts

The maintenance cost of this project will be approximately \$45,000 annually for landscaping and custodial expenses, in addition to major renovations every 20 years after completion of this project to replace equipment and park amenities.

Capital Improvement Fund: Building Systems improvements (PF-01003)	\$1,025,091	\$2,596,191	Recurring

This project provides funding for electrical, mechanical, plumbing, structural, and security upgrades as required at various City facilities. Upgrades may include main and emergency power sources, light fixtures, fire alarm systems, heating and ventilation equipment, Building Management System (BMS) controls, structural reinforcements or repair, security card access, and camera systems.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Byxbee Park Completion (PE-18006)	\$2,381,146	\$2,381,146	\$3,249,339

This project provides funding for the remaining improvements to Byxbee Park per the conceptual plan developed in the Baylands Comprehensive Conservation Plan. The conceptual plan for additional native planting islands, park seating, interpretive signage and an expanded parking lot.

Operating Impacts

This project is anticipated to impact operating expenses in the future. Byxbee Park is maintained under a large parks maintenance contract which will be bid out for services. As these costs are quantified, adjustments will be brought forward in future budget cycles.

Capital Improvement Fund: Charleston/Arastradero Corridor Project (PE-13011)	\$8,000,000	\$8,000,000	\$20,821,853

This project provides funding for the reconfiguration of the Charleston/Arastradero corridor, including engineering design and construction of new landscaped median islands, bulb outs, enhanced bike lanes, new street trees, and lighting. During the design phase, opportunities for including "green infrastructure" features such as infiltration basins and porous hardscape surfaces were explored. The conceptual design and California Environmental Quality Act (CEQA) review for the entire corridor was completed in September 2015 and the National Environmental Protection Act (NEPA) was completed in October 2016. Final design for the corridor was completed in Fall 2017.

Operating Impacts

Landscaping and irrigation maintenance is estimated to increase by \$54,000 in Fiscal Year 2022 and by 3% annually thereafter. Tree trimming maintenance is estimated to be \$20,000 per year.

Capital Improvement Fund: Churchill Avenue Enhanced Bikeway (PL-14000)	\$3,344,012	\$3,344,012	\$4,040,913

This project provides funding for the planning, design and construction of a shared-use path along the north side of Churchill Avenue between the existing shared-use path at Castilleja Avenue and the Stanford Perimeter Trail. It also includes intersection improvements at Churchill Avenue and El Camino Real, which will include a new dedicated westbound right-turn lane.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Churchill Avenue/Alma Street Railroad Crossing Safety Improvements (PL-20000)	\$4,352,100	\$4,352,100	\$5,099,300

This project provides funding for the design and construction of pedestrian and bicycle safety improvements west of Churchill Avenue and Alma Street intersection at the railroad at-grade crossing. Design includes, but is not limited to, traffic signal modifications, street lighting improvements, roadway resurfacing, sidewalk realignment and/or widening, drainage improvements, utility re-locations, signage and striping, and way-finding improvements.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost

Operating Impacts

There are no additional operating impacts anticipated from this project. Any minimal maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Fire Station 4 Replacement (PE-18004)	\$849,999	\$10,049,999	\$10,167,781

This project provides funding to replace Fire Station #4 at the corner of Middlefield Road and East Meadow Drive. The replacement facility will be based on the prior Replacement Study and Needs Assessment prepared in 2005.

Operating Impacts

This project is anticipated to impact operating expenses in the future. Maintenance is estimated to increase by \$9,200 in FY 2024 and increase by 3 percent annually thereafter.

Capital Improvement Fund: Foothills Park Improvement Project (PE-21000)	\$0	\$532,200	\$532,200

This project provides funding to replace the bridge to Sunfish Island, design and permitting to replace the footbridge in Los Trancos Valley, and to replace the grade control structures along Buckeye Creek.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Highway 101 Pedestrian/Bicycle Overpass Project (PE-11011)	\$97,556	\$97,556	\$22,898,738

This project provides funding for a new pedestrian/bicycle bridge across Highway 101 at Adobe Creek.

Operating Impacts

The operations and maintenance cost of the project is anticipated to be approximately \$100,000 per year. Maintenance and repairs will be provided through maintenance agreement executed in December 2018 between the City and Caltrans.

Capital Improvement Fund: Magical Bridge Playground Rubber and Synthetic Turf Resurfacing (PE-21003)	\$855,300	\$855,300	\$891,600

This project provides funding for the replacement of all rubberized and synthetic turf surfacing in the playground and play equipment repairs and replacements.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Municipal Service Center Lighting, Mechanical, and Electrical Improvements (PF-16006)	\$6,498,626	\$6,498,626	\$8,001,443

This project provides funding for the replacement of original mechanical and electrical systems and lighting installed in 1966 in the Municipal Service Center's (MSC) Buildings A, B, and C. The project also includes the renovation of office space and shop areas in Building C.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: New California Avenue Area Parking Garage (PE-18000)	\$1,010,336	\$1,010,336	\$50,149,972

This project provides funding for the design and construction of a new public parking garage on the existing Lot C-7 in the California Avenue commercial area. The project will include approximately 636 parking stalls and will have two below-ground and four above-ground levels.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost

Operating Impacts

This project is anticipated to impact operating expenses in the future. Custodial and maintenance costs are estimated to be \$113,300 in FY 2021 and increase by 3% annually thereafter.

Capital Improvement Fund: New Downtown Parking Garage (PE-15007)	\$10,600	\$5,551,600	\$6,991,916

This project provides funding for a new public parking garage in the University Avenue commercial area at existing Parking Lot D at the corner of Hamilton Avenue and Waverley Street. The project will evaluate the feasibility of including retail and stacked parking as part of the new structure. Design and environmental consultant services will be needed, including the development of preliminary plans and cost estimates, and completion of the project's environmental review.

Operating Impacts

This project is anticipated to impact operating expenses in the future. Custodial and maintenance costs are estimated to be \$94,000 in FY 2025 and increase 3% annually thereafter.

Capital Improvement Fund: New Public Safety Building (PE-15001)	\$9,036,041	\$9,436,041	\$117,037,824

This project provides funding for the design and construction of a new Public Safety Building on Lot C-6 in the California Avenue commercial area. Design and environmental consultant services will be needed, including the development of preliminary plans, cost estimates and special studies as part of an Environmental Impact Report (EIR), and site evaluation for the approximately 44,500 square foot facility. The size and programming of the new facility were developed by the 2006 Blue Ribbon Task Force.

Operating Impacts

This project is anticipated to impact operating expenses in the future. Custodial and maintenance costs are estimated to be \$355,000 in FY 2024 and increase by 3 percent annually thereafter.

Capital Improvement Fund: Newell Road/San Francisquito Creek Bridge Replacement (PE-12011)	\$456,188	\$15,046,842	\$18,227,499

This project will provide funding to remove and replace the Newell Road bridge over San Francisquito Creek. Design considerations include a clear span over the creek to allow the channel to convey a flow consistent with the San Francisquito Creek Joint Powers Authority's (JPA) initial flood protection project located downstream, as well as bicycle and pedestrian traffic.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget..

Capital Improvement Fund: Railroad Grade Separation and Safety Improvements (PL-17001)	\$2,338,833	\$11,726,423	\$15,883,883

This project, Connecting Palo Alto, is a community-based process to advance the railroad grade crossing circulation study and context sensitive solutions study envisioned by the City Council. It will also fund the preparation of Project Study Report and environmental analysis that will be required for the City to realize its goals of advancing grade separations.

Operating Impacts

Operating impacts will depend upon the grade separation alternative selected. As these costs are quantified, adjustments will be brought forward in future budgets, as necessary.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost
Capital Improvement Fund: Rinconada Park Improvements (PE-08001)	\$0	\$4,697,200	\$9,356,899

Upon completion of the Rinconada Park Long Range Plan (LRP) adopted in 2017, funding was secured to begin these park improvements. Phase 1 improvements at Rinconada Park will be implemented in the western half of the park in Fall 2021 including upgrades to safety, site amenities, playground facilities, irrigation, drainage, restroom, and accessibility improvements. Phase 2 improvements include renovation of the eastern half of the park by 2024 for pathway improvements; a new restroom facility; renovated and expanded group picnic areas; native and habitat planting; irrigation improvements; ADA upgrades; directional signage, site furnishing; lighting, and green infrastructure elements. According to the LRP, future improvement phases would include renovation to the arbor area, development around the electrical substation, and renovation to the pool area.

Operating Impacts

The maintenance cost for the new restroom would be approximately \$15,000 annually. There are no additional operating impacts anticipated from this project. Any other maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Safe Routes To School (PL-00026)	\$1,141,128	\$3,193,300	Recurring

This project provides funding for the City's Safe Routes to Schools program, including school commute planning, education and encouragement activities, and capital improvements along local and collector streets that may be impacted by school commute activities. Typical capital improvements include traffic calming devices, enhanced crosswalks, and improved signage along suggested routes to school. In Fiscal Year 2022, updated school speed limit signage, traffic calming projects from prior years, and traffic studies will be pursued for locations in need of traffic calming and other safety countermeasures.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Sidewalk Repairs (PO-89003)	\$622,600	\$7,211,800	Recurring

This project provides funding for sidewalk repairs as part of an annual district-based rehabilitation program, alleviating the backlog of sidewalk repairs and enhancing pedestrian comfort and safety. Additionally, a sidewalk program assessment to evaluate options for improving the City's Sidewalk Repair Program was completed in Spring 2019 and provided suggestions for establishing goals and priorities related to repairs and replacements throughout the City.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Street Maintenance (PE-86070)	\$2,804,686	\$26,039,230	Recurring

This project provides funding for annual resurfacing, slurry sealing, crack sealing, and reconstruction of various City streets.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget..

Capital Improvement Fund: Traffic Signal and Intelligent Transportation Systems (PL-05030)	\$980,450	\$5,278,592	Recurring

This project provides funding for the design, construction, and upgrades of traffic signals, traffic signal communications networks, signal performance/surveillance projects for transportation use, and maintenance of the City's traffic signal central management system. The project includes the replacement of traffic signal controllers/cabinets, video detection systems, and other field equipment.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Capital Improvement Fund: Transportation and Parking Improvements (PL-12000)	\$585,400	\$3,101,976	Recurring

This project provides funding for the implementation of traffic safety projects including miscellaneous roadway neighborhood traffic calming improvements, local traffic studies, response to 311 requests, and parking improvements.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Cubberley Property Infrastructure Fund: Cubberley Roof Replacements (CB-16002)	\$1,123,020	\$4,886,820	Recurring

This project provides funding for the replacement or restoration of failing roofs at the Cubberley Community Center. The Palo Alto Unified School District (PAUSD) reimburses the City for work completed on PAUSD owned buildings.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Electric Fund: 115 kV Electric Intertie (EL-06001)	\$178,481	\$6,678,481	\$6,990,045

Funding for this project is used to perform technical feasibility studies to determine the general project requirements to establish another transmission line to the City of Palo Alto along a different transmission corridor. The City's discussions with Stanford University and Stanford Linear Accelerator Laboratory (SLAC), on sharing interest and benefits in a new 230kV intertie have come to an end with the decision by Stanford to withdraw from the project. Staff is seeking funding for an alternative solution to provide a second transmission source to Palo Alto.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Electric Fund: Coleridge/Cowper/Tennyson 4/12kV Conversion (EL-14000)	\$1,250,000	\$2,500,000	\$2,661,879

This project will convert the primary electric distribution system in the Coleridge/Cowper/Tennyson area from 4kV to 12kV.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Electric Fund: Colorado Power Station Equipment Upgrades (EL-19001)	\$840,003	\$6,440,003	\$10,865,445

This project will replace aging major asset equipment at the Colorado Power Station. The Colorado Power Station is on the 115kV/60kV transmission side of the Colorado Substation, which transforms the electricity to a lower sub-transmission voltage that feeds the individual distribution stations around the City.

Operating Impacts

There are no additional operating impacts anticipated from this project. Normal maintenance costs that will be absorbed within the available maintenance schedule and annual budget.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost
Electric Fund: Electric Customer Connections (EL-89028)	\$2,700,000	\$13,500,000	Recurring

This project allows for the installation of services, transformers, meters for new customers, upgrades of existing services, temporary service connections, and overhead/underground extensions for new/existing customers.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Electric Fund: Electric System Improvements (EL-98003)	\$2,597,000	\$12,603,000	Recurring

This project provides funding, as needed, to improve the Electric Distribution System. Typical activities include: increasing system capacity for load growth, replacing deteriorated capital facilities, reconfiguring/adding to the system to improve service reliability, repairing and replacing storm damaged equipment, and making general improvements to the system.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Electric Fund: Foothills Rebuild (Fire Mitigation) (EL-21001)	\$3,878,351	\$3,878,351	\$4,000,000

Devastating wildfires throughout the State of California have prompted electric utilities throughout the state to identify areas within their jurisdiction that are susceptible to power-line ignited wildfires and to take steps to prevent their occurrence. This project proposes to rebuild the approximately 11 miles of overhead line, as necessary to mitigate the possibility of a wildfire due to overhead electric lines. This could include the utilization of more robust equipment or construction practices; rerouting to avoid vegetation and improve access for inspection and maintenance; or converting the overhead lines to underground where feasible.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Electric Fund: Rebuild Underground District 15 (EL-11003)	\$1,250,000	\$1,250,000	\$1,293,348

This project will rebuild and replace the underground electric system in Underground District 15. The area is bounded by Los Palos, Glenbrook, Pomona, and Arastradero. Work will include the replacement of deteriorated electrical cables, transformers and enclosures. Installation of new equipment will bring the electrical system up to current construction standards.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget..

Electric Fund: Smart Grid Technology Installation (EL-11014)	\$7,000,000	\$17,000,000	\$17,674,012

This project will implement portions of the Smart Grid Road Map that can be cost effectively applied to the City's Electric, Gas, and Water utility systems resulting in operating cost savings, environmental benefits, plus an increased quality of life and productivity for the residents and businesses of Palo Alto.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Electric Fund: Substation 60kV Breaker Replacement (EL-17002)	\$1,508,066	\$5,108,066	\$6,062,650

This project funds the purchase and replacement of high voltage circuit breakers that interconnect the nine electric substations and two power switching stations. There are 23 circuit breakers reaching the end of their recommended reliable useful life expectancy and/or are now underrated for use.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Electric Fund: Substation Physical Security (EL-16003)	\$1,453,447	\$1,983,447	\$3,200,228

The electric substations are a key element of the Electric Distribution System used to provide electricity to residents and customers of Palo Alto. This project will evaluate options for protecting electric substations from outside vandalism and intrusion. If necessary, fences and other protections will be repaired. Security lighting will be designed and issued for construction.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget..

Electric Fund: Wood Pole Replacement (EL-19004)	\$1,739,927	\$7,739,927	Recurring

This project will fund the annual replacement of deteriorated wood poles.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Gas Fund: Gas Main Replacement - Projects 24 to 25 (GS-14003, GS-15000)	\$2,000,000	\$20,000,000	\$20,000,000

These projects replace leaking, inadequately-sized, and structurally deficient gas mains and services located on various streets throughout the City. Staff identifies problematic mains/services by researching maintenance and leak histories, analyzing performance of the entire gas distribution system, and considering risk ratings of the Distribution Integrity Management Plan.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Gas Fund: Gas System, Customer Connections (GS-80017)	\$1,124,169	\$5,849,192	Recurring

This funding allows for the Gas Distribution System to be extended in order to provide gas service to new customers and augment service to customers with increased natural gas demands. Improvements include new mains, services, valves, regulators, meters, and accessories.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Stormwater Management Fund: Corporation Way System Upgrades and Pump Station (SD-21000)	\$3,342,459	\$3,342,459	\$3,949,241

This project provides funding for the design of a new small pump station with 25 cubic feet per second capacity and the upgrade of 700 linear feet of storm drain pipe to 30-inch High Density Polyethylene.

Operating Impacts

This project is anticipated to impact operating expenses in the future with costs for electricity to serve the pump station; future routine inspections; and maintenance of the mechanical, electrical, and fiber operating systems. As these costs are quantified, and if the department determines they cannot be absorbed within the available maintenance schedule and annual operating budget, adjustments will be brought forward in future budgets, as necessary.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost
Stormwater Management Fund: Storm Drainage System Replacement And Rehabilitation (SD-06101)	\$1,013,063	\$2,233,663	Recurring

This project provides funding for annual replacement and rehabilitation projects, identified by a previous condition assessment, to help maintain the integrity of the storm drain system, including the replacement or rehabilitation of deteriorated storm drain pipes, manholes, and storm drain inlets.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Technology Fund: City Council Chambers Upgrade (TE-19001)	\$1,793,000	\$1,793,000	\$1,803,937

Funding will be used to upgrade outdated electronic equipment that has become unsupportable in City Council Chambers. This will help address technical issues and ensure compliance with Americans with Disabilities Act (ADA) requirements. This project will:

- Replace and upgrade outdated audio/visual equipment to bring City Council Chambers in compliance with ADA requirements
- Upgrade the City Council Chambers broadcast booth, overhead display equipment, and dais equipment (including a supportable voting system)
- Bring the broadcast booth in the City Council Chambers in compliance with ADA and State regulations
- Obtain adequate support, maintenance, and warranty for all equipment
- Integrate the City Hall Lobby Video Wall, Community Meeting Room, and Council Conference Room with new City Council Chambers equipment to enable viewing and/or broadcasting

Operating Impacts

This project is anticipated to impact operating expenses in the future. As these costs are quantified, adjustments will be brought forward in the future budget cycles, as necessary.

Technology Fund: Enterprise Resource Planning Upgrade (TE-19000)	\$2,029,000	\$2,029,000	\$4,949,999

This project provides funding to upgrade the existing Enterprise Resource Planning (ERP) system and Customer Information System (CIS) to better meet the City's needs.

Operating Impacts

Annual licensing fees of \$0.4 million began in FY 2021 for this project once phase 1 was complete. This was a base budget increase of approximately \$0.1 million more than the previous licensing costs.

Vehicle Replacement Fund: Scheduled Vehicle and Equipment Replacement - Fiscal Years 2020 to 2026 (VR-20000, VR-22000, VR-23000, VR-24000, VR-25000, VR-26000)	\$2,890,636	\$16,622,636	\$18,578,000

These projects provide funding for the scheduled replacement of existing City fleet vehicles and equipment.

Operating Impacts

Costs to operate and maintain the City's fleet are budgeted annually in the Vehicle Replacement Fund and allocated to other City departments based on historical maintenance and repair needs. There are no additional operating impacts anticipated from this project and maintenance will be absorbed within the available maintenance schedule and annual operating budget.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost
Wastewater Collection Fund: Sewer Lateral/Manhole Rehabilitation and Replacement (WC-99013)	\$800,000	\$4,750,500	Recurring

This project will replace defective sewer laterals, cleanouts, and manholes; install backwater devices; and purchase equipment to support these activities in order to maintain the Wastewater Collection System. Information collected during routine annual maintenance activities is used to prioritize work. Defective laterals, for example, will be replaced to re-establish existing services, reduce maintenance expenses, and eliminate ground water intrusion. Backwater devices will be installed to reduce backflows of sewage. New manholes will be installed or rehabilitated to improve structural integrity.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Wastewater Collection Fund: Wastewater Collection System Rehabilitation/Augmentation Projects 24 to 33 (WC-17001, WC-19001)	\$4,130,000	\$9,330,000	\$9,460,000

These projects fund the design and construction of high priority main and lateral replacement work, which reduces inflow of rainfall and ground water into the collection system, for various streets throughout the City. These projects will be comprised of laterals identified in video inspection work or through maintenance records identified as deficient and in need of replacement. Priority will be given to areas identified by Public Works as targeted work zones ensuring infrastructure coordination among different City departments.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Wastewater Treatment Fund: Advanced Water Purification Facility (WQ-19003)	\$330,900	\$17,216,600	\$20,216,590

This project provides funding for an Advanced Water Purification Facility to further improve the quality of the tertiary-treated recycled water by microfiltration or ultrafiltration followed by reverse osmosis to reduce the level of total dissolved solids (TDS).

Operating Impacts

This project is anticipated to impact operating expenses in the future, such as utilities. As these costs are quantified, adjustments will be brought forward in future budgets, as necessary.

Wastewater Treatment Fund: Headworks Facility Replacement (WQ-16002)	\$14,100	\$49,120,400	\$49,120,400

This project provides funding for replacing influent pumping, including the suction and discharge piping, pipe manifolds, valves, the electrical and controls system, screening equipment, grit handling equipment, the force main to the primaries and modifying headworks building, and yard piping.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Wastewater Treatment Fund: New Laboratory and Environmental Services Building (WQ-14002)	\$2,634,872	\$23,765,472	\$24,149,060

This project provides funding for a new building that will consolidate staff and provide a larger updated lab.

Operating Impacts

This project is anticipated to impact operating expenses in the future such as utilities, janitorial services, and alarm/security systems. Once the design, including features and square feet, is complete, costs will be quantified and adjustments will be brought forward in future budgets.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost
Wastewater Treatment Fund: Outfall Line Construction (WQ-19000)	\$10,593,115	\$10,593,115	\$10,668,115

This project consists of the construction of a new parallel outfall pipe to convey final plant effluent to San Francisco Bay.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Wastewater Treatment Fund: Plant Repair, Retrofit, and Equipment Replacement (WQ-19002)	\$8,770,411	\$23,199,411	Recurring

This project provides funding for the assessment, repair, and retrofit of the Regional Water Quality Control Plant (RWQCP) concrete and metal structures; the replacement of necessary RWQCP equipment and ancillary facilities to maintain treatment reliability and existing infrastructure; and the replacement of large diameter flow meters built into the wastewater treatment system on sewers, pipes, and water lines.

Tasks and funding previously budgeted in three separate maintenance related projects, WQ-80021, WQ-80022, and WQ-04011, were consolidated and budgeted in this one recurring project.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Wastewater Treatment Fund: Primary Sedimentation Tank Rehabilitation (WQ-14003)	\$6,182,700	\$6,182,700	\$20,616,550

This project provides funding for new protective coatings on each of the four concrete primary sedimentation tanks and replacement of worn rotating parts and aging power distribution equipment. The tanks, installed in 1972, are 220 feet long by 41 feet wide by 14 feet deep each and remove settleable solids and floatable grease with mechanical and electrical equipment. The new coating ensures steel reinforcing bars within the concrete are protected from corrosive sewer gases and extends the concrete's life for another 30 years.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs will be absorbed within the available maintenance schedule and annual operating budget.

Wastewater Treatment Fund: Secondary Treatment Upgrades (WQ-19001)	\$1,537,255	\$125,975,755	\$128,952,180

This project provides funding for upgrades to the Secondary Treatment process at the Regional Water Quality Control Plant. The existing Secondary Treatment process has two main components; the Fixed Film Reactors (FFR) and the Activated Sludge (AS) Process. This project includes the reconfiguration of the aeration basins, modification of the AS Process, and the elimination of the FFRs. The AS Aeration Basins will be subdivided with concrete walls creating different zones where different pollutants can be treated. Some of the zones will operate without oxygen, treating nitrogen and cutting the nitrogen in the treated wastewater by roughly half. The project will not only reduce organics and ammonia in the existing processes but will also reduce total nitrogen, the next pollutant being targeted for more stringent regulation.

Operating Impacts

This project is anticipated to impact operating expenses in the future, potentially by lowering utilities usage. As these costs are quantified, adjustments will be brought forward in future budgets, as necessary.

Water Fund: Water Main Replacement - Projects 28 to 30 (WS-14001, WS-15002, WS-16001)	\$11,335,000	\$29,610,000	\$29,806,622

This project will fund the design and replacement of structurally deficient water mains and appurtenances in Fiscal Years 2021 and 2022. Mains are selected by researching the maintenance history of the system and identifying those that are undersized, corroded, and subject to breaks. The project scope includes approximately 18,500 linear feet (which represents 1.2 percent of the City's Water Distribution System) of mains and services on various streets within the City, including areas in the Crescent Par, Barron Park, and Charleston Meadows neighborhoods.

MAJOR CAPITAL PROJECTS

Fund, Project Title, & Description	FY 2022 Budget	Five-Year CIP Cost	Total Project Cost

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual budget.

Water Fund: Water System Customer Connections (WS-80013)	\$877,250	\$4,663,300	Recurring

This project allows for improvements that include new main extensions, valves, domestic services, meters on upgraded services, backflow devices, fire services, and fire hydrants.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

Water Fund: Water Tank Seismic Upgrade and Rehabilitation (WS-09000)	\$500,000	\$15,600,000	\$26,311,385

This project will provide tank rehabilitation, seismic upgrades, and/or tank replacement structural reinforcement for the Corte Madera, Park, Boronda, and Dahl reservoirs in order to improve earthquake resistance in compliance with the American Society of Civil Engineers (ASCE 7) seismic codes. Work at the reservoir sites will also include the installation of: new seismic shut off valves between the reservoirs and valve vaults, new plug valves, piping and pipe supports in the valve vaults, and recoating of the interior and exterior reservoir walls.

Operating Impacts

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.



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GENERAL FUND





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GENERAL FUND OVERVIEW

Overview

The Long Range Financial Forecast (LRFF) was presented to the City Council on February 1, 2021 and continued the multi-point process of providing the Council with the best, most recent information available as the world grapples with the fiscal uncertainties of the COVID-19 pandemic. It being the second year of difficult conversations regarding the City's financial position and long-term outlook, Council was presented with three financial balancing scenarios that provided a five year outlook that would help guide development of the FY 2022 Adopted Budget. The financial balancing scenarios and the 10-year LRFF, which modeled a three to five year economic recovery, does not assume restoration of the reductions taken in the FY 2021 Adopted Budget.

The Fiscal Year 2022-2031 LRFF (Base Case) and the financial balancing scenario that was accepted by the City Council assumes a moderately paced economic recovery over three to five years and that shelter in place orders continue through this spring/early summer, followed by an economic recessionary period of slow growth once the order is lifted. This scenario also reflects impacts related to longer term social distancing requirements and travel restrictions that span over the term of the economic recovery. In this scenario, revenue levels return to pre-COVID-19 levels in FY's 2025 and 2026. In FY 2026, total tax revenues are projected to exceed pre-COVID levels by 3.0 percent, or approximately \$5 million. At the end of the five years, assuming that the annual budget shortfalls are balanced through service reductions, this scenario would result in approximately a cumulative 25 percent, or \$56.6 million, overall budget reduction between FY 2021 and FY 2026. This scenario most closely aligns with staff's research and review of economic forecasts, including the UCLA Anderson forecast.

FY 2022 - FY 2031 Long Range Financial Forecast - Base Case

	Adopted 2021	Projected 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Revenue	\$196,474	\$193,045	\$196,532	\$205,162	\$216,193	\$223,168	\$229,605	\$235,821	\$242,126	\$248,722	\$255,479	\$261,330
		-1.7%	1.8%	4.4%	5.4%	3.2%	2.9%	2.7%	2.7%	2.7%	2.7%	2.3%
Total Expenditures	\$196,949	\$192,483	\$203,322	\$217,846	\$229,681	\$238,974	\$247,163	\$252,106	\$258,383	\$264,833	\$268,808	\$274,273
		-2.3%	5.6%	7.1%	5.4%	4.0%	3.4%	2.0%	2.5%	2.5%	1.5%	2.0%
Net One-Time Surplus/(Gap)	(\$475)	\$562	(\$6,790)	(\$12,684)	(\$13,488)	(\$15,806)	(\$17,558)	(\$16,285)	(\$16,257)	(\$16,111)	(\$13,329)	(\$12,943)
Cumulative Net Operating Margin (One-Time)												(\$141,251)
Net Operating Margin		\$0	(\$6,790)	(\$5,894)	(\$804)	(\$2,318)	(\$1,752)	\$1,273	\$28	\$146	\$2,782	\$386
Cumulative Net Operating Margin												(\$12,943)

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

GENERAL FUND OVERVIEW

Depending on the length and depth of this current public health emergency, the ongoing severity of the impacts to the City's financial position remain unknown. For modeling purposes, the Base Case assumes a moderately paced recovery with the recession continuing through FY 2027 and economically sensitive tax revenues reaching pre-COVID-19 levels towards the end of the 10-year forecast.

It should be noted that this Forecast does not include several potential impacts to the FY 2022 projected budget and the out years of the Forecast. Below is a list of a few items not included. This is not intended to be a comprehensive list nor in any priority order.

- Labor negotiations
- Capital Infrastructure Plan
- Litigation
- Grade Separation
- Parks Master Plan
- Racial Equity Work
- Community Economic Recovery Workplan
- Other Capital Improvement Projects
- City owned assets operating by non-profit organizations
- Cubberley Community Center Concept Plan
- Loans for special projects or major capital projects
- Legislative Updates
- Tax revenue alignment with updated Comprehensive Plan
- Changes in the local, regional, and national economy

Based on the LRFF, staff continued to review and refine estimates to establish the FY 2022 Base Budget. FY 2022 Budget Development Guidelines were transmitted to Council together with the LRFF and were used as part of the City's efforts to strategically plan and prioritize spending to ensure financial stability. As the City and the County move through different phases of recovery from the COVID-19 pandemic, the City adapts operations to best support and serve the community. County Public Health Orders and State Public Health restrictions impact both the cost of delivering City services and the revenues that pay for them (both taxes and fees). Often, staff finds that it takes increased resources to deliver the same quantity of service in modified ways to ensure the safety of the community and employees.

On January 30, 2021 the City Council held its annual priority setting session, where it affirmed the importance of Community and Economic Recovery by setting this as a priority, along with Social Justice, Climate Change Protection and Adaptation, and Housing for Social and Economic Balance. These Council priorities are prioritized through City work plans to ensure organization support and capacity to further these efforts in the coming year and beyond, where anticipated. Workplans associated with the City Council priorities are highly ambitious and will test the City's ability to successfully complete the tasks involved.

Furthermore, strategic work to address the economic and socio-economic impacts of the pandemic are underway through a focused Community and Economic Recovery Workplan. The workplan was accepted by the City Council and emphasizes four main areas:

- Manage through the Pandemic
- Community Wellness and Welfare
- Focused Business Support
- City Priority Initiatives

The local economy is beginning to positively respond to loosened public health restrictions and economic assistance prioritized at the federal level through the American Rescue Plan Act of 2021 (ARPA). ARPA was signed into law March 2021 and provides over \$350 billion of relief funds to state and local governments, which will be allocated to eligible agencies in two tranches. The City's anticipated allocation of \$13.7 million in funds, represents a significant fiscal "jolt" the City's budget. As the City Council and Finance Committee progressed through the FY 2022 Proposed public budget hearings, prioritizing the following key points was emphasized to maximize the positive impact of these funds on the City's financial position: stabilize the City's budget, invest strategically, and implement work plans to position the City for the next phase of the recovery.

FISCAL YEAR 2022 GENERAL FUND BUDGET

Subsequent to the development of the LRFF, revenue and expense estimates were reviewed to calculate the Base Budget. The details of these adjustments can be found throughout this document. Significant base changes, which reflect the change in revenues and/or expenses to maintain services at their current levels or incorporate policy direction from City Council issued after the LRFF, and their General Fund impact, are discussed below:

- Tax revenue
- Salary and benefits
- Allocation charges
- Contract services
- Transfers

The FY 2022 Adopted Budget assumes revenue totaling \$206.5 million, a 5.1 percent, or \$10.0 million increase compared to the FY 2021 Adopted Budget, and General Fund expenditures totaling \$209.2 million, a 6.2 percent, or \$12.2 million, increase from the FY 2021 Adopted Budget of \$197.0 million. The FY 2021 Budget Stabilization Reserve (BSR) is anticipated to be \$36.0 million, which is 17.2 percent of General Fund expenses and \$2.7 million below the City Council target level of \$38.7 million, or 18.5 percent of General Fund expenses.

REVENUES

Revenues for the FY 2022 Adopted Budget are driven by economic assumptions and recovery timelines; discussion of these factors began with the City Council at the onslaught of the pandemic and remain to be an ongoing conversation. As discussed previously in this section, the ongoing conversation with the City

GENERAL FUND OVERVIEW

Council continued the discussion of assumptions regarding the economic impacts of COVID-19 that were built into the Base Case of the LRFF. Prior to COVID-19, the Bay Area economy had sustained better performance than the state and the nation with strong foreign trade; however, challenges with expected slowdown in job growth and potential impacts to local housing markets posed uncertainty with predicting whether robust growth could be expected throughout the forecast. Tax revenues constitute 53 percent of General Fund resources and therefore fluctuations in this category may significantly impact the City's financial outlook. Revenue forecasts leading up to the FY 2022 budget process assumed the COVID-19 shelter in place order be lifted in spring/early summer 2021 and recessionary levels of economic activity for continue for three to five-years. As directed by the City Council, revenue estimates used in to develop the FY 2021 Adopted Budget were based a conservative outlook for the City's major tax revenue and based on limited information on how the economy would respond to social restrictions put in place due to COVID-19. Consequently, some of variances between the FY 2021 Adopted Budget and FY 2022 Adopted Budget will be significant; this is a result of financial trend data becoming available as we move through the pandemic. In June 2021, the Governor of the State of California disbanded the "Blueprint for a Safer Economy" which regulated physical social distancing, capacity limits on businesses, and the tier system for counties in the state. It is anticipated that the discussion with the City Council regarding changes in economic conditions and the impact on the City's revenues will continue.

SALES TAX

The FY 2022 Adopted Budget assumes sales tax revenue of \$28.2 million, a 37.5 percent, or \$7.7 million increase compared to \$20.5 million in the FY 2021 Adopted Budget. The FY 2021 Adopted Budget was based on a conservative estimate and a variety of unknowns. As the City moved through the first year of the pandemic and analyzed sales tax results, revenue targets for FY 2021 were increased by \$4.5 million during mid-year. The City's revenue base is dependent on many high-end goods and dining options at regional destinations, such as Stanford Shopping Center. Economic activity in these segments have significant declines and were offset by strong performance in the business to business sales segment. The outlook of Sales Tax revenue remains positive as the City and County continues distribution of vaccines and the number of COVID-19 cases reduce. Staff will review new data that is expected to come in fall 2021 to determine if upward adjustments can be made.

While the outlook of local economic activity appears positive, Sales Tax performance is also dependent on travel. Although travel restrictions may loosen due to the distribution of vaccines, resumption of travel in the near term may be limited to people that accept a higher tolerance of health and safety risk. These factors impact both Sales Tax revenue and Transient Occupancy Tax (TOT) for local economically significant areas such as the downtown core, California Avenue District, and Stanford Shopping Center, and significant continuing impacts to other business activities.

As the nation transitions from a shopping center country to online sales, a surge in online retail sales will partially displace tax revenue from traditional industry segments to state and county pools. Shelter in place orders and social distancing guidelines, in addition to factors that caused an increase in pool allocation other to other agencies in the County, have accelerated this shift from brick and mortar to online shopping. Online sales data that cannot be tracked to a specific county jurisdiction are allocated to the Santa Clara

County sales tax pool and then distributed to local jurisdictions based on local tax percentage. Palo Alto's average proportion of county pool sales tax allocation is approximately 5.6 percent, a 1.5 percent decrease compared to the fourth calendar quarter of 2019 (pre-pandemic). These trends will be monitored as the shift in consumer spending habits transition from brick and mortar to online and as economic impacts resulting from COVID-19 unfold.

PROPERTY TAX

Property tax revenue is the General Fund's largest revenue source and represents 25.0 percent of total revenues. Property tax grew 20.2 percent from FY 2017 levels of \$39.4 million to \$47.3 million in FY 2019 due to higher assessed values. These higher assessed values reflect continued robust commercial and residential real estate markets during those periods. The FY 2022 Adopted Budget assumes \$51.2 million in property tax revenue, a \$0.8 million or 1.5 percent decrease, compared to FY 2021 Adopted Budget level of \$52.0 million. Unlike other tax revenue, property taxes are not estimated to be impacted as severely from COVID-19 and this decline is attributed to updated excess Educational Revenue Augmentation Fund (ERAF) estimates.

ERAF is the fund used to collect and disburse property taxes that are shifted to/from cities, the County, and special districts prior to their reallocation to K-14 school agencies. When the state shifts more local property tax than required to support schools these funds are returned and known as excess ERAF. In FY 2018, FY 2019, and FY 2020 receipts totaled \$1.4 million, \$2.7 million, and \$3.9 million, respectively for excess ERAF distributions from the County of Santa Clara. Due to the uncertainty of whether local agencies will continue to receive excess ERAF funds, it is not considered a permanent local revenue source. The FY 2022 Adopted Budget assumes \$1.0 million in excess ERAF revenue.

TRANSIENT OCCUPANCY TAX (TOT)

In FY 2022, TOT revenue is estimated to be \$8.4 million, a \$6.5 million or 43.4 percent decline, compared to the FY 2021 Adopted Budget, totaling \$14.9 million. As discussed in the Sales Tax section of this overview, the FY 2021 Adopted Budget was developed around many unknowns, including the timeframe of when health, safety, and travel restrictions would be lifted. At mid-year, TOT revenues were adjusted downward by \$10.1 million, or 67.6 percent, to \$4.8 million. The FY 2022 Adopted Budget assumes that shelter in place restrictions will be lifted in spring/early summer and although distribution of vaccines is becoming more widespread, social risk tolerance of travel may not moderate for two to four years. This significantly impacts the local hotel industry and Sales Tax revenue associated with travel. During the second quarter of FY 2021 the average occupancy rate was 32.2 percent, a 40.7 percent decrease compared to the same quarter in FY 2020 (pre-pandemic). Average room rate has declined 53.4 percent.

DOCUMENTARY TRANSFER TAX (DTT)

The FY 2022 Adopted Budget assumes \$7.1 million in DTT revenue, a 51.8 percent increase compared to the FY 2021 Adopted Budget of \$4.7 million. As of the development of the budget (March 2021), the number of year-to-date transactions for FY 2021 (522) are higher than in FY 2020 (383) however this revenue source is challenging to forecast since it is highly dependent on property sales volume, the mix of commercial and residential sales, and can be spike due to large, one-time property sales. The Palo Alto housing

GENERAL FUND OVERVIEW

market remains strong and, as discussed in the Property Taxes section, the higher assessed value reflects a robust real estate market. In addition to this, the average residential median home price increased 10.7 percent from \$2.8 million in February 2020 to \$3.2 million in February 2021.

UTILITY USERS' TAX (UUT)

The UUT is levied on electric, gas, and water consumption, as well as on telephone usage. In total, The FY 2022 Adopted Budget assumes \$14.4 million in UUT revenue, a \$0.7 million, or 4.8 percent, decrease compared to the FY 2021 Adopted Budget revenue of \$15.1 million. Lower telephone UUT revenue trends are due to society's shift to video conferencing platforms, rather than traditional telecommunication platforms. It is anticipated that further downward adjustments to the telephone revenue component of UUT will occur as revenue trends are monitored and analyzed.

OTHER TAXES AND FINES

The FY 2022 Adopted Budget assumes \$1.4 million in other taxes and fines, which is \$0.5 million lower than FY 2021 Adopted Budget levels. The primary component of this revenue category is parking citation revenue. Staff anticipates evaluating and recommending any necessary adjustments with the City Council as changes in the fiscal climate adjust in the next phase of economic recovery.

CHARGES FOR SERVICES

This revenue category consists of charges to Stanford for fire services and paramedic services, fees related to the City's golf course, arts and science classes, and plan check fees. The FY 2022 Adopted Budget assumes \$23.9 million in charges for services revenue, \$1.6 million, or 6.1 percent decrease, compared to the FY 2021 Adopted Budget. The FY 2021 Adopted Budget included assumptions totaling \$1.8 million in fee revenue initiatives that remain in process, specifically the Ambulance Subscription and First Responder Fees; work to develop and implement these fees continue in FY 2022. Other adjustments to this revenue category are tied to service budget proposals primarily in the Community Services Department that recognize Vehicle Entrance Fees at the Foothills Nature Preserve, totaling \$0.3 million. Golf course revenues trends were also reviewed as part of the FY 2022 budget process. Based on activity and appropriately categorizing costs associated with the golf course, revenue estimates remain flat in FY 2022. Development Services continues to be cost neutral in FY 2022.

The budget assumes reimbursement levels consistent with the negotiated fire service agreement with Stanford University; however, the actual reimbursement value may change as a result of updates to the Fire Department budget. City staff will communicate with Stanford to discuss these adjustments. Additional reimbursements from Stanford for Public Safety Dispatch Services are also budgeted, resulting in a net reimbursement of \$6.9 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. The FY 2022 Adopted Budget for permits and license revenue remains consistent with FY 2021 Adopted Budget levels at \$8.4 million.

RETURN ON INVESTMENT

The return on investment category reflects the interest earnings on the City's investment portfolio. This category is a combination of past investments, new investments at current market rates, and available cash to invest which fluctuates seasonally and annually. As of the close of the second fiscal year quarter of FY 2021, the average portfolio rate of return was 1.78 percent. Interest rate cuts began in March 2020 where the Federal Open Market Committee began to lower interest rates by 0.5 percent, followed by another cut by 0.75 percent two weeks later, resulting in a 0.25 percent interest rate. It is expected that rates will remain unchanged for the next two years and may be adjusted sometime in FY 2023. Any Committee rate adjustments in the medium term will rely heavily on the course of the virus and to help smoothen market fluctuations that may occur. With interest rates significantly lower, the FY 2022 Adopted Budget return on investment revenue is estimated to be \$0.9 million, \$0.3 million or 22.5 percent, lower than the FY 2021 Adopted Budget.

RENTAL INCOME

Rental income of \$14.5 million primarily reflects rent paid to the General Fund from the City's Enterprise Funds and the Cubberley Community Center. FY 2022 Adopted Budget revenue levels decrease \$1.5 million, or 9.6 percent, compared to the FY 2021 Adopted Budget due to changes in long-term lease arrangements at Cubberley and hourly rental usage at the facility.

CHARGES TO OTHER FUNDS

The main source of revenues in this category is General Fund administrative cost allocation plan charges to the Enterprise and Internal Service Funds. Internal support departments such as Administrative Services, Human Resources, and Council Appointed Offices provide services to Enterprise and Internal Service Funds. The costs for these services are recovered through the administrative cost allocation plan charges. The FY 2022 estimate for Charges to Other Funds of \$14.2 million reflects growth of 18.0 percent from the FY 2021 Adopted Budget of \$12.0 million; this is primarily attributable to year over year increases in costs for salary and benefits and increased support for non-General Fund activities.

OTHER REVENUE

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) revenue from Cable Franchise Fees; and other one-time revenue sources such as grants. Revenues in this category are anticipated to remain flat at \$2.3 million in the FY 2022 Adopted Budget.

OPERATING TRANSFERS-IN

Overall, compared to the FY 2021 Adopted Budget, operating transfers-in increased by \$1.8 million, from \$21.4 million to \$23.1 million. Operating Transfers-in materialize as expenses in other funds throughout the City and as a revenue in the General Fund. This budget category includes the equity transfer from the Electric and Gas funds that represents the return on the initial investment the City made when the Utilities Department was created more than 100 years ago. In accordance with a methodology approved by the City Council in June 2009, the equity transfer is calculated by applying a rate of return on 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

GENERAL FUND OVERVIEW

approved by the California Public Utilities Commission (CPUC). The equity transfer from the Electric and Gas Funds is projected to be \$21.7 million in FY 2022, an increase of \$1.1 million, a 5.5 percent increase compared to FY 2021. The additional \$1.1 million will be appropriated in a Utility Transfer Litigation Reserve in the Non-Departmental section of the General Fund budget to set aside funding to plan for the potential financial impacts of an ongoing lawsuit. Further information can be found in the Non-Departmental section of this budget document.

EXPENSES

FY 2022 expenditures total \$209.2 million in the Adopted Budget, representing a \$12.2 million, or 6.2 percent, increase compared to the FY 2021 Adopted Budget. This increase is driven primarily by costs associated with the pending Utility Transfer litigation, totaling \$8.4 million in the Adopted Budget. As discussed earlier in this section and in the Transmittal Letter, the FY 2022 Adopted Budget represents service level impacts that prioritize essential services and pare back discretionary services.

SALARY AND BENEFITS

Salary and benefit costs represent 62.9 percent of the FY 2022 Adopted Budget. The salary and benefit budget in the General Fund totals \$131.6 million, a 5.6 percent increase from the FY 2021 Adopted Budget total of \$124.5 million. This increase includes salary and benefit changes due to increases in Workers' Compensation costs, increases in the pension contribution rates, and assumed wage savings totaling \$0.7 million for miscellaneous employee groups. The FY 2022 Adopted Budget also assumes \$3.1 million in proactive funding contributions above CalPERS required costs. While this amount remains flat against FY 2021 Adopted Budget levels of proactive pension funding contributions, it is still a significant investment above and beyond CalPERS' required funding and supports the City's commitment to fiscal sustainability. The budget for the additional pension contributions is based on what the normal cost component would be if the contribution was calculated at a 6.2 percent discount rate instead of 7.0 percent, the current CalPERS discount rate. The level of proactive pension funding budgeted will continue to decrease until the City and CalPERS are aligned in assuming a 6.2 percent discount rate. These funds are transferred to the City's irrevocable pension trust fund, which is estimated to total \$37.3 million at the end of FY 2022, of which \$24.1 million is from the General Fund. Finally, the General Fund budget includes assumed vacancy savings of \$2.1 million that are expected to materialize as positions are vacated and new employees are hired through the normal course of business.

It should be noted that in the "Budget Summary" section of each document, a variance will be seen between FY 2020 Actuals and the FY 2021 Adopted Budget columns in the salary and benefits total expenses. This variance primarily reflects the difference between estimated vacancies and staff costs actually incurred. The variance also includes changes in labor terms from year to year, changes in CalPERS' required contributions, and FY 2021's proactive contributions to address the City's long-term pension liability.

Salaries: In FY 2022, salaries, including overtime, are projected to increase \$1.9 million in the General Fund, representing a 2.8 percent increase compared to prior year. The Adopted Budget includes actions to service delivery impacts that reduce staff costs across the organization. Overall, the General Fund was

reduced by 67.63 full-time FTE and 24.73 part-time FTE and are summarized in Attachment B of the Transmittal Letter. The majority of these reductions reflect the City Council's direction to eliminate positions that were defunded and frozen in FY 2021 (CMR 11872).

Pension Costs: The General Fund's overall pension costs increased by \$2.5 million, or 8.0 percent, from \$32.0 million to \$34.6 million. Pension costs are driven by primarily by CalPERS and the City Council's direction to budget pension costs more conservatively than CalPERS. CalPERS calculates an Actuarially Determined Contribution (ADC) for the City each year. Excluding FY 2022 staff reductions and proactive contributions to prefund the City's long-term pension liabilities, the General Fund's ADC costs are increasing by 8.7 percent, resulting in a \$2.5 million year-over-year increase; this increase was significantly offset by position reductions that occurred in this year's budget. The CalPERS Board voted in December 2016 to lower the discount rate over three years from 7.5 percent to 7.0 percent. Beginning FY 2019, the discount rate has been lowered from 7.5 percent to 7.375 percent, to 7.25 percent in FY 2020, and 7.0 percent in FY 2021. The FY 2022 CalPERS "blended rate" (includes both the unfunded actuary liability and normal cost) increased from 38.4 percent to 41.8 percent for the miscellaneous group and from 65.3 percent to 69.6 percent for the safety group.

The City budgets its pension contributions more conservatively than CalPERS and transmits the additional funding to the pension trust fund. CalPERS' discount rate for FY 2022 is 7.0 percent and, based on City Council's direction, a 6.2 percent discount rate is use for calculating normal cost. This results in a blended contribution rate of 46.0 percent for the miscellaneous group and 75.1 percent for the safety group. This means that for every \$100,000 of salary, an additional \$3,800 to \$6,200 was budgeted for proactive funding.

Retiree Health: The City is required to perform an actuarial review of its Other Post Employment Benefits (OPEB) every two years. The June 30, 2019 actuarial valuation of the City's retiree healthcare plan recommended a 6.25 percent discount rate to be used in the calculation of annual Actuarial Determined Contribution (ADC). As a result of this study, the City's Other Post-Employment Benefits (OPEB) costs, primarily Retiree Healthcare, remain relatively flat, from \$8.7 million in FY 2021 to \$8.8 million in FY 2022.

Healthcare and Other Benefits: The budget includes negotiated increases for healthcare on a calendar year basis and moderate increases, consistent with past experience, for units who will not have a contract in place as of January 2021. Overall, budgeted healthcare costs increased 10 percent, or \$1.3 million compared to the FY 2021 Adopted Budget. Costs for special pays, long-term disability, and Medicare remain generally consistent with FY 2021 levels. This is in large part due to the City's cost containment strategies achieved in labor agreements.

Workers' Compensation: The City is self-insured for Workers' Compensation. The Workers' Compensation Fund operates as an internal service fund where the costs are centralized and recovered through allocated charges to departments. An outside consultant performs a valuation every year to inform the City's financial planning. Workers' Compensation costs in the General Fund total \$4.5 million, a \$1.1 million increase, compared to the FY 2021 Adopted Budget.

GENERAL FUND OVERVIEW

NON-DEPARTMENTAL EXPENSES

Non-departmental 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. In addition, Non-departmental expense also includes \$8.4 million in estimated costs related to the pending Utility Transfer litigation, sets aside \$0.5 million to establish a City Council Uncertainty Reserve, \$0.3 million for the Administrative Support Reserve, and \$0.8 million to fund long-term strategies related to the Community Economic Recovery workplan and to support City Council priorities, and transition costs associated with reduction in services adopted in this budget. These items are detailed in the Non-Departmental section of this document.

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. In FY 2021, the Council Contingency (\$125,000), Human Resources Contingency (\$50,000), and Innovation and Special Events Contingency (\$50,000) were eliminated to balance the budget; these Contingency Accounts were restored in the FY 2022 Adopted Budget.

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 Service Fund, and the Technology Fund on an annual basis. In FY 2022, a total of \$14.7 million will be transferred, with the majority of this being transferred to the Infrastructure Fund. The transfer to the Capital Fund of totals \$10.4 million, a decrease of \$3.1 million, or 22.7 percent, from \$13.5 million in the FY 2021 Adopted Budget. Transient Occupancy Tax (TOT) revenue losses due to COVID-19 impacted the transfer to the Infrastructure Fund by \$0.6 million and the base transfer to Capital by \$2.4 million as part of the overall General Fund balancing strategy. The General Fund also transfers funds to the University Avenue parking fund to pay for employee parking permits; a total of \$314,000 is included in FY 2022 for this purpose. When parking rates for the University Avenue parking district change, the General Fund's transfer is adjusted accordingly. The General Fund is also responsible for paying the electricity costs associated with streetlights and traffic signals; \$2.1 million is transferred to the Electric Fund to fund these costs in FY 2022.

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 FY 2022 Adopted Budget is projected to have a \$36.0 million BSR balance, or 17.2 percent of budget and is below the 18.5 percent target by \$2.7 million.

General Fund Reserves

	FY 2020 Balance	FY 2021 Adopted Changes	FY 2021 Net Adjustments	Projected FY 2021 Year-End	FY 2022 Adopted Budget	Projected FY 2022 Year-End
Budget Stabilization Reserve (BSR) Activity:						
BSR	\$35,871	—	\$1,899	\$37,770	(\$1,808)	\$35,962
Other Reserve Activity:						
Human Services Resource Allocation Process (HSRAP) Reserve	40	—	—	40	—	40
Encumbrance & Reappropriation	7,569			7,569		7,569
Notes Receivable, Prepaid Items, Interfund Advances, Unrealized Gains and Losses, Inventory of Materials & Supplies	7,208	—	—	7,208	—	7,208
Excess Educational Revenue Augmentation Fund	1,550	—	—	—	—	—
Total Reserves	\$52,238	\$0	\$1,899	\$52,587	(\$1,808)	\$50,779

1. The BSR is projected to be 17.2 percent of the FY 2022 Adopted Expense Budget at the end of FY 2021
2. City reserve policy indicates a 15-20 percent range, with an 18.5 percent target.
3. Minimum FY 2022 BSR \$31.4 million (15 percent); Maximum FY 2022 BSR \$41.8 million (20 percent).
4. Target FY 2022 BSR \$38.7 million (18.5 percent)
5. Projected FY 2021 adjustments, including BAOs through June 2021 and an anticipated \$2 million in additional tax revenue discussed with the City Council (see City Manager's Report ID 12287)

GENERAL FUND OVERVIEW

General Fund Revenues by Category

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Revenues						
Charges for Services	\$26,669	\$23,557	\$25,418	\$23,870	\$(1,547)	(6.1)%
Charges to Other Funds	\$10,684	\$11,099	\$11,992	\$14,165	\$2,173	18.1%
Documentary Transfer Tax	\$6,923	\$6,903	\$4,700	\$7,137	\$2,437	51.8%
From Other Agencies	\$951	\$1,529	\$551	\$8,521	\$7,970	1,445.4%
Net Sales	\$0	\$0	\$0	\$0	—	—%
Other Revenue	\$5,084	\$2,848	\$2,571	\$2,260	\$(311)	(12.1)%
Other Taxes and Fines	\$1,888	\$1,172	\$1,925	\$1,434	\$(491)	(25.5)%
Permits and Licenses	\$9,088	\$8,038	\$8,336	\$8,406	\$70	0.8%
Property Taxes	\$47,327	\$51,089	\$52,000	\$51,228	\$(772)	(1.5)%
Rental Income	\$16,411	\$16,037	\$16,022	\$14,476	\$(1,545)	(9.6)%
Return on Investments	\$2,018	\$1,419	\$1,100	\$852	\$(248)	(22.5)%
Sales Taxes	\$36,508	\$30,563	\$20,500	\$28,184	\$7,684	37.5%
Transient Occupancy Tax	\$25,649	\$18,553	\$14,900	\$8,428	\$(6,472)	(43.4)%
Utility Users Tax	\$16,402	\$16,140	\$15,100	\$14,370	\$(730)	(4.8)%
Subtotal	\$205,601	\$188,947	\$175,115	\$183,332	\$8,217	4.7%
Operating Transfers-In	\$20,154	\$20,722	\$21,359	\$23,121	\$1,762	8.2%
Total	\$225,755	\$209,669	\$196,474	\$206,452	\$9,979	5.1%

General Fund Revenue Descriptions

PROPERTY TAX

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

On June 6, 1978, California voters approved Proposition 13, a seminal change in property tax levies. The proposition, which added Article XIII A to the state constitution, placed limits on increases in the valuation of real property. The major change was that the assessed value of real property could only be adjusted upward annually by the change in the California Consumer Price Index (CCPI) up to a maximum of two percent per year. One exception to this rule, however, is that when property changes ownership and/or is substantially altered or newly-constructed, it would be reassessed at full market value in the first year and then subject to the CCPI or two percent cap thereafter.

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

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

Dating back to the early 1990s, the state has made numerous and complex adjustments to local jurisdiction property tax revenues to solve its budget shortfalls. In one such action in 1992, which is known as the Educational Revenue Augmentation Funds (ERAF), the state shifted millions of dollars in local government funds to school districts. As a consequence of this action the City of Palo Alto has foregone a cumulative \$119.0 million through FY 2018 limiting its ability to meet its infrastructure needs.

The County of Santa Clara administers and collects property taxes and remits the appropriate amounts (based on law and a complex formula) to local jurisdictions. Contrary to commonly held views, the City receives a relatively small portion of the basic one percent property tax. 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 of the purchase price or 11.1 percent for each tax dollar paid. The remaining 8.0 percent of sales tax is distributed as follows: State of California (5.5 percent), Public Safety Fund (0.5 percent), Transportation Development Act (TDA) (0.25 percent), Santa Clara County – Measure A (0.125 percent), Santa Clara Valley Transportation Districts (1.625 percent).

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

GENERAL FUND OVERVIEW

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 2018, Palo Alto voters approved increasing the tax rate from 14 percent to 15.5 percent. The rate increase was effective as of January 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 4.75 percent. In November 2014, Palo Alto voters approved decreasing the telephone utility user tax rate from 5 percent to 4.75 percent. This tax decrease became effective on April 1, 2015 due to Public Utility Commission advance noticing requirements.

OTHER TAXES AND FINES

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

CHARGES FOR SERVICES

Departmental charges are comprised of fees charged for services which are primarily provided by the following departments: Community Services, Planning and Development Services, 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.

RENTAL INCOME

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

REVENUE FROM OTHER AGENCIES

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

CHARGES TO OTHER FUNDS

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

OTHER REVENUE

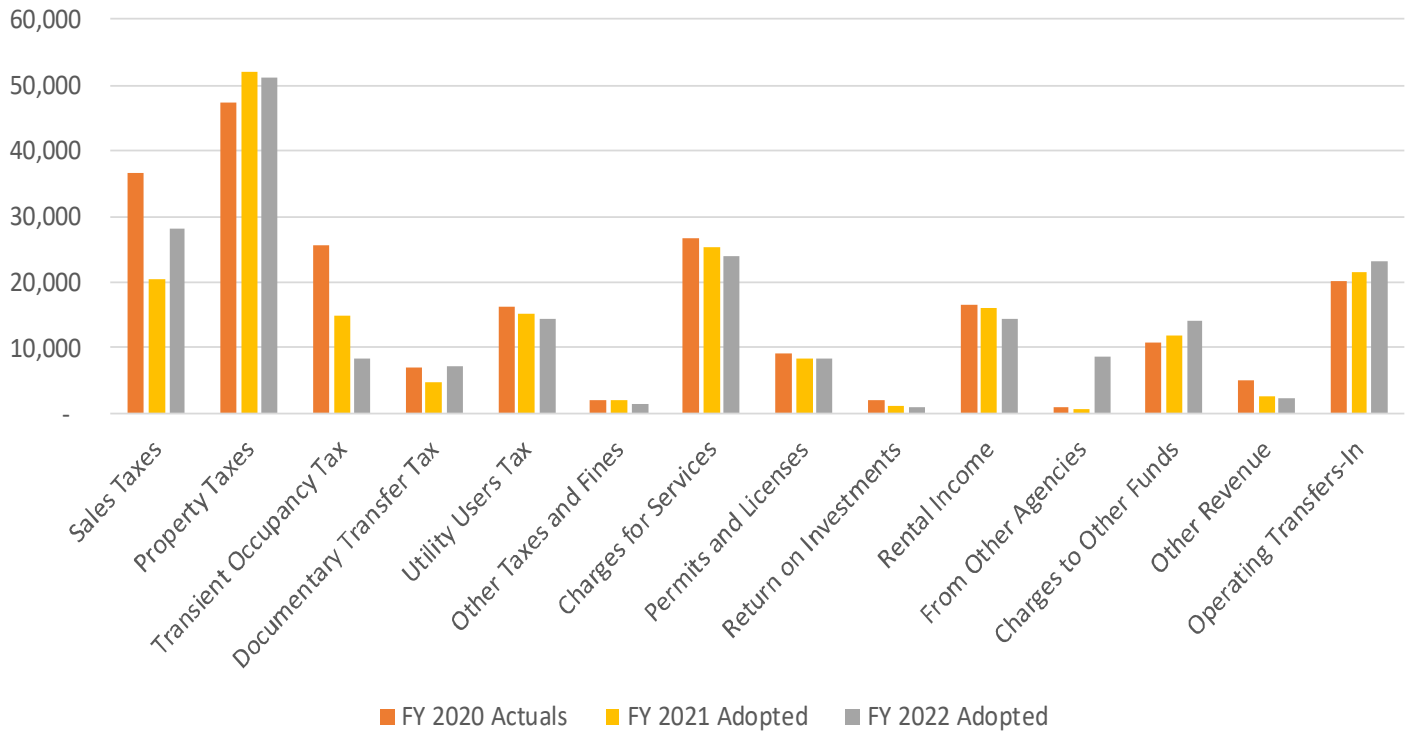
Major revenue sources in this category are Animal Services charges to Los Altos and Los Altos Hills, reimbursements from PAUSD for its share of Cubberley and athletic field maintenance, donations from non-profits for City libraries, and miscellaneous revenues.

OPERATING TRANSFERS-IN

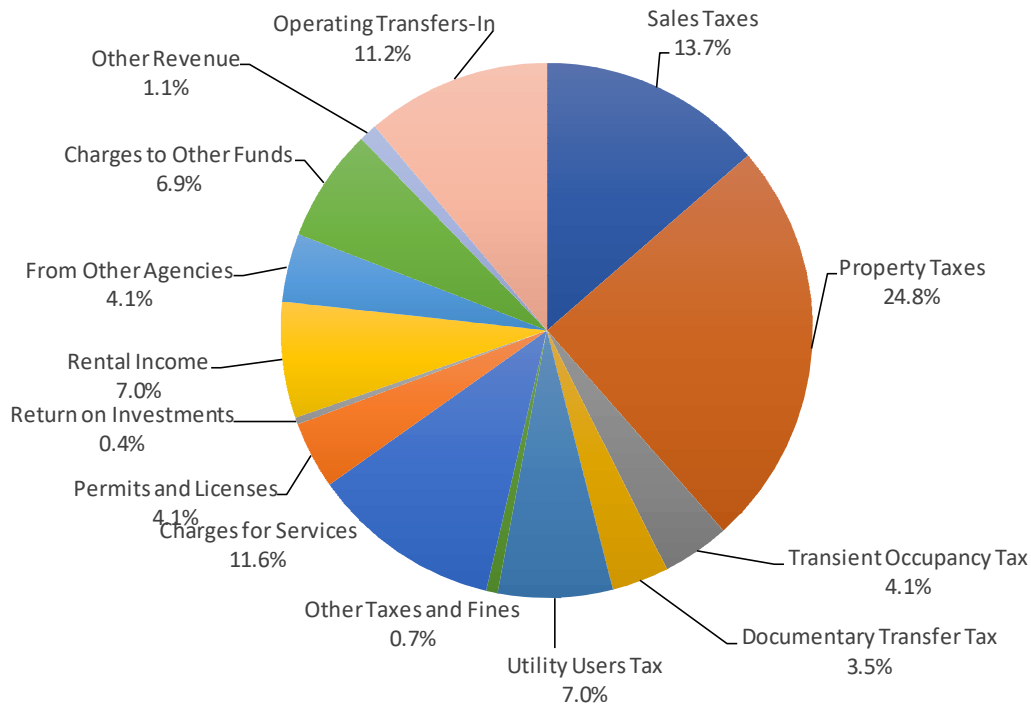
Operating Transfers include the equity transfer from the Electric and Gas Funds. In accordance with a methodology approved by Council in June 2009, the equity transfer is calculated by applying a rate of return to the capital asset base of the Electric and Gas Funds. This rate of return is based on PG&E's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

GENERAL FUND OVERVIEW

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



FY 2022 Budget / \$209.2 Million



General Fund Expenditures by Department

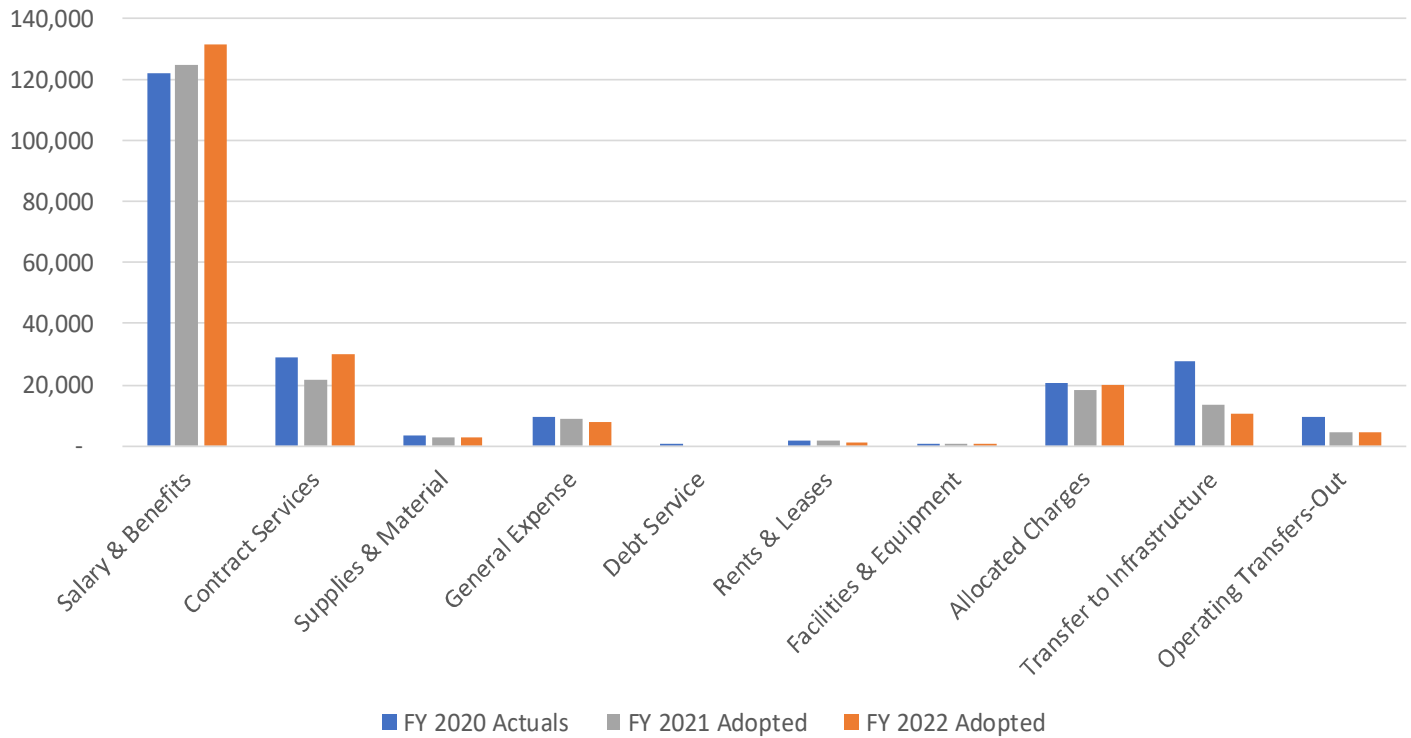
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Administrative Services	7,588	8,281	8,362	8,923	561	6.7%
City Attorney	3,651	3,521	3,485	3,945	460	13.2%
City Auditor	1,183	939	828	972	144	17.4%
City Clerk	1,096	1,134	1,245	1,327	82	6.6%
City Council	369	325	419	433	13	3.2%
City Manager	3,855	4,346	3,161	3,319	158	5.0%
Community Services	28,977	29,743	28,362	31,052	2,690	9.5%
Fire	33,642	36,603	33,607	35,677	2,070	6.2%
Human Resources	3,586	3,930	3,597	3,921	324	9.0%
Library	9,288	9,988	8,421	8,903	482	5.7%
Non-Departmental	12,177	10,079	8,235	13,478	5,243	63.7%
Office of Emergency Services	1,238	1,263	1,357	1,237	(120)	(8.8)%
Office of Transportation	—	2,052	1,904	1,747	(157)	(8.2)%
Planning and Community Environment	20,443	19,597	17,386	17,673	287	1.6%
Police	42,177	44,990	40,376	43,115	2,740	6.8%
Public Works	17,119	17,249	18,427	18,785	358	1.9%
Subtotal	186,388	194,040	179,173	194,508	15,336	8.6%
Transfer to Infrastructure	27,514	24,172	13,467	10,406	(3,062)	(22.7)%
Operating Transfers-Out	9,574	8,049	4,334	4,296	(37)	(1)%
Total	223,476	226,261	196,974	209,210	12,237	6.2%

GENERAL FUND OVERVIEW

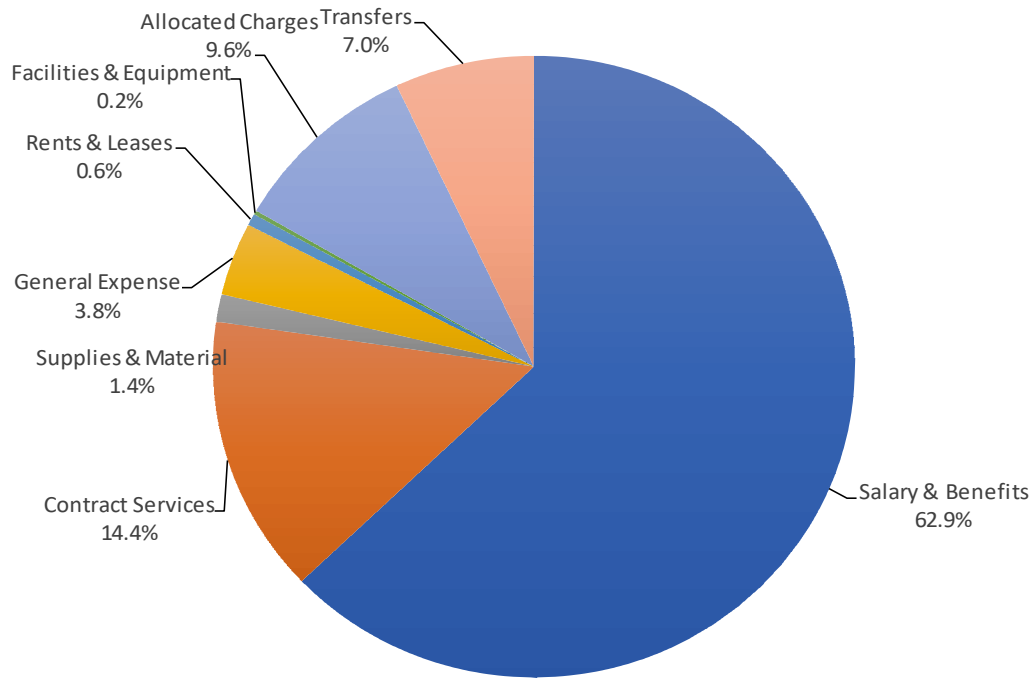
General Fund Expenditures by Category

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Allocated Charges	20,382	21,771	18,311	20,117	1,807	9.9%
Contract Services	28,966	25,362	21,953	30,200	8,247	37.6%
Debt Service	431	—	—	—	—	0.0%
Facilities & Equipment	576	462	427	427	—	0.0%
General Expense	9,258	9,755	9,103	7,938	(1,165)	(12.8)%
Rents & Leases	1,640	1,520	1,862	1,298	(565)	(30.3)%
Salary & Benefits	121,954	132,461	124,541	131,549	7,007	5.6%
Supplies & Material	3,181	2,709	2,975	2,980	5	0.2%
Subtotal	186,388	194,040	179,173	194,508	15,336	8.6%
Transfer to Infrastructure	27,514	24,172	13,467	10,406	(3,062)	(22.7)%
Operating Transfers-Out	9,574	8,049	4,334	4,296	(37)	(1)%
Total	223,476	226,261	196,974	209,210	12,237	6.2%

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



FY 2022 Budget / \$209.2 Million





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 2022 is \$397.5 million, which equals the FY 2021 Adopted Budget. The Federal Aviation Administration (FAA) provides grants to public agencies for the planning and development of public-use airports and reimburses up to 100 percent of the non-salary cost of eligible projects. Prior to FY 2021, FAA reimbursements were up to 90 percent for eligible projects. Utility services with rate increases for FY 2022 include Fiber Optics, Gas, Stormwater Management, and Wastewater Collection. Electric, Water and Refuse rates will remain the same for FY 2022. Details on these changes are discussed below. The specific rate increase for each utility service is discussed below.

EXPENDITURES

The total budgeted expenditure of the Enterprise Funds for FY 2022 is \$442.6 million, which represents a \$1.4 million, or 0.3 percent increase from the FY 2021 Adopted of \$441.2 million. The primary driver for this year-over-year change is an increase of \$10.6 million, or 6.9 percent, in Utility purchase or commodity costs from \$153.8 million in FY 2021 to \$164.5 million in FY 2022, due to higher usage forecasts and relatively steady market-based supply costs. In addition, increases to Salaries and Benefits, Allocated Charges, General Expenses, and Equity Transfers resulted in a combined increase of \$9.3 million, or 7.9 percent, from \$118.7 million in FY 2021 to \$128.0 million in FY 2022.

Total year-over-year increases were mostly offset by a decrease of \$17.4 million in capital improvement projects, from \$113.9 million in FY 2021 to \$96.4 million in FY 2022.

UTILITY RATE CHANGES

The FY 2022 Adopted Budget includes utility rate adjustments for Fiber Optics, Gas, Stormwater Management, and Wastewater Collection. Due to the COVID-19 pandemic, Council aimed to provide economic relief for residential and commercial customers by directing staff to keep rates flat or minimize rate increases without compromising the safety and integrity of the utility systems and impacting service delivery. In general, the size and timing of rate adjustments account for current

ENTERPRISE FUNDS

and future revenue requirements to provide customer service, plan for capital infrastructure investments, and maintain adequate reserve levels. They may also smooth the impacts on customer bills by spreading larger rate adjustments over consecutive or alternate years.

- Electric Fund - No rate adjustment is scheduled for FY 2022. The Electric Fund will draw down a portion of the Capital and Operating reserves to fund continuing capital infrastructure improvements and increasing transmission costs.
- Gas Fund - Scheduled rate increase is 3.0 percent due to increasing construction costs for gas main replacements and continuation of the Crossbore Gas Safety Program.
- Water Fund - No rate adjustment is scheduled for FY 2022 due to no change in supply costs and adequate reserves for the capital improvement program.
- Wastewater Collection Fund - Effective September 1, scheduled rate increase is 3.0 percent for FY 2022 due to increasing construction costs for main replacements, revenue loss due to COVID-19, and rehabilitation of the Regional Water Quality Control Plant.
- Fiber Optics Fund - Scheduled rate increase is 2.0 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 2.0 percent, based on CPI for All Urban Consumers in the San Francisco Bay Area.
- Refuse Fund - No rate adjustment is scheduled for FY 2022 due to adequate reserves.

RENT

Enterprise Funds pay market-based rental fees to the General Fund for the sites needed to conduct their business operations. Rent is adjusted on an annual basis consistent with CPI, 2.0 percent, based on CPI for All Urban Consumers in the San Francisco Bay Area. Additionally, the Refuse Fund completed its final payment associated with the landfill post-closure agreement, reducing the rent paid by the Refuse fund by \$0.9 million. As a result of these actions, the net change to rent year-over-year in the rent paid by the Enterprise Funds to the General Fund for rent is a decrease of \$0.7 million, or 7.0 percent, from \$10.0 million to \$9.3 million.

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 2022, the equity transfers from the Electric and Gas Funds are projected to increase by approximately \$1.1 million, or 5.5 percent, from \$20.6 million to \$21.7 million.

The additional \$1.1 million will be appropriated in a Utility Transfer Litigation Reserve in the Non- Departmental section of the General Fund budget to set aside funding to plan for the potential financial impacts of an ongoing lawsuit. Further information can be found in the Non-Departmental section of this budget document.

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 funding for capital infrastructure improvement projects, 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 the actions included in this budget, the total Enterprise Fund Reserve Balances are projected to end in FY 2022 at \$80.3 million, decreasing by \$45.2 million from a projected FY 2021 ending fund balance of \$125.5 million.

UTILITIES ENTERPRISE FUNDS

The City of Palo Alto Utilities (CPAU) had to rely on its reserves more heavily over the past few years to keep rates flat and minimize 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 2022. 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.

For more information on Utilities Rates, please visit:

<https://www.cityofpaloalto.org/Departments/Utilities/Customer-Service/Utilities-Rates>.

Electric

FY 2022 electric rates remain unchanged despite increasing transmission costs and substantial additional capital investment in the aging electric distribution system. Electricity purchase costs have increased substantially as new renewable projects have come online to fulfill the City's environmental goals and as transmission costs continue to increase to support improvements to the California energy grid. Electric loads have been gradually decreasing and are expected to continue to decrease in the long-term, mainly due to declining consumption in the commercial sector, putting gradual upward pressure on rates. This decline has been exacerbated by the COVID-19 pandemic. Consumption is currently 10% below long-term consumption trends. Current models suggest that pandemic economic recovery will take place through 2021 and 2022, with electric consumption stabilizing on the long run average by 2023. Based on the relative health of the various Electric reserve funds, the City is recommending no rate increase for FY 2022, however this will likely result in reserves falling close to the minimum guideline levels over the next two to three years.

Fiber Optics

Fiber optics rates are scheduled to increase by 2.0 percent for customers on the EDF-1 rate schedule in FY 2022 as part of their contractual lease agreement. 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 rate schedule to be adjusted

ENTERPRISE FUNDS

annually in accordance with CPI. EDF-1 was a promotional rate and was closed to new dark fiber licenses in 2006. 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. As contract terms for customers on the EDF-1 rate expire, customers will transfer to the EDF-3 rate.

Gas

FY 2022 gas rates are scheduled to increase by 3.0 percent, effective July 1. In the short term, some increases in operations costs are related to the Crossbore Gas Safety Program, but Capital Improvement Program (CIP) costs have increased substantially as the City resumes a pattern of regular main replacement. The City is replacing Polyvinyl Chloride (PVC) mains with Polyethylene (PE) mains. Some of the PVC mains are approaching 50 years of service. According to industry data, PVC pipes have a higher leakage rate than PE mains after 20 years of service due to potential disbandment of fittings and joints. The Gas CIP plan includes a gas main replacement project of \$7.0 to \$9.0 million every other year to address the aging PVC mains.

Water

FY 2022 water rates remain unchanged. The San Francisco Public Utilities Commission (SFPUC) is projecting no increases in water supply rates until FY 2023. Capital projects were delayed in FY 2021 leading to lower capital costs than budgeted. Many of these deferred capital projects are anticipated to be completed in FY 2022. A CIP reserve was established in FY 2021 to complete these projects while holding rates steady in future years.

Wastewater Collection

FY 2022 wastewater collection rates are scheduled to increase by 3.0 percent, effective September 1. 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 major rehabilitation and replacement of plant equipment that have been in use for over 40 years at the Regional Water Quality Control Plant. A cost of service study was completed in 2021. As a result of the study, in FY 2022 residential customers will see a higher rate (approximately 4.7 percent) increase than commercial customers (approximately 1.5 percent), in part as a result of a re-balancing of costs between residential and non-residential customers, and in part because of the overall revenue increase needed to cover rising costs.

PUBLIC WORKS ENTERPRISE FUNDS

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. The City entered into 1-3 year interim leases in 2017 while the airport completed the Sustainable Airport Planning Update. These leases were extended in 2020 for an additional 3 years due to FAA deferring funds for the Sustainable Airport Business/Comprehensive Plan. These leases include a 3% annual increase in rent; however, as a result of the pandemic, the Airport building revenues have been decreased by \$41,000 due the closure of a business on

the field. All airport business tenants, except one, are current on rent payments. Tie-down revenue has also decreased by \$40,000 due to the pandemic and continuing construction on the Airport Apron resulting in fewer tie-down accounts. The Airport cannot accept new tie-down accounts due to the construction but has a waiting list for new accounts. The Apron Reconstruction Phase III project is scheduled to be completed in Fall 2021 at which point tie-downs will be available for rent once again, and revenue is projected to return to normal or increase. The Airport's fees and charges are scheduled to increase by 2.0 percent, and the hangar revenue is expected to increase by \$31,000. The Airport continues to pay down the General Fund loans at \$272,000 annually, and currently owes \$2.6 million in principle.

Refuse

FY 2022 refuse rates remain unchanged. FY 2023 rates are projected to increase at a rate based on CPI. The Refuse Fund completed its final payment associated with the post-closure landfill rent reducing overall expenses. Implementing initiatives from the 2018 Zero Waste Plan will continue to help the City make progress on its Zero Waste and Sustainability and Climate Action Plan (S/CAP) goals to divert 95.0 percent or more waste by 2030.

Stormwater Management

FY 2022 Stormwater Management Fee is scheduled to increase by 2.0 percent, at a rate based on CPI. The Stormwater Management fee was approved by property owners through a ballot measure in April 2017. The projects and infrastructure component of this fee sunsets June 1, 2032 unless extended through a subsequent ballot measure. The Stormwater Management Fund maintains activities that ensure adequate drainage of the City's storm drainage system as well as litter reduction, green stormwater infrastructure projects, urban pollution prevention programs, and flooding emergency response services.

Wastewater Treatment

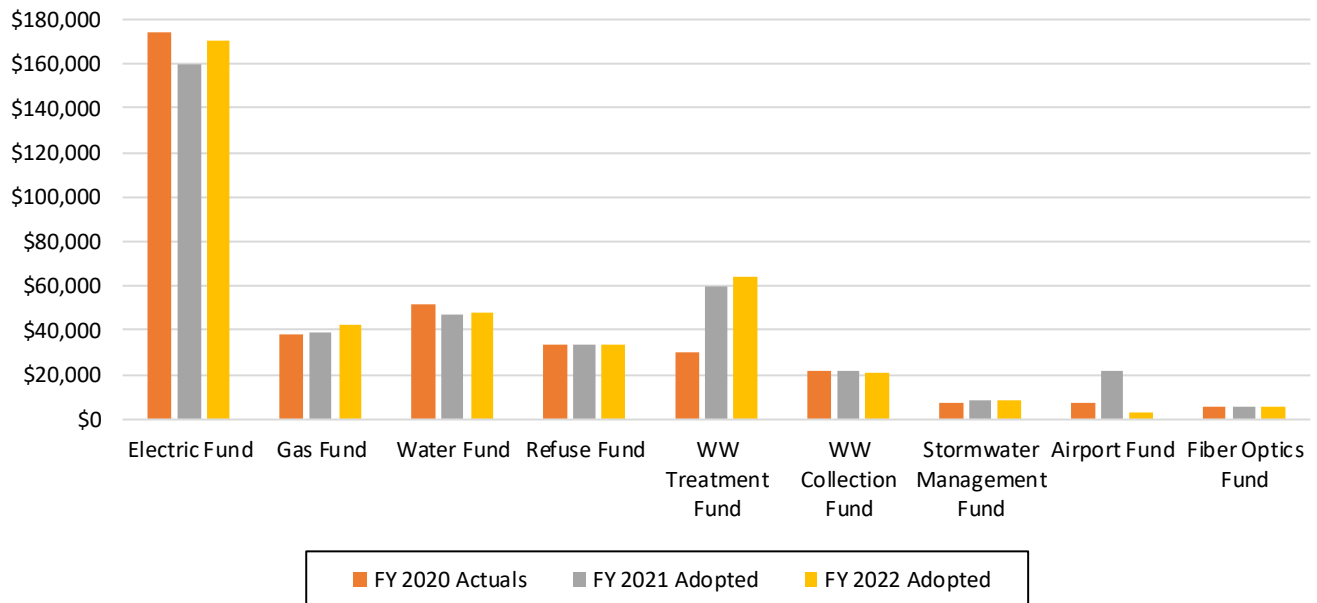
The City's Regional Water Quality Control Plant serves six communities including Palo Alto, East Palo Alto Sanitary District, Mountain View, Stanford, Los Altos, and Los Altos Hills. The Wastewater Treatment Fund works with the City and Partner Cities' regional service area to protect the environment and the public's health while ensuring compliance with regulations protecting the San Francisco Bay. FY 2022 revenues in the Wastewater Treatment Fund are expected to increase by approximately \$4.2 million, or 7.0 percent, compared to FY 2021. Changes in revenue include increases for capital projects at the treatment plant, resulting from the reappropriation of revenues budgeted in FY 2021 to FY 2022.

ENTERPRISE FUNDS

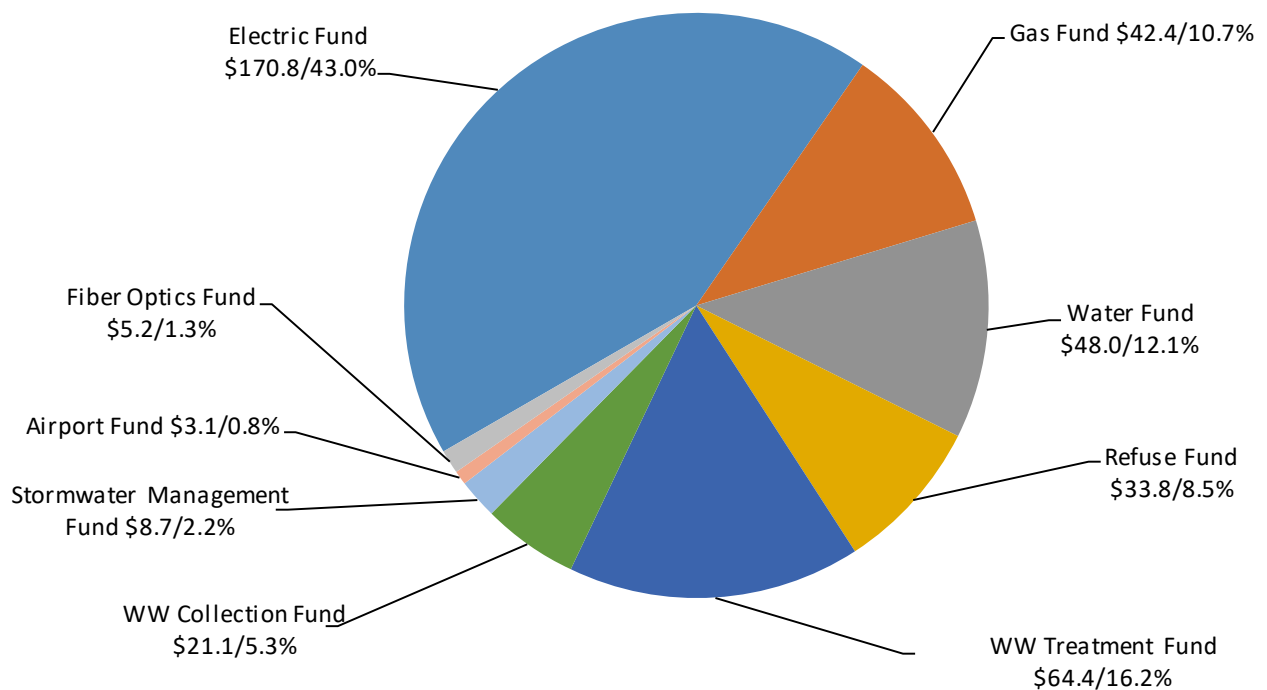
Enterprise Funds Summary

Fund Summary (\$000)	Electric Fund	Gas Fund	Water Fund	Refuse Fund	Waste-water Treatment Fund	Waste-water Collection Fund	Storm-water Mmgt. Fund	Airport Fund	Fiber Optics Fund	Total
Revenues										
Charges for Services	220	20	10	34	—	10	81	—	—	375
Charges to Other Funds	189	108	96	162	65	34	—	—	—	653
From Other Agencies	—	—	577	—	—	—	613	624	—	1,813
Net Sales	157,063	40,742	45,709	30,823	31,573	20,616	7,838	635	4,369	339,368
Operating Transfers-In	2,291	—	323	—	—	—	—	—	—	2,614
Other Revenue	8,918	913	304	2,311	32,407	152	—	1,116	200	46,321
Other Taxes and Fines	—	—	—	—	4	—	3	—	—	7
Rental Income	—	—	—	—	—	—	—	760	—	760
Return on Investments	2,084	622	989	489	316	244	153	3	647	5,547
Total	170,765	42,404	48,007	33,819	64,365	21,056	8,688	3,137	5,215	397,458
Expenses										
Allocated Charges	10,598	5,256	5,205	2,027	6,201	3,051	1,247	737	725	35,046
Contract Services	8,054	1,386	800	6,738	3,574	249	915	215	471	22,401
Debt Service	8,072	803	3,223	—	1,469	129	949	—	—	14,644
Equity Transfer	14,298	7,429	—	—	—	—	—	—	—	21,727
Facilities & Equipment	16	2	1	3	8	3	8	—	—	40
General Expense	5,113	898	695	112	493	169	150	36	12	7,679
Operating Transfers-Out	—	161	—	21	14	161	6	273	102	738
Rents & Leases	6,490	620	3,441	134	—	357	25	12	55	11,133
Salary & Benefits	20,495	8,391	8,771	3,163	14,408	3,413	2,383	1,024	1,496	63,543
Supplies & Material	911	495	618	143	2,094	381	94	56	9	4,802
Transfer to Infrastructure	—	—	—	27	—	—	—	—	—	27
Utility Purchase	96,512	16,407	21,409	18,970	—	11,154	—	—	—	164,452
Capital Improvement Program	31,769	4,647	15,449	—	30,710	6,051	5,913	1,438	435	96,413
Total	202,329	46,495	59,612	31,338	58,971	25,117	11,689	3,791	3,304	442,646

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

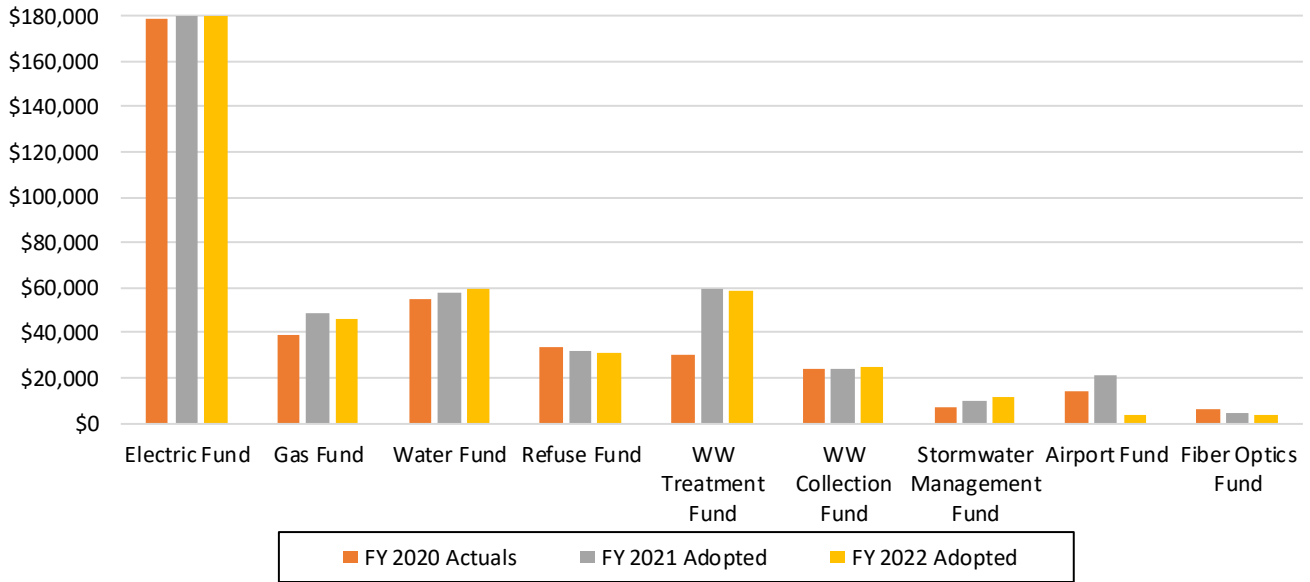


FY 2022 ADOPTED REVENUES/\$397.5 MILLION

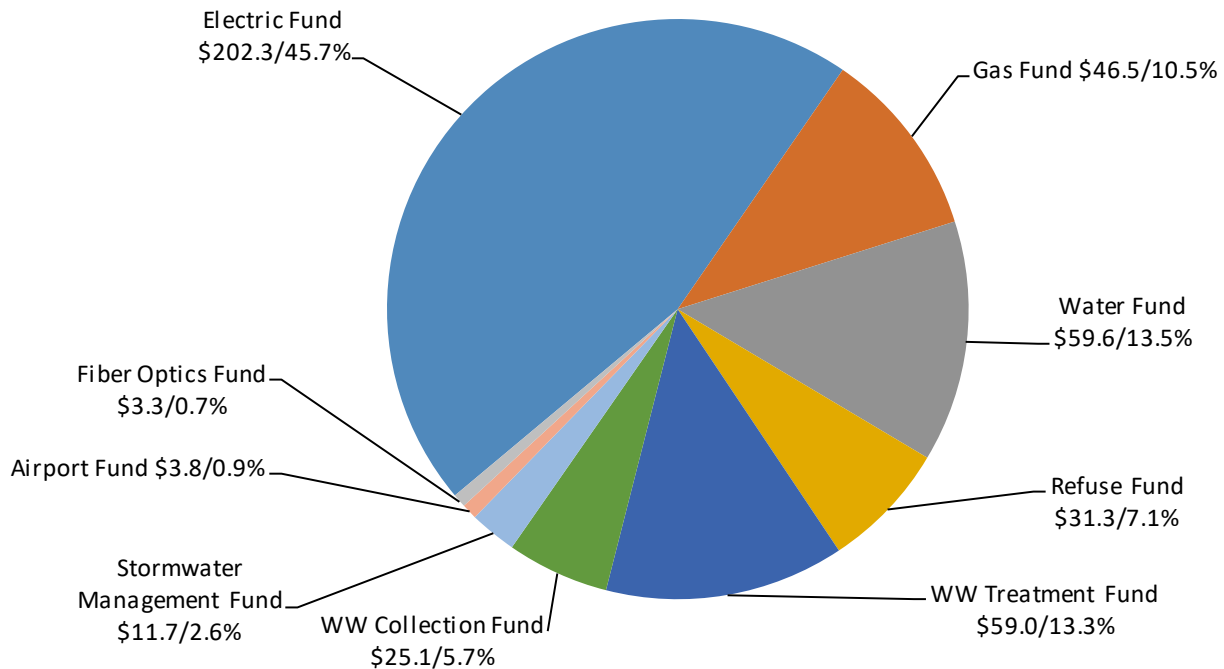


ENTERPRISE FUNDS

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



FY 2022 ADOPTED EXPENSES /\$442.6 MILLION



Enterprise Fund Reserves

Reserves (\$000)	FY 2021 Projected Ending Balance	FY 2022 Changes	Projected FY 2022 Projected Ending Balance	FY 2022 Reserve Guideline Range
Electric Fund				
Operations	48,784	(16,304)	32,480	31,900 - 63,700
Hydro Stabilization	15,400	(8,000)	7,400	
Electric Special Projects	46,664	—	46,664	
Low Carbon Fuel Standard	6,340	(2,260)	4,080	
Public Benefit	1,905	—	1,905	
Underground Loan	727	—	727	
CIP Reserves	5,880	(5,000)	880	
GASB 68 Pension Reserve	(33,747)	—	(33,747)	
GASB 75 OPEB Reserve	(13,741)	—	(13,741)	
Subtotal	78,212	(31,564)	46,648	
Gas Fund				
Rate Stabilization	8,420	(8,420)	—	
Operations	16,735	1,830	18,565	8,100 - 16,200
CIP Reserves	3,820	2,500	6,320	
GASB 68 Pension Reserve	(14,851)	—	(14,851)	
GASB 75 OPEB Reserve	(6,058)	—	(6,058)	
Subtotal	8,066	(4,090)	3,976	
Wastewater Collection Fund				
Rate Stabilization	342	—	342	
Operations	7,861	(3,083)	4,779	4,100 - 10,100
CIP Reserves	978	(978)	—	
GASB 68 Pension Reserve	(8,319)	—	(8,319)	
GASB 75 OPEB Reserve	(2,316)	—	(2,316)	

Enterprise Fund Reserves

Reserves (\$000)	FY 2021 Projected Ending Balance	FY 2022 Changes	Projected FY 2022 Projected Ending Balance	FY 2022 Reserve Guideline Range
Subtotal	(1,454)	(4,061)	(5,514)	
Water Fund				
Rate Stabilization	9,069	—	9,069	
Operations	26,608	(13,605)	13,003	9,700 - 19,400
CIP Reserves	5,726	2,000	7,726	
GASB 68 Pension Reserve	(14,114)	—	(14,114)	
GASB 75 OPEB Reserve	(4,215)	—	(4,215)	
Subtotal	23,074	(11,605)	11,469	
Refuse Fund				
Rate Stabilization	9,386	2,481	11,867	5,200 - 10,300
Landfill Corrective Action Reserve	681	—	681	
Geng Road Reserve	268	—	268	
GASB 68 Pension Reserve	(5,775)	—	(5,775)	
GASB 75 OPEB Reserve	(2,576)	—	(2,576)	
Subtotal	1,984	2,481	4,465	
Stormwater Management Fund				
Rate Stabilization	6,822	(3,001)	3,821	
GASB 68 Pension Reserve	(3,829)	—	(3,829)	
GASB 75 OPEB Reserve	(1,129)	—	(1,129)	
Subtotal	1,864	(3,001)	(1,137)	
Wastewater Treatment Fund				
Rate Stabilization	9,253	5,394	14,647	9,700 - 19,400
Emergency Plant Replacement	1,980	—	1,980	

Enterprise Fund Reserves

Reserves (\$000)	FY 2021 Projected Ending Balance	FY 2022 Changes	Projected FY 2022 Projected Ending Balance	FY 2022 Reserve Guideline Range
Notes and loans	1,651	—	1,651	
GASB 68 Pension Reserve	(21,125)	—	(21,125)	
GASB 75 OPEB Reserve	(7,158)	—	(7,158)	
Subtotal	(15,399)	5,394	(10,005)	
Fiber Optics Fund				
Rate Stabilization	34,999	1,911	36,911	500 - 1,100
Emergency Plant Replacement	1,000	—	1,000	
GASB 68 Pension Reserve	(2,154)	—	(2,154)	
Subtotal	33,845	1,911	35,757	
Airport Fund				
Rate Stabilization	(3,434)	(654)	(4,088)	
GASB 68 Pension Reserve	(894)	—	(894)	
GASB 75 OPEB Reserve	(420)	—	(420)	
Subtotal	(4,748)	(654)	(5,402)	
TOTAL RESERVES	125,544	(45,188)	80,256	
Summary of Reserves				
Emergency Plant Replacement	2,980	—	2,980	
Hydro Stabilization	15,400	(8,000)	7,400	
Rate Stabilization	74,857	(2,289)	72,568	
Operations	99,988	(31,161)	68,827	
CIP Reserves	16,404	(1,478)	14,926	
Geng Road Reserve	268	—	268	
Electric Special Projects	46,664	—	46,664	

Enterprise Fund Reserves

Reserves (\$000)	FY 2021 Projected Ending Balance	FY 2022 Changes	Projected FY 2022 Projected Ending Balance	FY 2022 Reserve Guideline Range
Low Carbon Fuel Standard	6,340	(2,260)	4,080	
Public Benefit	1,905	—	1,905	
Notes and loans	1,651	—	1,651	
Underground Loan	727	—	727	
Landfill Corrective Action Reserve	681	—	681	
GASB 68 Pension Reserve	(104,808)	—	(104,808)	
GASB 75 OPEB Reserve	(37,613)	—	(37,613)	
TOTAL RESERVES	125,544	(45,188)	80,256	
Landfill Postclosure Care Liability	6,975	—	6,975	
TOTAL RESERVES AND FULLY-FUNDED LIABILITY	132,419	(45,188)	87,231	

Average Projected Residential Monthly Utility Bills

	Adjusted FY 2021 Bill	Adopted FY 2022 Bill	\$ Difference	% Difference
Electric	57.31	57.31	—	—%
Gas	57.44	59.58	2.14	3.73%
Water	90.42	90.42	—	—%
Wastewater	41.37	43.32	1.95	4.71%
Refuse	50.07	50.07	—	—%
Storm Drain	15.04	15.34	0.30	1.99%
User Tax	10.26	10.37	0.11	1.07%
Total Monthly Bill	321.91	326.41	4.50	1.40%

FY 2022 Rates are effective July 1, 2021, with the exception of Wastewater, which will be effective September 1, 2022.

Adopted FY 2022 rate change is the system average change. Customers in each customer class will experience different rate impacts than the overall rate increase.



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INTERNAL SERVICE FUNDS





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INTERNAL SERVICE FUNDS OVERVIEW

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.

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 (FY) 2022 and will be allocated out to departments and funds in proportion to their share. In addition, the FY 2022 Adopted Budget continues to incorporate 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 2022, costs are projected to increase compared to the Fiscal Year 2021 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. An overview of the Fund is included in the 'Human Resources Department' section of this document.

PRINTING AND MAILING SERVICES FUND

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

INTERNAL SERVICE FUNDS

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.

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. An overview of the Fund is included in the 'Information Technology Department' section of this document.

VEHICLE REPLACEMENT AND MAINTENANCE FUND

This fund reflects costs for providing maintenance and replacement of vehicles and equipment used by City departments. In FY 2022, \$4.4 million is allocated for vehicles and equipment that are due for replacement. Of the \$4.4 million, \$2.9 million is for the continuation of projects approved by City Council in prior fiscal years. The 2022-2026 Capital Improvement Program (CIP) reflects funding totaling \$18.6 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. An overview of the Fund is included in the 'Public Works Department' section of this document.

WORKERS' COMPENSATION FUND

This fund reflects costs for the City's Workers' Compensation program. In Fiscal Year 2022, costs are projected to increase compared to the Fiscal Year 2021 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. An overview of the Fund is included in the 'Human Resources Department' section of this document.

Internal Service Fund Summary

Fund Summary (\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits Fund	Workers' Compensa- tion Fund	Liability Insurance Fund	Retiree Health Benefits Fund	Total
Revenues								
Charges to Other Funds	7,407	13,847	1,550	—	—	3,980	—	26,784
Operating Transfers-In	—	1,371	—	—	—	5	2,619	3,995
Other Revenue	155	18	—	79,073	6,764	41	13,799	99,850
Return on Investments	239	549	—	363	475	168	64	1,858
Total	7,801	15,786	1,550	79,436	7,239	4,194	16,482	132,487
Expenses								
Allocated Charges	1,355	1,591	275	—	—	—	—	3,221
Contract Services	460	5,452	60	221	7	72	—	6,272
Facilities & Equipment	—	562	—	—	—	—	—	562
General Expense	71	436	302	—	650	5,107	—	6,566
Operating Transfers-Out	106	29	—	2,619	—	—	—	2,754
Rents & Leases	344	409	404	—	—	—	—	1,157
Salary & Benefits	2,692	7,725	255	75,970	6,473	—	16,480	109,595
Supplies & Material	1,399	85	175	—	—	—	—	1,659
Transfer to Infrastructure	540	—	—	—	—	—	—	540
Capital Improvement Program	4,391	4,781	—	—	—	—	—	9,172
Total	11,357	21,069	1,471	78,810	7,131	5,179	16,480	141,496

INTERNAL SERVICE FUNDS

Internal Service Fund Reserves

	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits Fund	Workers' Compensation Fund	Liability Insurance Fund	Retiree Health Benefit Fund	Total Internal Service Funds
Changes to Unrestricted Assets								
June 30, 2021 Projected Unrestricted Assets	5,770	17,764	58	5,598	66	2,938	1,312	33,506
FY 2022 Adopted Changes	(3,556)	(5,283)	79	626	108	(985)	2	(9,009)
June 30, 2022 Projected Unrestricted Assets	2,214	12,481	137	6,224	174	1,935	1,314	24,497



SPECIAL REVENUE FUNDS





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SPECIAL REVENUE FUNDS OVERVIEW

Overview

Special Revenue Funds have revenues with either restriction 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 over 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 2022, the projected revenue for the Public Art Fund is \$275,000 and includes a transfer of \$170,000 from the General Fund to comply with requirements that limit the administration costs that are funded through fees (ordinance 5226). Additionally, although not accounted for in this fund, the City requires that for specific City-funded capital projects a 1 percent public art expense is set aside. Further detail is available in the Art in Public Space capital project (AC-86017) in the FY 2022 Adopted Capital Budget.

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 facilities, general government facilities, and the Charleston-Arastradero Corridor. The projected revenue within the Community Development Impact Fee Funds is \$673,000 in FY 2022, primarily reflecting anticipated receipts in the Park Impact and Parkland Dedication Funds. The FY 2022 Adopted Capital Budget includes transfers of \$4.8 million for improvements at Byxbee Park (\$2.4 million) and Boulware Park (\$1.5 million), an Automated Material Handling (AMH) system to

SPECIAL REVENUE FUNDS

sort returned Library materials (\$350,000), installation of restrooms at parks (\$350,000), and renovations at dog parks (\$150,000).

Annually, the Administrative Services Department issues a report of the activities in these funds, including the remaining balances within them. The 2020 annual report ending June 30, 2020, is included in CMR 11875 found here: www.cityofpaloalto.org/civicax/filebank/documents/79892

STREET IMPROVEMENT FUNDS (SIF)

Revenue in this category comes from the state gas tax, including estimated receipts from S.B.1 transportation funds and federal and state grants earmarked for street improvements. These funds are used for transportation and traffic-related capital projects. Preliminary estimates from the State Department of Finance in May 2021 projected revenues at an estimated \$3.0 million. These receipts include adjustments to Highway Users Tax Account (HUTA) allocations and the new S.B. 1 transportation funding bill, effective July 1, 2017. Under S.B. 1, it is anticipated that the City is allocated a total of \$1.3 million in revenue from the Road Maintenance and Rehabilitation Account (RMRA). Repayments from the State General Fund were received over three years at \$80,000 per year, ending FY 2020.

In FY 2022, \$2.6 million is programmed to be transferred to the Capital Improvement Fund for various city-wide 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 2022 - 2026 Capital Improvement Plan 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. The City of Palo Alto receives funds annually from the U.S. Department of Housing and Urban Development (HUD) as an entitlement City under the CDBG program. This is the principal Federal program that provides funds to the CDBG Program to expand and maintain affordable housing supply, promote housing opportunities, improve and maintain community facilities, and increase economic opportunities for persons of low and moderate-income. CDBG project expenditures draw upon program income and prior year allocations that have been unspent.

The FY 2021-22 action plan includes a total budget of \$738,920 and was approved by City Council on May 3, 2021 (CMR 12014). On May 13, 2021 HUD informed the City that they discovered an error in the formula calculations for the CDBG program and revised Palo Alto's annual allocation from \$738,920 to \$746,715, an increase of \$7,795. This funding is allocated to the Rebuilding Together Peninsula Safe at Home project, which focuses on critical health and safety related home repair needs for low-income Palo Alto homeowners. A more detailed presentation of the FY 2022 Budget for the CDBG Fund is available at the end of the Special Revenue Funds Overview section.

HOUSING IMPACT AND IN-LIEU FUNDS

Revenues in this category come from fees required of commercial, industrial, and residential developers. These fees are used to offset the public infrastructure demands that new developments create and to preserve and provide affordable housing.

For FY 2022, \$2.2 million in in-lieu fees are anticipated. These estimates remain constant from FY 2021 and are based on historical tracking and Planning and Development Services (PDS) Department staff projections.

Annually, the Administrative Services Department issues a report of the activities in these funds, including the remaining balances within them. The 2020 annual report ending June 30, 2020, is included in CMR 11875 found here: www.cityofpaloalto.org/civicax/filebank/documents/79892. As of June 30, 2020, these funds had a balance of \$50.4 million. The majority of this funding is committed to projects in progress.

PUBLIC BENEFIT FUNDS

Revenue in this fund was established through a developer deposit for the senior housing project on Hamilton Avenue ("The Hamilton"). Revenues in this fund include the original deposit, interest earnings, and a percentage of unit sales prices. These funds continue to support a contract with the Avenidas agency to provide services for seniors. This fund is included in the Housing Funds category in the summary tables at the end of this section.

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 Preferential Parking (RPP) Fund. This grouping does not include Assessment District Funds. Revenue in these funds, generated from parking permits and citations, is used for maintenance, repair, enforcement, and beautification of parking facilities and public areas within the University and California Avenue business districts and RPP districts. As of FY 2022, six neighborhoods are active in the RPP program to mitigate parking congestion in Palo Alto neighborhoods: College Terrace, Downtown, Evergreen Park/Mayfield, Crescent Park, Southgate, and Old Palo Alto.

In FY 2021 the COVID-19 pandemic continued to significantly impact travel patterns, economic conditions, and community priorities. The City Council suspended parking enforcement and redirected resources to support the City's emergency response (CMR 11238). During this time, permit sales functionally stopped, and only minimal revenue was received. The following adjustments to parking permit prices are recommended by Office of Transportation staff in light of the economic impact of the COVID-19 pandemic and will result in significantly lower ongoing revenue in the Special District Funds, potentially impacting future fund solvency. This FY 2022 budget includes a reversal of the previously adopted FY 2021 prices for Employee Parking Permits in all districts. Employee Parking Permit rates are recommended to decrease from the FY 2021 adopted value of \$830 back to the FY 2020 value of \$806 per year in University Avenue and Downtown RPP district and \$620 to \$403 per year in California Avenue, Evergreen Park/Mayfield RPP district, and Southgate RPP district. A price adjustment is not recommended in FY 2022 to annual residen-

SPECIAL REVENUE FUNDS

tial parking permits so these permits will remain at \$50. A FY 2021 policy change to charge for the first residential parking permit, as approved by the City Council on May 13, 2020, is recommended to be reversed as well. A more detailed presentation of parking fees can be found in the FY 2022 Municipal Fee schedule.

In FY 2021 City Council approved several programmatic improvements to the RPP including decreases in ongoing operating expenses due to a shift to License Plate Reader (LPR) parking enforcement in the RPP districts, one-time expenses to purchase necessary equipment to support the implementation of LPR and correct RPP signage, and corresponding citation revenue increases. Council approved the purchase and use of LPR technology in the context of the City of Palo Alto's Surveillance Policy (CMR 11492) on February 22, 2021. LPR enforcement is anticipated beginning in Spring 2022. Due to the cessation of parking enforcement by Council on April 6, 2020 (CMR 11238), the fabrication and installation of RPP signage has been delayed. Parking enforcement is due to start again on May 4, 2021 and staff is determining when signage will be installed. Outreach is being conducted with customers and stakeholders in preparation for the transition to virtual permitting and staff intend to return to Council with related recommendations and permit type adjustments needed.

This FY 2022 Adopted Budget includes the following significant proposals:

- Continue to provide funding to the Transportation Management Association (TMA) to support the reduction of single-occupancy vehicles (SOV) rates in Palo Alto. (\$150,000 one-time);
- Decrease annual permit sales revenue estimates by approximately \$611,250 in University Avenue, \$345,960 in California Avenue, and \$263,000 in RPP Fund to reflect parking permit price decreases and by an additional \$154,000 in the RPP Fund to reflect the reversal of the FY 2021 policy change to no longer provide the first residential parking permit free (ongoing);
- Decrease daily permit sales revenue estimates by \$484,000 in University Avenue, \$145,000 in California Avenue, and \$10,250 in the RPP Fund and citation revenue estimates by \$104,000 in the RPP Fund to reflect lower volume of parking activity (ongoing);
- Increase expenses by \$55,000 for facilities maintenance expenses in custodial and street sweeping services for the new California Avenue garage (ongoing);
- Increase expenses by \$215,000 for the automated public toilet rental and servicing contract (CMR 11843), transitioning from the Public Works Department to University Avenue (ongoing);
- Increase expenses by \$168,000 and \$35,200 in University and California Avenue respectively for the operations and maintenance of the Automated Parking Guidance System (APGS) (ongoing);
- Reduce expenses by \$111,750 in the RPP to reflect reductions in parking study contracts (ongoing); and
- Capital improvement investments in FY 2022 through a transfer of \$187,400 from the University Avenue Parking Fund to the General Capital Improvement Fund for the University Avenue Parking Improvements project. Additional project details can be found in the FY 2022 Adopted Capital Budget.

The ability of these 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 and policy. In the upcoming year, staff will continue to develop and implement potential strategies for the organization and scaling of a comprehensive parking strategy. A pause on new projects and initiatives is still recommended in the upcoming fiscal year given the limited remaining fund

balances available due to the suspension of parking enforcement for the majority of FY 2021 in response to the COVID-19 pandemic.

A more detailed presentation of the FY 2022 Budget for the University Avenue Parking District Fund and California Avenue Parking District Fund is available at the end of the Special Revenue Funds Overview section.

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 2022, \$275,000 in traffic mitigation and parking in-lieu fees are anticipated. These estimates remain steady with 2021 revenues and are based on historical tracking and Office of Transportation (OOT) staff projections. The FY 2022 - 2026 Capital Improvement Plan includes a transfer of \$395,000 in FY 2022 for improvements to traffic signals.

Of note, the City Council approved recommendations on April 22, 2019 (CMR 9531) to phase out all but one of the area-specific transportation impact fees and transition to a single citywide fee. The full staff report detailing these actions can be found here: www.cityofpaloalto.org/civicax/filebank/documents/70517

DOWNTOWN BUSINESS IMPROVEMENT DISTRICT (BID)

The Downtown Business Improvement District (BID) was established by an ordinance adopted in January 2004 to promote the economic revitalization and physical maintenance of the Palo Alto Downtown business district. The Council appointed the Board of Directors of the Palo Alto Downtown Business and Professional Association (PADBPA), a non-profit corporation, as the Advisory Board for the BID to advise the Council on the method and basis for levy of assessments in the BID and the expenditure of revenues derived from the assessments. In prior years, the BID has focused on street cleanliness, creating a safe downtown, and providing events and communication tools that bring business downtown.

Beginning in 2020 and continuing in 2021 the novel coronavirus (COVID-19) pandemic caused significant economic impacts to local businesses. Concerning these impacts, the City Council adopted a resolution in May 2020 that rescinded the levy of assessments for the BID in calendar year 2020 and reimbursed payments made by businesses during the period (CMR 11219). The PADBPA typically uses fees collected through the BID assessment for programs and activities. With no collections in FY 2020, a \$70,000 subsidy from the General Fund was required. The City Council continued the direction to waive fees and assessments typically levied for FY 2021 and FY 2022 (CMRs 11405 and 12255, respectively). The associated activities and fee collections are also on hold; therefore, the FY 2022 Adopted budget eliminates funding levels, and a continued subsidy is not required. The most recent action plan for FY 2019-20 was included in CMR 10315.

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 FY 2012 as part of this agreement

SPECIAL REVENUE FUNDS

were used in FY 2013 - 2014, and beyond as outlined in the agreement and approved by the City Council. In FY 2018, the City received the final payment of \$11.8 million, for a total amount of \$44.3 million throughout 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 the Planning and Development Services Department, formerly the Planning and Community Environment Department, issues a report of activities during the prior period for Council review to ensure compliance with the agreement. The annual reports for 2017-2018, 2018-2019, and 2019-2020 are under development and staff anticipates bringing these forward in 2021. The most recent annual report for the 2016-2017 period is included in CMR 8999.

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 \$2.9 million. Planned transfers in FY 2022 include \$1.2 million to the Capital Improvement Fund for the Charleston/Arastradero Corridor Project (PE-13011) and \$50,000 to the General Fund to be allocated to local non-profits through the Human Services Resource Allocation Process (HSRAP).

Stanford Hospital Expansion Cost Mitigation: Funds are being held in this category to assure that City costs associated with the project do not exceed revenues to the City and ensure cost neutrality of the development. The projected beginning balance in this category is \$2.4 million. The FY 2022 Adopted Capital Budget includes a \$500,000 transfer for railroad grade separation and safety improvements.

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 \$1.3 million. There are no planned transfers in FY 2022 to the Capital Improvement Fund.

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 is no longer a fund balance in this category.

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 \$9.2 million. The FY 2022 Adopted Capital Improvement Budget includes a \$750,000 transfer for the replacement of Fire Station four, which was originally planned for FY 2021 but delayed due to the impacts of COVID-19.

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 \$2.5 million. There are no planned transfers in FY 2022 to the Capital Improvement Fund.

A more detailed presentation of the FY 2022 budget for the Stanford University Medical Center Fund is available at the end of the Special Revenue Funds Overview section.

Special Revenue Funds

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
Revenues										
Charges for Services	275	673	—	—	—	—	—	276	—	1,224
From Other Agencies	—	—	—	—	2,993	537	—	—	—	3,530
Net Sales	—	—	—	—	—	—	1,458	—	—	1,458
Operating Transfers-In	170	—	—	—	—	—	393	—	—	563
Other Revenue	—	—	—	2,345	—	136	—	—	—	2,481
Other Taxes and Fines	—	—	—	—	—	—	156	—	—	156
Permits and Licenses	—	—	—	—	—	—	2,223	—	—	2,223
Rental Income	—	—	—	9	—	—	—	—	—	9
Return on Investments	16	337	—	463	9	7	109	260	370	1,571
Total	461	1,010	—	2,817	3,001	680	4,339	536	370	13,214
Expenses										
Allocated Charges	3	—	—	2	—	3	278	—	—	286
Contract Services	—	—	—	247	—	8	2,123	—	—	2,378
General Expense	1	—	—	53	—	640	199	—	—	892
Operating Transfers-Out	—	—	—	—	364	—	133	—	50	547
Rents & Leases	—	—	—	—	—	—	216	—	—	216
Salary & Benefits	221	—	—	64	—	96	1,545	—	—	1,926
Supplies & Material	—	—	—	—	—	—	121	—	—	121
Transfer to Infrastructure	—	4,750	—	—	2,592	—	187	395	2,450	10,374
Total	225	4,750	—	367	2,956	747	4,802	395	2,500	16,741

SPECIAL REVENUE FUNDS

Consolidated Special Revenue Funds

Fund Summary (\$000)	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
REVENUES						
Gas Tax	2,602	2,895	2,834	2,993	159	5.6%
Federal CDBG	687	444	501	537	36	7.2%
Housing In-Lieu	5,613	750	2,150	2,150	-	-%
Traffic Mitigation Fees	2,301	180	276	276	-	-%
Developer Impact Fees	2,212	1,522	673	673	-	-%
Parking Mitigation Fees	4,505	4,417	5,801	3,837	(1,964)	-33.9%
BID Assessment	58	24	140	-	(140)	-100.0%
Interest Income	1,909	1,746	1,571	1,571	-	-%
Other Revenue	1,117	985	835	615	(220)	-26.3%
Subtotal Revenue	21,004	12,962	14,781	12,652	(2,129)	-14.4%
Transfers In						
General Fund	453	559	489	484	(5)	-1.0%
Technology Fund	24	26	55	24	(31)	-56.4%
Utility Admin Fund	47	52	27	54	27	100.0%
Subtotal Operating Transfers In	524	637	571	562	(9)	-1.6%
Total Source of Funds	21,528	13,600	15,352	13,214	(2,138)	-13.9%
EXPENDITURES						
General Expense	8,056	5,076	6,896	5,820	(1,076)	-15.6%
Subtotal Expenditures						
Transfers Out						
General Fund	565	506	494	547	53	10.6%
Capital Improvement Fund	4,886	9,285	12,376	10,375	(2,001)	-16.2%
General Benefits	11	18	-	-	-	-%
Subtotal Operating Transfers Out	5,462	9,809	12,870	10,921	(1,949)	-15.1%
Total Use of Funds	13,518	14,886	19,766	16,741	(3,025)	-15.3%
Net To (From) Reserves	8,010	(1,286)	(4,414)	(3,527)	887	-20.1%

Community Development Block Grant Fund

	FY 2021 Adjusted Budget	FY 2022 Agency Requests (2)	FY 2022 Adopted Budget
SOURCE OF FUNDS			
Housing & Urban Development, current year	952,746	-	536,756
Housing & Urban Development, prior years	-	-	-
Prior Year Excess/Reallocation (1)	213,167	-	73,910
CDBG Coronavirus (CV) Grant	294,909	-	-
Program Income			
Palo Alto Housing Corporation	136,049	-	136,049
TOTAL SOURCE OF FUNDS	1,596,871	-	746,715
USE OF FUNDS			
Public Service			
Palo Alto Housing Corporation - SRO Resident Support Services	29,220	52,249	24,535
Catholic Charities - Long-Term Care Ombudsman	10,000	10,000	10,000
YWCA/Support Network - Domestic Violence Services	5,000	-	-
LifeMoves (formerly InnVision) - Opportunity Service Center	29,220	65,850	31,545
Silicon Valley Independent Living - Housing and Emergency Services	12,000	28,826	14,021
Downtown Streets Team/Food Closet/Delivery	-	60,000	-
Subtotal: Public Service	85,440	216,925	80,101
Planning and Administration			
Project Sentinel/Fair Housing Services	37,480	33,698	33,698
City of Palo Alto - CDBG Administration includes 0.10 FTE & 0.48 Hourly CDBG Administrative Staff	239,169	90,000	99,304
Subtotal: Planning and Administration	276,649	123,698	133,002
Housing, Economic Development, Capital Projects, & Public Facilities			
Downtown Streets Team/Workforce Development	236,000	336,000	160,477
Ravenswood Family Health Network: Construction of ADA Ramp	-	425,000	300,000
Ravenswood Family Health Network: Mobile Health Clinic COVID-19 Testing	354,550	-	-
Rebuilding Together Peninsula - Safe at Home	-	65,340	73,135
Subtotal: Housing, Economic Development & Capital Projects	590,550	826,340	533,612
Rent Relief Assistance			

SPECIAL REVENUE FUNDS

Community Development Block Grant Fund

	FY 2021 Adjusted Budget	FY 2022 Agency Requests (2)	FY 2022 Adopted Budget
LifeMoves: Opportunity Service Center	294,000	-	-
LifeMoves: Hotel De Zink	54,332	-	-
YWCA/Support Network - Domestic Violence Services	10,000	-	-
Silicon Valley Independent Living - Housing and Emergency Services	75,000	-	-
Subtotal: Rent Relief Assistance	433,332	-	-
Food Assistance			
Downtown Streets Team/Food Closet Program	100,000	-	-
Subtotal: Food Assistance	100,000	-	-
COVID-19 Testing and PPE Equipment			
MayView Community Health Center	67,610	-	-
Subtotal: Food Assistance	67,610	-	-
Unallocated	43,290		
TOTAL USE OF FUNDS	1,596,871	1,166,963	746,715

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

(2) Funds not to exceed the budget and Human Relations Commission Recommendation for each program group

University Avenue Parking Permit Fund

	FY 2021 Adopted	FY 2021 Adjusted	FY 2022 Adopted
Revenues			
Permit Sales	2,358,860	2,358,860	1,747,609
Day Passes	580,000	106,551	290,000
Ticket Machine	388,000	105,219	194,000
Transfer from Other Funds for City Share	400,060	400,060	392,522
Investment Income	77,500	77,500	77,500
Total Revenue	3,804,420	3,048,190	2,701,631
Expenditures			
Administration			
Positions	1.66	1.66	1.66
Salaries & Benefits	250,435	250,435	269,815
Contract Staffing	182,248	182,248	182,248
Parking Occupancy Services	35,000	35,000	35,000
Miscellaneous Supplies	21,048	21,048	21,048
Ticket Machine (bankcard services, transmission, maintenance)	20,400	20,400	20,400
Subtotal Administration	509,131	509,131	528,161
Maintenance			
Positions	3.87	3.87	3.87
Salaries & Benefits	526,479	526,479	573,390
Supplies	60,090	60,090	60,090
Twinkle/Tree Lights	30,000	30,000	30,000
Maintenance (garage, elevator, fire sprinkler, fire alarm)	78,024	78,024	98,794
Landscaping	20,593	20,593	21,107
Custodial (janitorial services)	286,537	286,537	292,913
Steam Cleaning/power washing, sweeping	94,660	94,660	121,181
Public Toilets	-	-	215,500
APGS Maintenance	-	-	168,000
Subtotal Maintenance	1,096,383	1,096,383	1,580,815
Police Patrol			
Positions	0.50	0.50	0.50
Salaries & Benefits	130,000	130,000	133,000

SPECIAL REVENUE FUNDS

University Avenue Parking Permit Fund

	FY 2021 Adopted	FY 2021 Adjusted	FY 2022 Adopted
Subtotal Patrols	130,000	130,000	133,000
Other			
Valet Programs (Lots R, CC, CW, & S)	289,972	289,972	289,972
Downtown Streets Team	118,744	118,744	118,744
Transportation Management Authority (TMA)	453,000	350,000	150,000
COVID-19 Business Support	297,000	297,000	-
Utilities/Indirect costs	196,314	196,314	188,476
Transfer to CIP Fund	100,000	1,195,220	187,400
Subtotal Other	1,455,030	2,447,250	934,592
Total Operating Expenses	3,190,544	4,182,764	3,177,079
Income from Operations	613,876	(1,134,574)	(475,448)

California Avenue Parking Permit Fund

	FY 2021 Adopted	FY 2021 Adjusted	FY 2022 Adopted
Revenues			
Permit Sales	821,500	821,500	475,540
Day Passes	290,000	58,509	145,000
Investment Income	12,800	12,800	12,800
Total Revenue	1,124,300	892,809	633,340
Expenditures			
Administration			
Positions	1.05	1.05	1.05
Salaries & Benefits	153,247	153,247	165,583
Miscellaneous Supplies	35,620	35,620	35,670
Contract Staffing	41,400	41,400	41,400
Parking Occupancy Services	17,545	17,545	17,545
Subtotal Administration	247,812	247,812	260,198
Maintenance			
Positions	0.43	0.43	0.43
Salaries & Benefits	71,793	71,793	76,935
Supplies	7,855	7,855	7,855
Contracts*			
Garage Maintenance	79,106	79,106	104,736
Pressure Washing and Lot Sweeping (all garages and lots)	4,008	4,008	11,705
Fire sprinkler maintenance	1,453	1,453	-
Steam Cleaning	7,060	7,060	-
Landscaping	11,583	11,583	11,873
Facilities repair	637	637	-
Custodial	54,650	54,650	61,400
Street Sweeping	82,101	82,101	71,000
APGS Maintenance	-	-	35,200
Subtotal Maintenance	320,246	320,246	380,704
Utilities/Indirect costs	58,485	58,485	43,660
Transfer to CIP Fund	-	138,000	-

SPECIAL REVENUE FUNDS

California Avenue Parking Permit Fund

	FY 2021 Adopted	FY 2021 Adjusted	FY 2022 Adopted
Subtotal Other	58,485	196,485	43,660
Total Operating Expenses	626,543	764,543	684,561
Income from Operations	497,757	128,266	(51,221)

*Expense categories have been consolidated to align with operations beginning in FY 2022.

Stanford Development Agreement Fund

	FY 2021 Estimate	FY 2022 Adopted	Change
SOURCE OF FUNDS			
Unrestricted - Community Health and Safety	2,901,379	2,445,730	(455,649)
Unrestricted - Stanford Hospital Expansion Cost Mitigation	2,992,274	2,374,830	(617,444)
Unrestricted - Intermodal Transit	1,256,139	1,275,340	19,202
Unrestricted - Quarry Road Improvements	-	-	-
Unrestricted - Neighborhoods and Communities and Affordable Housing	10,401,695	9,742,927	(658,768)
Unrestricted - Climate Change	2,893,771	2,924,248	30,477
Total Beginning Fund Balance	20,445,257	18,763,075	(1,682,182)
Revenue			
Interest - Community Health and Safety	44,351	48,268	3,917
Interest - Stanford Hospital Expansion Cost Mitigation	32,556	46,869	14,312
Interest - Intermodal Transit	19,202	25,170	5,968
Interest - Neighborhoods and Communities and Affordable Housing	141,232	192,282	51,050
Interest - Climate Change	30,477	57,712	27,235
Total Revenue	267,818	370,300	102,482
TOTAL SOURCE OF FUNDS	20,713,075	19,133,375	(1,579,700)
USE OF FUNDS			
Expenditures			
Total Operating Expenditures	-	-	-
Transfers Out			
Community Health and Safety: Capital Improvement Fund	500,000	1,250,000	750,000
Stanford Hospital Expansion Cost Mitigation	650,000	500,000	(150,000)
Neighborhood and Communities and Affordable Housing: Capital Improvement Fund	800,000	750,000	(50,000)
Total Transfers	1,950,000	2,500,000	550,000
Total Expenditures	1,950,000	2,500,000	550,000
Ending Fund Balance			
Unrestricted - Community Health and Safety	2,445,730	1,243,998	(1,201,732)
Unrestricted - Stanford Hospital Expansion Cost Mitigation	2,374,830	1,921,699	(453,131)
Unrestricted - Intermodal Transit	1,275,340	1,300,510	25,170
Unrestricted - Quarry Road Improvements	-	-	-

SPECIAL REVENUE FUNDS

Stanford Development Agreement Fund

	FY 2021 Estimate	FY 2022 Adopted	Change
Unrestricted - Neighborhoods and Communities and Affordable Housing	9,742,927	9,185,209	(557,718)
Unrestricted - Climate Change	2,924,248	2,981,960	57,712
Total Ending Fund Balance	18,763,075	16,633,375	(2,129,700)
TOTAL USE OF FUNDS	20,713,075	19,133,375	(1,579,700)



DEBT SERVICE FUNDS





CITY OF
**PALO
ALTO**

DEBT SERVICE FUNDS OVERVIEW

Overview

CITY OF PALO ALTO DEBT POLICY

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

- 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 the 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 refinancing is optimal. As a "rule of thumb", a minimum three percent net present value savings will be used as a basis to begin refinancing 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 requirements to the California Debt and Investment Advisory Commission (CDIAC) such as the submission of an annual report for any issuance of debt.

LEGAL DEBT LIMIT

Based upon the assessed valuation of \$39.3 billion for the fiscal year ending June 30, 2020, the City is limited to general obligation indebtedness of \$1.5 billion per State law. As of June 30, 2020, the amount of debt applicable to the debt limit was \$58.8 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

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 2.0 percent to 5.0 percent, and are payable from property tax revenues.

As of June 30, 2021, for the above 2010 and 2013 bonds, \$41.9 million and \$15.0 million principal and \$20.3 million and \$6.6 million interest will be the remaining debt service on the bonds with final payment occurring in Fiscal Year 2041 and Fiscal Year 2042, respectively.

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. 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.

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 replaced existing surface parking lots at two locations and provided 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 Fiscal Year 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.

2021 Public Safety Building Certificates of Participation (COPs)

On April 7, 2021, the City issued \$101.5 million tax-exempt COPs for the construction of a new Public Safety Building (PSB) to be built at 250 Sherman Avenue. The building is approximately 56,000 square feet and will house the Police Department, 911 Emergency Dispatch Center, the Emergency Operations Center, the Office of Emergency Services, the administration needs of the Fire Department, and include external support spaces in the basement and operational yard. The PSB will include three levels above grade, two levels below grade, and a one-story operational accessory structure.

DEBT SERVICE FUNDS

The sale proceeds of the COPs, including bond premium, totals \$108.0 million and will be used to construct the PSB and pay for issuance costs and capitalized interest incurred during construction of the building. Debt service payments on the COPs are due semi-annually on May 1 and November 1, with the first payment by the General Fund to occur Fiscal Year 2024. The COPs mature in Fiscal Year 2051 and have a combined TIC of 2.13 percent.

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 \$5.1 million principal and \$0.4 million interest as the remaining debt service on the bonds as of June 30, 2021, with final payment occurring in Fiscal Year 2024.

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 35.0 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 \$0.5 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 \$24.3 million principal and \$10.9 million interest as the remaining debt service on the bonds as of June 30, 2021 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 3.0 percent to 4.0 percent. The Revenue Bonds are secured by net revenues generated by the Water and Gas Funds.

The pledge of future net revenues ends upon repayment of the \$6.7 million principal and \$0.6 million interest remaining debt service on the bonds as of June 30, 2021 with final payment occurring in Fiscal Year 2026.

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 \$0.1 million as the remaining debt service on the bonds as of June 30, 2021 with final payment occurring in Fiscal Year 2022.

2007 State Water Resources Loan

In October 2007, the City approved the \$9.0 million loan agreement with State Water Resources Control Board (SWRCB) to finance the City's Mountain View/Moffett Area Reclaimed Water Pipeline Project. Under the terms of the contract, the City agreed to repay \$9.0 million to the State in exchange for receiving \$7.5 million in proceeds to be used to fund the project. The difference between the repayment obligation and proceeds amounts to \$1.5 million and represents in-substance interest on the outstanding balance. Loan proceeds are drawn down as the project progresses and debt service payments 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 \$3.6 million principal and \$0.6 million in-substance interest as the remaining debt service on the bonds as of June 30, 2021 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

DEBT SERVICE FUNDS

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 \$4.8 million principal and \$0.7 million interest as the remaining debt service on the bonds as of June 30, 2021 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).

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, 2021, the City is anticipated to incur and draw down \$23.8 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 March 2021 by Moody’s and S&P. The COPS were also rated AA+ and Aa1 by both Moody’s and S&P at this time. COPS are rated on a sliding scale, and this is the highest rating possible for these bonds. These ratings demonstrate Palo Alto’s prudent financial management and fiscal strength are viewed favorably by credit agencies. The four Utility bonds (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

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Revenues						
Bond Proceeds	301	-	-	-	-	0.0%
Property Tax	4,390	4,515	4,558	4,429	(129)	-2.8%
Return on Investments	40	40	30	30	-	0.0%
Transient Occupancy Tax	-	-	2,380	-	(2,380)	-100.0%
Subtotal Revenues	4,731	4,555	6,968	4,459	(2,509)	-36.0%
Operating Transfers In						
General Fund	339	530	530	530	-	0.0%
Capital Projects Fund	18	2,335	-	2,380	2,380	0.0%
Subtotal Operating Transfers	357	2,865	530	2,910	2,380	449.1%
Total Source of Funds	5,088	7,420	7,498	7,369	(129)	-1.72%

DEBT SERVICE FUNDS

Debt Service Funds

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Expenses						
2010 & 2013 Library GO Bonds Interest	2,787	2,718	3,015	2,569	(446)	-14.8%
2010 & 2013 Library GO Bonds Principal	1,640	1,725	1,630	1,860	230	14.1%
2018A Golf and Refinancing COPS Interest	320	350	345	340	(5)	-1.4%
2018A Golf and Refinancing COPS Principal	35	180	185	190	5	2.7%
2019A/B California Avenue Parking Garage COPS Interest	-	1,958	1,750	1,735	(15)	-0.9%
2019A/B California Avenue Parking Garage COPS Principal	-	375	630	645	15	2.4%
2019A/B California Avenue Parking Garage COPS Issuance Expense	286	375	-	-	-	-%
Total Use of Funds	5,068	7,681	7,555	7,339	(216)	-2.9%
Net to (from) Reserves	20	(261)	(57)	30	87	N/A



CITY DEPARTMENTS





CITY OF
**PALO
ALTO**

CITY ATTORNEY

Mission Statement

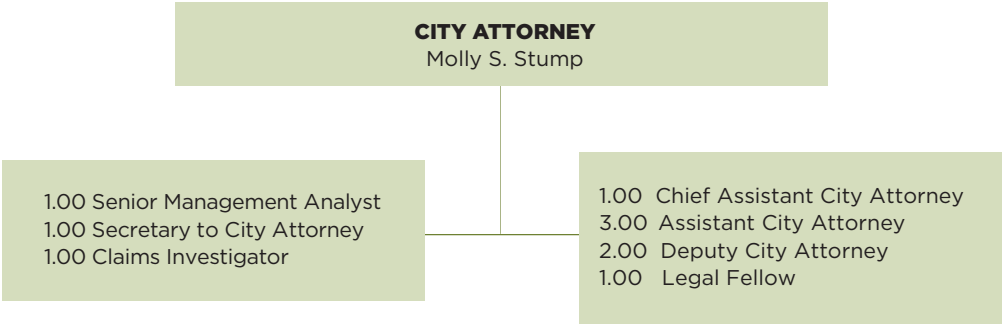


The Office of the City Attorney's mission is to serve Palo Alto and its policymakers by providing legal representation of the highest quality.

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.

CITY ATTORNEY



FY 2022 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 provides comprehensive legal services to the City by: providing legal advice and 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

- Negotiated regulatory agreement and coordinated City funding for the Wilton Court affordable housing project to ensure on-time ground-breaking in Fall 2020.
- Supported opening of the City's first 24-hour safe parking facility, including zoning changes, facilities management, and real estate issues.
- Supported competitive solicitation, contracting and onboarding for the new City Auditor.
- Supported the City's response and adaptation to the COVID-19 pandemic and economic recovery, including compliance with state and county health orders, establishment of a local mask mandate and eviction moratorium, and assistance with Uplift Local and other service and program adaptations.
- Provided advice and prepared transaction documents for numerous large infrastructure projects, including the Newell Road Bridge replacement, Public Safety Building, Highway 101 Pedestrian/Bicycle Overpass, and Regional Water Quality Control Plant rebuild.
- Supported efforts to update the zoning code to implement objective design standards in response to state housing bills.
- Updated City contracting and solicitation templates to ensure competitive and fair process, and clear and enforceable contracts that protect the City's interests. Updated the Citywide construction administration manual.
- Provided legal review and advice on financial plans and rate structures for gas, electric, water and wastewater utilities, and advised on liability and risk allocation structure in utilities' contracts.
- Assisted the Council and Police Department in reforming use of force and reporting policies.
- Assisted with the development of a Board and Commission Handbook and training for BCC members.
- Supported Council and staff to open Foothills Nature Preserve to all.

Initiatives

- Support economic and community recovery efforts, including local business development, transportation projects, and other services to the community.
- Assist with consideration and preparation of potential revenue-generating measure for 2022 ballot.

- Advise on options, barriers, and alternatives to accelerate electrification and other Climate Action Plan initiatives.
- Support major infrastructure projects, including rehabilitation of the Regional Water Quality Control Plant, Fire Station #4, the Public Safety Building, and the Newell Road Bridge Replacement project.
- Support the City's response to its Regional Housing Needs Allocation (RHNA) by the Association of Bay Area Governments (ABAG), and to new state legislation on housing and zoning.
- Support development of the 6th cycle Housing Element, continued evaluation of Planned Housing Zone project applications, and other housing work plan elements.

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

Goal	Evaluate all claims and litigation promptly, resolving disputes where appropriate and vigorously defending the City's interests.				
Objective	Thoroughly investigate to promptly and appropriately resolve claims.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of claims resolved within 45 days of filing	91%	98%	98%	98%	98%
Description	This measure tracks the number of claims that are resolved within 45 days of filing.				
Purpose	Thorough investigation to promptly and appropriately resolve claims is a core responsibility of the Office of the City Attorney. This measure is important because timely processing of claims demonstrates responsiveness to residents' concerns and safeguards public resources by reducing unnecessary lawsuits.				
Status	The number of claims resolved within 45 days may go up or down in part due to the complexity of a claim.				

REDUCTION OF LEGAL RISK

Goal	Identify and reduce exposure to legal risks.				
Objective	Provide relevant training to City officials and staff to reduce legal risk exposure.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of surveyed who agree/strongly agree that the training provided is useful and relevant	99%	98%	98%	95%	96%
Description	This measure tracks the usefulness and relevance of the training provided by the Office of the City Attorney to City staff.				
Purpose	Training assists in reducing errors thereby reducing the exposure of liability to the City.				
Status	The office continues to expand the number and types of trainings offered, and is expanding training provided in partnership with other City work units.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of claims handled	90	90	90	90	90

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration	\$595,602	\$637,082	\$593,825	\$718,211	\$124,386	20.9%
Consultation and Advisory	\$1,810,065	\$1,852,728	\$1,909,989	\$2,173,296	\$263,307	13.8%
Litigation and Dispute Resolution	\$1,156,868	\$931,380	\$886,294	\$946,596	\$60,301	6.8%
Official and Administration Duties	\$113,556	\$100,273	\$95,045	\$107,090	\$12,045	12.7%
Total	\$3,676,092	\$3,521,462	\$3,485,154	\$3,945,192	\$460,039	13.2%
Salary & Benefits						
Healthcare	\$120,239	\$118,241	\$134,925	\$189,800	\$54,875	40.7%
Other Benefits	\$80,307	\$85,638	\$67,461	\$82,860	\$15,399	22.8%
Pension	\$451,560	\$615,516	\$616,344	\$733,782	\$117,438	19.1%
Retiree Medical	\$115,560	\$119,027	\$113,677	\$115,536	\$1,859	1.6%
Salary	\$1,576,263	\$1,622,214	\$1,616,847	\$1,816,821	\$199,975	12.4%
Workers' Compensation	\$42,882	\$82,278	\$56,470	\$75,219	\$18,749	33.2%
Total Salary and Benefits	\$2,386,811	\$2,642,913	\$2,605,723	\$3,014,018	\$408,295	15.7%
Dollars by Category						
Allocated Charges	\$150,152	\$159,947	\$116,419	\$147,663	\$31,244	26.8%
Contract Services	\$1,063,494	\$672,745	\$725,250	\$725,250	—	—%
Facilities & Equipment	\$1,545	\$851	—	—	—	—%
General Expense	\$30,831	\$22,507	\$17,500	\$38,000	\$20,500	117.1%
Operating Transfers-Out	\$24,857	—	—	—	—	—%
Rents & Leases	\$1,245	\$1,345	\$1,330	\$1,330	—	—%
Supplies & Material	\$17,157	\$21,154	\$18,932	\$18,932	—	—%
Total Dollars by Expense Category	\$3,676,092	\$3,521,462	\$3,485,154	\$3,945,192	\$460,039	13.2%
Revenues						
Charges for Services	—	—	\$28,052	\$28,052	—	—%
Charges to Other Funds	\$1,001,904	\$1,012,894	\$1,578,427	\$1,377,272	\$(201,154)	(12.7)%
Other Revenue	\$2,015	\$12,000	\$10,789	\$10,789	—	—%
Total Revenues	\$1,003,919	\$1,024,894	\$1,617,268	\$1,416,114	\$(201,154)	(12.4)%
Positions by Division						
Administration	1.47	1.47	1.47	1.47	—	—%
Consultation and Advisory	6.46	6.46	6.46	6.46	—	—%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Litigation and Dispute Resolution	1.71	1.71	1.71	1.71	—	—%
Official and Administration Duties	0.36	0.36	0.36	0.36	—	—%
Total	10.00	10.00	10.00	10.00	—	—%

CITY ATTORNEY

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Assistant City Attorney	3.00	3.00	3.00	3.00	—	\$596,024
Chief Assistant City Attorney	1.00	1.00	1.00	1.00	—	\$254,405
City Attorney	1.00	1.00	1.00	1.00	—	\$313,414
Claims Investigator	1.00	1.00	1.00	1.00	—	\$84,989
Deputy City Attorney	1.00	1.00	1.00	1.00	—	\$142,938
Legal Fellow	1.00	1.00	0.50	1.00	0.50	\$104,416
Legal Fellow (Freeze)	—	—	0.50	—	(0.50)	—
Secretary to City Attorney	1.00	1.00	1.00	1.00	—	\$77,792
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$116,189
Subtotal: Full-Time Equivalent Positions	10.00	10.00	10.00	10.00	—	\$1,690,166
Total Positions	10.00	10.00	10.00	10.00	—	\$1,690,166

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the City Attorney's Office, a total of 0.50 FTE (0.50 full-time, 0.0 part-time) are eliminated as a result of this action. Subsequent actions are included in the Adopted budget to restore this position. Additional details can be found in the Budget Adjustments table.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	10.00	3,485,154	1,617,268	1,867,885
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	176,811	-	176,811
One-Time Prior Year Budget Adjustments	-	176,811	-	176,811
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	213,234	-	213,234
FY21 Staffing Freeze Eliminations (CMR 11872)	(0.50)	(72,067)	-	(72,067)
General Fund Cost Allocation Plan	-	-	(201,154)	201,154
Information Technology Allocated Charges	-	19,946	-	19,946
Liability Insurance Allocated Charges	-	11,928	-	11,928
Printing & Mailing Services Allocated Charges	-	(629)	-	(629)
Workers' Compensation Allocated Charges	-	18,749	-	18,749
Adjustments to Costs of Ongoing Activities	(0.50)	191,160	(201,154)	392,314
Total FY 2022 Base Budget	9.50	3,853,124	1,416,114	2,437,010
Budget Adjustments				
1. Restore Legal Fellow and Continuing Education	0.50	92,067	-	92,067
Total Budget Adjustments	0.50	92,067	-	92,067
Total FY 2022 Adopted Budget	10.00	3,945,192	1,416,114	2,529,077

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Restore Legal Fellow and Continuing Education	.50	92,067	-	92,067

This action restores 0.50 Legal Fellow position and funding to maintain the minimum required travel and training needed. In the FY 2021 Adopted Budget, followed by the actions taken as part of the FY 2021 Mid-Year Budget review, a reduction in legal fellow staffing was included, impacting the prosecution of municipal citations, code enforcement support, and public records response, and lengthening response times to new initiatives. In light of current staffing levels it is recommended that this position be reinstated, however, a separate action is recommended to underfill a professional staff attorney position to assist in offsetting this restoration. The restoration of training and travel funds will ensure that the department is able to maintain best practices, training, and pursue professional development opportunities to ensure mandatory continuing education and travel for physical presence in court. (Ongoing Cost: \$94,203)

Performance Results



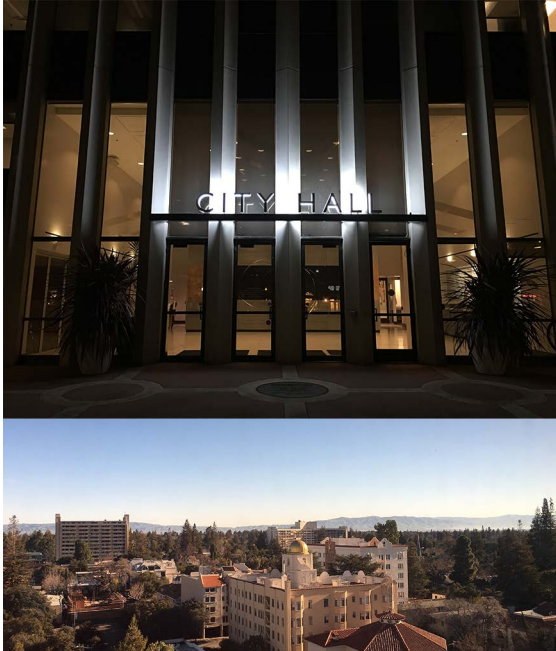
This action restores staffing and continuing education to necessary levels in order for the department to function effectively and fulfill essential duties.



CITY OF
**PALO
ALTO**

CITY AUDITOR

Mission Statement



The mission of the Office of the City Auditor is to promote honest, efficient, effective, economical, 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.

CITY AUDITOR

Kyle O' Rourke

The Office of the City Auditor was transitioned in FY 2021 to a multi-year contractual relationship with BakerTilly, appointing Kyle O'Rourke as the City Auditor.

Additional information about this contract and appointment can be found in a report from the Council Appointed Officers Committee, adopted by the City Council on September 28, 2020. This new service delivery model went into effect October 1, 2020.

www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/current-year/2020/id-11624.pdf?t=64761.15

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.

Accomplishments

Upon the prior City Auditor's retirement in February 2019, the City Council directed the engagement of external experts to assist the City with two scopes of work related to the City Auditor's Office: (1) assist with the continuity of operations and work product in the City Auditor's Office; and (2) conduct a review of internal auditing practices in the public sector and Palo Alto (Report 10109).

1) City Auditor Services Sourcing:

- Per City Council direction on February 10, 2020, the Council Appointed Officers (CAO) Committee oversaw a request for proposals (RFP) process for outsourced internal auditing services, led a procurement process aligned with Council direction, and engaged in a transparent review of scope of work services, RFP evaluation, and a public interview process as part of the overall effort. Following these public interviews, the City Council conducted closed session interviews of the City Auditor candidates designated by the top firms recommended by the CAO Committee.
- Through the interview process, the Council selected Baker Tilly and Kyle O'Rourke to lead the City's internal audit services. Baker Tilly US, LLP (Baker Tilly) is an internationally-regarded advisory, tax, auditing, and assurance firm. Kyle O'Rourke is a Principal with Baker Tilly and was appointed as Palo Alto's City Auditor in conformance with the Palo Alto City Charter (Contract No. C2117934).
- Baker Tilly is one of the few comprehensive professional services firms in this field with a group dedicated to providing internal audit and risk advisory services to state and local government clients. Baker Tilly's experience extends across more than 40 states with specific public sector clients in California. O'Rourke is an 8-year veteran in internal auditing and consulting services. O'Rourke specializes in internal audit and risk advisory, business process reviews, organizational and operational

assessments, benchmarking studies and technology needs assessments. He is a Certified Internal Auditor (CIA), a Certified Government Auditing Professional (CGAP), holds a Certification in Risk Management Assurance (CRMA), and holds a Master of Public Affairs from Indiana University Bloomington.

2) Review of Internal Auditing Practices:

- In its capacity serving as the City Auditor function, and in accordance with Baker Tilly's agreement with the City, Baker Tilly performed a citywide risk assessment. The purpose of the assessment was to identify and prioritize risks in order to develop the annual audit plan. During the risk assessment, Baker Tilly assessed a wide range of risk areas, including strategic, financial, operational, compliance, technological, and reputation risks. The results of the assessment were transmitted to the full Council for public review and was approved by the Policy and Services Committee on February 9, 2021 (Report 11952).
- On March 1, 2021, the Risk Assessment Report and Annual Audit Plan were approved by City Council (Report 12022). At that time, eight (8) task orders were approved for execution. At a subsequent meeting on May 10, 2021, two (2) additional task orders were approved for execution (Report 12110).

3) Execution of the Audit Plan Initiation of Audit Activities

- Between March and June 2021, Baker Tilly has formally kicked off nine (9) of ten (10) approved audit activities, including those listed below. Results will be communicated to the City Council in the early stages of FY22. Audit Activities initiated in FY21:
 - Construction Project Controls
 - Public Safety Building Construction
 - Asset Capitalization
 - Assessment of SAP Functionality and Internal Controls
 - Information Technology Risk Management
 - Power Purchase Agreement
 - Economic Recovery Advisory
 - Building Permit & Inspection Process
 - Nonprofit Agreements Risk Management

Initiatives

- Overall, the City Auditor aims to promote honest, efficient, effective, economical, fully accountable, and transparent City government in compliance with statutory requirements and accounting standards.
- Execute the approved Audit Plan, which includes audit activities spanning across multiple departments and functions. The plan includes audit and consulting engagements covering City departments, programs, services, activities, and fiscal transactions.

- Provide additional advisory services, as outlined under Baker Tilly's agreement with the City, including providing annual and quarterly reports, monitoring implementation of corrective actions, and assisting in monitoring the fraud/waste/abuse hot-line.

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.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Audit Services	\$1,192,633	\$939,051	\$827,564	\$971,847	\$144,283	17.4%
Total	\$1,192,633	\$939,051	\$827,564	\$971,847	\$144,283	17.4%
Salary & Benefits						
Healthcare	\$42,958	\$17,501	\$45,498	—	\$(45,498)	(100.0)%
Other Benefits	\$27,655	\$13,891	\$20,076	—	\$(20,076)	(100.0)%
Pension	\$151,515	\$125,386	\$173,084	—	\$(173,084)	(100.0)%
Retiree Medical	\$44,844	\$46,189	\$44,482	\$45,210	\$727	1.6%
Salary	\$522,842	\$294,100	\$300,080	—	\$(300,080)	(100.0)%
Workers' Compensation*	\$17,129	\$32,756	\$22,473	\$29,934	\$7,461	33.2%
Total Salary and Benefits	\$806,944	\$529,824	\$605,693	\$75,144	\$(530,549)	(87.6)%
Dollars by Category						
Allocated Charges	\$64,516	\$62,460	\$50,612	\$48,217	\$(2,395)	(4.7)%
Contract Services	\$299,786	\$341,802	\$155,000	\$848,486	\$693,486	447.4%
General Expense	\$10,681	\$4,873	\$13,279	—	\$(13,279)	(100.0)%
Operating Transfers-Out	\$9,505	—	—	—	—	—%
Supplies & Material	\$1,201	\$93	\$2,980	—	\$(2,980)	(100.0)%
Total Dollars by Expense Category	\$1,192,633	\$939,051	\$827,564	\$971,847	\$144,283	17.4%
Revenues						
Charges to Other Funds	\$318,326	\$259,273	\$965,884	\$947,497	\$(18,386)	(1.9)%
Sales Taxes	\$189,256	—	—	—	—	—%
Total Revenues	\$507,582	\$259,273	\$965,884	\$947,497	\$(18,386)	(1.9)%
Positions by Division						
Audit Services	4.00	4.00	3.00	—	(3.00)	(100.0)%
Total	4.00	4.00	3.00	—	(3.00)	(100.0)%

* Retiree Medical and Workers' Compensation expenses are based on actuary estimates completed prior to the development of the FY 2022 Budget. These costs will be reduced in future budget cycles in alignment with the transition to consultancy services.

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
City Auditor	1.00	1.00	1.00	—	(1.00)	—
Performance Auditor I	1.00	—	—	—	—	—
Performance Auditor II	1.00	2.00	—	—	—	—
Senior Performance Auditor	1.00	1.00	2.00	—	(2.00)	—
Subtotal: Full-Time Equivalent Positions	4.00	4.00	3.00	—	(3.00)	—
Total Positions	4.00	4.00	3.00	—	(3.00)	—

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	3.00	827,564	965,884	(138,320)
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	49,365	-	49,365
One-Time Prior Year Budget Adjustments	-	49,365	-	49,365
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	(587,376)	-	(587,376)
General Fund Cost Allocation Plan	-	-	(18,386)	18,386
General Expenses	-	(13,279)	-	(13,279)
Supplies & Materials	-	(2,980)	-	(2,980)
Contract Services (implementation of new service delivery, see 9/28/20 City Council item)	(3.00)	719,486	-	719,486
Information Technology Allocated Charges	-	(4,595)	-	(4,595)
Liability Insurance Allocated Charges	-	4,779	-	4,779
Printing & Mailing Services Allocated Charges	-	(2,580)	-	(2,580)
Workers' Compensation Allocated Charges	-	7,461	-	7,461
Adjustments to Costs of Ongoing Activities	(3.00)	120,918	(18,386)	139,304
Total FY 2022 Base Budget	0.00	997,847	947,497	50,349
Budget Adjustments				
1. Auditor Services Contract Reduction	-	(26,000)	-	(26,000)
Total Budget Adjustments	-	(26,000)	-	(26,000)
Total FY 2022 Adopted Budget	0.00	971,847	947,497	24,349

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Auditor Services Contract Reduction	0.00	(26,000)	0	(26,000)

This one-time action will reduce the current contract for auditor services by a total of \$35,000, of which \$26,000 is General Fund and \$9,000 is Enterprise Fund. Auditor services are currently performed by BakerTilly, with an annual contract of \$750,000 (75% General Fund, 25% Enterprise Fund). This reduction will impact the number of audits that may be completed and reduce any available ad-hoc service capacity within the contract. (Ongoing savings: \$0)

Performance Results



This action aligns the duties and associated funding of the City Auditor's Office to fit the new operational structure.

CITY CLERK

Mission Statement



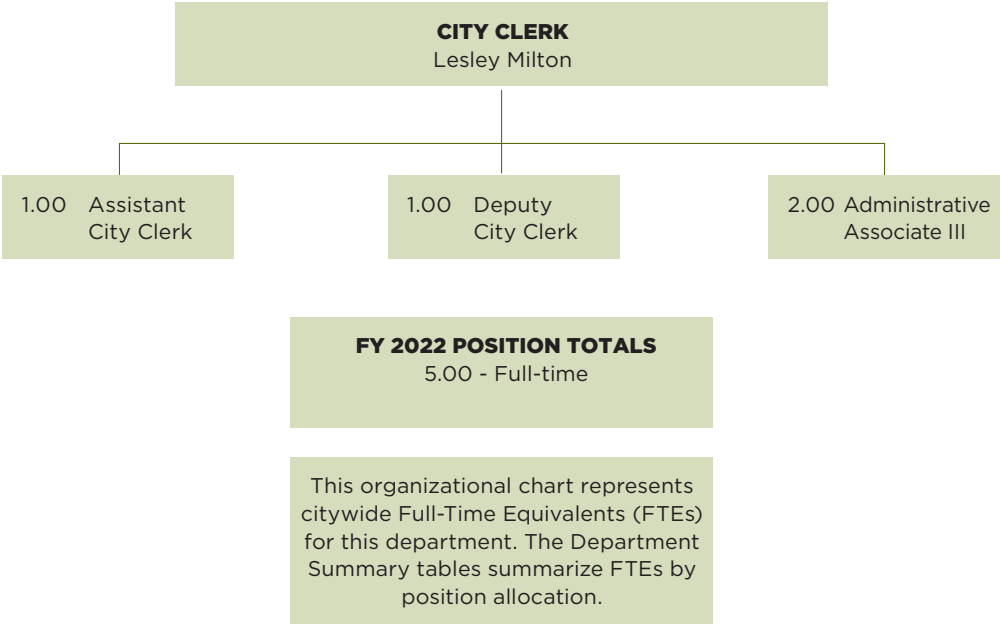
The City Clerk's Office promotes transparency and public engagement through coordinating the legislative process, records management, elections, public records requests, supporting the Mayor and City Council, and acting as a liaison between the City Council and the public.

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; ensure the City's legislative processes are open and transparent including friendly customer service, knowledgeable

staff, and easy accessibility through technology; elections administration; coordinate with all city departments through the agenda management program to produce agendas and reports for Council and Council Standing Committee meetings; facilitate the preservation of Palo Alto's legislative history, including approved action minutes; coordination of public records requests, claims against the City, applications for boards and commissions, and update and maintain City Ordinances and the Municipal Code; provide access to legislative meeting information and coordinate Statements of Economic Interest as well as campaign and other financial disclosure related filings.

CITY CLERK



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; preparing action minutes; recording of Ordinances and Resolutions; coordination and scheduling of Parking and Administrative Hearings; engaging in records management, elections, and board and commission recruitments; and processing of public records requests.

Accomplishments

- Supported the City Council with Zoom meetings during the COVID-19 Pandemic and trained staff and numerous boards and commissions on how to hold and run public meetings on the Zoom platform. Assisted several outside agencies with learning how to use Zoom for their board meetings.
- Received applications for Board and Commission vacancies resulting in 58 interviews, totaling 10 hours of interviews in calendar year 2020.
- Assisted with revamping the Board and Commission applications to be clearer and easier to complete online.
- Helped coordinate the creation of a new Board and Commission Handbook and a training program for the commissioners.
- Prepared and published 45 City Council meeting agenda packets, and 22 Finance Committee and Policy and Services Committee agenda packets in calendar year 2020.
- Supported 350 plus hours of Council and Council Standing Committee meetings in calendar year 2020.
- Scheduled and supported approximately 75 administrative and parking citation hearings in calendar year 2020, which included 5 administrative hearings.
- Coordinated the responses to 546 Public Records Requests in calendar year 2020.

Initiatives

- Hire and rebuild the City Clerk's Department so that it is fully staffed with five personnel to ensure uninterrupted services to the public.
- Continue to coordinate and manage the transition of public meetings to a hybrid format including in-person and Zoom for maximum transparency and public participation.
- Identify technologies to maximize efficiencies and automate routine processes in the Clerk's Office.
- Collaborate with the IT Department in upgrading Council Chambers to include new technologies.
- Identify and implement public facing records portal for increased public access to records.
- Continue the work with departments to create a Staff Report writing guide.

- Update citywide records management and training program to include the records retention schedule and destruction.
- Continue update of online content to the City's next generation website.
- Build online board and commission recruitment process.

Goals and Objectives

GOAL 1

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

Objectives:

- Ensure that preparation and distribution of the Council's agenda packets are timely, accurate and responsive 11 days prior to the Council meeting.
- Transcribe and post Council 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.
- Continue to manage a successful transition from in-person to virtual teleconference for all City Council and Board and Commissions, as necessary.
- 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 use online filing of Statement of Economic Interest forms.

GOAL 3

Effectively administer appointments to Boards and Commissions.

Objectives:

- Improve 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

Goal	Provide timely reporting of City Council action in support of City operations and transparency to the public.				
Objective	Transcribe and submit Council action minutes for approval within one week of each Council meeting.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of action minutes posted within one week after the Council meeting	97%	98%	98%	98%	98%
Description	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.				
Purpose	This supports transparency and informed decision making, by providing the public with Council actions in a timely manner.				
Status	The City Clerk's Office has maintained a high performance level with 97% to 98% of action minutes posted online within one week after each Council meeting and anticipates maintaining the 98% level of performance estimated for FY 2021 into FY 2022.				

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

Goal	Lead the agenda management process and records management program promoting transparency, accountability, and effective service delivery.				
Objective	Ensure that the preparation and distribution of the Council's agenda packets are timely, accurate, and responsive.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of Council agenda packet materials posted Thursdays, 11 days prior to the Council meeting	98%	98%	98%	98%	98%
Description	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.				
Purpose	Provide the City Council and public with adequate time to review upcoming issues that will be discussed by the City Council, ensuring transparency of Council proceedings.				
Status	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.				

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

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

Key Performance Measures

Objective	Provide excellent customer service to the public.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of public records requests responded to within the ten days required by law	98%	98%	98%	98%	98%
Description	Public Records requests are required to be addressed within ten days of receipt. This could be the actual response or a request for an extension of time to gather the requested records.				
Purpose	Provide the public with information that is held by the City and is subject to public disclosure; ensure that a response is received by the requester within the allotted ten days.				
Status	The City is close to meeting the goal adopted for FY 2021 and anticipates meeting the target in FY 2022.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of City Council Meeting Action Minutes posted annually	51	46	50	54	52
Number of weekly agenda packets produced annually	40	45	42	46	45
Number of public records requests received annually	537	546	525	575	600
Number of applications processed for open Board and Commission seats	59	44	45	39	40

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration	\$497,654	\$541,910	\$613,682	\$650,898	\$37,216	6.1%
Administrative Citations	\$55,363	\$40,782	\$60,193	\$60,198	\$5	—%
Council Support Services	\$384,715	\$376,896	\$388,508	\$416,296	\$27,788	7.2%
Election/Conflict of Interest	\$109,186	\$113,156	\$118,203	\$131,643	\$13,441	11.4%
Legislative Records Management	\$57,457	\$60,750	\$64,565	\$68,421	\$3,857	6.0%
Public Information	—	\$87	—	—	—	—%
Total	\$1,104,374	\$1,133,581	\$1,245,151	\$1,327,457	\$82,306	6.6%
Salary & Benefits						
Healthcare	\$33,391	\$46,377	\$48,361	\$80,872	\$32,512	67.2%
Other Benefits	\$19,349	\$18,211	\$22,273	\$26,151	\$3,878	17.4%
Overtime	\$3,842	\$4,501	\$7,232	\$7,420	\$188	2.6%
Pension	\$145,547	\$199,345	\$191,808	\$218,340	\$26,532	13.8%
Retiree Medical	\$40,532	\$41,748	\$39,540	\$40,186	\$647	1.6%
Salary	\$488,284	\$509,379	\$520,507	\$543,169	\$22,663	4.4%
Workers' Compensation	\$16,186	\$29,597	\$20,201	\$26,908	\$6,707	33.2%
Total Salary and Benefits	\$747,131	\$849,159	\$849,921	\$943,046	\$93,126	11.0%
Dollars by Category						
Allocated Charges	\$144,826	\$125,486	\$135,535	\$123,067	\$(12,469)	(9.2)%
Contract Services	\$143,007	\$101,083	\$196,961	\$196,961	—	—%
General Expense	\$56,857	\$56,042	\$59,741	\$61,390	\$1,649	2.8%
Operating Transfers-Out	\$8,510	—	—	—	—	—%
Supplies & Material	\$4,044	\$1,811	\$2,993	\$2,993	—	—%
Total Dollars by Expense Category	\$1,104,374	\$1,133,581	\$1,245,151	\$1,327,457	\$82,306	6.6%
Revenues						
Charges for Services	\$135	—	\$2,043	\$2,043	—	—%
Charges to Other Funds	\$290,532	\$318,524	\$647,391	\$709,754	\$62,363	9.6%
Other Revenue	\$524	\$418	\$3,143	\$3,143	—	—%
Total Revenues	\$291,192	\$318,942	\$652,577	\$714,940	\$62,363	9.6%
Positions by Division						
Administration	2.85	2.85	2.85	2.85	—	—%
Administrative Citations	0.48	—	—	—	—	—%
Council Support Services	1.30	1.30	1.30	1.30	—	—%

CITY CLERK

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Election/Conflict of Interest	0.55	0.55	0.55	0.55	—	—%
Legislative Records Management	0.30	0.30	0.30	0.30	—	—%
Total	5.48	5.00	5.00	5.00	—	—%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Associate III	2.00	2.00	2.00	2.00	—	\$168,064
Assistant City Clerk	1.00	1.00	1.00	1.00	—	\$117,229
City Clerk	1.00	1.00	1.00	1.00	—	\$159,182
Deputy City Clerk	1.00	1.00	1.00	1.00	—	\$86,944
Subtotal: Full-Time Equivalent Positions	5.00	5.00	5.00	5.00	—	\$531,419
Temporary/Hourly	0.48	—	—	—	—	—
Total Positions	5.48	5.00	5.00	5.00	—	\$531,419

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	5.00	1,245,152	652,578	592,574
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	39,026	-	39,026
One-Time Prior Year Budget Adjustments	-	39,026	-	39,026
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	47,393	-	47,393
Association Membership Fees	-	1,649	-	1,649
General Fund Cost Allocation Plan	-	-	62,363	(62,363)
Information Technology Allocated Charges	-	5,797	-	5,797
Liability Insurance Allocated Charges	-	4,296	-	4,296
Printing & Mailing Services Allocated Charges	-	(22,562)	-	(22,562)
Workers' Compensation Allocated Charges	-	6,707	-	6,707
Adjustments to Costs of Ongoing Activities	-	43,280	62,363	(19,083)
Total FY 2022 Base Budget	5.00	1,327,458	714,941	612,517
Budget Adjustments				
1. None	-	-	-	-
Total Budget Adjustments	-	-	-	-
Total FY 2022 Adopted Budget	5.00	1,327,458	714,941	612,517



CITY OF
**PALO
ALTO**

CITY COUNCIL

Mission Statement



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

Purpose

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

Description

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

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
City Council Operations	\$370,419	\$324,871	\$419,304	\$432,766	\$13,461	3.2%
Total	\$370,419	\$324,871	\$419,304	\$432,766	\$13,461	3.2%
Salary & Benefits						
Healthcare	\$90,338	\$59,324	\$111,526	\$113,805	\$2,279	2.0%
Other Benefits	\$8,023	\$7,947	\$6,022	\$6,069	\$47	0.8%
Pension	\$18,774	\$21,020	\$32,851	\$40,595	\$7,744	23.6%
Retiree Medical	\$49,156	\$50,631	\$48,601	\$49,396	\$795	1.6%
Salary	\$96,474	\$84,334	\$84,000	\$84,000	—	—%
Workers' Compensation	\$3,076	\$7,066	\$4,939	\$6,579	\$1,640	33.2%
Total Salary and Benefits	\$265,842	\$230,322	\$287,939	\$300,444	\$12,505	4.3%
Dollars by Category						
Allocated Charges	\$18,007	\$18,737	\$14,435	\$15,392	\$957	6.6%
Contract Services	\$43,233	\$49,214	\$108,000	\$108,000	—	—%
General Expense	\$39,877	\$25,485	\$6,000	\$6,000	—	—%
Operating Transfers-Out	\$1,686	—	—	—	—	—%
Supplies & Material	\$1,775	\$1,113	\$2,930	\$2,930	—	—%
Total Dollars by Expense Category	\$370,419	\$324,871	\$419,304	\$432,766	\$13,461	3.2%
Revenues						
Charges to Other Funds	\$103,376	\$111,210	\$155,566	\$218,670	\$63,104	40.6%
Total Revenues	\$103,376	\$111,210	\$155,566	\$218,670	\$63,104	40.6%
Positions by Division						
City Council Operations	7.00	7.00	7.00	7.00	—	—%
Total	7.00	7.00	7.00	7.00	—	—%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
City Council	7.00	7.00	7.00	7.00	—	\$84,000
Subtotal: Full-Time Equivalent Positions	7.00	7.00	7.00	7.00	—	\$84,000
Total Positions	7.00	7.00	7.00	7.00	—	\$84,000

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	7.00	419,304	155,565	263,739
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	10,865	-	10,865
General Fund Cost Allocation Plan	-	-	63,104	(63,104)
Information Technology Allocated Charges	-	(93)	-	(93)
Liability Insurance Allocated Charges	-	1,050	-	1,050
Workers' Compensation Allocated Charges	-	1,640	-	1,640
Adjustments to Costs of Ongoing Activities	-	13,462	63,104	(49,642)
Total FY 2022 Base Budget	7.00	432,766	218,669	214,097
Budget Adjustments				
1. None	-	-	-	-
Total Budget Adjustments	-	-	-	-
Total FY 2022 Adopted Budget	7.00	432,766	218,669	214,097



CITY OF
**PALO
ALTO**

CITY MANAGER

Mission Statement

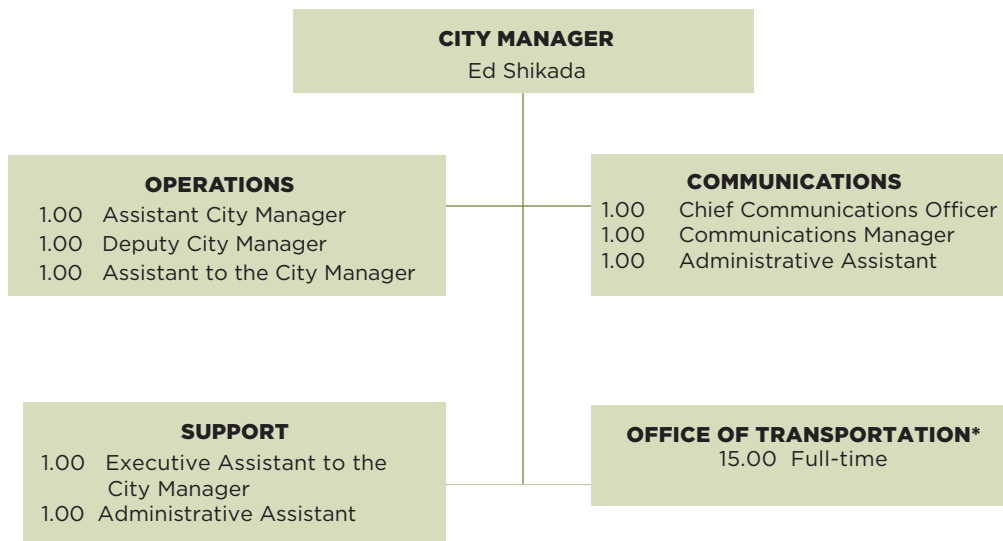


The City Manager's Office provides leadership and professional management to the City government organization and works with the City Council to develop and implement policies to maintain and enhance Palo Alto's quality of life.

Purpose

The City Manager's Office adheres to guiding values that emphasize community, equity, stewardship, and public service to ensure the City Council's goals and objectives are achieved in a timely manner.

CITY MANAGER



FY 2022 POSITION TOTALS 24.00 - Full-time

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

* A detailed breakdown of the organizational structure of the Office of Transportation is included later in this section.

Description

The City Manager's Office (CMO) 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 CMO prepares City Manager Reports (staff reports) in collaboration with City departments, including analysis and recommended City Council action, and implements City Council actions. The CMO acts on priorities identified by the City Council during the annual City Council Retreat and City Council-initiated policies or programs. The CMO also engages other governments through participation in regional, statewide, and national organizations, 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 extensive interdepartmental coordination, community outreach, and engagement with non-profits, 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 achievement of the City's goals. Some projects may be planned and identified as City Council priorities in one year or another (such as Grade Separation and Sustainability) and others may arise as the City responds to unfolding events and community concerns, such as racial equity and inclusion. Special long-term projects, such as Transportation, remain an 'Office' within the CMO department for specific attention and coordination. Others, such as Sustainability, move to another department over-time for long-term operational work, though regular reporting and project development may be facilitated and communicated via the CMO.

DIRECT AND COORDINATE DEPARTMENT OPERATIONS

The CMO provides strategic leadership and guidance to the 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 City Council's policies and priorities.

SUPPORT A PRODUCTIVE AND HEALTHY WORKFORCE

The CMO maintains a highly qualified, engaged, and effective workforce to successfully achieve the City's goals and objectives. Towards that end, the CMO cultivates a strong service culture and provides ongoing, informative communications with City employees regarding key objectives, challenges, and accomplishments. As vacancies occur within the organization, the CMO provides support to maintain service delivery.

CITY MANAGER

In addition, the CMO mentors junior and senior staff, developing a pipeline of qualified managers within the organization.

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, 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. In addition to addressing issues with individual businesses, local and regional associations serve as leaders and partners in this endeavor. Accordingly, the City Manager assigns staff to these organizations. The CMO, as staffing resources allow, acts as an ombudsman, facilitating the routing of business inquiries to appropriate departments for resolution. In addition, the CMO leads Palo Alto's participation in Sister Cities, creating meaningful connections with cities around the world.

Accomplishments

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

- Supported planning and emergency response to the COVID-19 pandemic, wildfires, calls for social justice, and public safety power shutoffs.
- 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.
- Filled key leadership positions in the organization, including the Deputy City Manager and interim Assistant City Manager. Also assisted in the recruitment for a new City Clerk.
- Supported City staff and departments during unprecedented budget shortfalls due to the pandemic while working through a 25% staff reduction.
- Managed the City's state and federal legislative program to advance City Council and City department goals and engaged the community and received over 200 of letters of support to accompany applications for federal funding for Palo Alto infrastructure and mental health projects.
- Supported the Mayor and City Clerk's Office in Palo Alto's first virtual State of the City address.

- Facilitated the City Council and Finance Committee's efforts to achieve fiscal sustainability and complete critical infrastructure projects, including the California Avenue Parking Garage.
- Supported the efforts of departments moving forward on infrastructure projects. Major project milestones include the installation of three bridge segments of the Highway 101 Pedestrian and Bicycle Bridge; certification of the environmental impact report, awarding of the contract, and breaking ground on the Public Safety Building.
- Supported regular communication and best practice sharing with Sister Cities virtually.
- Supported multiple community outreach efforts on a variety of issues aimed at increasing civic participation, feedback and engagement including virtual town halls, the South Palo Alto Bikeways project, the Connecting Palo Alto Rail Corridor project, and the North Ventura Coordinated Area Plan. Expanded available tools to share and connect with the community
- Produced and published multi-platform communications content related to City Council and organizational goals and programs; further expanded outreach during the pandemic by launching a twice-a-week (now weekly) newsletter, and provided responsive, informed, and timely information to the community, public, and media stakeholders.
- Partnered with Santa Clara County's Public Health Department and other local healthcare providers to provide local residents and businesses with quick, convenient, and free COVID-19 testing clinics in the community, greatly expanding access to critical coronavirus tests.
- Opened Cooling Centers and Respite Centers at community facilities with the help of the Community Services and Library Departments during heatwaves and wildfires.
- Supported the Magical Bridge Foundation in their call for volunteers to reopen the Magical Bridge Park as soon as it was safely allowed.
- Supported the Small Business Recovery Grant Program and awarded over \$500,000 to small businesses impacted by COVID-19.
- Supported businesses throughout the pandemic and encouraged the community to patron local businesses.
- Launched a robust Race & Equity framework and initiative and partnered with local community organizations and stakeholders, City Council, departments, and the public to begin the ongoing work of creating a more inclusive and equitable City workplace and community. The City hosted several community events, meetings, artwork, blog posts, webinars, reading challenges, and more.
- Facilitated the installation and removal of temporary street art proclaiming Black Lives Matter.
- Supported Palo Alto Reads, a "one book, one community" program that encourages the reading and discussion of selected books around themes and topics relevant to Palo Alto.
- Coordinated Palo Alto's first Summit on Women and Girls to energize the City and community towards greater opportunity and equity for women and girls in keeping with the City's commitment to race and equity.
- Supported the Office of Transportation in launching the City's first all virtual town hall using virtual and augmented reality technology to inform and engage the public on the rail corridor grade separation conversation.

CITY MANAGER

- Supported citywide sustainability efforts and engaged the public in the 2021 update to the Sustainability and Climate Action Plan.
- Supported the opening and renaming of Foothills Nature Preserve to nonresidents and City Council direction on a visitor fee structure.
- Supported the Planning and Development Services in their shift to online permitting services and virtual appointments with development services staff.
- Guided Palo Alto's bike-friendly policies and infrastructure earning Palo Alto a Gold-Level Bicycle Friendly Community award by the League of American Bicyclists.
- Supported Santa Clara County's Registrar of Voters in outreach to local communities during an unprecedented presidential elections year, encouraging vote by mail and other socially-distanced forms of voting.
- 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.
- Established the Uplift Local program to expand outdoor dining, retail, and more, generally supporting the business community and connecting the broader Palo Alto community together during challenging economic and public health emergencies. Continued to support key business districts such as Downtown Palo Alto, California Avenue, and the Stanford Shopping Center.
- Participated in the planning and execution of the 11th Annual and the first ever socially distant/virtual 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.
- Assisted in the City Council adoption of a revised Tobacco Retail Permit (TRP) Ordinance which prohibits the sale of all flavored tobacco and electronic cigarette products. The ordinance is administered and monitored by Santa Clara County Department of Environmental Health and Santa Clara County Public Health Department.
- Provided management needed for the City's 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.
- Launched a completely redesigned, responsive website using contemporary website design standards and a modern content management system.

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.
- Continue to work with Rail Committee, citizens, and stakeholders to achieve agreement on a grade separation alternative for rail crossings. Narrowed options to consider for 3 of the 4 grade crossings.

- Enhance and advance international programs through the partnership with Neighbors Abroad to grow 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.
- 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.
- 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 S/CAP goals and SIP actions into department work plans, program goals, objectives and operations, and support interdepartmental SIP implementation teams.
- Provide support to departments and the community as Palo Alto works to advance racial equity and inclusive opportunities for all and to embed equity in City operations and Board and Commission work.
- Support City departments in maintaining a balanced workload considering budget cuts.

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.

CITY MANAGER

- Improve the efficiency of the City's infrastructure, facilities, and equipment to support environmental and fiscal sustainability.
- Facilitate a high level of citizen satisfaction with City services.

GOAL 3

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

OBJECTIVES:

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

GOAL 4

Promote and sustain citizen participation and engagement in public matters.

OBJECTIVES:

- Engage public and private partners to advance community initiatives.
- Expand outreach efforts and communications platforms to broaden 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

Goal	Lead the City's management team to ensure the provision of quality, cost-effective, equitable, and community-focused services.				
Objective	Facilitate a high level of citizen understanding and satisfaction with City services.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of surveyed who rated the Overall Image/Reputation of the City as "Good" or "Excellent"	N/A*	77%	N/A*	88%	N/A*
Percent of surveyed who rated the Quality of City Services as "Good" or "Excellent"	N/A*	73%	N/A*	85%	N/A*
Percent of surveyed who rated the Value of Services for the Taxes Paid as "Good" or "Excellent"	N/A*	53%	N/A*	63%	N/A*
Description	The City participates in the National Citizen Survey (NCS), which is a collaborative effort between National Research Center, Inc. and the International City/County Management Association. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinion about the quality of life in the community.				
Purpose	Residents' feedback on the quality of services provided by the City allows staff to evaluate performance and identify improvement opportunities.				
Status	Palo Alto will expand efforts to understand citizen satisfaction measures and ways to continue to meet citizens' evolving interests and priorities. The City continues to seek to improve the quality, cost-effectiveness, and equitableness of City services. *The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A". As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is anticipated to take place in FY 2023.				

Key Performance Measures

COORDINATE COMMUNICATIONS AND COMMUNITY ENGAGEMENT

Goal	Promote and sustain citizen participation and engagement in public matters.				
Objective	Preserve transparency and enhance communication with the public.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of subscribers to City Manager's online newsletter	6,422	N/A**	6,700	6,590	N/A***
Number of unique visitors to the City of Palo Alto website	753,596	884,455	975,775	887,068	884,455
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of local government media services and evaluate local government services, including opinion quality of life in the community. The City tracks additional performance measures that indicate the volume of traffic to communications resources (website) and the volume of people receiving the City's newsletter.				
Purpose	Robust levels of community awareness and participation demand communication systems that are timely, accurate, meaningful, and readily accessible.				
Status	Palo Alto continues to rank above the benchmark, however, specifically in FY 2021, with the onset of the coronavirus in March 2020, the City pivoted to focus on sharing news about the pandemic and other City updates through a new digital newsletter. In addition, in April 2021, staff launched a new redesigned website which is intended to enhance communication further between the City and Community. Staff will leverage the new technology by evolving and adding enhancements in the coming year. ** The City Manager newsletter was put on pause during the pandemic and the Coronavirus Report was established instead. At its peak, 61,000 people were subscribed to receive this newsletter. *** The City is moving to a single platform in FY22 for email newsletters and will be reporting combined subscriber numbers across departments.				

FACILITATE BUSINESS ENGAGEMENT AND ECONOMIC VITALITY

Goal	Maintain an environment that supports a strong local economy, supporting retailers, employees, and employers through sound financial planning and implementation of the City's Operating and Capital Improvement Program (CIP) budgets.				
Objective	Balance and manage economic growth and development initiatives.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Absolute value of sales tax revenue	\$36,500,000	\$30,600,000	\$20,500,000	\$25,000,000	\$28,000,000
Percent of surveyed who rated Shopping Opportunities as "Good" or "Excellent"	N/A*	77%	N/A*	80%	N/A*
Percent of surveyed who rated Vibrant Downtown and Commercial Areas as "Good" or "Excellent"	N/A*	72%	N/A*	73%	N/A*

Key Performance Measures

Year-over-year percentage increase in sales tax revenue	17.36%	(16.16)%	(33.01)%	(18.30)%	(12.00)%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of economic activities and business and service establishments. 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 and other business-generated taxes.				
Purpose	Understanding the community perception of the business environment allows staff to work with developers and investors to ensure the right composition of business and services in Palo Alto.				
Status	The 3rd quarter of FY 2020 and FY 2021 have seen significant unprecedented declines in tax receipts in these types of activities due to the immediate and sweeping impacts of the coronavirus onset. Shelter-in-place orders have restricted the movement of people throughout the community impacting TOT and Sales tax activities the most since March 2020 through the release of this proposed budget. City continues to work with business owners to increase parking supply, walkability and enhance public spaces with arts and events to increase customer experience. During the current public health emergency, temporary resources have been reallocated and dedicated to partner with local businesses and identify ways to support business and community recovery. The City continues to connect businesses with information about available funding opportunities at the State and Federal governments. *The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A". As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is anticipated to take place in FY 2023.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of City Council and City Council Committee meetings	92	75	82	83	81
Total Hours of City Council and City Council Committee meetings	350	295	326	307	277

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration and City Management	\$2,917,905	\$2,924,441	\$2,884,827	\$3,070,486	\$185,659	6.4%
Economic Development	\$41,253	\$343,340	\$25,193	\$25,195	\$3	—%
Public Communication	\$234,988	\$284,731	\$250,652	\$223,398	\$(27,254)	(10.9)%
Sustainability	\$692,445	\$793,618	—	—	—	(100.0)%
Total	\$3,886,591	\$4,346,129	\$3,160,671	\$3,319,079	\$158,408	5.0%
Salary & Benefits						
Healthcare	\$179,667	\$155,926	\$183,005	\$223,649	\$40,644	22.2%
Other Benefits	\$110,832	\$84,210	\$58,285	\$72,261	\$13,976	24.0%
Pension	\$490,421	\$581,466	\$619,102	\$689,335	\$70,232	11.3%
Retiree Medical	\$126,770	\$130,574	\$115,708	\$126,420	\$10,712	9.3%
Salary	\$1,821,458	\$1,698,435	\$1,561,988	\$1,624,980	\$62,992	4.0%
Workers' Compensation	\$42,653	\$93,051	\$60,210	\$86,217	\$26,006	43.2%
Total Salary and Benefits	\$2,771,802	\$2,743,662	\$2,598,299	\$2,822,861	\$224,562	8.6%
Dollars by Category						
Allocated Charges	\$175,508	\$254,282	\$159,004	\$167,850	\$8,846	5.6%
Contract Services	\$764,712	\$870,546	\$338,185	\$290,185	\$(48,000)	(14.2)%
General Expense	\$134,197	\$470,755	\$58,391	\$31,391	\$(27,000)	(46.2)%
Rents & Leases	\$45	\$45	\$154	\$154	—	—%
Supplies & Material	\$8,329	\$6,839	\$6,639	\$6,639	—	—%
Total Dollars by Expense Category	\$3,886,591	\$4,346,129	\$3,160,671	\$3,319,079	\$158,408	5.0%
Revenues						
Charges to Other Funds	\$971,893	\$1,073,382	\$1,549,472	\$1,556,076	\$6,604	0.4%
From Other Agencies	\$340,807	\$589,194	—	—	—	—%
Total Revenues	\$1,312,699	\$1,662,575	\$1,549,472	\$1,556,076	\$6,604	0.4%
Positions by Division						
Administration and City Management	7.25	7.00	7.00	6.00	(1.00)	(14.3)%
Public Communication	3.00	3.00	3.00	3.00	—	—%
Sustainability	1.75	0.75	—	—	—	—%
Total	12.00	10.75	10.00	9.00	(1.00)	(10.0)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Assistant	1.00	2.00	2.00	2.00	—	\$161,898
Administrative Associate III	1.00	—	—	—	—	—
Assistant City Manager	—	1.00	1.00	1.00	—	\$258,544
Assistant City Manager/ Utilities General Manager	0.25	—	—	—	—	—
Assistant to the City Manager	2.00	2.00	1.00	1.00	—	\$164,861
Assistant to the City Manager (Freeze)	—	—	1.00	—	(1.00)	—
Chief Communications Officer	1.00	1.00	1.00	1.00	—	\$192,608
Chief Sustainability Officer	1.00	—	—	—	—	—
City Manager	1.00	1.00	1.00	1.00	—	\$356,013
Deputy City Manager	2.00	1.00	1.00	1.00	—	\$190,424
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	—	\$107,328
Management Analyst	0.75	0.75	—	—	—	—
Manager Communications	1.00	1.00	1.00	1.00	—	\$126,360
Subtotal: Full-Time Equivalent Positions	12.00	10.75	10.00	9.00	(1.00)	\$1,558,036
Total Positions	12.00	10.75	10.00	9.00	(1.00)	\$1,558,036

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the City Manager's Office, a total of 1.0 FTE (1.0 full-time, 0.0 part-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	10.00	3,160,672	1,549,472	1,611,199
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	181,483	-	181,483
One-Time Prior Year Budget Adjustments	-	181,483	-	181,483
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	286,025	-	286,025
FY21 Staffing Freeze Eliminations (CMR 11872)	(1.00)	(218,952)	-	(218,952)
General Fund Cost Allocation Plan	-	-	6,604	(6,604)
City Manager Relocation Expense Reimbursement	-	(24,000)	-	(24,000)
Information Technology Department Allocated Charges	-	(16,091)	-	(16,091)
Liability Insurance Allocated Charges	-	16,319	-	16,319
Printing & Mailing Allocated Charges	-	8,618	-	8,618
Workers' Compensation Allocated Charges	-	26,006	-	26,006
Adjustments to Costs of Ongoing Activities	(1.00)	77,925	6,604	71,321
Total FY 2022 Base Budget	9.00	3,420,079	1,556,076	1,864,003
Budget Adjustments				
1. Communications Staffing and Programming	-	(73,000)	-	(73,000)
2. National Citizen's Survey	-	(28,000)	-	(28,000)
Total Budget Adjustments	-	(101,000)	-	(101,000)
Total FY 2022 Adopted Budget	9.00	3,319,079	1,556,076	1,763,003

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Communications Staffing and Programming	-	(73,000)	-	(73,000)

This ongoing action reduces resources for communications programming, contract expense, and staffing levels. This action also recognizes savings equivalent to underfilling the Communications Manager position at a lower level (e.g. Management Analyst level), in order to balance the need to lower the cost of services while still working to achieve current Council priorities for engagement for key projects approved, such as but not limited to the Fiber to the Home Initiative, as part of the Community and Economic Recovery workplan. With this focus, a portion of the position is recommended to be reallocated to the Fiber Fund as well for the implementation of the Fiber to the Home initiative. In addition to the staffing realignment, a 40% reduction in contractual services is recommended, leaving approximately \$35,000 citywide for any contractual services for communication including use of platforms such as nixel, medium, and limited design services. This will limit staff's ability to procure and implement new technologies or more robust platforms, however staff expect to focus and standardize work on platforms such as the ESRI system for further engagement. (Ongoing savings: \$74,500)

Performance Results



This action contributes to cost containment strategies in FY 2022.

2. National Citizen's Survey	-	(28,000)	-	(28,000)

This action reduces contractual funding used for the annual citizens survey. Currently the City's practice has been to complete the Citizen Survey on an annual basis (currently administered by Polco Citizens Survey). Due to the reduction in staffing resources and the reallocation of this work from the former City Auditor's Office to the City Manager's Office, it is recommended that this survey be conducted biennially instead of annually. This will ensure the feedback from the community is received on a routine and consistent basis in order to assist in informing staff and the City Council on its priorities and areas for further focus and improvement. This survey was last conducted in FY 2021, therefore it would next be completed in FY 2023. The City will still receive resident feedback through the annual City Council priority-setting process, though it will look different than the quantitative data received through the citizen survey process. (Ongoing savings: \$28,000)

Performance Results



This action contributes to cost containment strategies in FY 2022.



CITY OF
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OFFICE OF TRANSPORTATION

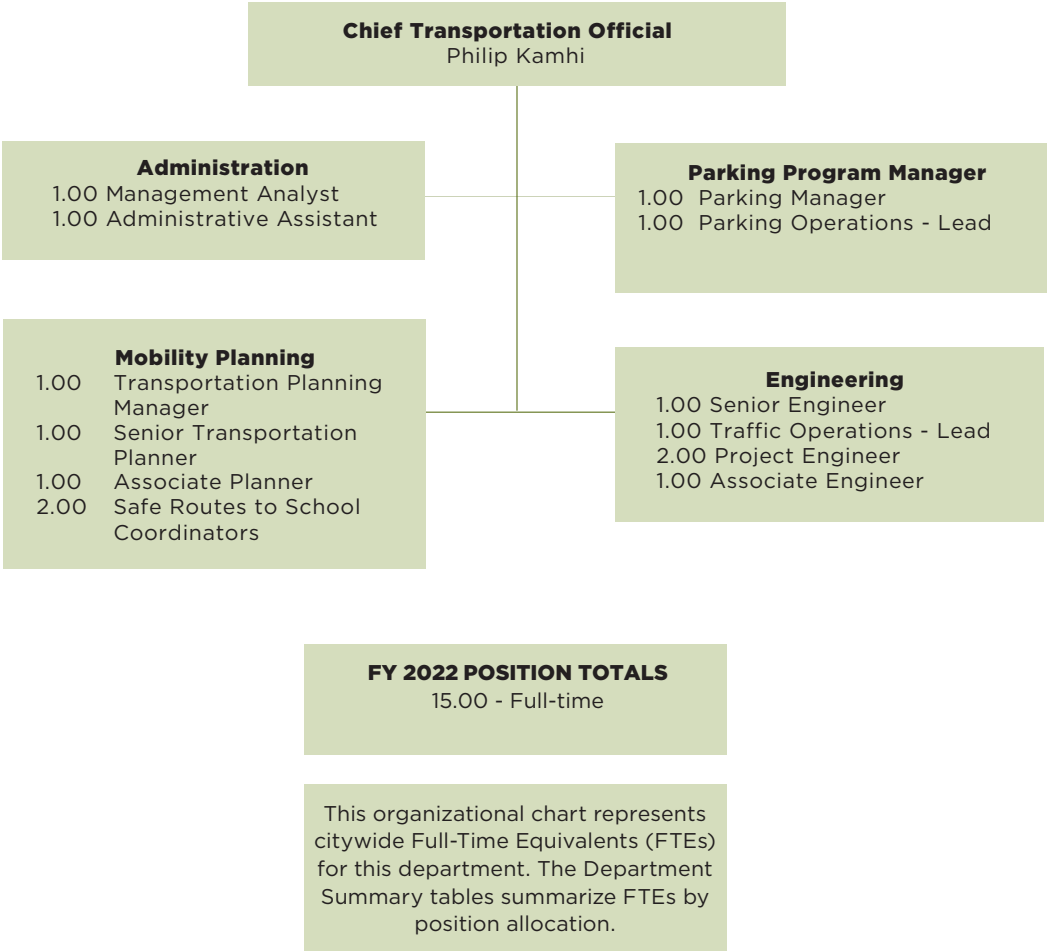
Mission Statement



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.



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:

MOBILITY/PLANNING

Responsible for sustainable transportation systems that aim to reduce traffic congestion and auto emissions through increased 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).

The Palo Alto Free Shuttle Program is currently suspended due to the impacts from the ongoing COVID-19 pandemic and resulting financial and health-order constraints. Staff continues to evaluate funding opportunities for shuttle or other transit options and has been awarded grant funds from VTA to pursue innovative opportunities.

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/PROGRAM MANAGEMENT

Planning, development, and ongoing management of 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

- Implemented Shared Streets Program to provide more space for recreation on three Bicycle Boulevards during pandemic emergency
- Developed parklet design standards for University and California Avenues to support outdoor dining during pandemic
- Initiated public outreach for South Palo Alto Bikeways Project (VERBS grant)
- Revised the Residential Preferential Parking (RPP) Program to enhance its effectiveness and sustainability
- Initiated implementation of the new online parking permit and citation management system.
- Added Youth as the fourth partner of the Safe Routes to School (SRTS) Partnership
- Completed 78% of Year 4 of Safe Routes to School Partnership (City/PAUSD/PTA/Youth) Five-Year Work Plan Goals to help grow and strengthen community-wide support for safe, active, healthy, and sustainable school commutes.
- Delivered online pedestrian and bicycle safety education classes to 5,917 students, or 55% of Palo Alto Unified School District enrollment.
- Developed COVID-19 online activities resource to support family physical activity during the pandemic
- Completed final SRTS VTA-funded video Public Service Announcement
- Hosted one school-based Adaptive Bicycling event for PAUSD exceptional needs elementary school students
- Hosted one Spanish language SRTS event in collaboration with PAUSD School and Family Engagement Specialists
- Hosted an equity-focused Ruby Bridges Walk and Roll Month pilot
- Ensured inclusive transportation options were incorporated into school district and Countywide School Reopening Guideline Policies
- Implemented Automated Parking Guidance System (APGS) in California Avenue Garage
- Developed partial and full underpass concepts based on the community input for the three grade crossings and studied total of nine alternatives.
- Narrowed grade separation alternatives from 9 to 7 by eliminating 2- tunnel alternatives from consideration

- Hosted 48 Expanded Community Advisory Panel (XCAP) meetings, leading to presentation of the XCAP final report to City Council on Grade Separation in March 2021.
- City staff hosted a Virtual Town Hall on Grade Separation, from August 19, 2020 to September 14, 2020 gaining over 1,000 unique visitors to the online platform.
- Created webpage informing public of School Speed Limit Sign Installation Project
- Adopted License Plate Recognition for parking data collection and RPP enforcement
- Developed Bicycle and Pedestrian Transportation Plan Framework with the Pedestrian and Bicycle Advisory Committee (PABAC) for the TDA3 Grant Claim
- Applied for and awarded the Bike Friendly Communities Gold-Level Status
- Participated in VTA-led US-101/San Antonio/Rengstorff Initial Planning
- Applied and awarded 2016 Measure B Transit Innovation Grant
- Implemented Middlefield North Traffic Calming

Initiatives

- Launch Bike/Scooter Share Pilot (COVID-19 delayed)
- Launch Mobility Information Kiosk E-Bike (MIKE) Community Engagement Program (Measure B)
- Initiate Transportation Demand Management Ordinance and Update Level of Service Policy
- Implement Measure B Innovative Transit Grant Project
- Continue South Palo Alto Bikeways (VERBS Grant) Community Engagement Plan (pending Council approval of Phase 1)
- Install School Zone Speed Limit Signage
- Prioritize Neighborhood Traffic Safety & Bike Boulevards Project Phases (Pending CMO Community Engagement Plan)
- Obtain Council direction for El Camino Real Bike Lanes at Los Altos Border/Caltrans Re-paving Project
- Construct Crescent Park Neighborhood Traffic Calming Pilot
- Update Livable Neighborhood Streets Program and Prioritization (Formerly Traffic Calming Program)
- Support Summer Streets Program/Up-Lift Local Program
- Finalize design of Churchill Avenue Enhanced Bikeway Project (PL-14000) and initiate construction
- Install Downtown Automated Parking Guidance System (APGS) in three Downtown garages (PL-15002)
- Award Alma/Churchill Ave. Section 130 Project Contract (PL-20000) and San Antonio/E. Charleston Traffic Safety Project Contract (PL-05030)
- Continue development of the Parking Action Plan and Initiate Parking Program Management Adjustments
- Update Bicycle and Pedestrian Transportation Plan (PL-04010)
- Initiate construction of traffic signal improvements at San Antonio and Charleston

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 (SOV) trips; and improve traffic flow and parking availability

Objectives:

- Improve traffic flow on major streets
- Increase safety and ease of travel by bicycle in Palo Alto
- Increase safety and ease of walking in Palo Alto
- Increase awareness of transit options
- Pilot micro-mobility options (e.g. scooter and bicycle share programs)

GOAL 2

Ensure that services are delivered efficiently and continue to improve

Objectives:

- Institute a revised community engagement process for transportation projects
- Revise Parking Programs to enhance effectiveness and sustainability
- Increase or add automated data collection systems
- Continue development of the Parking Action Plan and implement parking management adjustments

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 the Office of Transportation staff
- Develop a career development plan to promote the retention of Transportation staff

Key Performance Measures

CITIZEN SURVEY - EASE OF PUBLIC PARKING

Goal	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.				
Objective	Increase ease of public parking				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of surveyed residents rating the amount of parking as good or excellent	N/A*	57%	N/A*	38%	N/A*
Description	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.				
Purpose	To obtain feedback from residents on the ease of public parking to determine if the program's resources are appropriate.				
Status	Traffic flow improved due to shelter-in-place when unessential trips were prohibited. Trips to work, school, parks, and social events were severely curtailed. This improved traffic flow and reduced demand for parking. Staff expects in calendar year 2021 to install an automated parking guidance system (APGS) in both the California Avenue district and University Avenue districts. This will assist in parking management including the balance of employee permit authorization and the RPP districts. * The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A". As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is anticipated to take place in FY 2023.				

CITIZEN SURVEY - TRAFFIC FLOW ON MAJOR STREETS

Goal	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.				
Objective	Improve traffic flow on major streets.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent surveyed residents rating the traffic flow on major streets as good or excellent	N/A*	48%	N/A*	30%	N/A*
Description	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.				

Key Performance Measures

Purpose	To obtain feedback from residents on the traffic flow on major streets to determine the perceived functionality of major streets.
Status	Traffic flow improved due to shelter-in-place when unessential trips were prohibited. Trips to work, school, parks, and social events were severely curtailed. This improved traffic flow and reduced demand for parking. * The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A". As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is anticipated to take place in FY 2023.

NUMBER OF SHUTTLE RIDERS

Goal	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.				
Objective	Increase the annual number of riders on the Palo Alto shuttle				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of Shuttle Riders	104,929	60,197	—	—	—
Description	This measure tracks the annual usage of the shuttle program.				
Purpose	To track changes in satisfaction and ridership with the shuttle program.				
Status	While the Palo Alto Free Shuttle Program was discontinued in FY21, the City was awarded a \$2M Innovative Transit grant from the Santa Clara Valley Transportation Authority to fund an on-demand micro-transit service in Palo Alto. Service is tentatively scheduled to begin in the Summer of 2022. The Office of Transportation will reassess this measure and recommend an alternative measure that is more reflective of the new micro-transit service.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of transportation inquiries to 311	275	279	300	125	195
Number of households in RPP district	6,569	8,816	5,900	8,816	8,816
Number of students reached through educational programs with Safe Routes to School	5,442	1,947	6,735	5,109	5,209
Number of development projects reviewed	71	156	80	308	300
Number of traffic signals maintained	101	101	101	101	101

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration	\$473,466	\$546,829	\$630,126	\$660,887	\$30,762	4.9%
Engineering and Planning	\$499,205	\$604,794	\$604,400	\$618,138	\$13,738	2.3%
Programs	\$861,232	\$900,441	\$669,648	\$468,065	\$(201,583)	(30.1)%
Total	\$1,833,902	\$2,052,064	\$1,904,173	\$1,747,089	\$(157,084)	(8.2)%
Salary & Benefits						
Healthcare	\$50,920	\$68,462	\$103,177	\$81,839	\$(21,338)	(20.7)%
Other Benefits	\$11,358	\$20,569	\$26,528	\$28,610	\$2,082	7.8%
Overtime	\$2,897	\$1,439	\$7,795	\$7,998	\$203	2.6%
Pension	\$116,288	\$264,762	\$304,620	\$334,724	\$30,104	9.9%
Retiree Medical	\$74,971	\$77,220	\$78,098	\$89,159	\$11,061	14.2%
Salary	\$431,343	\$662,149	\$791,163	\$721,229	\$(69,934)	(8.8)%
Workers' Compensation	\$15,948	\$24,355	\$21,922	\$32,800	\$10,878	49.6%
Total Salary and Benefits	\$703,726	\$1,118,955	\$1,333,304	\$1,296,359	\$(36,944)	(2.8)%
Dollars by Category						
Allocated Charges	\$133,778	\$152,710	\$184,424	\$204,334	\$19,910	10.8%
Contract Services	\$754,971	\$558,029	\$132,446	\$41,800	\$(90,646)	(68.4)%
Facilities & Equipment	—	\$945	\$5,000	\$5,000	—	—%
General Expense	\$233,380	\$218,077	\$228,750	\$189,346	\$(39,404)	(17.2)%
Operating Transfers Out	\$7,780	—	—	—	—	—%
Supplies & Material	\$267	\$3,347	\$20,250	\$10,250	\$(10,000)	(49.4)%
Total Dollars by Expense Category	\$1,833,902	\$2,052,064	\$1,904,173	\$1,747,089	\$(157,084)	(8.2)%
Revenues						
Operating Transfers-In	\$128,000	\$128,000	\$128,000	\$128,000	—	—%
Other Revenue	—	\$12,000	—	\$60,000	\$60,000	—%
Permits and Licenses	\$13,332	\$37,919	\$13,332	\$13,332	\$0	—%
Total Revenues	\$141,332	\$177,919	\$141,332	\$201,332	\$60,000	42.5%
Positions by Division						
Administration	0.50	2.18	2.33	1.75	(0.58)	(24.9)%
Engineering and Planning	2.18	1.70	1.70	1.90	0.20	11.8%
Programs	2.21	2.80	2.80	1.55	(1.25)	(44.6)%
Total	4.89	6.68	6.83	5.20	(1.63)	(23.9)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Assistant	—	0.50	0.50	0.60	0.10	\$52,416
Associate Engineer	—	0.30	0.30	0.35	0.05	\$43,658
Associate Planner	—	0.30	0.45	0.40	(0.05)	\$43,613
Chief Transportation Official	—	0.70	0.70	0.70	—	\$133,006
Coordinator Transportation Systems Management	—	1.25	1.25	0.65	(0.60)	\$72,440
Management Analyst	—	0.50	0.50	0.50	—	\$55,130
Parking Operations-Lead	—	—	—	0.05	0.05	\$6,841
Project Engineer	—	0.45	0.45	0.25	(0.20)	\$37,804
Senior Engineer	—	0.20	0.20	0.20	—	\$31,999
Senior Planner	—	0.50	0.50	0.15	(0.35)	\$20,193
Traffic Engineering-Lead	—	0.35	0.35	0.35	—	\$55,692
Transportation Planning Manager	—	1.15	1.15	1.00	(0.15)	\$157,893
Subtotal: Full-Time Equivalent Positions	—	6.20	6.35	5.20	(1.15)	\$710,685
Temporary/Hourly	—	0.48	0.48	—	(0.48)	—
Total Positions	—	6.68	6.83	5.20	(1.63)	\$710,685

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Office of Transportation, a total of 0.48 FTE (0.0 full-time, 0.48 part-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	6.83	1,904,173	141,332	1,762,841
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	45,845	-	45,845
One-Time Prior Year Budget Adjustments	-	45,845	-	45,845
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	140,090	-	140,090
FY21 Staffing Freeze Eliminations (CMR 11872)	(0.48)	(29,983)	-	(29,983)
Information Technology Allocated Charges	-	(1,127)	-	(1,127)
Liability Insurance Allocated Charges	-	12,663	-	12,663
Printing & Mailing Services Allocated Charges	-	(200)	-	(200)
Utilities Allocated Charges	-	8,575	-	8,575
Workers' Compensation Allocated Charges	-	10,878	-	10,878
Adjustments to Costs of Ongoing Activities	(0.48)	140,895	-	140,895
Total FY 2022 Base Budget	6.35	2,090,913	141,332	1,949,581
Budget Adjustments				
1. Capital Staffing Funding Reallocation	(1.15)	(203,824)	-	(203,824)
2. Transportation and Parking Consultant Services Reduction and Alternative Funding	-	(140,000)	60,000	(200,000)
Total Budget Adjustments	(1.15)	(343,824)	60,000	(403,824)
Total FY 2022 Adopted Budget	5.20	1,747,089	201,332	1,545,757

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Capital Staffing Funding Reallocation	(1.15)	(203,824)	-	(203,824)

This net-neutral action realigns the funding of various Office of Transportation (OOT) positions citywide, resulting in a net reduction of 1.15 FTE in the General Fund. This action more accurately aligns staff to their respective work assignments and projects and does not change overall staffing levels.

- The most significant reallocations add staffing resources for transportation capital projects in the General Capital Improvement Fund, including South Palo Alto Bikeways (VERBS Grant Community Engagement Plan within the Safe Routes to School CIP (PL-00026); Bicycle and Pedestrian Transportation Plan Update within the Bicycle and Pedestrian Transportation Plan Implementation CIP (PL-04010); Churchill Avenue Enhanced Bikeway CIP (PL-14000); and Churchill Avenue/Alma Street Railroad Crossing Safety Improvements CIP (PL-20000).

- This staffing realignment includes a reduction of 0.30 FTE in the Residential Preferential Parking (RPP) Fund and 1.15 positions in the General Fund. These reductions are offset by increases of 1.45 in the General Capital Improvement Fund. This action also aligns Office of Transportation staff assignments in the Planning and Development Services Department (PDS). OOT staff assigned to PDS support reviews of development projects with respect to parking, circulation, congestion, and general transportation demand management analysis. (Ongoing Savings: \$207,939)

Performance Results



This action contributes to cost containment strategies in FY 2022.

2. Transportation and Parking Consultant Services Reduction and Alternative Funding	-	(140,000)	60,000	(200,000)

This action includes reductions to planning and consulting services (\$140,000) and dedicates grant funding (\$60,000) to reimburse the cost of 0.60 FTE Coordinator - Transportation Systems Management.

- The City committed reimbursement through the VTA Measure B Encouragement and Education Grant Agreement. This program covers activities and the development and distribution of materials that promote, educate, and encourage safe walking/biking and communicate the benefits of, and associated responsibilities related to, these activities.

- Bicycle program funding is reduced by \$46,000 (78% reduction) and will impact the City's support of local bicycle education and encouragement programming that promotes the City's Sustainability goal of reducing greenhouse gas emissions to 80 percent below 1990 levels by 2030.

- Funding for on-call engineering and traffic data services is reduced by \$37,000 (81% reduction), resulting in increased response times and completion of transportation related 311, City Manager, and Council requests.

- OOT's travel, training and membership budget is reduced by \$25,000 (13% reduction), resulting in limited capacity for maintaining best practices and fewer opportunities for employee training and professional development. This will impact the City's effective participation in events organized by staff, citizens, and grass root organizations such as Bike Palo Alto, Bike to Work Day, Bike Rodeos, and Middle-School Bike Skills Safety Education. Lastly, this will discontinue membership with Friends of Caltrain. However, the City will maintain its mandatory membership in the Congestion Management Program (CMP) of the Santa Clara Valley Transportation Authority.

- Transcription and parking study consultant services are reduced by \$32,000 (85% reduction) will eliminate transcription services for the Pedestrian and Bicycle Advisory Committee (PABAC) and the City/School Traffic Safety Committee (CSTSC). If these services are needed for future parking studies, they will be funded with Parking District Funds. (Ongoing savings: \$200,000)

Performance Results



This action contributes to cost containment strategies in FY 2022.



CITY OF
**PALO
ALTO**

ADMINISTRATIVE SERVICES

Mission Statement

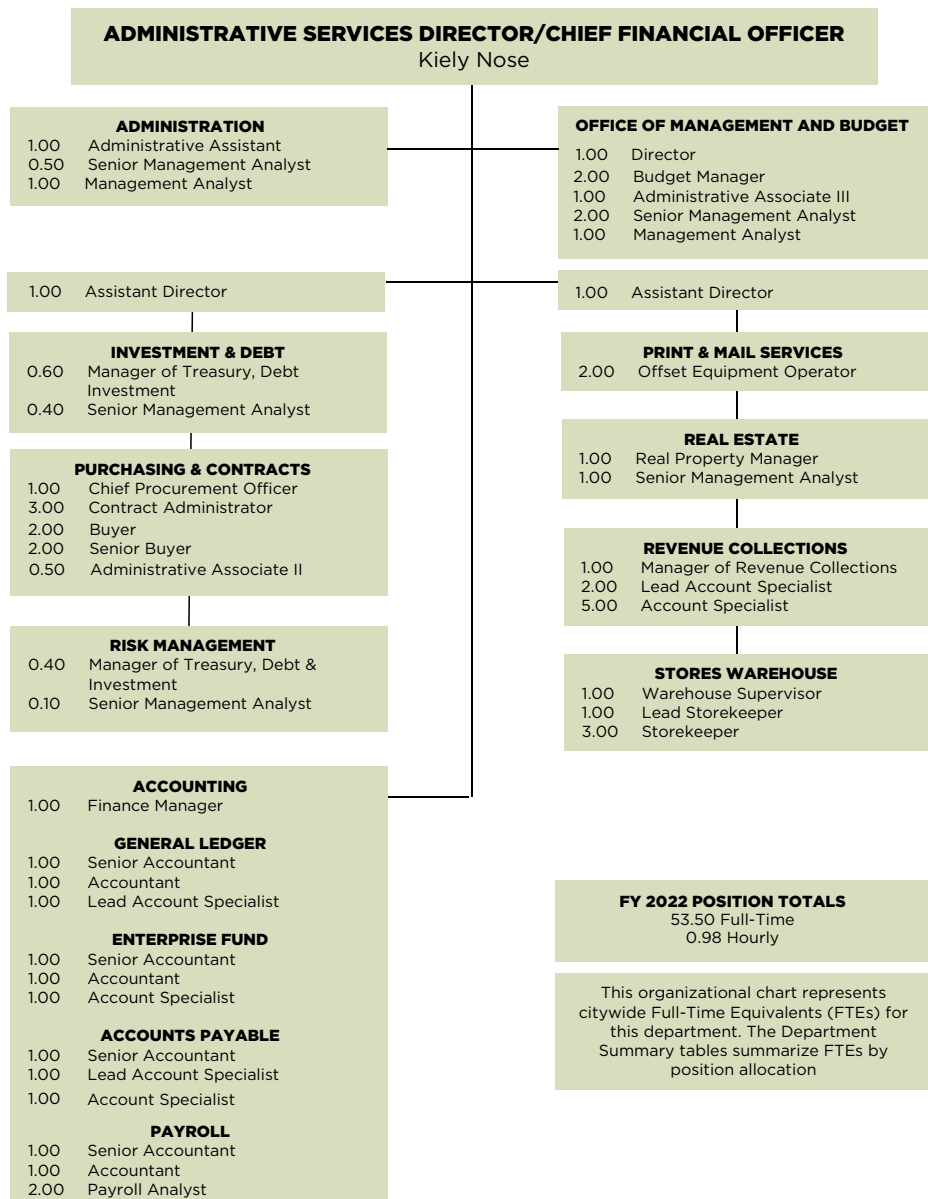


The Administrative Services Department strives to provide proactive financial and analytical support to City departments and decision-makers, and to safeguard and facilitate the optimal use of City resources.

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, customer billing, 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 the leasing of City properties, prepares real estate agreements, completes easement acquisitions/vacations, negotiates real estate agreements, 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 Poor's and Moody's in March 2021.
- Achieved investment returns of 1.63 percent, as compared to the three-year treasury at 0.24 percent.
- Executed the Pension Funding Policy as part of a comprehensive effort to proactively address the City's long-term liabilities.

ADMINISTRATIVE SERVICES

- Planned for and contributed \$5.0 million (\$3.0 million from the General Fund) in FY 2021 to the City's Section 115 Pension Trust Fund, in support of the funding goal of the City's Pension Funding Policy, bringing the total contributions to \$32.3 million (\$21.0 million from the General Fund).
- Executed new lease agreements to extend childcare services at Palo Alto Unified School District (PAUSD) elementary school sites and with the City of Santa Clara for the Safe Parking program located at Geng Road.
- Entered into an agreement for the installation of additional electric vehicle charging stations at the Bryant/Lytton Garage to help advance sustainability goals.
- Negotiated a lease agreement for workspace at 1900 Embarcadero Road to help with long-term capital improvement projects to upgrade the Regional Water Quality Control Plant.
- Supported Public Safety Building Project by facilitating a multi-step procurement process to award the construction contract and issued \$101.5 million in Certificate of Participation (COP) bonds to finance the project.
- Earned the 'Excellence in Financial Reporting Award' from the Government Finance Officers' Associations of United States and Canada (GFOA) for the FY 2020 Annual Comprehensive Financial Report (ACFR).
- Earned the 'Capital and Operating Budget Excellence Awards' from the California Society of Municipal Finance Officers (CSMFO) and the 'Distinguished Budget Presentation Award' and 'Certificate of Recognition for Budget Preparation' from GFOA for the Fiscal Year 2021 Adopted Capital and Operating budgets.
- Supported businesses impacted by COVID 19 by establishing a \$500,000 small business loan program, waiving Business Registry Certificate (BRC) and Business Improvement District (BID) fees for a second year, and providing rent assistance to businesses and non-profit organizations that rent City owned properties.
- Managed, provided training, and sought reimbursement for COVID-19 expenses and available federal financial assistance resources such as the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA).
- Navigated the City Council and organization through the second year of the pandemic by facilitating dialog with economic experts, a robust long-range financial forecast and financial balancing models to direct development of the annual budget, and an iterative annual budget process that included frequent economic updates and a community outreach strategy.
- Demonstrated strong fiscal management through the uncertainty of the pandemic by maintaining a General Fund Budget Stabilization Reserve of approximately 17.2 percent, slightly below City Council's target of 18.5 percent.
- Introduced General Fund Reserves, such as the Strategic Investments Reserve, the Administrative Support Reserve, and the Budget Uncertainty Reserve, totaling \$1.5 million that provide financial resources for the organization to respond to the recovery phase of the pandemic and City Council driven priorities and projects proactively and nimbly.
- Facilitated multi-step, complex procurements that support the City's Infrastructure Plan (Public Safety Building), strategic and long-term goals of the regional water quality control plant, among others.

- Supported the implementation of a new permitting software to streamline the process and management of neighborhood parking programs.
- Supported the citywide initiatives focused on community and economic recovery and race and equity.

Initiatives

- Continue to implement Council's direction on the Roth Building including developing a new lease agreement with the Palo Alto Museum and a construction funding plan for review by Council.
- Strengthen internal controls for Purchasing through continued education of staff and improved processes. Revise the Purchasing Manual to modernize requirements and follow current practices in procurement to help users better understand guidelines and engage the Purchasing process more effectively.
- Continue to administer the Council-approved rent forgiveness program which focuses on small businesses and non-profits. This program provides rent relief to small businesses who rent in city facilities from the economic impacts of COVID-19.
- Purchase and implement a lease management system in compliance with GASB 87 to address the government financial reporting requirement that helps financial statement readers better understand the value of the City's leased assets.
- Finalize the administrative policy on unsolicited proposals as directed by the City Council and use the framework to update and modernize the existing policy regarding the leasing of City property to align with best practices.
- Include new GFOA award requirements in the Fiscal Year 2023 budget process to provide additional information and align the City's budget with best practices for budget document production.
- Support the citywide effort on SAP functional enhancements to improve financial reporting with new annual comparisons and to streamline processes and enhancements to payroll processing. Also included is the introduction of new features in the timekeeping system that streamline access to information.
- Update the City's capital asset policy and strengthen the internal controls over construction in progress to ensure that capital project costs are properly recorded and reported.

ADMINISTRATIVE SERVICES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Fund						
General Fund-Operating	\$7,653,228	\$8,281,244	\$8,362,345	\$8,923,130	\$560,786	6.7%
Printing & Mailing Services Fund	\$1,608,751	\$1,551,756	\$1,541,318	\$1,471,409	\$(69,909)	(4.5)%
Total	\$9,261,979	\$9,833,000	\$9,903,663	\$10,394,539	\$490,876	5.0%
Revenues						
Charges for Services	\$9,077	\$57,792	\$191,266	\$162,070	\$(29,196)	(15.3)%
Charges to Other Funds	\$3,679,830	\$3,912,994	\$3,426,620	\$5,465,885	\$2,039,265	59.5%
Other Revenue	\$168,531	\$147,906	\$171,400	\$171,400	—	—%
Return on Investments	\$(1,163)	\$(3,801)	—	—	—	—%
Sales Taxes	—	—	\$150,000	\$150,000	—	—%
Total	\$3,856,274	\$4,114,891	\$3,939,285	\$5,949,355	\$2,010,070	51.0%
Positions by Fund						
General Fund-Operating	39.61	40.61	41.61	38.13	(3.48)	(8.4)%
Printing & Mailing Services Fund	2.10	2.10	2.10	2.10	—	—%
Total	41.71	42.71	43.71	40.23	(3.48)	(8.0)%

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 the City's real estate assets such as the Roth Building, 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, etc.
- Evaluate opportunities for bond refinancing that will result in savings (e.g. 2010 and 2013 General (Library) Obligations bonds, etc.)
- Closely monitor economic recovery and its actual and forecasted impact to City's revenues.

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.

ADMINISTRATIVE SERVICES

GOAL 3

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

Objectives:

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

Goal	Ensure public funds and assets are invested prudently and are well-managed.				
Objective	Maintain a reasonable rate of return on investments.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Annual percentage yield on investments	2.29%	2.22%	2.08%	1.60%	1.63%
Description	This measure tracks the City's annual rate of return on investments while following primary objectives (in priority order) of safety, liquidity, and yield.				
Purpose	A stable rate of return helps to grow the City's investment portfolio and is one component in measuring the City's financial rating.				
Status	With a now declining interest rate environment, the City's adopted goal of 2.08% is being revised downward. In comparison, the State Investment Pool average yield for the first half of FY 2021 is 0.89%.				

AVERAGE PROCESSING TIME FOR PURCHASE REQUISITIONS

Goal	Implement performance management programs to support and enhance communication, accountability, and positive outcomes.
Objective	Continue developing and implementing Procurement and Inventory process improvements.

Key Performance Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Average time from receipt of a Purchase Requisition to issuance of Purchase Order (Days)	22	25	25	25	24
Description	The City is required to follow procurement rules and regulations as outlined in the Municipal Code and State Law to ensure open and fair competition and the most cost-effective use of tax dollars. In compliance with existing rules and regulations, ASD endeavors to provide goods and services as quickly as possible to City departments.				
Purpose	To measure the average processing time for Purchase Requisitions (PR) in order to identify processing improvements while being compliant with existing rules and regulations.				
Status	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 2022 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 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of P-card (City credit card) transactions	18,056	15,916	16,500	12,000	12,360
Number of Purchase Orders and Purchase Requisitions processed	1,380	1,350	1,400	1,460	1,500
Total amount of cash and investments - as of June 30 (Millions)	\$528	\$528	\$525	\$540	\$545

ADMINISTRATIVE SERVICES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Accounting	\$2,360,606	\$2,604,543	\$2,489,905	\$2,688,144	\$198,239	8.0%
Administration	\$654,087	\$932,284	\$405,408	\$448,204	\$42,796	10.6%
Office of Management and Budget	\$1,380,332	\$1,123,082	\$1,412,447	\$1,542,844	\$130,398	9.2%
Purchasing	\$1,441,582	\$1,553,555	\$1,587,025	\$1,657,768	\$70,743	4.5%
Real Estate	\$602,957	\$517,840	\$652,081	\$710,340	\$58,260	8.9%
Treasury	\$1,213,665	\$1,549,940	\$1,815,480	\$1,875,829	\$60,350	3.3%
Total	\$7,653,228	\$8,281,244	\$8,362,345	\$8,923,130	\$560,786	6.7%
Salary & Benefits						
Healthcare	\$640,224	\$609,818	\$695,174	\$804,809	\$109,636	15.8%
Other Benefits	\$152,448	\$145,436	\$159,466	\$188,780	\$29,314	18.4%
Overtime	\$48,289	\$61,796	\$36,422	\$37,369	\$947	2.6%
Pension	\$1,176,622	\$1,550,317	\$1,655,645	\$1,835,426	\$179,781	10.9%
Retiree Medical	\$473,449	\$487,653	\$465,417	\$473,027	\$7,610	1.6%
Salary	\$4,070,985	\$3,975,820	\$4,105,561	\$4,362,141	\$256,579	6.2%
Workers' Compensation	\$108,269	\$229,290	\$159,026	\$211,826	\$52,800	33.2%
Total Salary and Benefits	\$6,670,287	\$7,060,131	\$7,276,711	\$7,913,379	\$636,667	8.7%
Dollars by Category						
Allocated Charges	\$491,501	\$515,462	\$375,807	\$430,529	\$54,721	14.6%
Contract Services	\$238,703	\$558,819	\$455,348	\$347,748	\$(107,600)	(23.6)%
Facilities & Equipment	\$633	—	\$4,200	\$4,200	—	—%
General Expense	\$149,751	\$111,872	\$203,524	\$180,521	\$(23,003)	(11.3)%
Operating Transfers-Out	\$65,146	—	—	—	—	—%
Rents & Leases	\$12,856	\$11,589	\$12,856	\$12,856	—	—%
Supplies & Material	\$24,351	\$23,371	\$33,898	\$33,898	—	—%
Total Dollars by Expense Category	\$7,653,228	\$8,281,244	\$8,362,345	\$8,923,130	\$560,786	6.7%
Revenues						
Charges for Services	\$9,077	\$57,792	\$191,266	\$162,070	\$(29,196)	(15.3)%
Charges to Other Funds	\$2,075,728	\$2,320,811	\$1,793,879	\$3,915,885	\$2,122,006	118.3%
Other Revenue	\$168,531	\$147,906	\$171,400	\$171,400	—	—%
Sales Taxes	—	—	\$150,000	\$150,000	—	—%
Total Revenues	\$2,253,336	\$2,526,509	\$2,306,544	\$4,399,355	\$2,092,811	90.7%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Positions by Division						
Accounting	13.52	13.52	13.52	12.52	(1.00)	(7.4)%
Administration	1.60	1.60	1.60	1.60	—	—%
Office of Management and Budget	6.02	6.02	7.02	6.02	(1.00)	(14.2)%
Purchasing	9.05	9.05	9.05	8.55	(0.50)	(5.5)%
Real Estate	2.32	2.32	2.32	2.32	—	—%
Treasury	7.10	8.10	8.10	7.12	(0.98)	(12.1)%
Total	39.61	40.61	41.61	38.13	(3.48)	(8.4)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Account Specialist	4.63	4.63	3.13	4.13	1.00	\$323,257
Account Specialist (Freeze)	—	—	1.50	—	(1.50)	—
Account Specialist-Lead	3.45	3.45	3.45	3.45	—	\$289,121
Accountant	3.00	3.00	3.00	2.00	(1.00)	\$209,206
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$90,480
Administrative Associate II	1.00	1.00	0.50	0.50	—	\$39,198
Administrative Associate II (Freeze)	—	—	0.50	—	(0.50)	—
Administrative Associate III	1.00	1.00	1.00	1.00	—	\$84,032
Assistant Director Administrative Services	1.65	1.65	1.65	1.65	—	\$330,318
Buyer	1.00	1.00	1.00	2.00	1.00	\$208,832
Chief Procurement Officer	1.00	1.00	1.00	1.00	—	\$133,203
Contracts Administrator	2.70	2.70	2.30	1.70	(0.60)	\$193,650
Contracts Administrator (Freeze)	—	—	0.40	—	(0.40)	—
Director Administrative Services/CFO	0.80	0.80	0.80	0.80	—	\$189,530
Director Office of Management and Budget	1.00	1.00	—	1.00	1.00	\$165,526
Director Office of Management and Budget (Freeze)	—	—	1.00	—	(1.00)	—

ADMINISTRATIVE SERVICES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Management Analyst	1.00	2.00	2.00	2.00	—	\$201,282
Manager Budget	2.00	2.00	2.00	2.00	—	\$331,302
Manager Real Property	1.00	1.00	1.00	1.00	—	\$159,162
Manager Revenue Collections	0.62	0.62	0.62	0.62	—	\$99,531
Manager Treasury, Debt & Investments	0.60	0.60	0.60	0.60	—	\$93,026
Manager, Finance	1.00	1.00	1.00	1.00	—	\$177,923
Payroll Analyst	2.00	2.00	2.00	2.00	—	\$186,659
Performance Auditor II (Freeze)	—	—	1.00	—	(1.00)	—
Senior Accountant	3.00	3.00	3.00	3.00	—	\$382,450
Senior Buyer	1.00	1.00	1.00	1.00	—	\$109,637
Senior Management Analyst	2.30	2.30	2.30	2.30	—	\$293,632
Storekeeper	1.00	1.00	1.00	1.00	—	\$79,498
Storekeeper-Lead	0.20	0.20	0.20	0.20	—	\$17,019
Warehouse Supervisor	0.20	0.20	0.20	0.20	—	\$20,688
Subtotal: Full-Time Equivalent Positions	38.15	39.15	40.15	37.15	(3.00)	\$4,408,160
Temporary/Hourly	1.46	1.46	1.46	0.98	(0.48)	\$71,943
Total Positions	39.61	40.61	41.61	38.13	(3.48)	\$4,480,103

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with “(Freeze)” following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Administrative Services Department, a total of 3.40 FTE (3.40 full-time) are eliminated as a result of this action.

**The Director of Office of Management and Budget was frozen in FY 2021 at an underfill Principal Analyst level. Therefore, this position is not eliminated in FY 2022 and funding remains at the underfill level.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	41.61	8,362,345	2,306,544	6,055,801
One-Time Prior Year Budget Adjustments				
Real Estate Software	-	(20,000)	-	(20,000)
FY 2021 Management and Professionals Group Compensation Reduction	-	370,960	-	370,960
One-Time Prior Year Budget Adjustments	-	350,960	-	350,960
Adjustments to Costs of Ongoing Activities				
Salary and Benefits	-	634,160	-	634,160
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(3.40)	(437,877)	-	(437,877)
Transient Occupancy Tax Compliance Services	-	(34,400)	-	(34,400)
Business Registry Fee	-	-	3,168	(3,168)
Telephone Users Tax Administration	-	200	-	200
CMO Residential Property (CMR 10925)	-	2,150	-	2,150
General Fund Cost Allocation Plan	-	-	2,122,006	(2,122,006)
Information Technology Allocated Charges	-	52,420	-	52,420
General Liability Insurance Allocated Charges	-	25,130	-	25,130
Printing & Mailing Services Allocated Charges	-	1,298	-	1,298
Vehicle Replacement & Maintenance Allocated Charges	-	873	-	873
Workers' Compensation Allocated Charges	-	52,800	-	52,800
Adjustments to Costs of Ongoing Activities	(3.40)	296,754	2,125,174	(1,828,420)
Total FY 2022 Base Budget	38.21	9,010,059	4,431,718	4,578,341
Budget Adjustments				
1. Administrative Programming and Vehicle Maintenance Reductions	-	(101,953)	-	(101,953)
2. Credit Card Surcharge Implementation	-	-	49,500	(49,500)
3. Procurement Staffing Realignment	(0.10)	(49,111)	-	(49,111)
4. Revenue Collections Staffing Reduction	(0.48)	(29,765)	-	(29,765)
5. Business Registry Fee Waiver	-	-	(81,864)	81,864
6. Administrative Associate II Restoration	0.50	93,900	-	93,900
Total Budget Adjustments	(0.08)	(86,929)	(32,364)	(54,565)
Total FY 2022 Adopted Budget	38.13	8,923,130	4,399,355	4,523,776

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Administrative Programming and Vehicle Maintenance Reductions	0.00	(101,953)	-	(\$101,953)

This action recognizes savings for various Administrative Services activities including travel, maintenance, and other general expenditures. This includes reductions in the Office of Management and Budget (OMB) for the cessation of printed budget documents (\$40,000). These documents will no longer be distributed to City Council members and the organization, and will continue to be available on the City website or printed for a fee. This also includes a department-wide reduction to travel and meetings which will further constrain staff's ability to obtain relevant training and maintain credentials for professional licenses such as a Certified Public Accountant (\$13,000). Funding for ad-hoc debt issuance and bank card fees will be reduced in the Treasury Division and monitored in FY 2022 for adjustments as necessary (\$20,000). Lastly, allocated charges for the maintenance of two vehicles (forklift and utility van) in the warehouse and stores will be reduced to reflect a longer life cycle (Ongoing savings: \$101,953)

Performance Results



This action contributes to cost containment strategies in FY 2022.

2. Credit Card Surcharge Implementation	0.00	-	49,500	(\$49,500)

This actions establishes revenues for credit card surcharges. These fees have historically been paid by the City and will transition to the user beginning July 2021. The majority of credit card charges are incurred from municipal fee transactions and the payment of taxes by businesses. (Ongoing savings: \$49,500)

Performance Results



This action contributes to cost containment strategies in FY 2022.

3. Procurement Staffing Realignment	(0.10)	(49,111)	-	(\$49,111)

This action realigns staffing resources in the Purchasing Division by fully eliminating 1.00 FTE Contract Administrator and 1.00 FTE Administrative Associate III (previously frozen at 0.40 FTE and 0.50 FTE respectively), and adding 1.00 FTE Buyer position. This will maintain operational efficiency and establish a path for succession planning through the creation of an additional entry-level position in the Purchasing Division. The full elimination of the Administrative Associate II will necessitate the assumption of clerical and administrative duties by purchasing staff. (Ongoing savings: \$6,511)

Performance Results



This realignment of staff will better position the department for current workloads and succession planning.

4. Revenue Collections Staffing Reduction	(0.48)	(29,765)	-	(\$29,765)

This action eliminates a part-time 0.48 FTE Administrative Specialist in Revenue Collections. The Revenue Collections Division has managed to maintain their service levels through the pandemic and shelter-in-place even with this position vacant and it is recommended to be eliminated on an ongoing basis. As the City continues to explore options to promote and incentivize online payment to the City (through things like the credit card portal) the organization, structure, and necessary staffing complement for Revenue Collections will continue to be analyzed and refined. As the Division works to reconstitute in-person services, continued elimination of staffing resources in this team will impact its ability to maintain public window hours at a level offered pre-pandemic. Since 2016, this team has seen a reduction of 1.96 FTE staffing. (Ongoing savings: \$31,694)

Performance Results



This action contributes to cost containment strategies in FY 2022.

5. Business Registry Fee Waiver	0.00	-	(81,864)	\$81,864

This action reduces the revenue estimate for Business Registry Certificate (BRC) fees in alignment with a fee waiver approved by the City Council in May 2021 to assist businesses with the economic effects of COVID-19 (CMR 12167). As a result, the City will not collect the associated fees in calendar year 2021, and fees already paid will be refunded. (Ongoing costs: \$0)

Performance Results



Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)

This action provides assistance to businesses for economic recovery following the pandemic and contributes to cost containment strategies in FY 2022.

6. Administrative Associate II Restoration	0.50	93,900	-	\$93,900

This action restores 0.50 FTE Administrative Associate II in the Purchasing Division and realigns staff resources. The position was previously frozen in FY 2021 and its restoration will assist in the administration of continuing services to the community as City facilities are reopened to the public and services begin to resume during the next recovery phase of the pandemic. (Ongoing costs: \$57,149)

Performance Results



This action aligns resources with operational requirements and creates flexibility to support a wide range of organizational needs.



CITY OF
**PALO
ALTO**

PRINTING AND MAILING SERVICES

Description

The Printing and Mailing Services Internal Services Fund delivers document printing solutions to the City organization. The printing shop handles the reproduction of the weekly City Council agenda packet along with a myriad of other print jobs ranging from full-color posters to flyers. The mailing function provides mail intake and delivery throughout the organization along with outgoing mail processing. This includes the mailing of thousands of monthly utility bills to utility customers in the city.

Accomplishments

- Processed 271,200 utility bills.
- Maintained timelines for producing City Council packets.
- Provided timely printing services for a wide variety of print jobs for City departments.

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 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Printing and Mailing	\$1,608,751	\$1,551,756	\$1,541,318	\$1,471,409	\$(69,909)	(4.5)%
Total	\$1,608,751	\$1,551,756	\$1,541,318	\$1,471,409	\$(69,909)	(4.5)%
Salary & Benefits						
Healthcare	\$29,760	\$19,507	\$31,872	\$51,594	\$19,722	61.9%
Other Benefits	\$3,289	\$3,682	\$4,054	\$4,114	\$60	1.5%
Overtime	\$1,582	\$638	—	—	—	—%
Pension	\$33,209	\$46,018	\$41,862	\$41,883	\$21	0.1%
Retiree Medical	\$14,663	\$15,103	\$14,004	\$14,233	\$229	1.6%
Salary	\$134,197	\$159,733	\$142,940	\$136,507	\$(6,434)	(4.5)%
Workers' Compensation	\$3,289	\$7,175	\$4,991	\$6,648	\$1,657	33.2%
Total Salary and Benefits	\$219,990	\$251,857	\$239,722	\$254,978	\$15,256	6.4%
Dollars by Category						
Allocated Charges	\$273,237	\$358,659	\$362,756	\$275,431	\$(87,325)	(24.1)%
Contract Services	\$29,083	\$29,504	\$60,000	\$60,000	—	—%
General Expense	\$292,503	\$242,972	\$301,600	\$301,600	—	—%
Operating Transfers-Out	\$1,598	\$13,774	—	\$400	\$400	—%
Rents & Leases	\$636,515	\$544,136	\$402,240	\$404,000	\$1,760	0.4%
Supplies & Material	\$155,826	\$110,854	\$175,000	\$175,000	—	—%
Total Dollars by Expense Category	\$1,608,751	\$1,551,756	\$1,541,318	\$1,471,409	\$(69,909)	(4.5)%
Revenues						
Charges to Other Funds	\$1,604,102	\$1,592,183	\$1,632,741	\$1,550,000	\$(82,741)	(5.1)%
Return on Investments	\$(1,163)	\$(3,801)	—	—	—	—%
Total Revenues	\$1,602,939	\$1,588,382	\$1,632,741	\$1,550,000	\$(82,741)	(5.1)%
Positions by Division						
Printing and Mailing	2.10	2.10	2.10	2.10	—	—%
Total	2.10	2.10	2.10	2.10	—	—%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Manager Revenue Collections	0.10	0.10	0.10	0.10	—	\$16,053
Offset Equipment Operator	1.52	1.52	1.52	1.52	—	\$105,850
Subtotal: Full-Time Equivalent Positions	1.62	1.62	1.62	1.62	—	\$121,904
Temporary/Hourly	0.48	0.48	0.48	0.48	—	\$27,256
Total Positions	2.10	2.10	2.10	2.10	—	\$149,160

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	2.10	1,541,318	1,632,741	(91,423)
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	1,676	-	1,676
One-Time Prior Year Budget Adjustments		1,676		1,676
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	11,923	-	11,923
Rents & Leases Expenditure Alignment	-	1,760	-	1,760
Capital Improvement Funding	-	400	-	400
General Fund Cost Allocation Plan	-	(91,249)	-	(91,249)
General Liability Insurance Allocated Charges	-	789	-	789
Information Technology Allocated Charges	-	3,135	-	3,135
Printing & Mailing Services Allocated Charges	-	-	(82,741)	82,741
Workers' Compensation Allocated Charges	-	1,657	-	1,657
Adjustments to Costs of Ongoing Activities	-	(71,585)	(82,741)	11,156
Total FY 2022 Base Budget	2.10	1,471,409	1,550,000	(78,591)
Budget Adjustments				
None	-	-	-	-
Total Budget Adjustments	-	-	-	-
Total FY 2022 Adopted Budget	2.10	1,471,409	1,550,000	(78,591)



CITY OF
**PALO
ALTO**

COMMUNITY SERVICES

Mission Statement



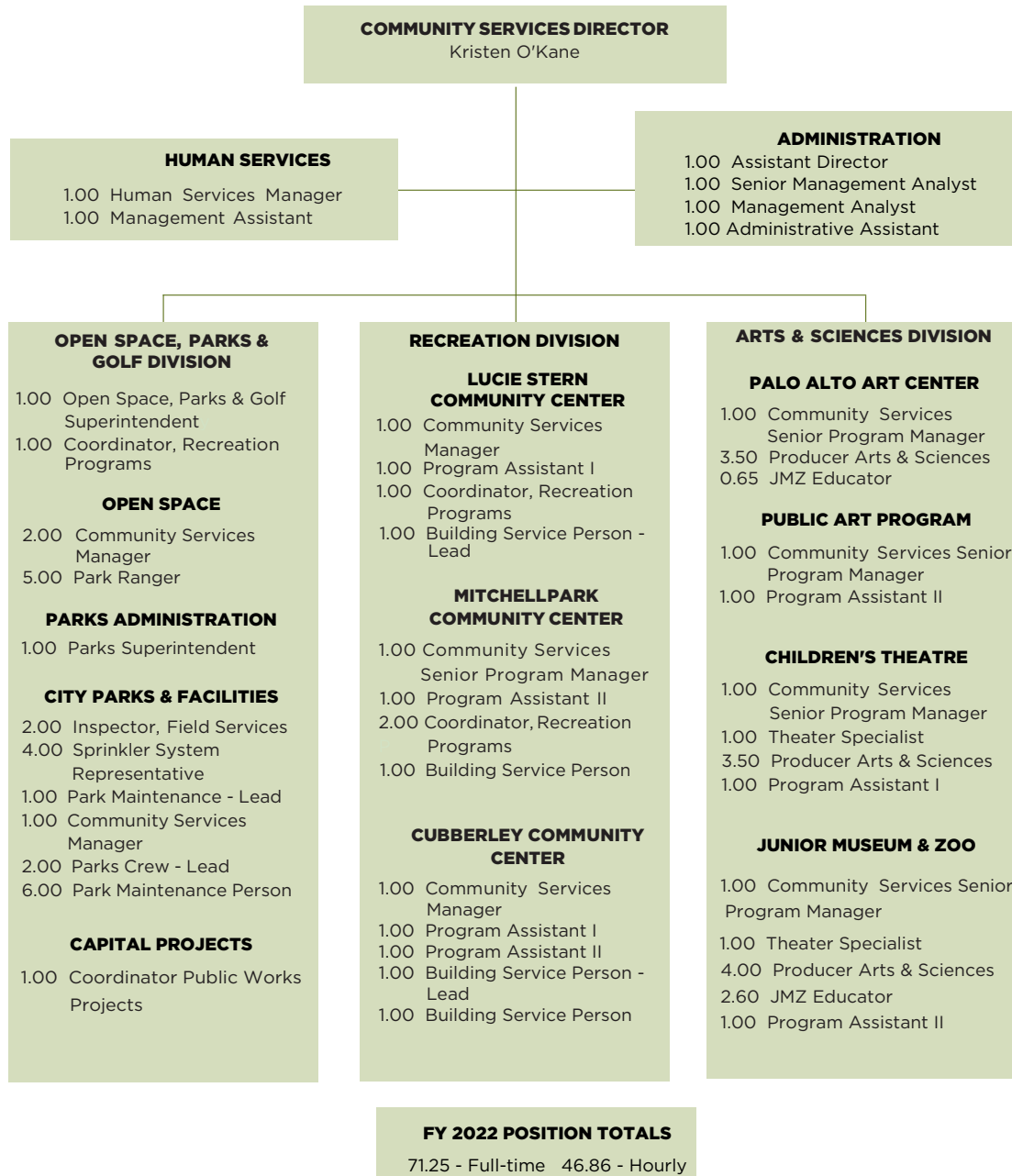
The Community Services Department's mission is to engage individuals and families in creating a strong and healthy community through parks, recreation, social services, arts, and sciences.

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 many unique community assets

including open space, parks and their related interpretive centers, the Animal Shelter, 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



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 and operates more than 4,000 acres of open space and urban parkland including 43 miles of trails, 2 nature interpretive centers, 4 community gardens, 4 dog parks, and dozens of sports fields. 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. The Division also operates the City's animal shelter through a public/private partnership with Pets in Need.

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 youth development and enrichment, 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 public/private partnership, 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

- The Office of Human Services partnered with the Palo Alto Early Care & Education Committee (PAACECE) to implement a work plan addressing key areas from the 2019 Assessment of Families and Young Children including quality of life in the Palo Alto early care and education landscape, access, inclusion, community services, resources, and support.
- Advocated for and supported childcare providers through issues such as closures, operating limitations, family impacts, and other challenges during the pandemic.
- Convened a regular meeting of social service non-profits in Palo Alto to discuss the needs of these organizations and those they serve, and provide a venue to share resources and information.

COMMUNITY SERVICES

- Organized a Summit on Women and Girls to serve as a starting point to inform, mobilize, and energize the City and community towards greater opportunity and equity for women and girls in keeping with the City's commitment to race and equity.
- Safely provided virtual and in person classes and programs following all COVID-19 public health guidelines, and quickly adapted the way we engage with our customers and community members. Virtual programs were developed and implemented at the Art Center, the Children's Theatre, the Junior Museum & Zoo and throughout the department's recreation division. In-person and virtual summer camps were provided during the summer of 2020 and 2021.
- Completed the California Avenue Public Art plan, including implementation of temporary installations to draw visitors and shoppers back to the district and help mitigate construction impacts.
- The Public Art Program funded and realized 35 ArtLift Microgrant projects for artists and creatives with the goal of helping the community recover both emotionally and economically from the pandemic through the arts and creative outlets. Eight temporary murals were also installed throughout commercial corridors.
- Hosted 23 community projects and events through the Cubberley Artist Studio Program (CASP), which engaged more than 280 people and included free virtual exhibitions and workshops.
- The Palo Alto Art Center continued ongoing free and fee-based programming to engage the community. From pottery wheel rental programs, to virtual exhibitions, the Art Center continued to adjust its offerings to meet community needs for quality arts programming.
- The Junior Museum and Zoo rebuilding project was substantially completed in FY 2021 after 10 years in the making, with all new exhibits designed by JMZ staff, a re-imagined zoo with new animals, and a focus on inclusion, accessibility, and the highest standards in animal care. The Friends of the JMZ raised over \$25 million for the project. It is expected to open in October 2021.
- The Children's Theatre offered both online and in-person music, dance and theatre camps, including new programs that explored hands-on experience in technical theatre. In collaboration with Palo Alto Unified School District (PAUSD) and the Friends of the Palo Alto Children's Theatre (FOPACT), the Children's Theatre also continued to offer a virtual Dance in Schools program, which was utilized as part of the Physical Education curriculum for K-2 grade students.
- FOPACT commissioned local Bay Area artists, representing under-served communities, to create virtual theatrical productions for young audiences. The first of these productions, The Land of Lost Socks, drew more than 1,000 unique viewers, estimated as 2,000-3,000 audience members.
- The Children's Theatre developed and produced original digital performances in partnership with local groups such as the Breath Project, an initiative led by local Bay Area Artists, and the Stanford University Compression Forum (Electrical Engineering Department).
- Hosted special events including Jack-o-Jaunt, Holiday Decorating Contest, May Fete Decorating Contest and Pet Adoptions, and Movies in the Park.
- Community Centers offered space and programs where possible, such as outdoor spaces for adult fitness classes and the Lucie Stern Patio that offered a safe, outdoor rental space for cultural and religious ceremonies.
- The Teen Arts Council, an initiative of the Children's Theatre, met in weekly virtual sessions, and offered bi-weekly virtual events throughout the school year, including Open Mics, Poetry Slams, Movie and

Game Nights, as well as in-person socially distanced activities such as producing beautiful, large-scale chalk murals in public spaces at Mitchell Park, Mitchell Park Library and Rinconada Library.

- The Palo Alto Youth Council and the Teen Advisory Board held weekly virtual meetings and planned and organized virtual or socially distanced activities for the youth of Palo Alto. Activities included, virtual study sessions, scavenger hunts around the city, cupcake decorating contests, virtual game nights and more. The Youth Leadership groups played a vital role in keeping youth connected during the pandemic.
- The Middle School Athletics Program made quick adjustments to meet State and County guidelines to allow for continued sports play for middle school participants. Students signed up for 3 week sports clinics where they were able to work on sport specific skills and stay active while social distancing.
- Continued to offer golf play as allowed during the pandemic. Further developed the “Youth on Course” program at the Baylands Golf Links. The program encourages youth golf play by reducing fees via a partnership with Northern California Golf Association (NCGA) Foundation.
- Opened Foothills Nature Preserve to all visitors and partnered with the Environmental Volunteers and other volunteers to create a welcome video for the Preserve. The Preserve saw an approximately 200% increase in average visitation in FY 2021 compared to the historic average. Additionally, CSD facilitated high visitation to all Open Space Preserves during the pandemic.
- Opened a new parking lot at Pearson-Arastradero Preserve in partnership with the Public Works Department.
- Provided continued gardening access to Community Gardens during the pandemic.
- Safely managed opening of athletic facilities and playgrounds in City parks based on changes in County and State pandemic Health Orders.
- Maximized accessibility to the Magical Bridge Playground, in partnership with the Magical Bridge Foundation and the Palo Alto Recreation Foundation, by providing staffing and resources to manage visitation.
- Completed the replacement of fencing around the playground at Bowden Park in partnership with the Kiwanis Club.
- Animal Services continued to expand its pet adoption programs, as well as other community outreach activities. From May 2020 through March 2021, there were 848 animal adoptions. In addition, the short-term facility renovations of the Shelter’s medical suite, and modular unit were completed.

Initiatives

- After a delay due to COVID-19, the Palo Alto Art Center will resume plans to celebrate its 50th anniversary, with a marketing campaign and celebration organized in conjunction with the Palo Alto Art Center Foundation. The Center will continue to meet the needs of the community in recovery through art classes, drop-in programs, workshops and camps that create meaningful opportunities for artmaking for all ages. In collaboration with the Palo Alto Art Center Foundation, the Center will showcase a series of exhibitions that demonstrate the power of art to inspire social change, equity, community healing, and resilience. School programs such as Project Look will continue to provide opportunities for developing social and emotional learning, promoting empathy and understanding for

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local students. Volunteer, teen, and internship programs will engage the community in meaningful community service and professional development.

- Produce Code:ART2, a three-day public art festival in October, engaging residents and commuters by temporarily re-framing downtown's underutilized spaces as a laboratory for interactive urban interventions and creative placemaking, sparking dialogue about the future of our downtown.
- Complete and install permanent public artworks for the new Junior Museum & Zoo (JMZ), 101 bike pedestrian bridge and Arastradero transit corridor.
- Develop and launch an ongoing temporary public art programming on King Plaza to recognize the City's priorities on race and equity.
- CSD's Recreation Division will provide hundreds of classes and activities to all ages. The Division hosts special events and programs for all ages and abilities and will continue to develop sensory and spectrum friendly experiences for families. CSD will continue to adapt and improve these crucial services to the community by providing virtual programming and continuing to restructure and develop safe in-person programs.
- The Children's Theatre will re-launch in-person theatrical productions both onsite at the theatre as well as in PAUSD Elementary schools.
- Reopen the Junior Museum & Zoo, currently planned for in October of 2021, as a state-of-the-art museum and zoo with a focus on inclusion and accessibility and the highest standards in animal care. Preparations for the opening include establishing new animals and installing new custom interactive science exhibits. JMZ will complete the planning and fundraising for the California Dinosaur Exhibit which is planned to open in Spring 2023.
- The Junior Museum & Zoo will deliver hands-on science lessons in local elementary schools, including all 12 schools in the Palo Alto Unified School District; Title One schools in East Palo Alto and Santa Clara County thanks to funding provided through the Friends of the JMZ; and other elementary and preschools throughout the Peninsula. These lessons support California State Content Standards in the Life, Physical and Earth Sciences, and make up a vital component of students' core science curriculum.
- Completion of Friendship Trail (previously the Baylands Trail Project) with the installation of 17 interpretive clusters, five on the boardwalk and 12 stations along two miles of trails that connect the Lucie Evans Baylands Nature Center, the Environmental Volunteer's Eco Center, and the Coolie Landing Education Center.
- The Office of Human Services, with the assistance of the PAACECE will implement a FY 2022 work plan that addresses areas of need identified in the 2019 Assessment of Families with Young Children as they intersect with the needs identified by childcare providers during regular meetings with PAACECE during the pandemic. Key focus areas for FY 2022 will include Education/Mental Health Needs of Childcare Providers and Education/Mental Health Needs of Local Families
- 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.
- Animal Services will continue to expand its pet adoption programs, as well as other community outreach activities.
- Construct Capital Improvement Projects at a variety of parks including Rinconada, Cameron, Ramos, and Mitchell Parks to replace or repair playgrounds and other park amenities.

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

Goal	Provide innovative, well-managed programs and services.				
Objective	Increase online class registration.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of class registrations occurring online	65%	81%	65%	90%	80%
Description	This measure tracks the utilization rate of online class registration service available.				
Purpose	Increase staff productivity and capacity.				
Status	FY 2020 actuals include December 2019 - June 2020 registration data only. CSD transitioned to a new registration management system in December 2019 and some data from the previous system is unavailable. Online registrations increased significantly in FY 2020 and FY 2021 due to most CSD facilities being closed to the public in response to the COVID-19 pandemic.				

COMMUNITY SERVICES DEPARTMENT OPEN SPACE AND PARKS

Goal	Ensure parks and recreational areas are safe and environmentally sensitive.				
Objective	Protect public land and utilize best management practices for environmental preservation.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of surveyed who rate the City's success in preserving natural areas as "Good" or "Excellent"	N/A*	83%	N/A*	83%	N/A*
Description	This measure tracks resident responses when asked to rate Palo Alto's preservation of natural areas such as open space and green belts in an annual National Citizen Survey (NCS). The Department maintains and manages 4,029 acres of open space including Foothills Park, Baylands Nature Preserve, Pearson-Arastradero Preserve, and Esther Clark Nature Preserve. The City participates in the NCS, which asks residents to rate their perception of local government services. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinions about the quality of life in the community.				
Purpose	It is important for the City to solicit feedback from and respond to residents regarding the services and programs provided.				
Status	*The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A." As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A." The next survey is anticipated to take place in FY 2023.				

COMMUNITY SERVICES DEPARTMENT PROGRAMS AND SERVICES

Goal	Provide high quality, relevant, and diverse services and programs to the public.				
Objective	Ensure programs are responsive to a broad range of needs within the community.				

Key Performance Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of surveyed who rate recreation programs/classes as "Good" or "Excellent"	N/A*	83%	N/A*	83%	N/A*
Description	The Department's motto is "Engage, Create, Enjoy!" to enhance the quality of life. We offer diverse experiences for children, teens, and adults of all ages. This measure tracks resident responses when asked to rate Palo Alto's recreation programs or classes in the annual National Citizen Survey (NCS). The City participates in the NCS, which asks residents to rate their perception of local government services. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinions about the quality of life in the community.				
Purpose	It is important for the City to solicit feedback from and respond to residents regarding the services and programs provided.				
Status	*The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A." As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A." The next survey is anticipated to take place in FY 2023. In FY 2020 and 2021 the COVID-19 pandemic significantly impacted CSD's ability to offer quality recreation programs and classes.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Total Enrollment in classes/camps in arts, sciences, recreation, and open space programs	13,553	9,118	15,500	7,000	10,000
Average Enrollment in classes/camps in arts, sciences, recreation, and open space programs	15	11	17	7	12

COMMUNITY SERVICES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration and Human Services	\$4,878,165	\$5,242,316	\$4,619,930	\$5,686,620	\$1,066,690	23.1%
Arts and Sciences	\$6,413,922	\$6,727,276	\$6,218,740	\$7,108,750	\$890,010	14.3%
Open Space, Parks and Golf	\$11,662,062	\$12,262,260	\$11,773,746	\$12,326,544	\$552,797	4.7%
Recreation and Cubberley	\$6,133,781	\$5,510,818	\$5,750,032	\$5,930,243	\$180,211	3.1%
Total	\$29,087,930	\$29,742,669	\$28,362,448	\$31,052,156	\$2,689,708	9.5%
Salary & Benefits						
Healthcare	\$1,687,053	\$1,615,225	\$1,568,607	\$1,667,671	\$99,064	6.3%
Other Benefits	\$251,024	\$242,784	\$271,793	\$310,631	\$38,838	14.3%
Overtime	\$170,818	\$153,407	\$109,916	\$112,774	\$2,858	2.6%
Pension	\$2,053,046	\$2,607,151	\$2,474,652	\$2,565,704	\$91,052	3.7%
Retiree Medical	\$909,817	\$937,111	\$892,942	\$907,543	\$14,601	1.6%
Salary	\$8,729,623	\$8,509,284	\$7,674,209	\$8,611,122	\$936,913	12.2%
Workers' Compensation	\$240,516	\$466,164	\$320,300	\$426,646	\$106,346	33.2%
Total Salary and Benefits	\$14,041,898	\$14,531,126	\$13,312,418	\$14,602,090	\$1,289,672	9.7%
Dollars by Category						
Allocated Charges	\$5,594,001	\$6,043,252	\$5,290,971	\$6,315,756	\$1,024,785	19.4%
Contract Services	\$7,664,389	\$7,625,863	\$7,882,148	\$8,275,815	\$393,667	5.0%
Facilities & Equipment	\$39,356	\$43,632	\$57,700	\$57,700	—	—%
General Expense	\$994,865	\$977,736	\$1,123,456	\$1,080,940	\$(42,516)	(3.8)%
Operating Transfers-Out	\$110,605	—	—	—	—	—%
Rents & Leases	\$16,858	\$11,389	\$12,570	\$12,570	—	—%
Supplies & Material	\$625,958	\$509,671	\$683,185	\$707,285	\$24,100	3.5%
Total Dollars by Expense Category	\$29,087,930	\$29,742,669	\$28,362,448	\$31,052,156	\$2,689,708	9.5%
Revenues						
Charges for Services	\$6,792,563	\$4,462,601	\$8,607,557	\$9,605,273	\$997,716	11.6%
Charges to Other Funds	\$111,636	\$197,455	\$202,581	\$230,234	\$27,653	13.7%
From Other Agencies	—	\$16,113	\$43,500	\$43,500	—	—%
Operating Transfers-In	—	—	—	\$50,000	\$50,000	—%
Other Revenue	\$528,085	\$754,990	\$936,086	\$773,086	\$(163,000)	(17.4)%
Other Taxes and Fines	\$1,463	\$3,958	\$1,026	\$1,026	—	—%
Rental Income	\$1,383,915	\$960,495	\$1,089,094	\$1,166,654	\$77,560	7.1%
Total Revenues	\$8,817,663	\$6,395,611	\$10,879,844	\$11,869,773	\$989,930	9.1%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Positions by Division						
Administration and Human Services	6.24	10.85	6.79	5.49	(1.30)	(19.1)%
Arts and Sciences	44.42	44.75	52.98	44.64	(8.34)	(15.7)%
Open Space, Parks and Golf	30.59	30.59	29.59	29.59	—	—%
Recreation and Cubberley	42.85	42.85	41.35	34.16	(7.19)	(17.4)%
Total	124.10	129.04	130.71	113.88	(16.83)	(12.9)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$95,826
Administrative Associate III	1.00	1.00	—	—	—	—
Administrative Associate III (Freeze)	—	—	1.00	—	(1.00)	—
Assistant Director Community Services	2.00	2.00	1.00	1.00	—	\$194,355
Assistant Director Community Services (Freeze)	—	—	1.00	—	(1.00)	—
Building Serviceperson	1.25	1.25	1.00	1.00	—	\$64,563
Building Serviceperson-Lead	0.60	0.60	0.60	0.60	—	\$41,471
Coordinator Recreation Programs	3.00	4.00	4.00	4.00	—	\$363,834
Director Community Services	1.00	1.00	1.00	1.00	—	\$222,498
Division Manager Open Space, Parks and Golf	1.00	1.00	—	—	—	—
Heavy Equipment Operator	0.07	0.07	0.07	—	(0.07)	—
Inspector, Field Services	2.00	2.00	2.00	2.00	—	\$212,618
Junior Museum & Zoo Educator	3.60	3.60	3.25	3.25	—	\$264,384
Junior Museum & Zoo Educator (Freeze)	—	—	0.35	—	(0.35)	—
Management Analyst	1.00	1.00	1.00	1.00	—	\$108,160
Management Assistant	1.00	1.00	1.00	1.00	—	\$85,488
Manager Community Services	5.00	5.00	4.00	5.00	1.00	\$503,069

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Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Manager Community Services (Freeze)	—	—	1.00	—	(1.00)	—
Manager Community Services Senior Program	4.00	4.00	4.00	4.00	—	\$520,166
Manager Human Services	1.00	1.00	1.00	1.00	—	\$138,736
Park Maintenance Person	6.00	6.00	6.00	6.00	—	\$464,131
Park Maintenance-Lead	1.00	1.00	1.00	1.00	—	\$89,648
Park Ranger	5.00	5.00	5.00	5.00	—	\$438,880
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	—	\$168,272
Producer Arts/Science Program	11.00	11.00	10.25	11.00	0.75	\$881,931
Producer Arts/Science Program (Freeze)	—	—	1.75	—	(1.75)	—
Program Assistant I	8.00	8.00	3.00	3.00	—	\$238,680
Program Assistant I (Freeze)	—	—	4.00	—	(4.00)	—
Program Assistant II	4.00	3.00	4.00	4.00	—	\$341,952
Project Manager	0.10	0.10	0.10	0.10	—	\$11,985
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$149,427
Sprinkler System Representative	4.00	4.00	4.00	4.00	—	\$314,579
Superintendent Community Services	2.00	2.00	2.00	2.00	—	\$269,318
Superintendent Recreation	1.00	1.00	—	—	—	—
Superintendent Recreation (Freeze)	—	—	1.00	—	(1.00)	—
Theater Specialist	2.00	2.00	2.00	2.00	—	\$210,912
WGW Heavy Equipment Operator	—	—	—	0.07	0.07	\$7,378
Subtotal: Full-Time Equivalent Positions	75.62	75.62	75.37	67.02	(8.35)	\$6,574,868
Temporary/Hourly	48.48	53.42	55.34	46.86	(8.48)	\$2,457,021
Total Positions	124.10	129.04	130.71	113.88	(16.83)	\$9,031,889

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Community Services Department, a total of 20.71 FTE (10.10 full-time, 10.61 part-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	130.71	28,362,448	10,879,845	17,482,603
One-Time Prior Year Budget Adjustments				
Youth Community Services (YCS) Funding Expiration	-	(50,000)	-	(50,000)
Palo Alto Parks and Recreation Foundation Donation	-	-	(30,000)	30,000
FY 2021 Management and Professionals Group Compensation Reduction	-	255,557	-	255,557
One-Time Prior Year Budget Adjustments	-	205,557	(30,000)	235,557
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	2,534,455	-	2,534,455
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(20.71)	(1,983,199)	-	(1,983,199)
Junior Museum and Zoo (JMZ) Revenue and Expense Alignment (CMR 11376) for October 2021 Opening Date	-	(39,225)	684,642	(723,867)
Aquatics Supplies and Materials Expense Alignment to Contract Terms	-	(33,500)	-	(33,500)
Downtown Streets Team Case Management Funding Expiration	-	(9,000)	-	(9,000)
Project Safety Net Ongoing Support Alignment (CMR 11511)	-	(2,857)	-	(2,857)
Expansion of Special Interest Classes, Year 2	-	70,500	70,500	-
Golf Course Revenue Alignment (CMR 8848, approved by the City Council on April 6, 2018)	-	-	(1,440)	1,440
Arastradero Stewardship Consumer Price Index Adjustment	-	1,722	-	1,722
Children's Theatre Pilot Program Revenue Reduction	-	-	(7,000)	7,000
Pets in Need Operating Agreement Expense (CMR 9822)	-	18,625	-	18,625
Information Technology Allocated Charges	-	78,512	-	78,512
Landscape Maintenance Contract/Allocated Charges	-	31,887	27,653	4,234
Liability Insurance Allocated Charges	-	72,723	-	72,723
Printing & Mailing Services Allocated Charges	-	(18,691)	-	(18,691)
Refuse Allocated Charges	-	15,449	-	15,449
Stormwater Management Allocated Charges	-	9,615	-	9,615
Utilities Allocated Charges	-	180,184	-	180,184
Vehicle Replacement & Maintenance Allocated Charges	-	10,808	-	10,808
Industrial Waste Discharge Fee Allocated Charges	-	1,186	-	1,186
Workers' Compensation Allocated Charges	-	106,346	-	106,346

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Adjustments to Costs of Ongoing Activities	(20.71)	1,045,539	774,355	271,184
Total FY 2022 Base Budget	110.00	29,613,544	11,624,200	17,989,344
Budget Adjustments				
1. Foothills Nature Preserve Gate Fee and Staffing	1.00	150,278	343,000	(192,722)
2. Sports and Recreation Athletic Field Fee Revenue	-	-	79,000	(79,000)
3. Junior Museum and Zoo (JMZ) Marketing	-	(50,000)	-	(50,000)
4. Enjoy! Catalog Production	-	(20,000)	-	(20,000)
5. Arts Center Fee Revenue	-	-	18,792	(18,792)
6. Subsidize Teen Services Staffing and Programs with Bryant Street Garage Revenue	-	-	-	-
7. Know Your Neighbor Grant (KYNG) Program	-	25,000	-	25,000
8. Twilight Concert Series	-	30,000	-	30,000
9. Youth Community Services (YCS) Youth Connectedness Initiative (YCI)	-	50,000	-	50,000
10. Friend's of the Children's Theatre Donation Elimination	-	-	(90,000)	90,000
11. Human Services Resource Allocation Process (HSRAP)	-	200,000	50,000	150,000
12. Children's Theatre Outreach and Summer Hot Dog Series Productions	2.88	378,335	118,425	259,910
13. Junior Museum and Zoo (JMZ) Operating Plan Adjustments	-	675,000	(273,643)	948,643
Total Budget Adjustments	3.88	1,438,613	245,574	1,193,039
Total FY 2022 Adopted Budget	113.88	31,052,157	11,869,774	19,182,383

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Foothills Nature Preserve Gate Fee and Staffing	1.00	150,278	343,000	(192,722)

This action recognizes an estimated \$343,000 in annual revenue from vehicle entrance fees at Foothills Nature Preserve, which initially became effective on February 27, 2021 after the City Council adopted an Emergency Ordinance pertaining to capacity and vehicle entry fees for the Preserve on February 22, 2021 (CMR 11990). Additional fees based on vehicle passenger capacity were subsequently approved on May 10, 2021 (CMR 12205). Staff will continue to monitor attendance and revenues and may bring back refined revenue adjustments in future budget cycles as appropriate. The preserve, which had previously only been open to residents of Palo Alto, opened to the public at large on December 17, 2020. Since opening to all, the number of daily visitors has increased significantly and the preserve has reached capacity multiple times each day. Visitation the weekend before Christmas 2020 (4,081 visitors) was almost six times higher than that same weekend in 2019 (688 visitors). Visitation continues to be at record levels and has added significantly to the workload and level of responsibility of Open Space staff. There is now a need for multiple staff to be present at the entrance gate on weekends and holidays to collect the entrance fee, manage gate closures when capacity is reached and provide general customer service such as answering questions about trails, types of activities available and parking locations. Additional new tasks include ensuring compliance with required PCI and cash handling policies, increased maintenance of preserve infrastructure, increased monitoring and greater protection of the natural environment, and providing a safe experience for a significantly higher number of daily visitors. The need to prioritize these tasks has resulted in a backlog of maintenance work, and the increase in preserve visitors has added to the existing maintenance workload. Staff, along with a workgroup consisting of community partners, have identified infrastructure needs that are necessary in the near and long-term to provide safer routes for vehicles, bicycles and pedestrians, and to ensure the natural environment is protected. Due to this increase in work, this action adds a 1.00 FTE Manager, Community Services position (Supervising Ranger at Foothills and Pearson-Arastradero Preserves) which is a position that was reduced in the FY 2021 Budget. This position is needed to oversee operations including new processes around ticketing and fee collection, preserve maintenance, and coordination of future Capital Improvement Projects. The costs associated with this position are estimated to be offset by vehicle entrance fee revenue from the newly adopted gate fee of \$6-\$60 per vehicle, depending on passenger capacity, as recommended by the Parks and Recreation Commission (PRC) and approved by the City Council. (Ongoing net savings: \$188,125)

Performance Results



This action contributes to cost containment strategies in FY 2022, aligns staffing resources with department operations to improve customer satisfaction and quality of service provided in City open spaces.

2. Sports and Recreation Athletic Field Fee Revenue	-	-	79,000	(79,000)

This action recognizes revenue from an increase in athletic field rentals fees that is projected to generate an estimated \$79,000 more than the current budget of \$572,000. This is estimated to increase cost recovery of sports and recreation programming from approximately 91% to 99%. Most fee types are recommended to increase by 10%, except for the rate for grass field rentals by Palo Alto youth-based organizations, which is currently the lowest at \$7/hour. CSD proposes increasing this fee to \$9/hour which more closely aligns with neighboring cities. The City of Palo Alto rents out 12 synthetic turf fields and over 70 grass fields, including some Palo Alto Unified School District fields. Field rentals bring in over \$500,000 in annual revenue and remain in high demand, especially as people focus on outdoor, socially distanced athletic activities as County and State health restrictions loosen. Field rentals are priced by the type of field: synthetic turf or grass, and the renter type: either resident/non-resident, or a discounted price for non-profits, and Palo Alto youth-based organizations. Synthetic turf fields are priced higher because they are higher quality, less subject to weather limitations, more expensive to install and maintain, and typically in higher demand. Discounts for youth organizations and non-profits are in line with other local jurisdictions. (Ongoing net savings: \$79,000)

Performance Results



This action contributes to cost containment strategies in FY 2022 by increasing cost recovery levels.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
3. Junior Museum and Zoo (JMZ) Marketing	-	(50,000)	-	(50,000)

This action reduces the marketing budget for the newly constructed Junior Museum & Zoo by 25%. This funding is used for printed and online ads, mailers, signage and billboards, continuous community outreach and membership events to advertise the grand opening of the new facility that is currently planned for October 2021. The opening date may continue to adjust based on the resources and evolving nature of the pandemic and associated restrictions. Marketing efforts will focus on the local and greater Bay Area communities in order to develop a regional customer base and promote this new facility beyond the City of Palo Alto. Given the scope and amenities of the new JMZ significant marketing efforts are recommended to maximize community value and revenue from attendance and memberships. This reduction is expected to inhibit the department's ability to partner with a marketing consultant for a professional level marketing campaign relying on the marketing duties to be handled in-house, such as media/ads and content creation, as workload allows. Overall, this may mean fewer professional-level marketing materials will be created and staff could miss key marketing opportunities and market-wide strategies. (Ongoing savings: \$50,000)

Performance Results



This action contributes to cost containment strategies in FY 2022 and will result in a reduction of marketing scope and capacity.

4. Enjoy! Catalog Production	-	(20,000)	-	(20,000)

This action recognizes marketing savings by reducing funding to print the Enjoy! catalog (\$20,000). Typically, the department mails four printed catalogs to Palo Alto residents per year. Due to changing City and County guidelines during the COVID-19 pandemic, staff mailed a small promotional postcard in place of a printed catalog. Moving forward, the department will transition from large-scale mailing of catalogs to an online platform. A small number of catalogs will continue to be available at facilities. (Ongoing savings: \$20,000)

Performance Results



This action contributes to cost containment strategies in FY 2022 and will result in a reduction of printed marketing materials.

5. Arts Center Fee Revenue	-	-	18,792	(18,792)

This action recognizes revenue from raising fees for Art Center programs and classes by 10%, including Adult Studios and Children's Fine Art classes. Adult Studios provides adults in the Palo Alto community with high quality art classes, workshops and drop-in programs in ceramics, jewelry, painting, drawing, printmaking, mixed media, and fiber arts. Children's Fine Art classes serve youth and teens through year-round afterschool and weekend classes and summer camps in ceramics, painting, drawing, digital photography, and mixed media. These programs include activities such as ceramics, painting, and jewelry-making, and serve over 4,000 participants each year. Typical class fees in FY 2021 ranged from \$130 - \$460, with an average cost recovery level of 120%. This proposal is estimated to increase cost recovery to 130-135%. (Ongoing net savings: \$18,792)

Performance Results



This action contributes to cost containment strategies in FY 2022 by increasing cost recovery levels.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
6. Subsidize Teen Services Staffing and Programs with Bryant Street Garage Revenue	-	-	-	-

This action offsets \$150,000 of teen services staffing and programming costs for two years through the use of accumulated Bryant Street Garage rental revenue. This funding source is the result of a City Council action in 2001 to lease out a garage property located at 455 Bryant Street. Since this site was formerly the Bryant Street Teen Center location, a stipulation in the lease required that seventy-five percent of the net rental revenues would be used to fund programs specifically for Palo Alto youth and teens and programs related to mental and physical health. In total, \$351,000 of accumulated unspent funding was reappropriated from FY 2020 to FY 2021 (CMR 11526) all of which remains unspent. The use of accumulated funding from the rental of the Bryant Street Garage is recommended to offset four part-time staff (equivalent to 1.79 FTE) and supplies (\$7,000) for two years. These positions will continue to support the teen center and leadership groups and programs, such as Think Fund. Revenues from 455 Bryant Street have declined significantly due to the economic impacts of the COVID-19 pandemic. Use of this funding allows for continuation of services. With this action, the unspent balance of Bryant Street Garage revenue will be reduced to \$201,000 in FY 2022. (Ongoing savings: \$150,000)

Performance Results



This action contributes to cost containment strategies in FY 2022 and aligns funding sources to continue to provide teen programming.

7. Know Your Neighbor Grant (KYNG) Program	-	25,000	-	25,000

This action funds the Know Your Neighbor Grant (KYNG) Program. This program was reduced in the FY 2021 budget process. The KYNG Program is designed to help neighbors connect with each other while strengthening community and improving the quality of life and neighborhoods in Palo Alto. Residents or neighborhood associations may apply for grants up to \$1,000 annually for events that support community connections and enhance neighborhood pride. Some previous KYNG recipients have used the funds to: create a pop up parklet; coordinate a Palo Alto Emergency Services Volunteers self-defense series; organize an emergency preparedness fair; and throw a Movie Night in the Park. In FY 2022 this expense is offset by the COVID-19 Economic Recovery Reserve. (Ongoing cost: \$25,000)

Performance Results



This action results in increased opportunities for community events.

8. Twilight Concert Series	-	30,000	-	30,000

This action funds the Twilight Concert Series. This program was reduced in the FY 2021 budget process. The Twilight Concert Series is the City of Palo Alto's summer events program. It includes concerts, movies nights, and other family-oriented community activities. This represents a 75% restoration of the program's prior resources and is expected to support three to four events. (Ongoing cost: \$30,000)

Performance Results



This action results in increased opportunities for community events.

9. Youth Community Services (YCS) Youth Connectedness Initiative (YCI)	-	50,000	-	50,000

This action allocates one-time funding of \$50,000 for the Youth Community Services (YCS) Youth Connectedness Initiative (YCI). The Youth Connectedness Initiative is an evidence-based program in the Palo Alto Unified School District and community that uses service-learning and social-emotional learning to improve youth connectedness. FY 2020 was the 3rd year of a 3 year matching grant agreement with the County of Santa Clara and this action continues the same level of City support. (Ongoing cost: \$0)

Performance Results



This action results in increased resources for youth mental health support programming.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
10. Friend's of the Children's Theatre Donation Elimination	-	-	(90,000)	90,000

This action reduces the revenue estimate for annual contributions from the Friends of Palo Alto Children's Theatre (FOPACT). In FY 2021, the annual contribution was planned to increase from \$45,000 to \$90,000. However, a reduction in staff and resources resulted in a much smaller number of productions. Further, in-person productions shifted to a virtual format in response to County and State guidelines for social distancing. FOPACT relies on concession sales, parent-participation productions, and special events and activities to fund raise. Therefore, the reduced level of productions impacts FOPACT's ability to commit funds on an ongoing basis. (Ongoing cost: \$90,000)

Performance Results



This action reduces resources available to the Children's Theatre and may result in decreased customer satisfaction.

11. Human Services Resource Allocation Process (HSRAP)	-	200,000	50,000	150,000

This one-time action adds a total of \$200,000 in additional expenses to be provided through the Human Services Resource Allocation (HSRAP) process. This expense is partially offset by a \$50,000 transfer from the Stanford University Medical Center (SUMC) Fund as recommended on May 12, 2021 by the Finance Committee, therefore the net impact to the General Fund is \$150,000. (Ongoing cost: \$0)

Performance Results



This action increases human services resources available to meet community needs.

12. Children's Theatre Outreach and Summer Hot Dog Series Productions	2.88	378,335	118,425	259,910

This action increases revenue, expense, and the equivalent of 2.88 FTE to allow the Children's Theatre to provide Outreach and Hot Dog theater productions. These programs were reduced in the FY 2021 budget. This level of funding is anticipated to support six annual Outreach productions and three Hot Dog productions per year. (Ongoing net cost: \$269,500)

Performance Results



This action increases the number and type of Children's Theatre productions.

13. Junior Museum and Zoo (JMZ) Operating Plan Adjustments	-	675,000	(273,643)	948,643

This action adjusts the JMZ operating plan and corresponding revenue budget by reducing ticket prices from \$18 to \$10, reducing membership prices from \$150-\$430 to \$108-\$200, increasing facility rental and class/camp revenue estimates, and refining expenses. Further detail can be found under Scenario 5 in CMR 12050. This action also recognizes Allocated Charge expense estimates for the new JMZ facility. Allocated Charges include direct services such as electricity and refuse collection. Allocated Charges are generally budgeted at the department level, not by specific facilities. Therefore, the estimates recognized in this action are the result of staff analysis of FTE, building square footage ratios managed by the Community Services Department, and historic trends. These estimates continue to be refined in collaboration amongst internal stakeholders and may be adjusted as appropriate through future budget processes. The adjusted FY 2022 JMZ cost recovery level is estimated to be 60%, which falls in the medium cost recovery policy range. (Ongoing net cost: \$1,173,650)

Performance Results



This action recognizes expense estimates and reduces the cost of entry to the JMZ, providing access to this educational resource and commensurately reduces the cost recovery level.

CSD Golf Course Financials

	FY 2018 Actuals	FY 2019 Actuals*	FY 2020 Actuals**	FY 2021 Projected**	FY 2022 Adopted
REVENUES					
Tournament Fees	-	211,290	56,620	201,153	118,390
Green Fees	532,552	2,231,690	1,983,554	3,154,596	2,565,755
Driving Range	199,251	359,495	314,447	608,734	402,850
Cart/Club Rentals	-	362,810	275,071	363,011	449,300
Proshop Lease/Merchandise Sales	12,677	239,190	177,080	228,335	228,355
Restaurant Lease	2,222	-	40,000	48,000	48,000
Restaurant Utilities	1,500	-	-	18,000	18,000
Other Fee	6,738	15,180	5,500	86	-
Total Revenue	754,940	3,419,655	2,852,272	4,621,915	3,830,650
EXPENDITURES					
Operating Expenses					
Salaries & Benefits	117,662	120,590	177,029	125,223	132,776
Advertising & Publishing	7,714	-	-	-	-
Supplies and Materials	42,669	-	-	-	-
General Expense	347	1,015	44	379	1,440
Facilities and Equipment Purchases	18,860	-	-	-	-
Allocated Charges	180,057	245,770	303,694	325,611	246,341
Subtotal	367,307	367,375	480,768	451,213	380,557
Contract Services					
Golf Maintenance	750,978	2,522,515	2,540,690	2,646,597	2,648,418
Miscellaneous	9,437	-	182	-	-
Range fees	166,902	-	-	-	-
Management Fees	924,477	108,000	111,240	114,577	114,577
Contract Contingency	-	-	-	-	27,630
Subtotal	1,851,795	2,630,515	2,652,112	2,761,174	2,790,625

CSD Golf Course Financials

	FY 2018 Actuals	FY 2019 Actuals*	FY 2020 Actuals**	FY 2021 Projected**	FY 2022 Adopted
Total Operating Expenses	2,219,102	2,997,890	3,132,879	3,212,387	3,171,182
Income From Operations	(1,464,162)	421,765	(280,607)	1,409,528	659,468
Debt Expenses					
Debt Service (Refunded)	432,271	431,154		-	-
Debt Service (New)	-	338,886	369,771	373,733	372,557
Subtotal	432,271	770,040	369,771	373,733	372,557
Net Income (Loss)	(1,896,433)	(348,275)	(650,378)	1,035,795	286,911

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

**The COVID-19 pandemic caused significant disruption to City and community activities, which may be reflected in FY 2020 and 2021 data.

CSD Human Service Contracts

Human Services Contracts	FY 2021 Adopted Budget	FY 2021 Agency Award	FY 2022 Base Budget	FY 2022 Agency Request	FY 2022 Adopted Budget
GENERAL HUMAN SERVICES CONTRACTS*					
Avenidas - Senior Services	521,065	521,065	521,065	521,065	521,065
PACCC - Child Care Subsidy and Outreach	527,888	527,888	527,888	527,888	527,888
Mediation Service Provider	70,954	70,954	70,954	70,954	70,954
Youth Community Sv. (YCS) - Youth Connectedness Initiative	50,000	50,000	-	50,000	50,000
General Human Service Contracts Subtotal	1,169,907	1,169,907	1,119,907	1,169,907	1,169,907
HUMAN SERVICES RESOURCE ALLOCATION PROCESS CONTRACTS**					
Abilities United	55,101	55,101	58,293	58,293	58,293
Ada's Caf	5,325	5,325	-	-	-
Adolescent Counseling Services (Outlet Program)	45,261	45,261	45,261	97,500	45,261
Counseling and Support Services for Youth (CASSY)	45,261	45,261	49,727	60,000	49,727
Downtown Streets Team	38,786	38,786	10,000	57,632	10,000
DreamCatchers	26,624	26,624	29,226	40,000	29,226
KARA	23,429	23,429	25,000	25,000	25,000
Karat School Project	-	-	5,000	30,000	5,000
LifeMoves (formerly InnVision Shelter Network)	84,039	84,039	84,039	84,039	84,039
La Comida de California	49,386	49,386	49,386	49,386	49,386
Ravenswood Family Health Network (formerly MayView Community Health Center)	42,599	42,599	46,799	50,000	46,799
Alta Housing (formerly Palo Alto Housing Corporation)	31,949	31,949	35,083	38,580	35,083
Peninsula HealthCare Connection Inc	-	-	7,000	40,000	7,000

CSD Human Service Contracts

Human Services Contracts	FY 2021 Adopted Budget	FY 2021 Agency Award	FY 2022 Base Budget	FY 2022 Agency Request	FY 2022 Adopted Budget
Senior Adults Legal Assistance	16,348	16,348	17,165	18,000	17,165
The Health Trust	10,650	10,650	11,182	20,000	11,182
Vista Center for the Blind & Visually Impaired	42,599	42,599	42,599	45,736	42,599
Youth Community Sv. (YCS)	31,949	31,949	33,546	35,000	33,546
Two-Year Contractors Subtotal	549,306	549,306	549,306	791,966	549,306
FY 2022 HSRAP One-Time Funds***	-	-	-	-	200,000
TOTAL	1,719,213	1,719,213	1,669,213	1,961,873	1,919,213
HSRAP Emerging Needs Fund****	50,000	50,000	50,000	-	50,000

*These existing contracts have been added to this chart to provide a holistic display of all the General Human Services Contracts in the City. As these contracts are already established and not included in the Human Resource Allocation Process (HSRAP), there is no new budgetary impact as a result of their inclusion.

**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.

***One-time funding added by the City Council during the FY 2022 budget hearings (CMR 12307) to be allocated by the Human Relations Commission (HRC) in FY 2022 (CMR 13635).

****Funding is in the Non-Departmental section of this document.

FIRE

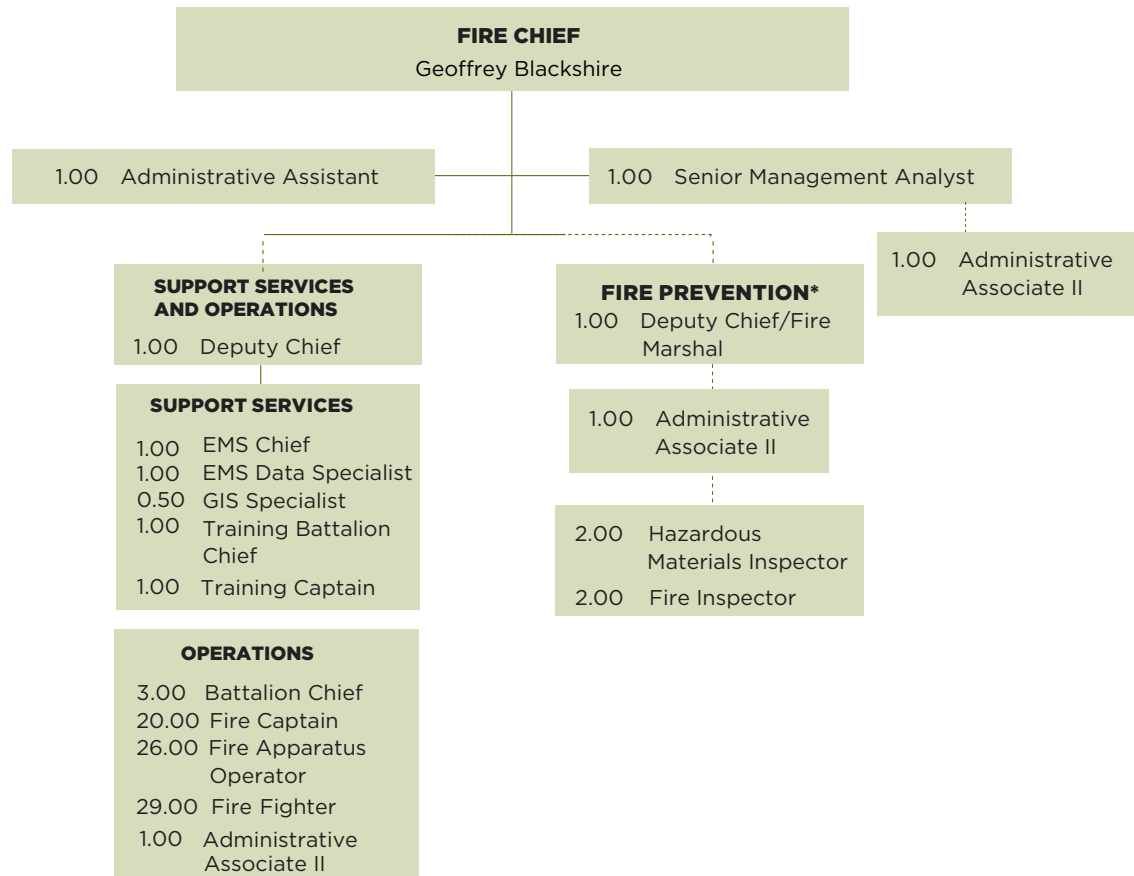
Mission Statement



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 2022 POSITION TOTALS

94.50 - Full-time
0.07 - 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 Development Services Department. The Fire Department retains administrative oversight over department personnel.

Description

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

FIRE SUPPRESSION

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

EMERGENCY MEDICAL SERVICES

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

FIRE PREVENTION BUREAU

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

EMPLOYEE FIRE/EMS CERTIFICATION TRAINING

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

Accomplishments

- Responded to the COVID-19 pandemic by participating in the City's Emergency Operations Center and quickly developing policies and protocols to protect firefighters and patients by minimizing exposure.
- Participated in County Medical Director tracking and research of COVID-19 pandemic to stay informed of daily progress in new science on transmission, infection rates, symptoms, and other medical information to ensure the safety of the community and firefighters.
- Worked with regional vendors and state contacts to obtain sufficient quantities of personal protective equipment for firefighters responding to medical calls during the COVID-19 pandemic.
- Successfully designed and delivered all-staff training on protocols and decontamination to protect firefighters and patients from the COVID-19 pandemic.
- Successfully coordinated with regional vaccination effort to vaccinate all Fire Department staff.
- Provided staff support for County Coronavirus Vaccine Clinics.
- Responded to the first ever mutual aid request for paramedic needs statewide, by sending four paramedics to Kern County to assist in the hospital emergency wing dedicated to treating patients in critical condition after being diagnosed with COVID-19.
- Supported 12 mutual aid requests for one of the largest, deadliest wildfire seasons in the history of California. This included the Santa Clara Unit (SCU) Lightning and Lake-Napa Unit (LNU) Lightning Complex fires on the Peninsula and in the South Bay.

- Developed effective adjusted operating models to support continued service quality despite resource limitations caused by the economic impacts of COVID-19.
- Achieved annual accreditation compliance with the Center for Public Safety Excellence.

Initiatives

- Continue to monitor emerging science and best practices for managing COVID-19 response, providing support locally and with regional efforts.
- Continue to conduct rigorous wildland fire drills and trainings in order to prepare for the increased risk of a longer and more intense California fire season.
- Develop recruitment and retention strategy aimed at increasing the number of female applicants and proportion of female firefighters in the Department.
- Launch new paramedic subscription program allowing residents to pay a flat annual fee in lieu of a co-pay for transport services.
- Develop business and implementation plan and outreach program for new first responder fee; present to Council for consideration and adoption.
- Deploy and analyze effectiveness of emergency signal pre-emption software, reducing response times in high traffic areas.
- Complete purchasing process to upgrade automatic external defibrillators (AEDs) citywide.
- Support efforts to modernize and replace essential public safety facilities and equipment.

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

Goal	Arrive at the scene of emergencies safely and in a timely manner within the department's targeted response times.				
Objective	Fire and EMS response times will be within 8 minutes, and Advanced Life Support (ALS) response times will be within 12 minutes 90 percent of the time.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of responses to EMS calls within 8 minutes	93%	92%	93%	93%	93%
Percent of responses to fire emergencies within 8 minutes	86%	87%	90%	88%	90%
Percent of responses to paramedic calls within 12 minutes	99%	99%	99%	99%	99%
Description	This measure tracks the percentage of calls for service that are within established response time percentiles.				
Purpose	Quick response times can mean the difference between short and long-term recovery, the extent and severity of injury, and most importantly, the difference between life and death.				
Status	In FY 2020 and FY 2021, the department was significantly impacted by both a service delivery change and the onset of the coronavirus, both impacting response times. Traffic and call volume declined significantly as a result of the pandemic and shelter in place orders that have lasted over a year. However, increase safety precautions have been implemented including additional turnout gear necessary for appropriate personal protection equipment (PPE) on all calls as a result of the potential spread of the virus. Additional details on these response times can be found in the semi-annual report issued by the Fire Department here: https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/current-year/2021/id-12065.pdf				

Key Performance Measures

FIRES CONTAINED TO ROOM OF ORIGIN

Goal	Limit structural fire damage to the room or area of origin.				
Objective	Contain fires to the room or area of origin 90 percent of the time.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of fires contained to the room or area of origin	81%	61%	90%	71%	90%
Description	This measure tracks the percentage of fires that are contained to the room or area of origin.				
Purpose	Containing a fire to the room or area of origin limits damage and spread of the fire.				
Status	In FY 2020, the Department limited 61 percent of fires to the room of origin and did not meet 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 this year, there were eight (8) structure fires. 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.				

Key Performance Measures

PERCENT OF SURVEYED RESIDENTS RATING FIRE DEPARTMENT SERVICES GOOD OR EXCELLENT

Goal	Internalize commitment to excellence in public service by continuously evaluating the assistance provided, identifying areas needing improvement, and implementing mitigation methods.				
Objective	Maintain awareness of service quality from a customer perspective of assistance that was provided.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of surveyed residents rating ambulance/EMS services "good" or "excellent"	N/A*	93%	N/A*	95%	N/A*
Percent of surveyed residents rating fire prevention services "good" or "excellent"	N/A*	82%	N/A*	85%	N/A*
Percent of surveyed residents rating fire services "good" or "excellent"	N/A*	94%	N/A*	95%	N/A*
Description	This measure tracks the percent of surveyed residents rating fire and emergency services good or excellent, as well as Fire Prevention Services, as reported monthly from the Customer Satisfaction Survey. Collecting this data allows the Department to compare itself to nationwide benchmarking data prepared by the National Research Center.				
Purpose	Citizen satisfaction with Fire Department services is an important assessment of the overall quality of fire services offered to the community.				
Status	*The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A". As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is anticipated to take place in FY 2023.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of fire calls for service	133	126	150	150	150
Number of medical/rescue calls for service	5,490	5,029	5,500	4,500	5,500
Number of all other calls for service	3,220	2,954	3,440	3,440	3,440
Total number of calls for service	8,843	8,111	9,000	8,000	9,000
Number of ambulance transports	3,659	3,488	3,800	3,000	3,800
Fire calls 90th percentile response time (Target: 8:00 Minutes)*	8:25	9:25	8:28	8:28	8:46
Medical/rescue calls 90th percentile response time (Target: 8:00 Minutes)*	6:15	5:53	6:10	6:10	6:06

* Response times were previously measured as an average but have been modified to reflect the industry standard of using the 90th percentile data point. The National Fire Protection Association (NFPA) sets the national benchmarks of eight minutes or less 90% of the time, which is now reflected in the updated departmental goals and prior year actuals.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration	\$2,212,337	\$2,780,988	\$2,326,807	\$2,674,134	\$347,327	14.9%
Emergency Response	\$30,441,361	\$32,476,489	\$30,100,130	\$31,906,061	\$1,805,931	6.0%
Environmental Safety Management	\$433,531	\$447,585	\$552,015	\$609,894	\$57,878	10.5%
Records and Information Management	\$384	\$711	—	—	—	—%
Training and Personnel	\$861,339	\$896,892	\$627,969	\$486,791	\$(141,179)	(22.5)%
Total	\$33,948,953	\$36,602,665	\$33,606,921	\$35,676,879	\$2,069,958	6.2%
Salary & Benefits						
Healthcare	\$1,992,070	\$2,072,763	\$1,974,692	\$2,214,572	\$239,880	12.1%
Other Benefits	\$339,714	\$349,697	\$486,342	\$499,079	\$12,737	2.6%
Overtime	\$2,914,480	\$1,910,380	\$1,931,121	\$1,931,121	—	—%
Pension	\$6,665,085	\$9,025,053	\$8,411,292	\$9,382,123	\$970,830	11.5%
Retiree Medical	\$2,223,229	\$2,289,926	\$2,187,049	\$2,222,809	\$35,761	1.6%
Salary	\$13,685,234	\$14,539,674	\$13,612,650	\$13,760,867	\$148,217	1.1%
Workers' Compensation	\$753,623	\$1,491,242	\$1,026,959	\$1,367,930	\$340,971	33.2%
Total Salary and Benefits	\$28,573,435	\$31,678,735	\$29,630,104	\$31,378,501	\$1,748,397	5.9%
Dollars by Category						
Allocated Charges	\$3,071,942	\$3,212,805	\$2,467,094	\$2,738,655	\$271,561	11.0%
Contract Services	\$590,569	\$725,983	\$526,000	\$576,000	\$50,000	9.5%
Facilities & Equipment	\$340,204	\$332,379	\$216,723	\$216,723	—	—%
General Expense	\$628,320	\$312,625	\$393,600	\$393,600	—	—%
Operating Transfers-Out	\$306,850	—	—	—	—	—%
Supplies & Material	\$437,631	\$340,137	\$373,400	\$373,400	—	—%
Total Dollars by Expense Category	\$33,948,953	\$36,602,665	\$33,606,921	\$35,676,879	\$2,069,958	6.2%
Revenues						
Charges for Services	\$9,589,264	\$9,167,663	\$12,243,794	\$9,745,750	\$(2,498,044)	(20.4)%
Charges to Other Funds	\$163,605	\$162,610	\$162,610	\$162,610	—	—%
From Other Agencies	\$259,946	\$222,693	\$175,000	\$175,000	—	—%
Other Revenue	\$410,191	\$229,901	\$282,000	\$277,000	\$(5,000)	(1.8)%
Total Revenues	\$10,423,007	\$9,782,867	\$12,863,403	\$10,360,360	\$(2,503,044)	(19.5)%
Positions by Division						
Administration	5.68	5.68	5.68	5.20	(0.48)	(8.5)%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Emergency Response	89.57	89.57	89.57	83.37	(6.20)	(6.9)%
Environmental Safety Management	1.15	1.15	1.15	1.15	—	—%
Training and Personnel	2.00	2.00	2.00	0.60	(1.40)	(70.0)%
Total	98.40	98.40	98.40	90.32	(8.08)	(8.2)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
40-Hour Training Battalion Chief	1.00	1.00	1.00	1.00	—	\$203,070
40-Hour Training Captain	1.00	1.00	—	1.00	1.00	\$164,486
40-Hour Training Captain (Freeze)	—	—	1.00	—	(1.00)	—
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$86,549
Administrative Associate II	2.20	2.20	1.20	2.20	1.00	\$172,469
Administrative Associate II (Freeze)	—	—	1.00	—	(1.00)	—
Battalion Chief	3.00	3.00	3.00	3.00	—	\$580,420
Business Analyst	0.80	0.80	0.80	0.80	—	\$124,268
Deputy Chief/Fire Marshal	0.05	0.05	0.05	0.05	—	\$10,758
Deputy Director Technical Services Division	0.20	0.20	—	—	—	—
Deputy Director Technical Services Division (Freeze)	—	—	0.20	—	(0.20)	—
Deputy Fire Chief	2.00	2.00	2.00	1.00	(1.00)	\$220,480
Emergency Medical Service Director	1.00	1.00	1.00	1.00	—	\$177,133
Emergency Medical Services Data Specialist	1.00	1.00	1.00	1.00	—	\$84,032
Fire Apparatus Operator	26.00	26.00	26.00	26.00	—	\$3,738,018
Fire Captain	21.00	21.00	21.00	20.00	(1.00)	\$3,179,496
Fire Chief	1.00	1.00	1.00	1.00	—	\$258,024
Fire Fighter	34.00	34.00	29.00	29.00	—	\$3,899,721
Fire Fighter (Freeze)	—	—	5.00	—	(5.00)	—

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Fire Inspector	0.80	0.80	0.40	0.40	—	\$65,795
Fire Inspector (Freeze)	—	—	0.40	—	(0.40)	—
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	\$65,198
Hazardous Materials Inspector	0.30	0.30	0.30	0.30	—	\$49,346
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$154,586
Subtotal: Full-Time Equivalent Positions	97.85	97.85	97.85	90.25	(7.60)	\$13,233,848
Temporary/Hourly	0.55	0.55	0.55	0.07	(0.48)	\$19,174
Total Positions	98.40	98.40	98.40	90.32	(8.08)	\$13,253,022

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Fire Department, a total of 8.60 FTE (8.60 full-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	98.40	33,606,921	12,863,403	20,743,518
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	121,210	-	121,210
Modified Staffing and Overtime Adjustment	-	(209,225)	-	(209,225)
One-Time Prior Year Budget Adjustments	0.00	(88,015)	-	(88,015)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	3,024,166	-	3,024,166
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(8.60)	(1,596,730)	-	(1,596,730)
Stanford Emergency Fire Services Contract Revenue (realignment to FY 2022 expenses per contract terms)	-	-	(562,617)	562,617
Ambulance Transport Fees and Other Fire Revenue Reduction	-	-	(729,177)	729,177
First Responder and Ambulance Subscription Fee Revenue Estimate Reduction (from \$1.86 million)	-	-	(1,211,250)	1,211,250
Information Technology Allocated Charges	-	180,379	-	164,847
Liability Insurance Allocated Charges	-	75,315	-	75,315
Printing & Mailing Services Allocated Charges	-	(7,234)	-	(7,234)
Refuse Allocated Charges	-	54	-	54
Utilities Allocated Charges	-	2,434	-	2,434
Vehicle Replacement & Maintenance Allocated Charges	-	20,618	-	20,618
Workers' Compensation Allocated Charges	-	340,971	-	340,971
Adjustments to Costs of Ongoing Activities	(8.60)	2,039,973	(2,502,043)	4,543,017
Total FY 2022 Base Budget	89.80	35,558,879	10,360,360	25,198,520
Budget Adjustments				
1. Equity Hiring Initiative	-	50,000	-	50,000
2. Reclassify Administrative Specialist to Administrative Associate II	0.52	68,000	-	68,000
3. Fire Alarm Response Changes to Service Delivery Policies	-	-	-	-
Total Budget Adjustments	0.52	118,000	-	118,000
Total FY 2022 Adopted Budget	90.32	35,676,879	10,360,360	25,316,520

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Equity Hiring Initiative	0.00	50,000	0	50,000

This one-time action provides funding for contract services to identify and work on areas of improvement for more equitable hiring practices in the Fire Department. (Ongoing cost: \$0)

Performance Results



This action is expected to improve equity in hiring practices.

2. Reclassify Administrative Specialist to Administrative Associate II	0.52	68,000	0	68,000

This action reclassifies 0.48 FTE Administrative Specialist to 1.00 FTE Administrative Associate II to allow for additional departmental assistance with higher level tasks such as establishing the Subscription Fee online sign up portal and purchasing tasks related to the Automated External Defibrillator (AED) maintenance contract. (Ongoing costs: \$74,036)

Performance Results



This action aligns resources with operational requirements and creates flexibility to support a wide range of organizational needs.

3. Fire Alarm Response Changes to Service Delivery Policies	0.00	0	0	0

This action amends the Departments response policies to fire alarms in order to mitigate emergency response service impacts associated with Department resource reductions over the past few years. To ensure that remaining units are readily available for confirmed emergencies, the Department will no longer automatically respond to all fire alarm types. For low-risk buildings and occupancy types, response will occur once confirmation of an emergency is received. The Department will identify and continue to respond to fire alarms in specific high-risk buildings and occupancy types (e.g. schools in session, senior assisted living facilities, occupancies with high-risk hazmat materials, and waterflow fire alarms). However, the majority of fire alarms will no longer receive an immediate response. In FY 2020 there were 1,063 fire alarms, of which 982 (92%) were nuisance, non-emergent, false alarms. These 982 nuisance false alarms equate to 345 hours (approximately 14 days) of crew time. The Department is also in the process of updating false alarm fees as part of the municipal fee budget process in order to align with the Police Departments fee structure and reduce the number of nuisance alarms. (Ongoing savings: \$0)

Performance Results



This action is expected to assist the Fire Department to continue to strive to meet response times with resources remaining after resource reductions in recent years.

HUMAN RESOURCES

Mission Statement

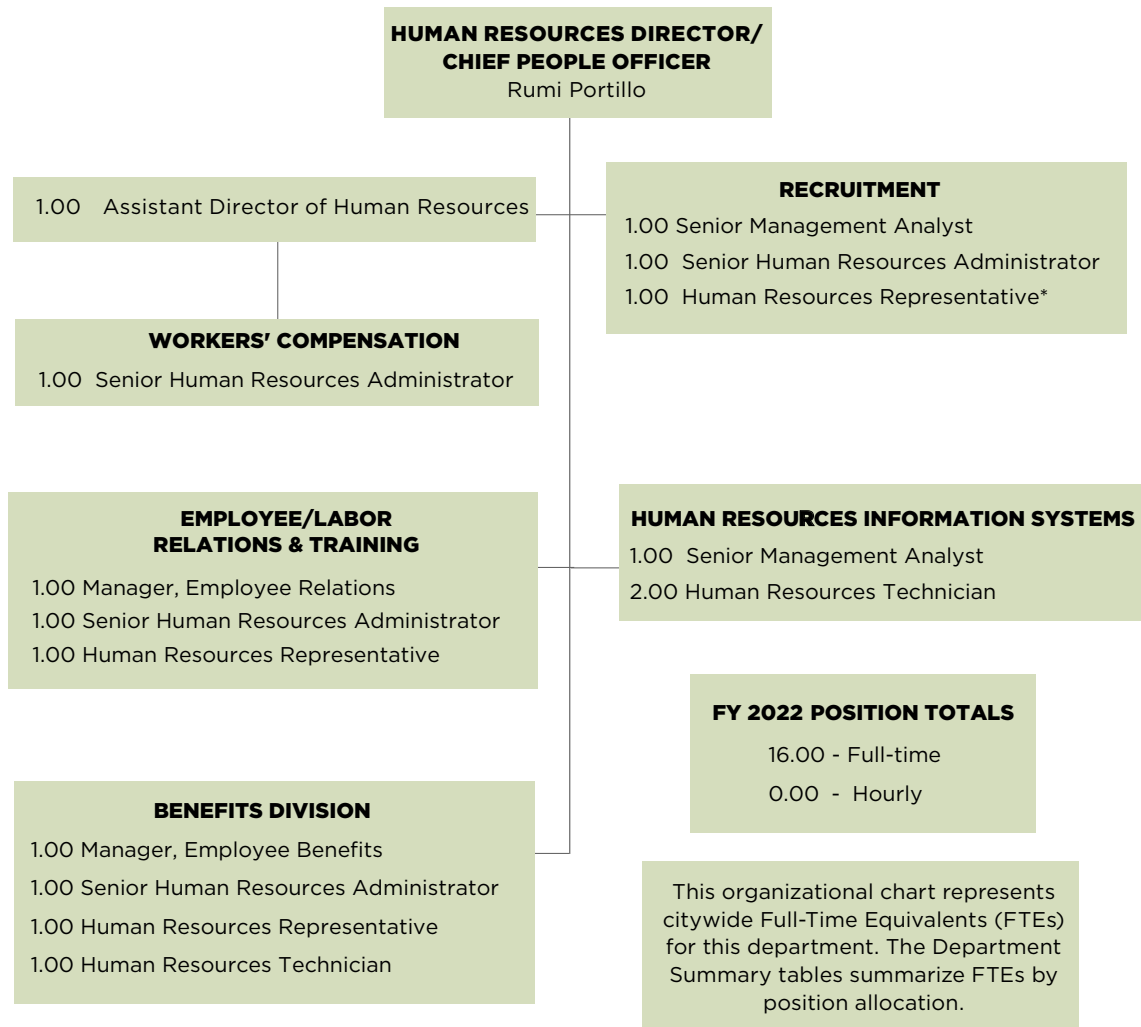


The Human Resources Department's mission is to recruit, develop, and retain a diverse, well-qualified, and professional workforce that reflects the high standards of the community we serve, and to lead City departments in positive employee relations, talent management, succession planning, and employee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



* This positions is temporarily reallocated to the Utilities Department in this FY 2022 budget. The Human Resources Department retains administrative oversight.

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

- Successfully engaged with key labor stakeholders throughout the budget process, keeping labor partners engaged and informed from initial development through final adoption.
- Met and conferred with labor partners over COVID-19 emergency actions, employee safety, and procedures.
- Expanded and enhanced online learning resources, transitioned in-person trainings to virtual platforms, and exceeded annual training goals by reaching 100% participation.
- Coordinated and launched an effective and efficient reactivation of worksites including the return of employees assigned to fully remote schedules.
- Developed hybrid service delivery models, process, and practices.
- Coordinated COVID-19 testing efforts to provide the City with bi-weekly testing sites (15,000+ tests).
- Piloted an alternative online employee performance evaluation form and workflows to automate the submission and approval process.
- Implemented various online forms to increase employee reach while working remotely through the COVID-19 pandemic.

- Participated in the implementation of the City's next Employee Self-Service (ESS) and Manager Self-Service (MSS) systems.
- Virtually on-boarded 70 new hires and filled critical positions such as; Police Officers, Public Safety Dispatcher, Communications Manager, Utilities Lineperson Lead, Utility System Operator-in Training, Water Quality Control Plant System Operator Trainee, Deputy City Manager, Finance Manager, Chief Assistant City Attorney.
- Managed a hiring freeze process to review all potential recruitments with the City's hiring freeze committee, ensuring appropriate funding strategy for every position being filled.
- Implemented a completely virtual recruitment process from initiation to onboarding.
- Conducted 460 on-demand virtual interviews throughout the fiscal year.
- Partnered with an industrial psychologist to redesign the recruitment and assessments process of hard to fill positions improving candidate selection.
- Administered the City's budget reduction process by navigating employees and managers through the layoff, bumping rights, reemployment, and redeployment procedures.
- Created a dedicated recruitment website page and updated the City's career opportunity website.
- Provided department directors with workforce information for purposes of succession planning.
- Implemented changes to benefits enacted through Coronavirus Aid, Relief, and Economic Security Act (CARES) and American Rescue Plan Act (ARPA) to support the financial wellness of City employees during the pandemic.
- Executed the Family First Coronavirus Act (FFCRA) to support employees and their families during the pandemic.
- Designed and implemented a fully virtual open enrollment experience which included virtual vendor sessions and one-on-one consultations via private video conferencing.
- In partnership with the County, rolled out an employee vaccination program that facilitated vaccination of 732 employees.

Initiatives

- Reactivation of worksites including the return of employees assigned to remote schedules.
- Continued implementation of hybrid service delivery models, process, and practices.
- Negotiation of successor collective bargaining agreements: Service Employees International Union (SEIU), Service Employees International Union Hourly Unit (SEIU-H), Utilities Management & Professional Association of Palo Alto (UMPAPA).
- Explore the City's software systems options to enhance personnel action workflow and increase efficiency and process improvement.
- Conduct training for hiring managers on conducting reference checks, documentation, and final interviews.
- Source vendors or resources to provide implicit bias training for hiring managers and evaluators.

- Reimagine the City's New Employee Orientation program to accommodate a virtual and onsite hybrid model.
- Establish a citywide mental health strategic plan to uplift personnel and continue to support their success as they serve the community.
- Complete a Request for Proposals (RFP) process to select professional services that will support the City with life and long-term disability insurance.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Fund						
General Fund-Operating	\$3,614,677	\$3,929,715	\$3,596,503	\$3,920,554	\$324,051	9.0%
Liability Insurance Fund	\$4,481,136	\$919,884	\$4,146,146	\$5,179,052	\$1,032,906	24.9%
Worker's Compensation Fund	\$6,233,418	\$7,498,636	\$6,946,942	\$7,130,938	\$183,996	2.6%
Total	\$14,329,231	\$12,348,235	\$14,689,590	\$16,230,544	\$1,540,953	10.5%
Revenues						
Charges to Other Funds	\$3,901,219	\$5,372,179	\$4,806,659	\$5,849,697	\$1,043,038	21.7%
Operating Transfers-In	\$5,000	\$5,000	\$5,000	\$5,000	—	—%
Other Revenue	\$4,595,511	\$7,514,835	\$5,119,040	\$6,805,040	\$1,686,000	32.9%
Return on Investments	\$602,871	\$642,193	\$642,900	\$642,900	—	—%
Total	\$9,104,601	\$13,534,206	\$10,573,599	\$13,302,637	\$2,729,038	25.8%
Positions by Fund						
General Fund-Operating	16.96	16.96	16.96	14.00	(2.96)	(17.5)%
Worker's Compensation Fund	1.00	1.48	1.48	1.48	—	—%
Total	17.96	18.44	18.44	15.48	(2.96)	(16.1)%

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

Goal	Enhance City culture of employee engagement and innovation.				
Objective	Maintain high employee attendance rate.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Attendance	96%	97%	90%	97%	95%
Description	This measure will track the attendance of employees in terms of percentage of time present.				
Purpose	Attendance is a proxy metric for engagement and productivity. Absenteeism hinders City operations, and results in inefficiency when employees assume additional responsibilities because of unexpected absences. The Department of Labor benchmark for attendance is 96 percent, allowing for absenteeism rate of 4 percent. Under this standard, absenteeism is defined to include unscheduled time away from work (not including vacations or holidays and scheduled/approved Workers Compensation, ADA or FMLA leave).				
Status	Attendance rates are anticipated to remain stable at 97% in FY 2021. Staff anticipated impacts to absences due to the pandemic, however, federal and state regulations characterize these types of absences under the Families First Coronavirus Response Act (FFCRA) and do not count towards employee absences.				

RECRUITMENT

Goal	Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce.				
Objective	Invigorate the recruitment process to decrease time to fill and increase quality of hires.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Recruitment - Days to fill a position	98	99	110	103	150
Description	This measure will provide the average number of days to fill a position from requisition approval until a hiring decision is made.				
Purpose	A strong recruitment strategy is the foundation of talent management and should be accomplished in a focused, timely manner to provide departments with quality candidates as expeditiously as possible. This measure aligns with the International City/County Management Association's (ICMA) human resource metrics and is a standard tool as defined in the Society of Human Resource Management.				
Status	As the City continues to compete for talent and hard-to-fill positions, the Days to Fill in FY 2020 was in line with expectations and is trending similarly in FY 2021. However, the number of days to fill is expected to increase in FY 2022 due to resource availability in the Recruitment Division.				

Key Performance Measures

TURNOVER

Goal	Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce.				
Objective	Reduce turnover with higher quality of hires and improved performance coaching.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Turnover - Involuntary Turnover	1%	1%	2%	3%	3%
Turnover - Retirement Turnover	6%	3%	5%	5%	5%
Turnover - Total Turnover	12%	9%	10%	11%	12%
Turnover - Voluntary Turnover	6%	5%	5%	3%	4%
Description	This metric provides data to identify trends when there is turnover, including voluntary exits, involuntary separations and retirements.				
Purpose	Employees who are qualified, are a good match for the organization, and who are 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.				
Status	Turnover in FY 2020 and 2021 was in line with projections. While the voluntary turnover rates in years prior to the COVID-19 pandemic were higher, involuntary and retirement turnover increased while voluntary turnover rates decreased in FY 2021. With reopening anticipated in FY 2022, it is expected that voluntary turnover may experience an upward trend while involuntary and retirements turnover continue at current rates.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Employee personnel transactions*	4,500	4,000	3,500	3,200	3,000
Percentage of employees participating in Citywide training program**%	95%	95%	100%	100%	95%

*The number in personnel transactions decreased in FY 2020 and FY 2021 due to COVID-19 shelter in place orders that resulted in a remote workforce.

**During FY 2020, staff successfully enhanced an e-learning platform.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration, Employee Org Development and HR Systems	\$1,352,856	\$1,348,717	\$1,178,595	\$1,227,986	\$49,392	4.2%
Benefits and Compensation	\$457,524	\$505,768	\$492,960	\$543,859	\$50,899	10.3%
Employee and Labor Relations	\$1,156,530	\$1,265,161	\$1,225,159	\$1,335,906	\$110,747	9.0%
Recruitment	\$424,826	\$507,865	\$401,762	\$488,523	\$86,761	21.6%
Risk Mgmt, Safety, Workers' Compensation	\$222,940	\$302,204	\$298,027	\$324,280	\$26,253	8.8%
Total	\$3,614,677	\$3,929,715	\$3,596,503	\$3,920,554	\$324,051	9.0%
Salary & Benefits						
Healthcare	\$260,430	\$270,413	\$273,193	\$280,421	\$7,228	2.6%
Other Benefits	\$85,945	\$84,370	\$81,546	\$98,031	\$16,486	20.2%
Overtime	\$2,638	\$6,605	—	—	—	—%
Pension	\$532,637	\$744,678	\$705,374	\$813,768	\$108,394	15.4%
Retiree Medical	\$190,587	\$196,305	\$187,814	\$190,885	\$3,071	1.6%
Salary	\$1,860,870	\$1,979,247	\$1,786,285	\$1,959,107	\$172,822	9.7%
Workers' Compensation	\$55,727	\$96,312	\$65,285	\$86,961	\$21,676	33.2%
Total Salary and Benefits	\$2,988,834	\$3,377,930	\$3,099,497	\$3,429,173	\$329,676	10.6%
Dollars by Category						
Allocated Charges	\$193,988	\$235,030	\$186,056	\$181,431	\$(4,625)	(2.5)%
Contract Services	\$311,923	\$237,081	\$205,309	\$205,309	—	—%
Facilities & Equipment	—	—	\$4,150	\$4,150	—	—%
General Expense	\$40,192	\$28,815	\$42,098	\$41,098	\$(1,000)	(2.4)%
Operating Transfers-Out	\$28,209	—	—	—	—	—%
Rents & Leases	\$43,000	\$43,000	\$43,000	\$43,000	—	—%
Supplies & Material	\$8,532	\$7,859	\$16,392	\$16,392	—	—%
Total Dollars by Expense Category	\$3,614,677	\$3,929,715	\$3,596,503	\$3,920,554	\$324,051	9.0%
Revenues						
Charges to Other Funds	\$976,010	\$1,095,179	\$1,914,659	\$1,869,697	\$(44,962)	(2.3)%
Total Revenues	\$976,010	\$1,095,179	\$1,914,659	\$1,869,697	\$(44,962)	(2.3)%
Positions by Division						
Administration, Employee Org Development and HR Systems	5.56	5.56	5.56	3.60	(1.96)	(35.3)%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Benefits and Compensation	2.20	2.20	2.20	2.15	(0.05)	(2.3)%
Employee and Labor Relations	5.00	5.00	5.00	4.75	(0.25)	(5.0)%
Recruitment	2.60	2.60	2.60	2.00	(0.60)	(23.1)%
Risk Mgmt, Safety, Workers' Compensation	1.60	1.60	1.60	1.50	(0.10)	(6.3)%
Total	16.96	16.96	16.96	14.00	(2.96)	(17.5)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Assistant Director Human Resources	1.00	1.00	1.00	1.00	—	\$201,448
Director Human Resources/ CPO	1.00	1.00	1.00	1.00	—	\$237,806
Human Resources Representative	3.00	3.00	2.50	2.00	(0.50)	\$180,149
Human Resources Representative (Freeze)	—	—	0.50	—	(0.50)	—
Human Resources Technician	4.00	4.00	3.50	3.00	(0.50)	\$235,373
Human Resources Technician (Freeze)	—	—	0.50	—	(0.50)	—
Manager Employee Benefits	1.00	1.00	1.00	1.00	—	\$149,968
Manager Employee Relations	1.00	1.00	1.00	1.00	—	\$163,051
Senior Human Resources Administrator	3.00	3.00	3.00	3.00	—	\$321,651
Senior Management Analyst	2.00	2.00	2.00	2.00	—	\$287,914
Subtotal: Full-Time Equivalent Positions	16.00	16.00	16.00	14.00	(2.00)	\$1,777,360
Temporary/Hourly	0.96	0.96	0.96	—	(0.96)	—
Total Positions	16.96	16.96	16.96	14.00	(2.96)	\$1,777,360

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Human Resources Department, a total of 1.96 FTE (1.00 full-time, 0.96 part-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	16.96	3,596,503	1,914,659	1,681,844
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	209,272	-	209,272
One-Time Prior Year Budget Adjustments	-	209,272	-	209,272
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	408,427	-	408,427
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(1.96)	(239,403)	-	(239,403)
General Fund Cost Allocation Plan	-	-	(44,962)	44,962
Information Technology Allocated Charges	-	(19,039)	-	(19,039)
Liability Insurance Allocated Charges	-	18,146	-	18,146
Printing & Mailing Services Allocated Charges	-	(3,733)	-	(3,733)
Workers' Compensation Allocated Charges	-	21,676	-	21,676
Adjustments to Costs of Ongoing Activities	(1.96)	186,075	(44,962)	231,037
Total FY 2022 Base Budget	15.00	3,991,850	1,869,697	2,122,153
Budget Adjustments				
1. Utilities Recruitment Staffing	(1.00)	(146,297)	-	(146,297)
2. Recruitment Staffing Realignment	-	-	-	-
3. Recruitment Support Staffing	-	75,000	-	75,000
Total Budget Adjustments	(1.00)	(71,297)	-	(71,297)
Total FY 2022 Adopted Budget	14.00	3,920,553	1,869,697	2,050,856

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Utilities Recruitment Staffing	(1.00)	(146,297)	-	(\$146,297)

This action restores a Human Resources Representative previously frozen at 0.75 FTE to 1.00 FTE and reallocates the position from Human Resources to the Utilities Department. The position will act as a dedicated resource for Utilities recruitments to expedite essential hires and provide additional resources for hard-to-recruit positions. Utilities recruitments are resource-intensive and require more time and effort to fill due to the specialized nature of the work. This dedicated resource will help to address the backlog of hiring that would otherwise adversely impact operations. (Ongoing savings: \$150,740)

Performance Results



This action ensures that sufficient resources are available to support Utilities Department recruitments.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
2. Recruitment Staffing Realignment	-	-	-	-

This net-neutral action restores three positions previously frozen at 0.75 FTE to 1.00 FTE and eliminates a vacant 0.75 FTE Human Resources Technician position. As part of FY 2021 staffing freezes, the Human Resources Department reduced 1.00 FTE across four positions, reducing administrative, technical, and analytical support in Recruitment, Employee Relations and Training, and Information Systems Divisions. This action redistributes that reduction so that full-time staffing resources remain in the department. The restoration of staff resources in the Divisions will result in increased administrative and analytical support for assigned programs and functions. The 0.75 FTE Human Resources Technician position recommended for elimination supports three professional-level staff and is the recruitment unit's sole administrative support position. As a result, professional-level staff will perform administrative tasks related to their duties, such as scheduling interviews, preparing interview materials, completing background checks, and processing medical exam requirements. This will impact the ability to perform higher-level duties such as conducting applicant outreach, screening candidates, and quality control related to hiring manager follow-ups. (Ongoing savings: \$282)

Performance Results



Hiring cycle times to fill a vacancy are expected to increase from 90-100 days to 120-150 days. Restoring three positions which were cut last year from full-time to part-time will allow staff to work on compliance activities that became backlogged as a result of the cuts, and to address the increased demand for Employee Relations and Benefits support.

3. Recruitment Support Staffing	-	75,000	-	\$75,000

This action increases recruitment resources to keep pace with hiring for safety-sensitive and essential positions which have been exempted from the hiring freeze, assist with the current backlog, and address restored positions that must be filled from the FY 2022 budget process. (Ongoing costs: \$75,000)

Performance Results



This action ensures that sufficient resources are available to support recruitments citywide.



CITY OF
**PALO
ALTO**

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 \$55.0 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

- Consulted with City department management regarding reopening plans for various City facilities and programs to promote health and safety measures in accordance with County and State guidelines.

Initiatives

- Continue to consult, review, and monitor reopening plans with City departments as County and State guidelines are revised and updated to protect employee health and safety from COVID-19 hazards in the workplace and community.

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

Goal	Reduce liability exposure to the City.				
Objective	Reduce the number of claims related to City vehicle collision losses.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Annual number of claims related to City vehicle collision losses	7	6	6	7	8
Description	This measure will provide data to identify trends.				
Purpose	Analyzing claim trends will assist risk management staff in developing programs designed to reduce employee involved vehicle collisions.				
Status	The total number of employee involved collisions was in line with FY 2020 expectations. Vehicle collision cases are expected to trend similarly in FY 2021 and increase in FY 2022.				

DEFENSIVE DRIVING TRAINING

Goal	Reduce liability exposure to the City.				
Objective	Provide defensive driver training.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Attendance at defensive driver training	214	200	150	60	60
Description	This measure tracks the number of employees completing proactive and/or mandatory defensive driving class.				

Key Performance Measures

Purpose	Providing supplemental training will increase knowledge and awareness about safe driving behavior in order to protect employee and public safety, in addition to preventing future claims against the City.
Status	The total number of employees who took the Defensive Driving training significantly decreased in FY 2021 due to the County and State order to shelter in place during the pandemic and the availability of an online platform. It is expected that the number of employees taking the training will normalize in future budget years.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
General Liabilities Insurance Program	\$4,481,136	\$919,884	\$4,146,146	\$5,179,052	\$1,032,906	24.9%
Total	\$4,481,136	\$919,884	\$4,146,146	\$5,179,052	\$1,032,906	24.9%
Dollars by Category						
Contract Services	\$41,938	\$49,769	\$71,820	\$71,820	—	—%
General Expense	\$4,439,116	\$870,115	\$4,074,326	\$5,107,232	\$1,032,906	25.4%
Rents & Leases	\$81	—	—	—	—	—%
Total Dollars by Expense Category	\$4,481,136	\$919,884	\$4,146,146	\$5,179,052	\$1,032,906	24.9%
Revenues						
Charges to Other Funds	\$2,925,209	\$4,277,000	\$2,892,000	\$3,980,000	\$1,088,000	37.6%
Operating Transfers-In	\$5,000	\$5,000	\$5,000	\$5,000	—	—%
Other Revenue	\$536,912	\$25,144	\$41,040	\$41,040	—	—%
Return on Investments	\$141,817	\$160,038	\$168,200	\$168,200	—	—%
Total Revenues	\$3,608,938	\$4,467,182	\$3,106,240	\$4,194,240	\$1,088,000	35.0%

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	0.00	4,146,146	3,106,240	1,039,906
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Charges to Other Funds	-	-	1,088,000	(1,088,000)
Umbrella Excess Liability Insurance Adjustment (36% increase)	-	732,906	-	732,906
General Liability Insurance Claims Alignment to Actuary Estimate	-	300,000	-	300,000
Adjustments to Costs of Ongoing Activities	-	1,032,906	1,088,000	(55,094)
Total FY 2022 Base Budget	-	5,179,052	4,194,240	984,812
Budget Adjustments				
None	-	-	-	-
Total Budget Adjustments	-	-	-	-
Total FY 2022 Adopted Budget	-	5,179,052	4,194,240	984,812



CITY OF
**PALO
ALTO**

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 percent confidence level, calculated by an outside actuarial consultant, for financial planning to ensure adequate resources are available for anticipated expenses.

Accomplishments

- Established a citywide protocol to report COVID-positive cases in accordance with County Order and State law including identify close contacts and excluding from work to prevent exposure in workplace.

Initiatives

- Explore alternative support services and resources for Public Safety Officers who experience post-traumatic stress in the workplace to prevent work-related injuries and illnesses.
- Complete Request for Proposals (RFP) for a third-party Workers' Compensation administrator.

Goals and Objectives

GOAL 1

Provide a safe environment for employees.

Objectives:

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

GOAL 2

Minimize loss of productivity and disruption of services.

Objectives:

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

Key Performance Measures

DOLLAR AMOUNT OF CLAIMS PAID

Goal	Minimize loss of productivity and disruption of services.				
Objective	Reduce the number of costly lost time claims filed and days away from work.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Total dollar amount of claims paid	2,804,300	2,956,124	2,500,000	3,830,000	3,000,000
Description	This measure tracks the total cost paid for work-related illness and injury claims in a given fiscal year. As claims develop, prior year total costs paid are revised.				
Purpose	Effective workplace safety and loss control programs lessen the use of public funds for work-related employee injuries and illness.				
Status	The cost of workers' compensation claims experienced an increase in FY 2020 as compared to the prior year due to higher than anticipated cases. The claims cost in FY 2021 and FY 2022 is anticipated to trend slightly higher as the number of cases trend similarly to FY 2020.				

NUMBER OF CLAIMS

Goal	Minimize loss of productivity and disruption of services.				
Objective	Reduce the number of costly lost time claims filed and days away from work.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of Workers' Compensation Claims Filed	92	102	97	100	100
Description	This measure tracks the total employee workers' compensation claim volume filed each fiscal year.				

Key Performance Measures

Purpose	Effective workplace safety and injury prevention program lessen the use of public funds for work-related injuries and illness. In addition to claim costs, the expense of paying overtime or hiring additional staff is mitigated.
Status	The total number of claims increased in FY 2020 and this trend is expected to continue in FY 2021 and FY 2022 as the City is experiencing high levels of cases.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Workers' Compensation Program	\$6,233,418	\$7,498,636	\$6,946,942	\$7,130,938	\$183,996	2.6%
Total	\$6,233,418	\$7,498,636	\$6,946,942	\$7,130,938	\$183,996	2.6%
Salary & Benefits						
Healthcare	\$10,183	\$10,115	\$10,310	\$11,564	\$1,255	12.2%
Other Benefits	\$280,276	\$246,876	\$250,327	\$251,594	\$1,267	0.5%
Pension	\$37,780	\$56,813	\$46,993	\$56,440	\$9,447	20.1%
Salary	\$125,882	\$160,338	\$155,435	\$167,462	\$12,027	7.7%
Workers' Compensation	\$5,190,579	\$6,525,576	\$5,826,340	\$5,986,340	\$160,000	2.7%
Total Salary and Benefits	\$5,644,701	\$6,999,717	\$6,289,405	\$6,473,401	\$183,996	2.9%
Dollars by Category						
Contract Services	\$6,750	\$6,750	\$7,079	\$7,079	—	—%
General Expense	\$580,155	\$486,966	\$650,458	\$650,458	—	—%
Operating Transfers-Out	\$1,813	\$5,203	—	—	—	—%
Total Dollars by Expense Category	\$6,233,418	\$7,498,636	\$6,946,942	\$7,130,938	\$183,996	2.6%
Revenues						
Other Revenue	\$4,058,599	\$7,489,691	\$5,078,000	\$6,764,000	\$1,686,000	33.2%
Return on Investments	\$461,055	\$482,154	\$474,700	\$474,700	—	—%
Total Revenues	\$4,519,654	\$7,971,845	\$5,552,700	\$7,238,700	\$1,686,000	30.4%
Positions by Division						
Workers' Compensation Program	1.00	1.48	1.48	1.48	—	—%
Total	1.00	1.48	1.48	1.48	—	—%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Senior Human Resources Administrator	1.00	1.00	1.00	1.00	—	\$127,566
Subtotal: Full-Time Equivalent Positions	1.00	1.00	1.00	1.00	—	\$127,566
Temporary/Hourly	—	0.48	0.48	0.48	—	\$29,752
Total Positions	1.00	1.48	1.48	1.48	—	\$157,319

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	1.48	6,946,941	5,552,700	1,394,241
One-Time Prior Year Budget Adjustments				
Workers' Compensation Program Temporary Staffing	(0.48)	(29,586)	-	(29,586)
FY 2021 Management and Professionals Group Compensation Reduction	-	13,635	-	13,635
One-Time Prior Year Budget Adjustments	(0.48)	(15,951)	-	(15,951)
Adjustments to Costs of Ongoing Activities				
Salary and Benefit Adjustments	-	9,160	-	9,160
Charges to Other Funds	-	-	1,686,000	(1,686,000)
Workers' Compensation Insurance Claims Adjustments (3% increase)	-	160,000	-	160,000
Adjustments to Costs of Ongoing Activities	-	169,160	1,686,000	(1,516,840)
Total FY 2022 Base Budget	1.00	7,100,150	7,238,700	(138,550)
Budget Adjustments				
1. Workers' Compensation Program Temporary Staffing	0.48	30,787	-	30,787
Total Budget Adjustments	0.48	30,787	-	30,787
Total FY 2022 Adopted Budget	1.48	7,130,937	7,238,700	(107,763)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Workers' Compensation Program Temporary Staffing	0.48	30,787	-	30,787

This action extends a 0.48 FTE Management Specialist for an additional one-year term to assist with workload in workers' compensation and risk management administration. This position is responsible for tasks related to workers' compensation, such as intake of claim documentation and assistance with the optimal monitoring structure necessary to ensure correct salary continuation and accurate department timecard coding, tracking injured employee disability and return-to-work status, and maintaining electronic claim files. Workers' compensation claims have increased 10 percent in the last two years and have resulted in increased claim tracking, administration of timecards and creation of disability leave banks, and customer service to assist injured workers in submitting claim documents to meet required deadlines. Staff will continue to assess needs and bring forward recommendations for ongoing support as part of future budget cycles. (Ongoing cost: \$0)

Performance Results



This action provides resources necessary to support higher claims rates and ensure accuracy in the workers compensation reporting process.

Workers' Compensation Fund

Workers' Compensation Fund	FY 2019 Actuals	FY 2020 Actuals	FY 2021 (Estimate)	FY 2022 Adopted
Claims Paid	\$5,108,087	\$6,414,278	\$5,703,000	\$5,863,000
CSAC Excess Insurance Premium	\$579,259	\$486,966	\$649,458	\$649,458
Actuarial Services	\$6,750	\$6,750	\$7,079	\$7,079
TPA Administrator Fees	\$275,005	\$241,109	\$246,240	\$246,240
State Self-Insurance Fees	\$82,492	\$111,297	\$123,340	\$123,340
In-House Administration	\$181,825	\$233,033	\$217,825	\$241,821
Workers' Compensation Fund Subtotal	\$6,233,418	\$7,493,433	\$6,946,942	\$7,130,938

INFORMATION TECHNOLOGY

Mission Statement



The Information Technology Department's mission is to provide technology solutions that enable City staff to deliver innovative services to the Palo Alto community.

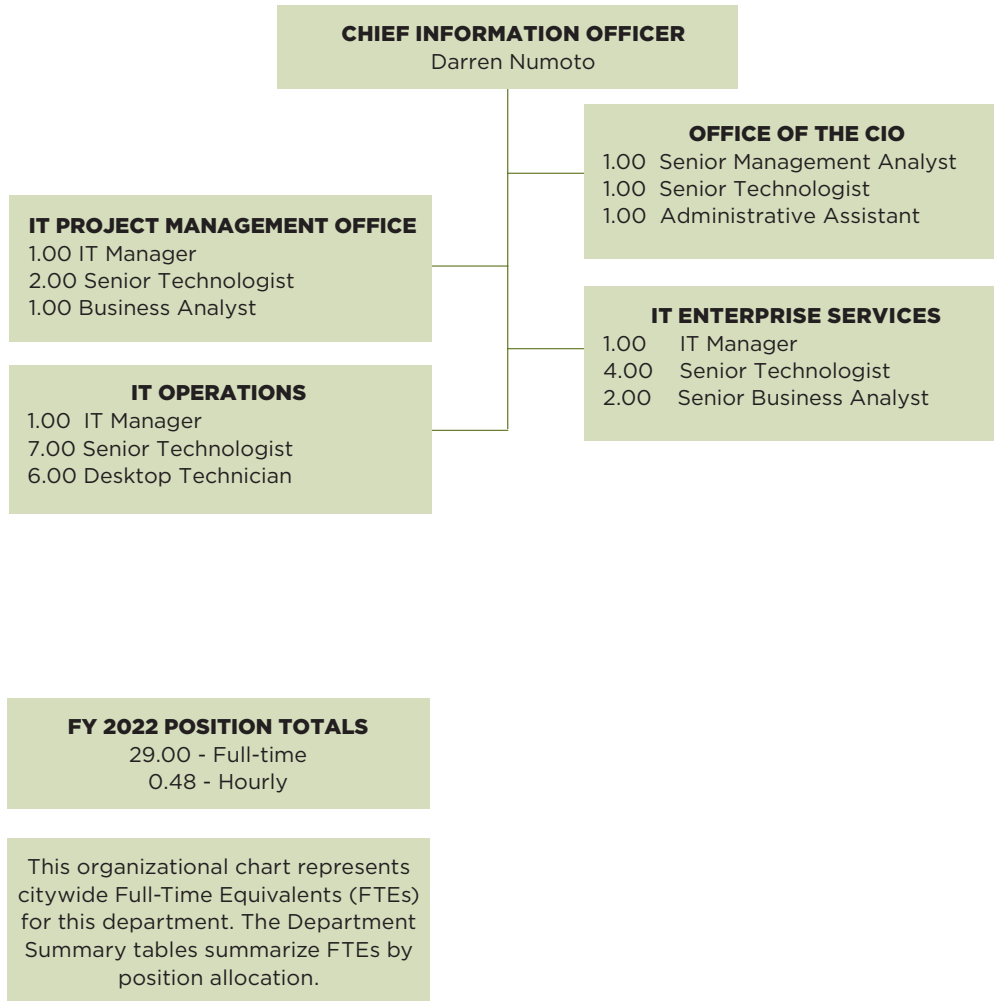
Purpose

The City departments depend on technology to deliver services. The Information Technology Department provides a broad range of high-quality, cost-effective and innovative solutions to employees, departments, council members, and the community for each to meet their respective goals.

The IT Department provides over three hundred distinct technology solutions and main-

tains a governance model for aligning city goals, allocation of funds, and technology projects.

INFORMATION TECHNOLOGY



Description

The Information Technology Department (ITD) supports and continuously improves essential technology solutions and infrastructure for enabling the day-to-day operations of the City. ITD creates and maintains an exciting workplace for the Information Technology Department team that inspires high-performance and provides career growth opportunities. Likely not seen, ITD is continuously working behind the scenes to drive, improve, maintain, and secure the technologies that run our City.

The Information Technology Department provides a wide range of services through the following 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 direction for the IT Department and the City. The core services include IT strategic planning, financial management, contract management, communications, work force development, overall department administration, public-private technology partnerships and data analytics.

IT PROJECT MANAGEMENT OFFICE (PMO)

Ensures successful execution of technology projects in a consistent and cost-conscious manner. Through IT project governance the department maintains project awareness and manages the project assessment lifecycle. The IT PMO is the City's center of excellence for technology projects, within IT and all other City departments, through the promotion of standards, awareness, and education.

IT OPERATIONS

Provides efficient and effective IT service delivery by monitoring, maintaining, and supporting the operations of City technologies and services 24/7. We manage the core functions of Enterprise Architecture, GIS, Infrastructure Support, Cloud Services, Service Desk, telecommunications, operational Security, disaster recovery, and IT asset/software management. The team partners with City departments on technology projects, initiatives and ratifies standards working alongside other IT divisions.

IT ENTERPRISE SERVICES

Offers innovative solutions/tools to City departments and helps to improve process optimization and decision-making capabilities. We maintain a core set of large enterprise systems such as the Enterprise Resource Planning (ERP) both technical and business support, Utility Billing & Customer Information System (CIS), Customer Relationship Management (CRM), Business Intelligence & Warehouse systems (BI/

INFORMATION TECHNOLOGY

BW) for supporting Financial, Human Resources, Utilities business processes, information flow, reporting, data analytics, and enterprise data governance 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

Partners with City departments to develop and implement citywide information security programs that include the preservation of the availability, integrity, and confidentiality of the City's information resources. These services include data security and privacy policies, legal compliance, risk management, disaster recovery, and security audit.

Accomplishments

- Completed the Next Generation City Website implementation.
- Completed phase one of the SAP upgrade project and migrated the infrastructure to Amazon Web Services.
- Provided technical guidance and support for citywide projects including the California Avenue garage automated parking guidance system, Fire Station 3, and Junior Museum and Zoo.
- Completed cybersecurity enhancements, call center reporting application replacement, new virtual private network (VPN) solution, network monitoring tool replacement, and infrastructure upgrades.
- Transitioned several Police and Fire Department systems online including the non-emergency reporting system, vehicle crash reporting tool, and permitting for alarm systems to support continuity of service during COVID-19.
- Obtained a letter of attestation for Payment Card Industry Data Security Standard (PCI-DSS) compliance by partnering with a vendor to review the City's credit cards transaction processes.
- Updated several policies, procedures and training guides related to operations, security and contract management.

Initiatives

- Initiate phase two of the SAP upgrade and migration project in order to enhance SAP functionality.
- Support workplace activation and safety efforts as staff returns to work and City facilities reopen.
- Continue to enhance the City's cybersecurity posture.
- Revise scope for Council Chambers upgrade project.
- Continue supporting the technical requirements of the new Public Safety Building (PSB) project.
- Explore opportunities to migrate on-premise infrastructure to cloud providers that will improve business continuity and disaster recovery efforts.
- Continue implementation of the new Geographic Information System (GIS) to provide innovative and cost savings solutions.
- Establish a new three-year IT strategy.

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.
- 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 Plan which includes the implementation of the new GIS system and added capabilities.

INFORMATION TECHNOLOGY

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 SERVICE DESK REQUESTS RESOLVED BY RESOLUTION TIME

Goal	Track the overall time it takes to resolve service desk work orders.				
Objective	Establish clear division processes, staff responsibilities, and performance measures.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
1. Percent of service desk requests resolved at time of call	28%	33%	31%	35%	32%
2. Percent of service desk requests resolved within 4 hours	23%	22%	22%	21%	24%
3. Percent of service desk requests resolved within 8 hours	5%	5%	5%	4%	6%
4. Percent of service desk requests resolved within 5 days	27%	25%	27%	21%	26%
5. Percent of service desk requests resolved beyond 5 days	15%	15%	15%	17%	12%
Description	These measures track the time it takes to resolve service desk work orders.				
Purpose	Ensuring that IT staff are resolving work orders in a timely manner provides a quantitative measurement of one of the important services the department provides.				
Status	Despite the onset of the COVID-19 pandemic and the immediate shift to a highly technologically dependent environment, 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.				

Key Performance Measures

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

Goal	Increase customer satisfaction on the services provided by the Information Technology Department.				
Objective	Establish clear division processes, staff responsibilities, and performance measures.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of survey respondents rating the services provided by the IT Department as excellent	93%	97%	94%	96%	95%
Description	This measure identifies the overall level of satisfaction internal customers have with telephone, network, application, and desktop support services.				
Purpose	This measure is an important qualitative assessment of how well IT is supporting its internal customers and whether they feel IT is meeting their needs.				
Status	The survey process is continuously reviewed and refined. Ongoing outreach and customer relationship management is being employed to ensure high customer satisfaction.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of closed help desk requests	8,097	9,956	8,997	9,423	9,521
Number of datasets published on open data platforms	94	96	95	96	97

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
CIP Technology Fund	\$590,523	\$1,813,489	\$1,623,537	\$4,873,512	\$3,249,975	200.2%
Enterprise Systems	\$3,039,401	\$3,350,603	\$3,358,027	\$3,706,960	\$348,933	10.4%
Office of the CIO	\$2,754,666	\$2,873,555	\$2,787,604	\$2,956,674	\$169,070	6.1%
Operations	\$6,761,641	\$7,957,949	\$7,455,210	\$7,998,279	\$543,070	7.3%
Project Services	\$1,699,702	\$2,010,725	\$1,788,562	\$1,533,212	\$(255,351)	(14.3)%
Total	\$14,845,934	\$18,006,321	\$17,012,940	\$21,068,637	\$4,055,697	23.8%
Salary & Benefits						
Healthcare	\$772,301	\$744,242	\$721,919	\$693,201	\$(28,718)	(4.0)%
Other Benefits	\$184,640	\$173,631	\$163,649	\$186,970	\$23,320	14.3%
Overtime	\$3,439	\$7,038	\$20,073	\$20,595	\$522	2.6%
Pension	\$1,376,049	\$2,042,453	\$1,796,963	\$1,864,864	\$67,901	3.8%
Retiree Medical	\$347,609	\$358,037	\$340,208	\$345,770	\$5,563	1.6%
Salary	\$4,614,661	\$4,785,479	\$4,388,414	\$4,443,891	\$55,477	1.3%
Workers' Compensation	\$92,201	\$184,509	\$127,218	\$169,457	\$42,239	33.2%
Total Salary and Benefits	\$7,390,900	\$8,295,389	\$7,558,444	\$7,724,748	\$166,304	2.2%
Dollars by Category						
Contract Services	\$3,913,285	\$4,213,448	\$4,653,184	\$5,452,085	\$798,901	17.2%
Supplies & Material	\$45,335	\$43,419	\$85,000	\$85,000	—	—%
General Expense	\$417,447	\$392,639	\$442,179	\$436,179	\$(6,000)	(1.4)%
Rents & Leases	\$374,357	\$395,789	\$401,220	\$409,000	\$7,780	1.9%
Facilities & Equipment	\$549,739	\$874,671	\$556,869	\$561,769	\$4,900	0.9%
Allocated Charges	\$1,436,029	\$1,736,049	\$1,661,357	\$1,590,574	\$(70,783)	(4.3)%
Operating Transfers-Out	\$99,746	\$220,109	\$31,150	\$28,770	\$(2,380)	(7.6)%
Capital Improvement Program	\$619,097	\$1,834,808	\$1,623,537	\$4,780,512	\$3,156,975	194.5%
Total Dollars by Expense Category	\$14,845,934	\$18,006,321	\$17,012,940	\$21,068,637	\$4,055,697	23.8%
Revenues						
Charges to Other Funds	\$14,570,588	\$14,409,229	\$12,321,660	\$13,847,234	\$1,525,573	12.4%
From Other Agencies	\$15,000	—	—	—	—	—%
Operating Transfers-In	\$1,365,708	\$1,625,946	\$1,340,005	\$1,371,295	\$31,290	2.3%
Other Revenue	\$318,973	\$48,486	\$17,713	\$18,173	\$461	2.6%
Return on Investments	\$561,304	\$556,293	\$549,200	\$549,200	—	—%
Total Revenues	\$16,831,573	\$16,639,954	\$14,228,578	\$15,785,902	\$1,557,324	10.9%

INFORMATION TECHNOLOGY

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Positions by Division						
Enterprise Systems	9.00	9.00	9.00	8.00	(1.00)	(11.1)%
Office of the CIO	6.10	5.10	5.10	3.10	(2.00)	(39.2)%
Operations	14.48	14.48	14.48	13.48	(1.00)	(6.9)%
Project Services	7.00	8.00	8.00	5.00	(3.00)	(37.5)%
Total	36.58	36.58	36.58	29.58	(7.00)	(19.1)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$95,826
Assistant Director Administrative Services	0.10	0.10	0.10	0.10	—	\$21,509
Business Analyst	1.00	1.00	1.00	1.00	—	\$155,334
Desktop Technician	6.00	6.00	6.00	6.00	—	\$558,605
Director Information Technology/CIO	1.00	1.00	—	1.00	1.00	\$220,085
Director Information Technology/CIO (Freeze)	—	—	1.00	—	(1.00)	—
Manager Information Technology	3.00	3.00	3.00	3.00	—	\$499,512
Manager Information Technology Security	1.00	1.00	1.00	—	(1.00)	—
Principal Business Analyst	1.00	1.00	1.00	—	(1.00)	—
Senior Business Analyst	2.00	2.00	2.00	2.00	—	\$300,893
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$147,264
Senior Technologist	18.00	18.00	16.00	14.00	(2.00)	\$2,040,022
Senior Technologist (Freeze)	—	—	2.00	—	(2.00)	—
Technologist	1.00	1.00	—	—	—	—
Technologist (Freeze)	—	—	1.00	—	(1.00)	—
Subtotal: Full-Time Equivalent Positions	36.10	36.10	36.10	29.10	(7.00)	\$4,039,050
Temporary/Hourly	0.48	0.48	0.48	0.48	—	\$46,985
Total Positions	36.58	36.58	36.58	29.58	(7.00)	\$4,086,035

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate positions (CMR 11872). In the Information Technology Department, a total of 4.0 FTE (4.0 full-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	36.58	17,012,940	14,228,578	2,784,362
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	453,765	-	453,765
One-Time Prior Year Budget Adjustments	-	453,765	-	453,765
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	1,176,391	-	1,176,391
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(4.00)	(926,559)	-	(926,559)
Charges to Other Funds-Information Technology Services	-	-	1,525,573	(1,525,573)
Transfer from the General Fund-Technology Surcharge	-	-	30,290	(30,290)
City Employee Parking Permit	-	(2,380)	-	(2,380)
Return on Investments & Other Revenue	-	-	461	(461)
Capital Improvement Funding	-	3,156,975	1,000	3,155,975
Rents and Leases	-	7,780	-	7,780
Contract Adjustments & Equipment Cost Changes	-	603,801	-	603,801
General Fund Cost Allocation Plan	-	(99,498)	-	(99,498)
General Liability Insurance Allocated Charges	-	27,057	-	27,057
Printing & Mailing Services Allocated Charges	-	(184)	-	(184)
Refuse Allocated Charges	-	20	-	20
Utilities Allocated Charges	-	1,427	-	1,427
Vehicle Replacement & Maintenance Allocated Charges	-	395	-	395
Workers' Compensation Allocated Charges	-	42,239	-	42,239
Adjustments to Costs of Ongoing Activities	(4.00)	3,987,464	1,557,324	2,430,141
Total FY 2022 Base Budget	32.58	21,454,169	15,785,902	5,214,503
Budget Adjustments				
1. Technology Project Management and Enterprise Staffing Consolidation and Reduction	(3.00)	(658,005)	-	(658,005)
2. Restore Information Technology Administrative Support Functions	-	200,000	-	200,000
3. Information Technology Leadership and Cyber Security Staffing Consolidation	-	72,472	-	72,472
Total Budget Adjustments	(3.00)	(385,533)	-	(385,533)
Total FY 2022 Adopted Budget	29.58	21,068,637	15,785,902	4,828,970

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Technology Project Management and Enterprise Staffing Consolidation and Reduction	(3.00)	(658,005)	0	(658,005)

This action eliminates three management positions in the Information Technology Department (2.00 FTE Senior Technologist and 1.00 FTE Principal Business Analyst). As a result, the department will have two remaining dedicated project managers and one IT Manager who will share the project load. Other staff within IT may potentially manage projects as well, such as subject matter experts, however, an increased reliance on professional contract services will be required for project management and implementation as new projects arise. Staff will include such contract costs when scoping a project and discussing with City Council in the future. With the ongoing reductions, IT has experienced a decrease in the number of projects requiring higher lever project management. In FY 2021, the Principal Business Analyst and two other SAP functional roles (Senior Business Analysts) reported to the Principal Business Analyst and are now all reporting into IT, reassigned from reporting within the Administrative Services Department. This move was made to better align limited resources for technology and system support and management expertise. Currently, the two Senior Business Analysts directly report to the IT Enterprise Manager. The IT Enterprise Manager will absorb the additional supervisory function with no anticipated impact to service delivery. Project Management, Enterprise Support and IT Security services will still remain, however existing job functions from these position reductions will be distributed to existing staff in the department for continuity of services provided. (Ongoing savings: \$677,923)

Performance Results



This action contributes to cost containment strategies in FY 2022.

2. Restore Information Technology Administrative Support Functions	0.00	200,000	0	200,000

This one-time action increases funding for Information Technology professional services to support citywide functions (\$74,004 in the General Fund). IT professional services contracts provide flexible access to resources with specific skill sets, allowing IT to respond efficiently to a wide variety of department needs. Examples of anticipated applications are supplementary or specialized professional technical support for the onboarding of staff, return to work initiatives, and audio-visual efforts to continue to support virtual public meetings from City Hall. The costs of IT services are budgeted as allocated charges in citywide departments; therefore, corresponding increases in various departments' allocated charges for internal services provided by the Information Technology Department can be found in each respective department or fund section to offset this expense. (Ongoing cost: \$0)

Performance Results



This action aligns resources with operational requirements and creates flexibility to support a wide range of organizational needs.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
3. Information Technology Leadership and Cyber Security Staffing Consolidation	0.00	72,472	0	72,472

This action eliminates 1.00 FTE Manager Information Technology Security and restores the IT Director (1.00 FTE Chief Information Officer, or CIO) position in the Information Technology Department. The CIO role is vital to ensure the city's technology and strategic plan continue to evolve to meet the growing demands of staff, council members, businesses, and citizens. The role is currently filled on an interim basis by the IT Manager of the Operations Division, while also managing IT Operations for the department. The focus of the CIO is to partner with departments to deliver innovative solutions; direct, organize and prioritize IT projects; support and maintain the technology infrastructure and applications; manage and mentor IT Staff; continually improve Cybersecurity; and establish IT Policies, strategies, and procedures. The IT Security position essential job functions are to oversee policy and security of technology used throughout the City. Responsibilities will shift to senior operational staff including the Chief Information Officer and Operations Division of IT, consolidating executive management and overlap of roles between CIO, Security Manager, and Operations Manager. This right-sizing of span of control against the revised resource levels is also expected to ensure security is a priority and responsibility of all managers. Those staff will be assuming policy-related duties, overseeing security operations and strategy. There could be potential delays in updating policies with the increased workload and staff will prioritize continuous implementation of new security measures. (Ongoing cost: \$74,685)

Performance Results



This action contributes to cost containment strategies in FY 2022 and aligns staffing resources with operational requirements.



CITY OF
**PALO
ALTO**

LIBRARY

Mission Statement

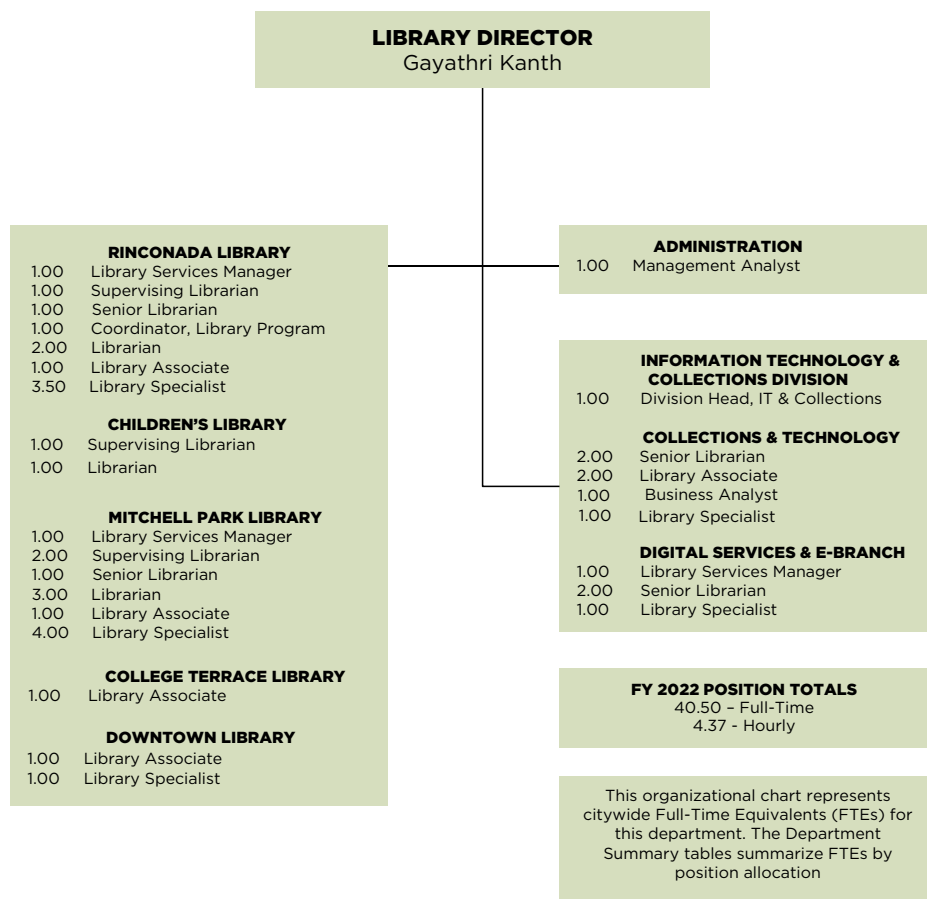


The Palo Alto City Library connects our diverse community through knowledge, resources and opportunities. We nurture innovation, discovery, and delight.

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.

LIBRARY



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 (sometimes through experimental partnerships with other agencies) for the public to access a variety of technologies both inside and outside library facilities, including hardware devices, online databases, free WiFi, and mobile applications.

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

- Utilized the Book to Action grant by the California Center for the Book, awarded in FY 2020, which provided funding for a community read and service project around the topic of Alzheimer's and aging. The series and service project was centered around the adult graphic novel, Wrinkles by Paco Roca. This story captures a snapshot of life with Alzheimer's and humanizes a difficult topic. Participants were encouraged to engage and connect with the senior community in Palo Alto through various events and free copies of the book in August 2020.
- Established the Community Support Call Center, providing concerned residents information on the public health order, COVID-19 resources, and other important, accurate, and timely resources during the Santa Clara County Shelter in Place Order.
- Rebooted the Palo Alto Reads initiative in collaboration with the City Manager's Office. Palo Alto Reads 2020 included a series of author talks and supplemental programs around the City's Race & Equity initiatives. The Library partnered with Stanford's Bill Lane Center for the West to host an author event in August 2020 with Richard Rothstein, author of The Color Of Law: A Forgotten History of How Our Government Segregated America. Another joint event was held in December 2020, featuring Stanford

Professor, Jennifer Eberhardt, discussing her book [Biased: Uncovering the Hidden Prejudice That Shapes What We See, Think and Do](#).

- Navigated and transitioned in-person Library services through evolving pandemic health guidelines and wildfire air quality issues in FY 2021 to continue providing library services to the community in creative ways while supporting the health and safety of staff and customers.
- Moved all events online and continued to provide unique virtual offerings to customers. Moved existing in-person programs online through Zoom, including book clubs, English as a second language (ESL) classes and various Teen programs. Revamped the Library's YouTube channel to feature videos of librarians and volunteers sharing songs, rhymes, and recipes; reading stories and chapter books; making crafts; robotics training; and online gaming. Started live Virtual Storytimes on Facebook. Highlighted special events and observations, such as Hispanic Heritage Month, Inclusion and Diversity (for Palo Alto Reads), Halloween, Diwali, Native American Heritage Month, Thanksgiving and Winter Holidays.
- Received the Institute of Museum and Library Services CARES Act Grant for facilitation of virtual programming at the Library, Art Center, and Junior Museum and Zoo (JMZ). The Library, Art Center, and JMZ joined forces to apply to this grant as a collaborative effort. The project coordinated with city, school, and nonprofit entities, including Ravenswood and Palo Alto School Districts, senior facilities, and other local nonprofits serving the target audiences to coordinate virtual programs. This grant elevated the quality of virtual programs to the Palo Alto community by training staff, purchasing advanced studio equipment, and hiring additional specialized staff.

Initiatives

- Restore public services at Children's, Downtown, and College Terrace Libraries, along with the two larger locations Rinconada and Mitchell Park Libraries, by reorganizing staffing and overall systemwide operational schedules, conducting recruitments for key staff positions for service restoration, and developing an effective operational model to restore service quality levels which align with continued resource limitations.
- Install an automated materials handling system at the Children's Library through the Automated Materials Handling (AMH) capital project (LIB-21000) to increase staff efficiency and improve quality of customer services.
- Install library kiosk vending machines and holds machines, both of which provide service 24/7, at Downtown and College Terrace Libraries.
- Re-establish partnership with Palo Alto Unified School District to promote Library services and support student needs through the Student Asset Card program.
- Implement the robot gardening farmbot project in collaboration with Space Cookies, a girls coding group.
- Continue working with partners to feature more Palo Alto Reads and Book to Action events.
- Pursue joint strategy with the Palo Alto Historical Association to connect current residents to Palo Alto history with a focus on diversity, create opportunities for a variety of communities to explore local history and leverage a combined platform to enhance discovery.

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

Goal	Develop and provide library services and programs supporting the 41 Developmental Assets for Adolescents Model.				
Objective	Encourage adolescents between the ages of 12 and 18 to read for pleasure three or more hours a week (Developmental Asset #25).				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of teens	2,619	4,937	7,497	962	3,749
Description	This measure tracks the level of interest and participation in the library's recreational reading programs.				
Purpose	Adolescents who enjoy reading are more likely to grow up into healthy, caring, and responsible adults.				
Status	The Teen Library Advisory Board (T-LAB) works with staff to implement and guide program development. As a result of the COVID-19 pandemic and fewer staffing resources, there has been less participation in teen programs and a shift to virtual programming. This trend is anticipated to continue in FY 2022.				

Key Performance Measures

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

Goal	Connects Palo Alto's diverse community through knowledge, resources, and opportunities.				
Objective	Maintain and enhance the community's satisfaction with library services.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Library facilities (buildings, computer equipment, accessibility)	N/A*	94%	N/A*	93%	N/A*
Public Library Services	N/A*	92%	N/A*	94%	N/A*
Recommend Palo Alto's Libraries to Friends	N/A*	91%	N/A*	93%	N/A*
Variety of Library Materials	N/A*	88%	N/A*	88%	N/A*
Description	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.				
Purpose	Community satisfaction with the Library Department is an important assessment of the quality of services provided to the City and its residents.				
Status	*The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A." As approved by the City Council, this FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is proposed to take place in FY 2023.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Meeting Room Reservations	14,648	10,290	17,756	—	9,765
Visits to library branches	1,009,639	663,761	1,181,530	51,383	706,747
Virtual visits to the library	809,014	711,141	710,589	670,748	684,163
Checkouts of library materials	1,467,038	1,194,673	1,629,360	808,438	1,212,657
Annual turnover rate of library collections	4.60	3.57	4.30	1.93	3.50

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration	\$1,244,458	\$1,441,806	\$812,581	\$901,894	\$89,313	11.0%
Collection and Technical Services	\$2,785,373	\$2,837,328	\$2,579,780	\$2,693,716	\$113,936	4.4%
Public Services	\$5,318,107	\$5,708,647	\$5,028,932	\$5,307,225	\$278,293	5.5%
Total	\$9,347,938	\$9,987,782	\$8,421,293	\$8,902,834	\$481,541	5.7%
Salary & Benefits						
Healthcare	\$845,474	\$830,064	\$752,158	\$844,665	\$92,507	12.3%
Other Benefits	\$119,568	\$124,377	\$129,376	\$145,468	\$16,092	12.4%
Overtime	\$10,079	\$10,643	\$74,289	\$76,220	\$1,932	2.6%
Pension	\$1,087,781	\$1,460,018	\$1,444,034	\$1,472,686	\$28,651	2.0%
Retiree Medical	\$444,128	\$457,451	\$434,938	\$442,050	\$7,112	1.6%
Salary	\$4,302,479	\$4,392,685	\$3,511,210	\$3,679,552	\$168,342	4.8%
Workers' Compensation	\$100,737	\$199,748	\$137,589	\$183,272	\$45,682	33.2%
Total Salary and Benefits	\$6,910,246	\$7,474,987	\$6,483,595	\$6,843,913	\$360,319	5.6%
Dollars by Category						
Allocated Charges	\$1,132,770	\$1,329,434	\$1,030,752	\$1,151,975	\$121,223	11.8%
Contract Services	\$405,532	\$389,726	\$293,185	\$293,185	—	—%
Facilities & Equipment	\$1,599	\$1,346	\$9,900	\$9,900	—	—%
General Expense	\$62,219	\$57,994	\$58,380	\$58,380	—	—%
Operating Transfers-Out	\$59,859	—	—	—	—	—%
Supplies & Material	\$775,713	\$734,295	\$545,481	\$545,481	—	—%
Total Dollars by Expense Category	\$9,347,938	\$9,987,782	\$8,421,293	\$8,902,834	\$481,541	5.7%
Revenues						
Charges for Services	\$20,240	\$13,778	\$25,461	\$25,461	—	—%
From Other Agencies	—	\$17,160	—	—	—	—%
Operating Transfers-In	\$15,000	—	—	—	—	—%
Other Revenue	\$63,504	\$26,307	\$51,400	\$51,400	—	—%
Other Taxes and Fines	\$91,614	\$52,447	\$39,255	\$39,255	—	—%
Rental Income	—	\$2,544	—	—	—	—%
Total Revenues	\$190,358	\$112,236	\$116,116	\$116,116	—	—%
Positions by Division						
Administration	0.40	0.40	0.40	0.20	(0.20)	(50.0)%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Collection and Technical Services	13.55	13.55	13.59	11.61	(1.98)	(14.6)%
Public Services	48.63	47.33	47.29	33.06	(14.23)	(30.1)%
Total	62.58	61.28	61.28	44.87	(16.41)	(26.8)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Associate III	1.00	1.00	—	—	—	—
Administrative Associate III (Freeze)	—	—	1.00	—	(1.00)	—
Assistant Director Library Services	1.00	1.00	—	—	—	—
Assistant Director Library Services (Freeze)	—	—	1.00	—	(1.00)	—
Business Analyst	1.00	1.00	1.00	1.00	—	\$155,334
Coordinator Library Programs	1.00	1.00	1.00	1.00	—	\$92,706
Director Libraries	1.00	1.00	1.00	1.00	—	\$237,994
Division Head Library Services	1.00	1.00	1.00	1.00	—	\$161,824
Librarian	7.00	6.00	6.00	6.00	—	\$489,840
Library Associate	7.00	7.00	6.00	6.00	—	\$440,170
Library Associate (Freeze)	—	—	1.00	—	(1.00)	—
Library Specialist	11.50	11.50	10.50	10.50	—	\$728,801
Library Specialist (Freeze)	—	—	1.00	—	(1.00)	—
Management Analyst	1.00	1.00	1.00	1.00	—	\$95,950
Manager Library Services	4.00	3.00	3.00	3.00	—	\$364,104
Senior Librarian	9.00	8.00	6.00	6.00	—	\$556,234
Senior Librarian (Freeze)	—	—	2.00	—	(2.00)	—
Supervising Librarian	2.00	4.00	4.00	4.00	—	\$403,957
Subtotal: Full-Time Equivalent Positions	47.50	46.50	46.50	40.50	(6.00)	\$3,726,913
Temporary/Hourly	15.08	14.78	14.78	4.37	(10.41)	\$182,087
Total Positions	62.58	61.28	61.28	44.87	(16.41)	\$3,909,000

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Library Department, a total of 16.41 FTE (6.0 full-time, 10.41 part-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	61.28	8,421,293	116,116	8,305,177
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	151,494	-	151,494
One-Time Prior Year Budget Adjustments	-	151,494	-	151,494
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	1,568,723	-	1,568,723
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(16.41)	(1,405,580)	-	(1,405,580)
General Liability Insurance Allocated Charges	-	26,782	-	26,782
Information Technology Allocated Charges	-	49,523	-	49,523
Printing & Mailing Allocated Charges	-	(7,600)	-	(7,600)
Refuse Allocated Charges	-	1,060	-	1,060
Stormwater Management Allocated Charges	-	371	-	371
Utilities Allocated Charges	-	50,929	-	50,929
Vehicle Replacement & Maintenance Charges	-	158	-	158
Workers Compensation Allocated Charges	-	45,682	-	45,682
Adjustments to Costs of Ongoing Activities	(16.41)	330,047	-	330,047
Total FY 2022 Base Budget	44.87	8,902,834	116,116	8,786,718
Budget Adjustments				
1. None	-	-	-	-
Total Budget Adjustments	-	-	-	-
Total FY 2022 Adopted Budget	44.87	8,902,834	116,116	8,786,718



CITY OF
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OFFICE OF EMERGENCY SERVICES

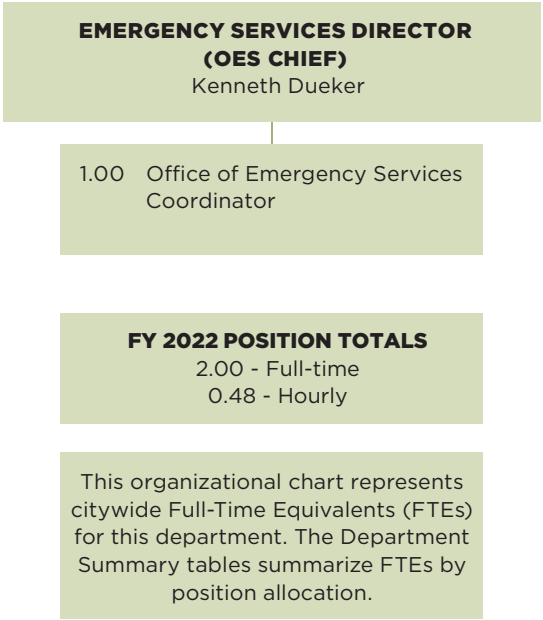
Mission Statement



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

- Developed an overarching after action review and corrective action plan for the City's COVID-19 response and supported the City's recovery efforts.
- Executed a \$200,000 federal grant in which OES received a mobile solar generator platform to provide resilient and renewable power for critical operations.
- Mitigated fire risk by installing a camera at Fire Station 8, in Foothills Nature Preserve, to enhance wildfire identification in the Palo Alto area of operations and in the process becoming a node in the AlertWildfire camera ecosystem.
- Responded to numerous wildfires and other public safety incidents in Palo Alto and the region, including supporting the South Bay Incident Management Team.
- Provided subject matter expertise on the advancement of the Public Safety Building project; participated in the project's ground breaking ceremony.
- Continued to develop the Emergency Services Volunteer (ESV) program and general community public safety awareness through ongoing public education sessions, trainings, and exercises.
- Worked with regional public safety partners on a wide range of 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 in support of such events.

Initiatives

- Coordinate regional planning for wildland fire response and evacuations; in FY 2022 coordinate the rollout of Zonehaven evacuation platform, establish an additional AlertWildfire camera at Montebello Reservoir, and facilitate the Interdepartmental Foothills Fire Management Coordination team.
- Explore new technologies, including resilient power for key sites and critical systems; integrate new mobile and solar generator platforms into operations.
- Partner with and advise the Public Works, Police, and Fire Departments on the construction of the new Public Safety Building (PSB); participate in routine planning meetings and projects to maintain the construction schedule.
- Continue to work with the IT and Utilities Departments to deploy a new Public Safety Wireless Network.
- Maintain the Intrusion Detection System (IDS); develop a service agreement with system vendor.

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

NUMBER OF ANNUAL REPORTED INCIDENTS WITHIN THE CALTRAIN RIGHT-OF-WAY

Goal	Promote operational readiness of the City to implement the emergency management cycle (mitigate, prepare, respond, recover).				
Objective	Coordinate development of new technologies for emergency management.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of annual reported incidents within the CalTrain right-of-way	N/A	110	50	49	50
Description	This measure provides the number of IDS reported events by the G4S monitoring center, and other public safety reported incidents outside of the IDS coverage area				
Purpose	Over time, OES expects to reduce the number of annual reported incidents as we become more aware of the causality of these incidents.				
Status	The Office of Emergency Services initiated this measure beginning in FY 2021. Results for prior years are not available. In the current year the department expects 49 of 50 incidents. This level is anticipated to remain constant in FY 2022.				

READINESS OF OFFICE OF EMERGENCY SERVICES (OES) RESOURCES

Goal	Promote operational readiness of the City to implement the emergency management cycle (mitigate, prepare, respond, recover).				
Objective	Maintain OES emergency management facilities, critical infrastructure, and equipment fully mission capable.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of Office of Emergency Services resources that are able to respond effectively to hazards	99%	98%	95%	98%	95%
Description	OES must be able to implement response procedures to an all-hazards threat matrix at any time. OES strives to maintain fully mission capable status to respond effectively to all hazards. However, given the specialized and discrete inventory of equipment, it is not feasible to maintain all systems to a 100 percent readiness standard. Therefore, the goal is to meet a 95 percent readiness rate, allowing some flexibility for unscheduled equipment maintenance during the year.				
Purpose	Critical resources will improve the City's ability to manage a response.				
Status	The 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 throughout the fiscal year.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of presentations, training sessions, and exercises	163	160	150	102	150
Number of deployments of the Emergency Operations Center, Mobile EOC, and Incident Command Post	35	207	35	57	35

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Emergency Services	\$1,243,411	\$1,263,205	\$1,356,976	\$1,237,172	\$(119,805)	(8.8)%
Total	\$1,243,411	\$1,263,205	\$1,356,976	\$1,237,172	\$(119,805)	(8.8)%
Salary & Benefits						
Healthcare	\$37,365	\$38,382	\$31,703	\$28,988	\$(2,716)	(8.6)%
Other Benefits	\$13,831	\$14,506	\$13,617	\$16,432	\$2,815	20.7%
Overtime	\$5,300	\$20,149	—	—	—	—%
Pension	\$113,636	\$144,554	\$144,829	\$142,348	\$(2,481)	(1.7)%
Retiree Medical	\$49,844	\$51,339	\$50,986	\$51,819	\$834	1.6%
Salary	\$395,155	\$408,179	\$341,417	\$380,805	\$39,389	11.5%
Workers' Compensation	\$16,272	\$30,339	\$21,574	\$28,737	\$7,163	33.2%
Total Salary and Benefits	\$631,402	\$707,449	\$604,125	\$649,129	\$45,004	7.4%
Dollars by Category						
Allocated Charges	\$104,411	\$138,682	\$185,722	\$110,912	\$(74,809)	(40.3)%
Contract Services	\$304,689	\$281,460	\$405,508	\$315,508	\$(90,000)	(22.2)%
Facilities & Equipment	\$122,131	\$62,940	\$77,000	\$77,000	—	—%
General Expense	\$29,276	\$29,547	\$34,700	\$30,700	\$(4,000)	(11.5)%
Operating Transfers-Out	\$5,631	—	—	—	—	—%
Supplies & Material	\$45,872	\$43,128	\$49,922	\$53,922	\$4,000	8.0%
Total Dollars by Expense Category	\$1,243,411	\$1,263,205	\$1,356,976	\$1,237,172	\$(119,805)	(8.8)%
Revenues						
Charges to Other Funds	\$96,336	\$95,589	\$95,589	\$95,589	—	—%
Total Revenues	\$96,336	\$95,589	\$95,589	\$95,589	—	—%
Positions by Division						
Emergency Services	3.48	3.48	3.48	2.48	(1.00)	(28.7)%
Total	3.48	3.48	3.48	2.48	(1.00)	(28.7)%

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Office of Emergency Services, a total of 1.00 FTE (1.00 full-time) are eliminated as a result of this action.

OFFICE OF EMERGENCY SERVICES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Director Office of Emergency Services	1.00	1.00	1.00	1.00	—	\$179,546
Office of Emergency Services Coordinator	1.00	1.00	1.00	1.00	—	\$142,189
Program Assistant II	1.00	1.00	—	—	—	—
Program Assistant II (Freeze)	—	—	1.00	—	(1.00)	—
Subtotal: Full-Time Equivalent Positions	3.00	3.00	3.00	2.00	(1.00)	\$321,734
Temporary/Hourly	0.48	0.48	0.48	0.48	—	\$35,942
Total Positions	3.48	3.48	3.48	2.48	(1.00)	\$357,677

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	3.48	1,356,977	95,589	1,261,388
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	32,594	-	32,594
One-Time Prior Year Budget Adjustments	-	32,594	-	32,594
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	120,088	-	120,088
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(1.00)	(114,840)	-	(114,840)
Information Technology Allocated Charges	-	(74,810)	-	(74,810)
Workers' Compensation Allocated Charges	-	7,163	-	7,163
Adjustments to Costs of Ongoing Activities	(1.00)	(62,399)	-	(62,399)
Total FY 2022 Base Budget	2.48	1,327,172	95,589	1,231,583
Budget Adjustments				
1. Railroad/Train Crossing Intrusion Detection System Maintenance (IDS)	-	(90,000)	-	(90,000)
Total Budget Adjustments	-	(90,000)	-	(90,000)
Total FY 2022 Adopted Budget	2.48	1,237,172	95,589	1,141,583

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Railroad/Train Crossing Intrusion Detection System Maintenance (IDS)	0.00	(90,000)	-	(\$90,000)

This action reduces funding for annual maintenance of the Intrusion Detection System (IDS) cameras along the Caltrain corridor. These cameras replaced private security services to monitor activity along the tracks beginning in September 2018. The IDS system is still a fairly new system with a low maintenance overhead to date. However, increased maintenance costs are anticipated as the system ages in the coming years. The remaining ongoing funding for maintenance services is sufficient to perform basic maintenance tasks in future years. (Ongoing savings: \$90,000)

Performance Results



This action is not anticipated to impact service delivery levels.



CITY OF
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PLANNING AND DEVELOPMENT SERVICES

Mission Statement



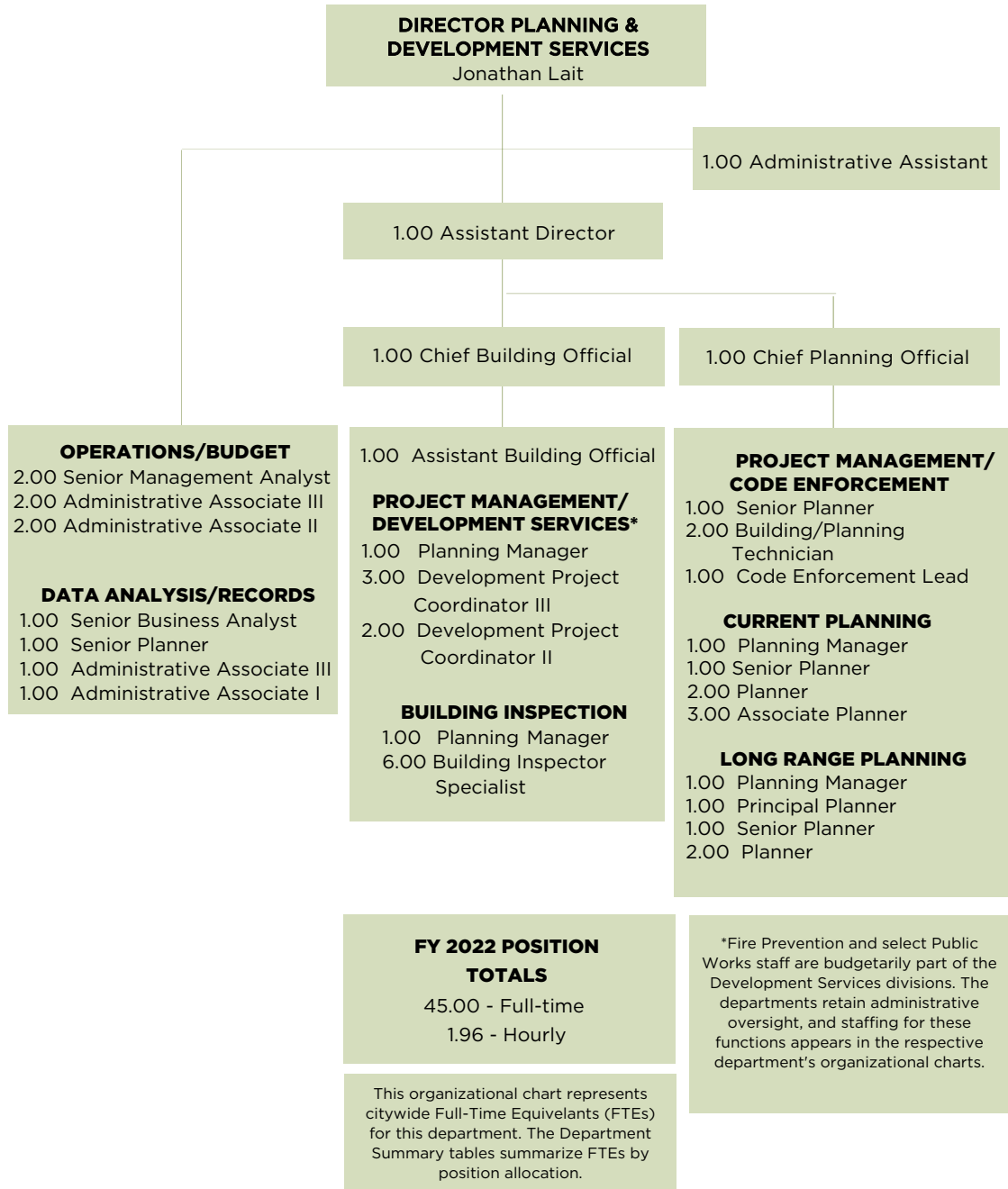
The mission of the Planning and Development Services Department is to provide effective implementation of land use development, planning, housing and environmental policies, and efficient processing of building permit applications that maintain and enhance the City as a safe, vital, and attractive community.

Purpose

The Planning and Development Services 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.

PLANNING AND DEVELOPMENT SERVICES



Description

The Planning and Development Services (PDS) Department is responsible for the following functions:

ADMINISTRATION

Provides personnel, contract, budget, operations, and project support, including managing and measuring performance metrics and responding to data requests for the department. The division also supports the Planning and Transportation Commission (PTC), Architectural Review Board (ARB), Historic Resources Board, and other public meetings.

CODE ENFORCEMENT

Responsible for enforcement of code requirements and conditions of approval.

CURRENT PLANNING

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

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

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.

Accomplishments

- Implemented and refined the Online Permit System (OPS) for application intake and permit processing, enabling services to continue during the Development Services Center's temporary physical closure due to COVID-19.
- Created an online appointment-based pilot system to streamline the application process.
- Provided project management support and staff expertise to the Uplift Local program, including managing weekly staff meeting, facilitating community and stakeholder meetings, and other activities. These led to the development of the Temporary Pilot Parklet program, the Uplift Local Streets program, and other activities to support the local economy during the pandemic.

PLANNING AND DEVELOPMENT SERVICES

- Developed policy for two types of safe parking programs, congregation-based and public-land safe parking. Facilitated the execution of a lease with Santa Clara County to operate a 16-vehicle safe parking program. Issued permits for two congregation-based safe parking permits.
- Began updating the City's Housing Element, a mandatory element of the City's Comprehensive Plan, to plan to meet the existing projected housing needs of all economic segments of the community.
- Awarded the Local Early Action Plan (LEAP) Grant from the State of California Housing and Community Development Department.
- Realigned staffing resources to reduce building inspection wait times as a result of budget impacts.
- Progressed on preparation of Renter Protection Policies for City consideration, utilizing the Challenge Grant Fellow for Housing Protection and Preservation and completed initial vetting by the PTC.
- Prepared draft plan alternatives for the North Ventura Coordinated Area Plan (NVCAP) and presented to the PTC for review and recommendation.
- Successfully applied for and were awarded Association of Bay Area Governments (ABAG) Priority Development Area Grant for planning in Downtown Palo Alto related to housing development and improved bicycle and pedestrian circulation.
- Progressed on the development of Objective Standards with the Architectural Review Board (ARB), the ARB Ad Hoc Committee and the PTC.
- Integrated the 311 Customer Relationship Manager with Accela to provide more streamlined real-time reporting, tracking, and responses for customer service calls.

Initiatives

- Continue to advance the housing work program to enhance housing protection, preservation and production.
- Engage in a new fee study to align department-wide fees with the evolved structure of the combined Development Services and Planning and Community Environment Departments.
- Evaluate the existing Electronic Plan Review program through a Request for Proposal to determine and implement the best possible system for future use.
- Reopen the Development Center to provide in person appointment-based customer service to allow for a hybrid customer service environment with continued online permitting services.
- Develop a new Energy Reach ordinance for full electrification of new stand-alone accessory dwelling units (ADUs).
- Present the updated Objective Standards for implementation and Council adoption.
- Streamline the permitting and inspection process for electrification permits.
- Prepare a commercial linkage fee for affordable housing.
- Continue progress in advancing the North Ventura Coordinated Area Plan.
- Update the City's wireless communication facilities ordinance.
- Process the City's Regional Housing Needs Assessment appeals to the ABAG.
- Explore implementing a qualitative feedback loop for services provided and integrating that metric into performance measurement.

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 and improve the City's Insurance Services Office (ISO) rating.
- Respond to citizen complaints and effectively abate zoning and building code violations.

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

CODE ENFORCEMENT

Goal	Deliver ongoing programs that improve people's lives, including code enforcement, housing, development services, historic preservation, and community block grant.				
Objective	Respond to citizen complaints and effectively abate zoning and building code violations.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of surveyed residents rating the quality of code enforcement as "good" or "excellent"	N/A	52%	N/A	52%	N/A
Description	This measure tracks residents' opinions through data collected in the National Citizen Survey (NCS).				
Purpose	This measure can be used to measure changes in satisfaction as service enhancements to the code enforcement function are implemented.				
Status	The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A." As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A." The next survey is anticipated to take place in FY 2023. Due to the impacts of the FY 2021 budget reductions, the Code Enforcement program is only staffed with one officer. Therefore this performance measure is not expected to improve next fiscal year.				

Key Performance Measures

INSURANCE SERVICES OFFICE (ISO) RATING

Goal	Exemplify the City's commitment to well-enforced building codes, health, safety, and general welfare.				
Objective	Obtain and maintain the highest rating (Class 1).				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Insurance Services Office (ISO) Rating	3	3	3	3	3
Description	ISO administers the Building Code Effectiveness Grading Schedule (BCEGS) program for the property/casualty insurance industry. The BCEGS program assesses the building codes in effect in a particular community and how the community enforces its building codes, assigning each municipality a class of 1 (exemplary commitment to building code enforcement) to 10.				
Purpose	Municipalities with well-enforced, up-to-date codes demonstrate less property damage due to fire and natural disasters. This can be reflected in the citizens' insurance rates. BCEGS helps communities by: 1. Improving building codes (by encouraging the adoption of the most current codes), building departments, and code enforcement; 2. Promoting construction of better, more catastrophe-resistant buildings; 3. Reducing property losses from catastrophes; and 4. Reducing the economic and social disruption that results from catastrophes' serious and widespread destruction.				
Status	The department continues to strive towards a Class 1 rating. The ISO reviews the community's classification approximately every five years, tentatively scheduled in FY 2024. The improvement of this rating is highly dependent on factors that include sufficient staffing levels to meet demands and training and certifications of staff. A class 1 rating was last achieved in FY 2019.				

Key Performance Measures

PERCENT OF PERMITS ISSUED ON TIME

Goal	Work collaboratively with City departments, which support development services, to adequately staff and respond to workload demands and achieve excellent customer service outcomes.				
Objective	Provide customers with clear, succinct, and consistent guidelines.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of permits initiated within a given period where all department reviews are completed	48%	83%	70%	80%	80%
Description	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.				
Purpose	Customers depend upon the accuracy and dependability of estimated due dates to plan their construction projects. They may move out of their house or enter into a lease on a commercial tenant space based on the estimated timeline provided by the Development Services Center. 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.				
Status	This performance measure was updated in FY 2020 to exclude non-working days (weekends and holidays) and voided or canceled permits. The department strives to meet industry best practices for on-time plan reviews of 80% and estimates meeting that goal in the current year. In FY 2021, the department initiated an Online Permit System (OPS) to mitigate the need for in-person submissions. This service launched in April 2020 and enabled staff to continue OTC permit reviews during the closure of the Development Center front counter and other social distancing requirements that resulted from the pandemic.				

Key Performance Measures

PERCENT OF PERMITS ISSUED OVER THE COUNTER

Goal	Provide a high level of customer service and decrease application review, processing, and permit issuance times.				
Objective	Increase the number of over-the-counter (OTC) plan checks that result in same day permit issuance.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of permits that are reviewed and approved by all necessary departments over-the-counter.	61%	60%	65%	60%	60%
Description	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.				
Purpose	To streamline the process so customers make as few trips as possible to the Development Center to obtain a permit. It is also beneficial to City staff, resulting in less reviewing and processing time than if the plans were taken in for review. This process also reduces waste as fewer plans are created and distributed for various departmental reviews.				
Status	Over-the-counter permits (OTC) are issued when possible as they are the quickest and most efficient permit option. The ability to issue OTC is dependent on the ability of all departments to review and approve projects in a timely manner. Further, customer education programs and materials and adequate staff training must be maintained for accurate submissions and reviews.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of planning and Architectural Review Board applications completed (including staff level)	327	262	330	275	290
Average number of days for Planning to first review building permit applications	24	24	20	20	20
Average number of days from Individual Review application to approval	69	89	60	80	80
Number of building permit applications	3,424	3,189	3,200	3,400	3,300
Number of building permits issued	2,918	2,476	2,500	3,000	2,800
Number of fire permit inspections	1,961	1,396	1,900	1,100	1,500
Number of building inspections	24,316	18,557	20,000	17,300	20,000
Number of Public Records Requests ¹	69	172	N/A	200	200
Average Initial Response Time to a Public Records Request (Days) ¹	6	6	N/A	5	5
Number of Code Enforcement Complaints Received ¹	570	767	N/A	800	800
Number of walk-in customer interactions ²	22,307	N/A	11,000	N/A	N/A

1. These are new measures as of FY 2022. Prior year actuals have been restated.

2. Walk-in customer interactions are no longer tracked by the department and will be removed from future budget presentations.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration	\$4,371,624	\$4,813,512	\$4,783,923	\$4,382,668	\$(401,255)	(8.4)%
Building	\$5,403,597	\$4,982,317	\$4,814,121	\$5,034,691	\$220,570	4.6%
Fire	\$2,423,849	\$2,532,421	\$1,843,679	\$2,241,162	\$397,483	21.6%
Green Building	\$200,378	\$368,872	\$304,000	\$187,730	\$(116,270)	(38.2)%
Planning Counter Support	\$634,305	\$574,210	\$623,019	\$644,412	\$21,393	3.4%
Planning	\$4,607,829	\$5,109,443	\$3,963,683	\$4,154,219	\$190,536	4.8%
Public Works	\$1,096,344	\$1,216,679	\$1,053,975	\$1,028,359	\$(25,616)	(2.4)%
Total	\$18,737,926	\$19,597,454	\$17,386,399	\$17,673,240	\$286,841	1.6%
Salary & Benefits						
Healthcare	\$965,048	\$903,289	\$1,008,021	\$1,082,387	\$74,367	7.4%
Other Benefits	\$182,876	\$183,818	\$219,055	\$244,845	\$25,790	11.8%
Overtime	\$144,855	\$128,555	\$100,398	\$103,009	\$2,610	2.6%
Pension	\$1,985,454	\$2,750,828	\$2,802,482	\$2,827,498	\$25,015	0.9%
Retiree Medical	\$645,983	\$665,363	\$631,148	\$631,684	\$536	0.1%
Salary	\$6,064,343	\$6,332,134	\$6,309,217	\$6,636,122	\$326,905	5.2%
Workers' Compensation	\$172,769	\$326,532	\$218,037	\$286,831	\$68,794	31.6%
Total Salary and Benefits	\$10,161,329	\$11,290,518	\$11,288,359	\$11,812,376	\$524,018	4.6%
Dollars by Category						
Allocated Charges	\$2,056,715	\$2,044,115	\$1,705,192	\$1,393,400	\$(311,792)	(18.3)%
Contract Services	\$4,682,121	\$4,455,687	\$2,460,296	\$2,916,648	\$456,352	18.5%
Facilities & Equipment	\$13,483	\$6,666	\$15,650	\$15,650	—	—%
General Expense	\$452,650	\$515,616	\$519,284	\$509,534	\$(9,750)	(1.9)%
Operating Transfers-Out	\$121,412	\$288	—	—	—	—%
Rents & Leases	\$1,216,867	\$1,241,381	\$1,356,650	\$984,663	\$(371,987)	(27.4)%
Supplies & Material	\$33,349	\$43,183	\$40,969	\$40,969	—	—%
Total Dollars by Expense Category	\$18,737,926	\$19,597,454	\$17,386,399	\$17,673,240	\$286,841	1.6%
Revenues						
Charges for Services	\$8,791,258	\$8,247,427	\$8,234,718	\$8,234,718	—	—%
Charges to Other Funds	\$761,268	\$327,945	\$22,364	\$22,364	—	—%
From Other Agencies	—	\$274,977	—	—	—	—%
Other Revenue	\$17,884	\$9,512	\$3,413	\$3,413	—	—%
Other Taxes and Fines	\$381,153	\$32,310	\$25,773	\$25,773	—	—%
Permits and Licenses	\$7,582,819	\$7,133,743	\$7,548,178	\$7,548,178	—	—%
Total Revenues	\$17,714,382	\$16,025,914	\$15,834,447	\$15,834,447	—	—%

PLANNING AND DEVELOPMENT SERVICES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Positions by Division						
Administration	12.01	13.44	13.74	11.26	(2.48)	(18.0)%
Building	17.28	15.60	17.60	17.20	(0.40)	(2.3)%
Fire	6.88	6.88	6.88	4.80	(2.08)	(30.2)%
Planning Counter Support	5.09	4.50	4.25	3.30	(0.95)	(22.4)%
Planning	19.94	19.45	17.25	14.60	(2.65)	(15.4)%
Public Works	5.50	5.50	4.80	4.80	—	—%
Total	66.70	65.37	64.52	55.96	(8.56)	(13.3)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Assistant	2.00	1.00	1.00	1.00	—	\$90,002
Administrative Associate I	1.00	1.00	1.00	1.00	—	\$72,176
Administrative Associate II	2.80	2.80	2.80	2.80	—	\$213,287
Administrative Associate III	3.29	4.00	4.00	3.00	(1.00)	\$252,096
Assistant Chief Building Official	1.00	1.00	1.00	1.00	—	\$151,258
Assistant Director PCE	1.00	1.00	1.00	1.00	—	\$190,549
Associate Engineer	0.02	0.22	0.20	—	(0.20)	—
Associate Planner	3.03	3.15	3.00	3.25	0.25	\$354,359
Building Inspector Specialist	4.00	4.00	6.00	6.00	—	\$705,120
Building/Planning Technician	3.00	3.00	2.00	2.00	—	\$176,842
Building/Planning Technician (Freeze)	—	—	1.00	—	(1.00)	—
Business Analyst	1.00	—	—	—	—	—
Chief Building Official	1.00	1.00	1.00	1.00	—	\$189,530
Chief Planning Official	1.00	1.00	1.00	1.00	—	\$167,752
Chief Transportation Official	0.09	—	—	—	—	—
Code Enforcement Officer	2.00	2.00	—	—	—	—
Code Enforcement Officer (Freeze)	—	—	2.00	—	(2.00)	—
Code Enforcement-Lead	1.00	1.00	1.00	1.00	—	\$113,110
Deputy Chief/Fire Marshal	0.80	0.80	0.80	0.80	—	\$172,124

PLANNING AND DEVELOPMENT SERVICES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Development Project Coordinator II	2.00	2.00	2.00	2.00	—	\$192,150
Development Project Coordinator III	3.00	3.00	3.00	3.00	—	\$317,928
Development Services Director	1.00	—	—	—	—	—
Director Planning/Community Environment	1.00	1.00	1.00	1.00	—	\$245,523
Engineer	0.64	0.64	0.52	0.52	—	\$73,062
Engineering Technician III	1.78	1.78	1.50	1.50	—	\$147,826
Fire Inspector	3.20	3.20	1.60	1.60	—	\$263,178
Fire Inspector (Freeze)	—	—	1.60	—	(1.60)	—
Hazardous Materials Inspector	1.60	1.60	1.60	1.60	—	\$263,178
Industrial Waste Inspector	0.01	0.01	—	—	—	—
Industrial Waste Investigator	0.35	0.35	0.35	0.35	—	\$38,293
Inspector, Field Services	0.68	0.68	0.68	0.68	—	\$72,290
Landscape Architect Park Planner	0.50	0.50	0.50	0.50	—	\$59,509
Management Analyst	1.79	0.01	—	—	—	—
Manager Development Center	1.00	—	—	—	—	—
Manager Environmental Control Program	0.10	0.10	—	—	—	—
Manager Planning	3.00	5.00	4.00	4.00	—	\$572,374
Manager Urban Forestry	0.04	0.04	—	—	—	—
Planner	4.00	4.00	4.00	4.00	—	\$458,598
Planning Division Manager	1.00	—	—	—	—	—
Principal Management Analyst	—	1.00	—	—	—	—
Principal Planner	1.00	2.00	1.00	1.00	—	\$122,803
Principal Planner (Freeze)	—	—	1.00	—	(1.00)	—
Program Assistant	—	1.00	—	—	—	—
Program Assistant I (Freeze)	—	—	1.00	—	(1.00)	—
Project Engineer	0.33	0.13	0.10	—	(0.10)	—
Senior Business Analyst	—	1.00	1.00	1.00	—	\$158,746
Senior Engineer	0.46	0.46	0.40	0.40	—	\$69,888
Senior Industrial Waste Investigator	0.01	0.01	—	—	—	—

PLANNING AND DEVELOPMENT SERVICES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Senior Management Analyst	1.88	2.00	2.00	2.00	—	\$293,571
Senior Planner	3.60	3.60	2.60	3.65	1.05	\$491,355
Senior Planner (Freeze)	—	—	1.00	—	(1.00)	—
Supervisor Inspection and Surveying	0.27	0.27	0.25	0.25	—	\$34,133
Traffic Engineering-Lead	—	0.10	0.10	0.05	(0.05)	\$7,956
Transportation Planning Manager	0.05	—	—	0.05	0.05	\$7,384
Subtotal: Full-Time Equivalent Positions	62.32	62.45	61.60	54.00	(7.60)	\$6,737,950
Temporary/Hourly	4.38	2.92	2.92	1.96	(0.96)	\$159,068
Total Positions	66.70	65.37	64.52	55.96	(8.56)	\$6,897,017

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Planning and Development Services Department, a total of 8.56 FTE (7.60 full-time, 0.96 part-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	64.52	17,386,399	15,834,447	1,551,952
One-Time Prior Year Budget Adjustments				
Building Inspection and Plan Review Reorganization	(1.00)	(188,930)	-	(188,930)
Planning and Development Services Fee Study	-	(110,000)	-	(110,000)
FY 2021 Management and Professionals Group Compensation Reduction	-	295,070	-	295,070
One-Time Prior Year Budget Adjustments	(1.00)	(3,860)	-	185,070
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	1,452,183	-	1,452,183
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(8.56)	(1,312,269)	-	(1,312,269)
Rent and Lease Expenditure (office space lease at 526 Bryant St)	-	(371,987)	-	(371,987)
Information Technology Allocated Charges	-	(318,385)	-	(318,385)
Liability Insurance Allocated Charges	-	59,082	-	59,082
Printing & Mailing Services Allocated Charges	-	(55,038)	-	(55,038)
Vehicle Replacement & Maintenance Allocated Charges	-	2,548	-	2,548
Workers' Compensation Allocated Charges	-	68,794	-	68,794
Adjustments to Costs of Ongoing Activities	(8.56)	(475,071)	-	(475,071)
Total FY 2022 Base Budget	54.96	16,907,468	15,834,447	1,261,951
Budget Adjustments				
1. Planning Travel & Training Reduction	-	(31,417)	-	(31,417)
2. Office of Transportation Staffing Alignment	-	(4,669)	-	(4,669)
3. Data Analysis Resource Adjustment	-	55,693	-	55,693
4. Development Services Inspection and Plan Check Support	1.00	746,163	-	746,163
Total Budget Adjustments	1.00	765,771	-	765,771
Total FY 2022 Adopted Budget	55.96	17,673,239	15,834,447	2,027,722

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Planning Travel & Training Reduction	0.00	(31,417)	0	(31,417)

This action reduces resources for travel, training, and general contracts in the Planning divisions. Staff anticipates that training activities will continue to be hosted in a virtual format or held locally and does not anticipate that this reduction will impact staff participation at training events (\$10,000). Also included is a minor reduction in general contract funding. Sufficient overall contract funding remains to support planning activities (\$20,000). (Ongoing savings: \$31,417)

Performance Results



This action contributes to cost containment strategies in FY 2022.

2. Office of Transportation Staffing Alignment	0.00	(4,669)	0	(4,669)

This net-neutral action realigns the funding of various Office of Transportation (OOT) positions citywide, resulting in a net reduction of 1.15 FTE in the General Fund. This action more accurately aligns staff to their respective work assignments and projects and does not change overall staffing levels. The most significant reallocations add staffing resources for transportation capital projects in the General Capital Improvement Fund. This staffing realignment includes a reduction of 0.30 FTE in the Residential Preferential Parking (RPP) Fund and 1.15 positions in the General Fund. These reductions are offset by increases of 1.45 in the General Capital Improvement Fund. This action also aligns Office of Transportation staff assignments in the Planning and Development Services Department (PDS). OOT staff assigned to PDS support reviews of development projects with respect to parking, circulation, congestion, and general transportation demand management analysis. (Ongoing savings: \$4,325)

Performance Results



This action ensures that appropriate staffing levels are available to support Transportation activities.

3. Data Analysis Resource Adjustment	0.00	55,693	0	55,693

This action eliminates 1.00 FTE Administrative Associate III and restores 1.00 FTE Senior Planner Data/GIS in the Data Analysis group. This will result in adding a critical resource to ensure the continuation and improvement of data operations, which includes Geographic Information System (GIS), land use, records keeping, analytics, online application and permit processing, and Accela support services. The Data Analysis group is responsible for managing and implementing technology to streamline processes and develop digital solutions to support current business processes and provide public access to information. Key tasks include administration of the department's City website content, maintenance and enhancements to online parcel reports, online permitting services, electronic document review, and Buildingeye, services which provide valuable data to the community. In FY 2022, the Department will be evaluating and improving the current online permit system, supporting city-wide GIS migration, and implementing a customer service feedback loop across department services. In FY 2021, the Administrative Associate III workload has been absorbed by existing staff in the areas of records keeping, website management and general administrative support; the reduction of this position will not impact current support levels. (Ongoing cost: \$59,543)

Performance Results



This action will result in greater operational efficiency and data integrity.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
4. Development Services Inspection and Plan Check Support	1.00	746,163	0	746,163

This net-neutral action converts a limited 1-year term position to a permanent 1.00 FTE Building Inspector Specialist and adds one-time contract funding for Building and Fire Division plan review services. This action is fully offset by the use of \$800,000 of the \$3.3 million Development Services reserve, intended to complete prior year works in progress. These additional staffing resources are necessary to provide inspections within a reasonable timeframe (between one to four days), minimizing construction delays. Also, to facilitate the use of consultant inspection services during high peak volume, as indicated in the Development Services Blueprint. The increase in contract funding for plan review services will improve review turnaround times and prevent delays in permit issuance. (Ongoing costs: \$168,133)

Performance Results



This action aligns resources with operations to support timely, high quality customer service.



CITY OF
**PALO
ALTO**

POLICE

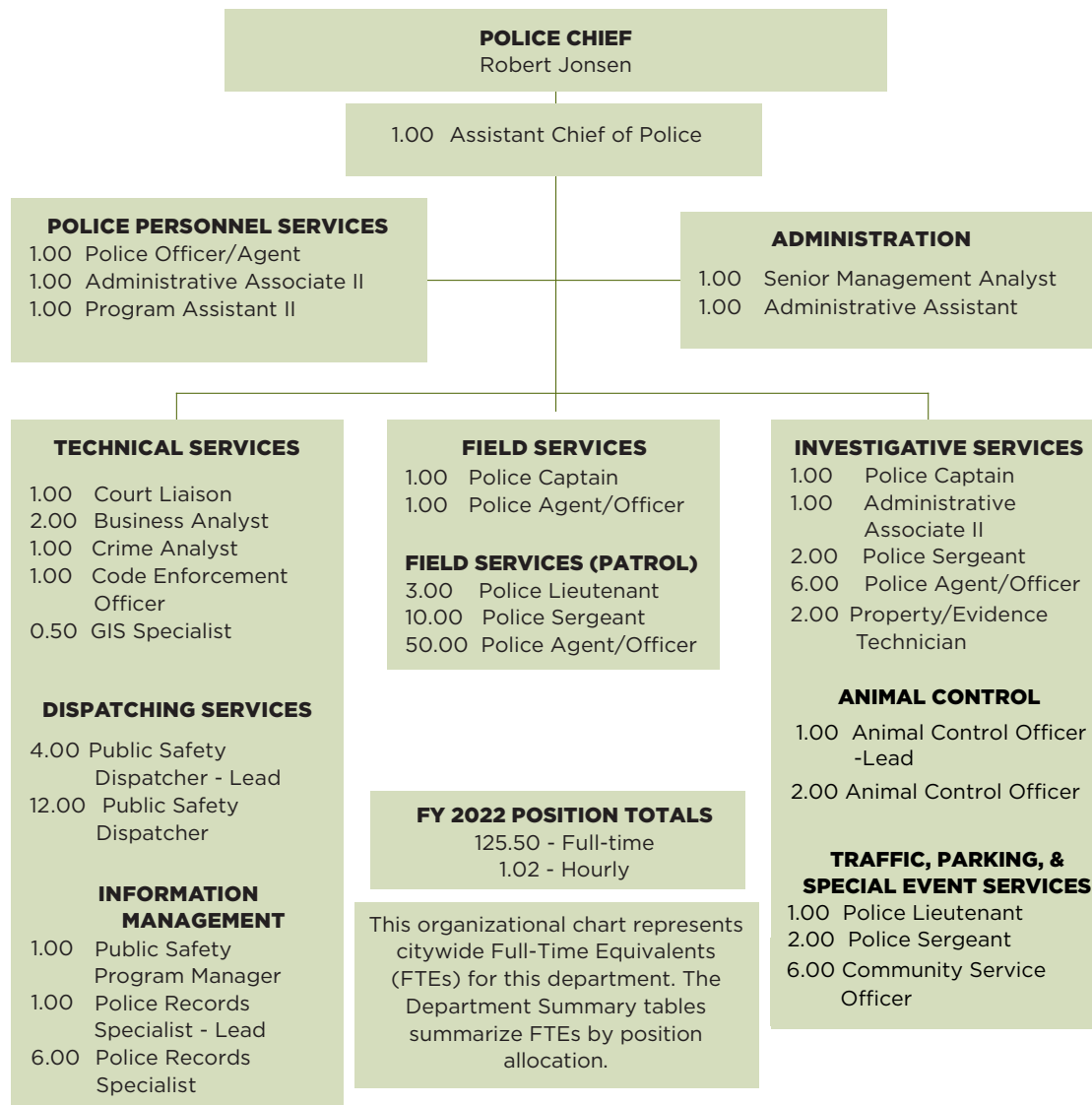
Mission Statement



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.

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

- Purchased and began implementation of a new Records Management System.
- Assigned officers to regional task forces to combat regional crime trends including narcotics sales, illegal weapons, stolen property sales and stolen vehicles used in burglaries locally.
- Broke ground on new Public Safety Building (PSB) after 20+ years of preparation by many people.
- Implemented an online reporting tool, allowing flexibility for residents and visitors to report crime at a time that is convenient for them.
- Re-distributed the workload from the elimination of approximately 26 positions (full-time/part-time).
- Supported over 30 demonstrations around social and police justice.
- Received awards including the Santa Clara County Supervisor's Medal for Outstanding Service for staff contributions and efforts in areas of auto theft and community service.
- Responded to over 1,000 COVID-19 health order violations.

- Attended numerous meetings, created and presented community content around criminal justice reform and “8 Can’t Wait” initiatives.
- Participated in City website re-design, reorganizing and adding content to increase transparency and access to police data.

Initiatives

- Continue to partner with stakeholders on race and equity initiatives.
- Purchase a new Computer Aided Dispatch (CAD) system.
- Implement Racial and Identity Profiling Advisory (RIPA).
- Implement the Psychiatric Emergency Response Team (PERT).
- Focus on hiring critical positions including police officer and public safety dispatch positions.

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.

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 train to address emerging social issues and situations.
- 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.
- Continue the regional Records Management System project and implement Racial and Identity Profiling Advisory (RIPA)
- 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:

- Contribute to the Safe Routes to School Program by contracting crossing guards at major intersections for Palo Alto Unified School District.
- Continue to seek input from the Citizens Advisory Group to enhance resident safety.
- Partner with community, City Council, commissions and boards and executive leadership on service delivery

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 Behavioral Health Services to implement 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.

Objectives:

- 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 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/>.
- Support the Department's peer support program.

Key Performance Measures

ANIMAL CONTROL RESPONSE TIMES

Goal	Protect and serve the public through proactive and effective policing, animal control, and emergency preparedness.				
Objective	Respond promptly to animal calls for service.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of Palo Alto live animal calls responded to within 45 minutes	89%	93%	90%	90%	90%
Description	A 45-minute response time to live animal calls is the threshold of service set by the Animal Control Division.				
Purpose	Live animal calls require the most timely response because they are generally life threatening or represent higher danger crimes in progress.				
Status	The Animal Control Division has historically had a goal of reaching 90% of live animal calls sooner than 45 minutes. The division continues to meet this goal with reduced staffing levels.				

Key Performance Measures

PERCENT OF SURVEYED RESIDENTS RATING POLICE DEPARTMENT SERVICES GOOD OR EXCELLENT

Goal	Cultivate, enhance, and foster trustworthy relationships with the community.				
Objective	Maintain and enhance the community's satisfaction with police services.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Animal Control Services	N/A*	80%	N/A*	80%	N/A*
Crime Prevention Services	N/A*	67%	N/A*	80%	N/A*
Overall Police Services	N/A*	78%	N/A*	90%	N/A*
Traffic Enforcement Services	N/A*	65%	N/A*	60%	N/A*
Description	These measures track the percent of residents rating overall and division specific police services to the community as "good" or "excellent". This data is collected as part of the National Citizen's Survey that is conducted annually by the International City/County Management Association (ICMA) and allows the City to compare itself to other municipalities.				
Purpose	Community satisfaction with the Police Department is an important assessment of the quality of services provided to the City and its residents.				
Status	*The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A.". As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A.". The next survey is anticipated to take place in FY 2023.				

Key Performance Measures

POLICE DEPARTMENT RESPONSE TIMES

Goal	Respond promptly to urgent calls for service.				
Objective	Protect and serve the public through proactive and effective policing, animal control, and emergency preparedness.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of emergency calls responded to within 6 minutes	65%	60%	90%	70%	90%
Percent of urgent calls responded to within 10 minutes	72%	70%	90%	72%	90%
Description	Percent of emergency calls responded to within 6 minutes and percent of urgent calls responded to within 10 minutes				
Purpose	Emergency and urgent calls require the most timely police response because they are generally life threatening or represent higher danger crimes in progress.				
Status	The percentage of emergency calls where officers arrived within 6 minutes fell 5% year over year (65% to 60%). The percentage of urgent calls responded to within 10 minutes dropped from 72% to 70% - a 2% decrease. Factors that influence response times include time of day, number of officers available, location of officers relative to the service call, workload and volume of traffic.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of police calls for service	54,979	48,394	54,000	54,000	54,000
Number of Part I crimes	1,883	2,002	1,600	1,600	1,600
Number of Part II crimes	2,531	1,953	2,600	2,600	2,600
Average response time for emergency calls (Goal: within 6 minutes)	5:23	6:15	6:00	5:40	6:00
Average response time for urgent calls (Goal: within 10 minutes)	8:31	9:07	8:00	8:20	8:00
Total number of Palo Alto animal control calls	2,550	2,966	2,400	2,400	2,400
Number of regional animal control calls (Los Altos and Los Altos Hills)	570	798	425	500	425

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Administration	\$1,703,481	\$1,665,692	\$667,239	\$1,142,140	\$474,901	71.2%
Animal Control	\$1,392,255	\$1,062,105	\$574,995	\$582,438	\$7,443	1.3%
Field Services	\$21,122,982	\$22,841,368	\$22,269,199	\$23,798,847	\$1,529,648	6.9%
Investigations and Crime Prevention Services	\$5,013,053	\$5,458,542	\$4,725,683	\$5,026,011	\$300,327	6.4%
Parking Services	\$1,670,222	\$1,652,700	\$1,568,360	\$1,488,739	\$(79,621)	(5.1)%
Police Personnel Selection	\$1,392,010	\$1,467,418	\$978,274	\$932,904	\$(45,370)	(4.6)%
Technical Services	\$9,026,838	\$9,800,218	\$8,438,977	\$8,948,716	\$509,739	6.0%
Traffic Services	\$1,254,156	\$1,042,166	\$1,152,801	\$1,195,625	\$42,824	3.7%
Total	\$42,574,997	\$44,990,208	\$40,375,528	\$43,115,420	\$2,739,892	6.8%
Salary & Benefits						
Healthcare	\$2,739,511	\$2,756,681	\$2,570,737	\$2,898,262	\$327,525	12.7%
Other Benefits	\$1,111,984	\$1,048,970	\$716,646	\$717,483	\$837	0.1%
Overtime	\$2,604,366	\$2,566,590	\$944,186	\$944,186	—	—%
Pension	\$7,930,395	\$10,431,311	\$10,570,770	\$11,474,249	\$903,479	8.5%
Retiree Medical	\$2,575,256	\$2,652,514	\$2,532,285	\$2,573,691	\$41,406	1.6%
Salary	\$18,094,964	\$18,251,016	\$16,822,420	\$17,426,011	\$603,591	3.6%
Workers' Compensation	\$840,707	\$1,567,537	\$1,071,516	\$1,427,281	\$355,765	33.2%
Total Salary and Benefits	\$35,897,184	\$39,274,620	\$35,228,560	\$37,461,163	\$2,232,603	6.3%
Dollars by Category						
Allocated Charges	\$3,626,937	\$3,875,114	\$2,964,098	\$3,451,379	\$487,281	16.4%
Contract Services	\$1,612,777	\$1,081,309	\$1,467,830	\$1,487,588	\$19,758	1.3%
Facilities & Equipment	\$56,860	\$13,649	\$34,500	\$34,500	—	—%
General Expense	\$462,074	\$401,953	\$369,600	\$369,850	\$250	0.1%
Operating Transfers-Out	\$398,383	—	—	—	—	—%
Rents & Leases	\$3,408	\$4,494	\$4,960	\$4,960	—	—%
Supplies & Material	\$517,375	\$339,070	\$305,981	\$305,981	—	—%
Total Dollars by Expense Category	\$42,574,997	\$44,990,208	\$40,375,528	\$43,115,420	\$2,739,892	6.8%
Revenues						
Charges for Services	\$1,161,326	\$1,321,658	\$1,037,540	\$1,019,795	\$(17,745)	(1.7)%
Charges to Other Funds	\$481,000	\$481,000	\$641,850	\$641,850	—	—%
From Other Agencies	\$304,391	\$318,896	\$332,900	\$82,900	\$(250,000)	(75.1)%
Operating Transfers-In	—	—	—	\$575,000	\$575,000	—%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Other Revenue	\$327,531	\$179,433	\$176,300	\$176,300	—	—%
Other Taxes and Fines	\$1,360,237	\$1,028,657	\$1,859,358	\$1,368,358	\$(491,000)	(26.4)%
Permits and Licenses	\$242,505	\$143,060	\$151,998	\$151,998	—	—%
Rental Income	\$150	—	—	—	—	—%
Total Revenues	\$3,877,140	\$3,472,703	\$4,199,946	\$4,016,201	\$(183,745)	(4.4)%
Positions by Division						
Administration	5.30	5.30	5.30	4.30	(1.00)	(18.9)%
Animal Control	10.56	4.00	4.48	3.00	(1.48)	(33.0)%
Field Services	73.55	73.55	73.55	64.15	(9.40)	(12.8)%
Investigations and Crime Prevention Services	16.38	16.38	16.38	14.30	(2.08)	(12.7)%
Parking Services	8.75	8.75	8.75	5.88	(2.87)	(32.8)%
Police Personnel Selection	4.10	4.34	4.22	3.00	(1.22)	(28.9)%
Technical Services	37.00	37.00	37.00	29.12	(7.88)	(21.3)%
Traffic Services	2.74	2.62	2.62	1.60	(1.02)	(38.9)%
Total	158.38	151.94	152.30	125.35	(26.95)	(17.7)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$72,779
Administrative Associate II	3.00	3.00	2.00	2.00	—	\$156,790
Administrative Associate II (Freeze)	—	—	1.00	—	(1.00)	—
Animal Control Officer	3.00	3.00	2.00	2.00	—	\$148,470
Animal Control Officer (Freeze)	—	—	1.00	—	(1.00)	—
Animal Control Officer-Lead	1.00	1.00	1.00	1.00	—	\$79,435
Animal Services Specialist II	2.00	—	—	—	—	—
Assistant Police Chief	1.00	1.00	1.00	1.00	—	\$246,189
Business Analyst	1.20	1.20	1.20	1.20	—	\$186,401
Code Enforcement Officer	1.00	1.00	1.00	1.00	—	\$105,747
Communications Manager	1.00	1.00	—	—	—	—

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Communications Manager (Freeze)	—	—	1.00	—	(1.00)	—
Communications Technician	1.00	1.00	—	—	—	—
Communications Technician (Freeze)	—	—	1.00	—	(1.00)	—
Community Service Officer	7.50	7.50	5.63	5.63	—	\$454,832
Community Service Officer (Freeze)	—	—	1.87	—	(1.87)	—
Court Liaison Officer	1.00	1.00	1.00	1.00	—	\$105,123
Crime Analyst	1.00	1.00	1.00	1.00	—	\$105,123
Deputy Director Technical Services Division	0.80	0.80	—	—	—	—
Deputy Director Technical Services Division (Freeze)	—	—	0.80	—	(0.80)	—
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	\$65,198
Police Agent	19.00	19.00	19.00	19.00	—	\$3,009,219
Police Captain	2.00	2.00	2.00	2.00	—	\$467,043
Police Chief	1.00	1.00	1.00	1.00	—	\$278,658
Police Lieutenant	5.00	5.00	4.00	4.00	—	\$855,546
Police Lieutenant (Freeze)	—	—	1.00	—	(1.00)	—
Police Officer	50.00	50.00	39.00	39.00	—	\$5,567,754
Police Officer (Freeze)	—	—	11.00	—	(11.00)	—
Police Records Specialist II	6.00	6.00	6.00	6.00	—	\$468,998
Police Records Specialist-Lead	1.00	1.00	1.00	1.00	—	\$83,637
Police Sergeant	14.00	14.00	14.00	14.00	—	\$2,491,923
Program Assistant II	1.00	1.00	1.00	1.00	—	\$85,488
Property Evidence Technician	2.00	2.00	2.00	2.00	—	\$161,699
Public Safety Communications Manager	1.00	1.00	—	—	—	—
Public Safety Communications Manager (Freeze)	—	—	1.00	—	(1.00)	—
Public Safety Dispatcher	16.00	16.00	12.00	12.00	—	\$1,399,072
Public Safety Dispatcher (Freeze)	—	—	4.00	—	(4.00)	—
Public Safety Dispatcher-Lead	4.00	4.00	4.00	4.00	—	\$534,061

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Public Safety Program Manager	2.00	2.00	2.00	1.00	(1.00)	\$132,080
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$123,635
Superintendent Animal Services	1.00	—	—	—	—	—
Veterinarian	1.00	—	—	—	—	—
Veterinarian Technician	2.00	—	—	—	—	—
Subtotal: Full-Time Equivalent Positions	155.00	149.00	149.00	124.33	(24.67)	\$17,384,902
Temporary/Hourly	3.38	2.94	3.30	1.02	(2.28)	\$123,351
Total Positions	158.38	151.94	152.30	125.35	(26.95)	\$17,508,253

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Police Department, a total of 25.95 FTE (23.67 full-time, 2.28 part-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	152.30	40,375,527	4,199,946	36,175,581
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	146,116	-	146,116
One-Time Prior Year Budget Adjustments	-	146,116	-	146,116
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	7,071,676	-	7,071,676
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(25.95)	(5,206,937)	-	(5,206,937)
Parking Enforcement Revenue Alignments	-	-	(350,000)	350,000
Penalties and Fines (CMR 11872)	-	-	(141,000)	141,000
PAUSD Reimbursement for School Resource Officers Contract (CMR 10059)	-	19,758	(250,000)	269,758
Stanford Emergency Communication Services Revenue	-	-	(17,745)	17,745
Information Technology Allocated Charges	-	230,166	-	230,166
Liability Insurance Allocated Charges	-	174,383	-	174,383
Printing & Mailing Services Allocated Charges	-	2,061	-	2,061
Utilities Allocated Charges	-	57,270	-	57,270
Vehicle Replacement & Maintenance Allocated Charges	-	23,400	-	23,400
Workers' Compensation Allocated Charges	-	355,765	-	355,765
Adjustments to Costs of Ongoing Activities	(25.95)	2,727,542	(758,745)	3,486,287
Total FY 2022 Base Budget	126.35	43,249,185	3,441,201	39,807,984
Budget Adjustments				
1. Animal Control Operations Reimbursed by Donations	-	-	575,000	(575,000)
2. Reduce Parking Enforcement Staffing	(1.00)	(133,766)	-	(133,766)
Total Budget Adjustments	(1.00)	(133,766)	575,000	(708,766)
Total FY 2022 Adopted Budget	125.35	43,115,419	4,016,201	39,099,218

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Animal Control Operations Reimbursed by Donations	0.00	0	575,000	(575,000)

This action fully subsidizes Animal Control operations for one year through the use of donation funds. The City has historically maintained donation funds gifted for various public benefits, notably a \$1.0 million animal care donation in 2019 by the Lenore Estate. The use of these funds will directly support animal care, as injured and stray pets and wildlife are cared for by Animal Control Officers (ACOs). As a result of this action, the remaining funding for donations specific to animal care will be reduced from \$1.4 million to \$0.9 million. It is intended that this subsidy be provided for a two-year period of time, depending on the financial constraints of the organization and will be reviewed annually in light of that. (Ongoing savings: \$0)

Performance Results



This action contributes to cost containment strategies in FY 2022.

2. Reduce Parking Enforcement Staffing	(1.00)	(133,766)	0	(133,766)

This action reduces 1.00 FTE Parking Management position in the Parking Division. Associated tasks will be reassigned to supervising staff and adjudication hearings will transition to the City's contracted hearing officer and be scheduled by the City Clerks Office. (Ongoing savings: \$183,570)

Performance Results



This action may result in delays for members of the public to contest citations.

PUBLIC WORKS

Mission Statement

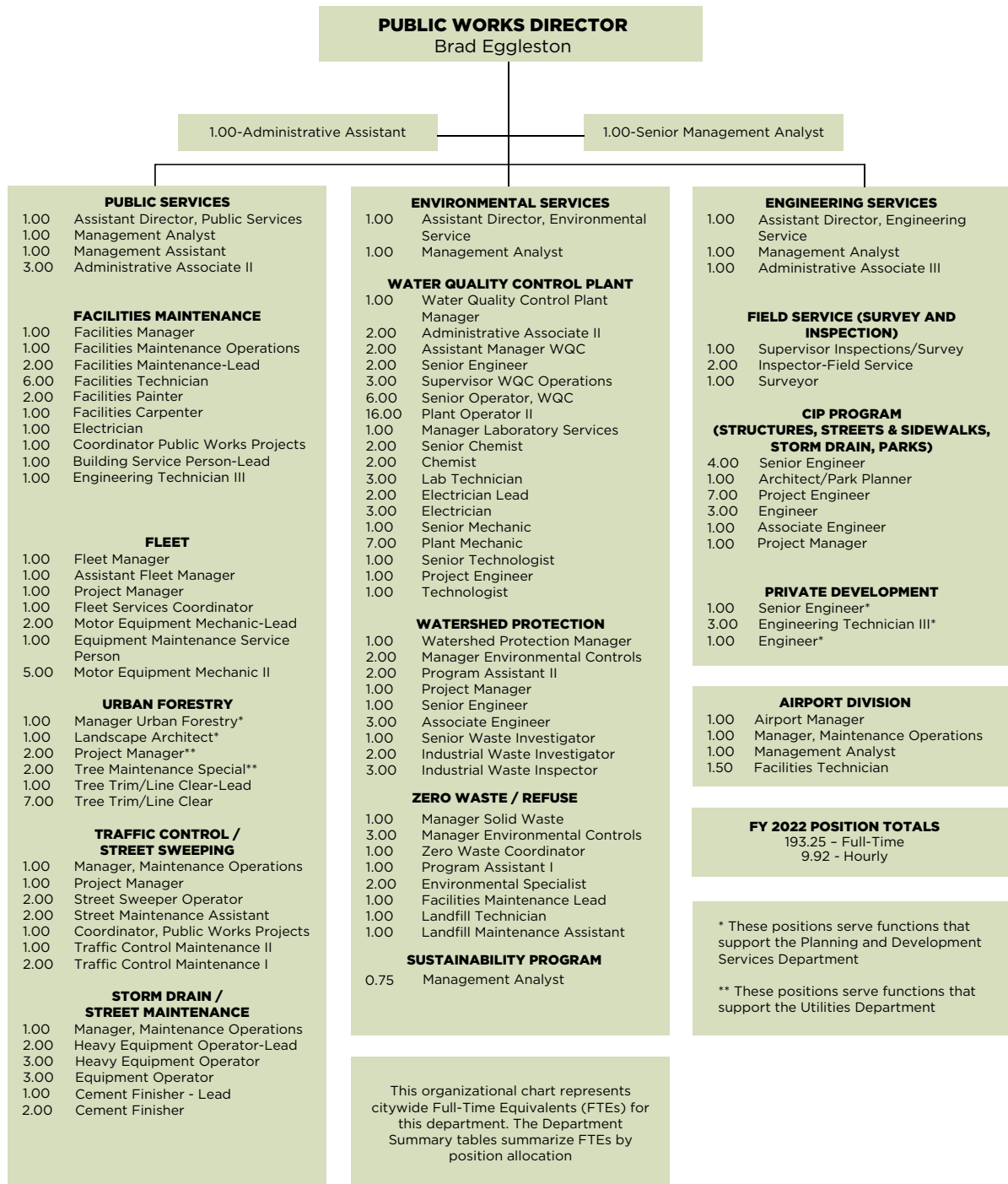


To preserve and enhance the quality of life for Palo Alto residents and visitors by providing efficient, safe, and cost effective services in partnership with our citizens while maintaining City assets and being environmental stewards of the community.

Purpose

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

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; leads implementation of sustainability programs through the Office of Sustainability; 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

- Continued implementation of the 2014 Council Infrastructure Plan. Completed construction of the new California Avenue Area Parking Garage project. Completed 90% of construction on the Highway 101 Bicycle and Pedestrian Overcrossing project. Started construction on the Public Safety Building and final phase of the Charleston/Arastradero Corridor projects.
- Helped develop and implemented Uplift Local permitting program to assist local businesses during the pandemic.
- Upgraded HVAC systems by installing higher efficiency air filters and making operational modifications at most City Facilities for Covid-19 mitigation.
- Completed construction of the Loma Verde Avenue Capacity Upgrade project and started design on three additional high priority storm drain infrastructure improvement projects recommended by the Stormwater Blue Ribbon Commission.
- Planted 146 new trees in addition to replacement trees.

PUBLIC WORKS

- Completed the fleet electrification pilot program of Plug-in Hybrid electric pick-up trucks on performance, operational compatibility, maintenance and repair needs, fuel efficiency, product availability, and total cost of ownership.
- Implemented a new Deconstruction and Construction Materials Management Ordinance, effective July 2020, requiring all building permit applications submitted to remove an entire building to carefully deconstruct by material types and salvage for reuse instead of demolishing the building with heavy machinery.
- Commenced work on a Sea Level Rise (SLR) Vulnerability Assessment, which will identify hazards and risks from sea level rise and rising shallow groundwater, and a Sea Level Rise Adaptation Plan to coordinate internal and regional SLR planning, project funding, and public outreach.

Initiatives

- Continue managing the 2014 Council Infrastructure Plan (IP) projects as a program and develop a funding strategy which addresses the economic impact of COVID and 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 2022 focus on utilizing geographic information system tools to analyze canopy coverage trends, and determine tree protection needed at construction sites during the permitting process.
- Implement Stormwater Blue Ribbon Committee recommendations on the high priority storm drain infrastructure improvements and implement the completed green stormwater infrastructure plan.
- Continue to increase the number of Electric Vehicles (EV) and alternative fuel vehicles within the fleet through scheduled replacements. By the end of FY 2022, 25% of passenger vehicles within the fleet will be Electric, Hybrid or Compressed Natural Gas (CNG), a 2% increase from FY 2021.
- Complete an electric vehicle charger and location study to determine future locations of electric vehicle chargers at City facilities in support of Fleet electrification initiatives.
- Complete the 2021 Sustainability and Climate Action Plan (S/CAP), including CEQA review, consistent with the Council's adoption of "Climate Change – Protection and Adaptation" as one of the top three priorities for 2021, to help the City meet its sustainability goals, including reducing greenhouse gas (GHG) emissions 80 percent below 1990 levels by 2030.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Fund						
Airport Enterprise Fund	\$8,211,989	\$8,759,607	\$21,359,009	\$3,791,159	\$(17,567,851)	(82.3)%
General Fund-Operating	\$17,213,301	\$17,249,284	\$18,427,090	\$18,785,478	\$358,388	1.9%
Refuse Fund	\$29,985,449	\$36,639,518	\$32,410,760	\$31,338,300	\$(1,072,459)	(3.3)%
Stormwater Management Fund	\$5,684,038	\$4,726,049	\$9,871,984	\$11,689,477	\$1,817,493	18.4%
Vehicle Replacement & Maintenance Fund	\$8,754,905	\$7,482,281	\$12,842,044	\$11,357,006	\$(1,485,038)	(11.6)%
Wastewater Treatment Fund	\$37,482,291	\$29,407,887	\$59,737,415	\$58,970,818	\$(766,597)	(1.3)%
Total	\$107,331,972	\$104,264,625	\$154,648,301	\$135,932,238	\$(18,716,063)	(12.1)%
Revenues						
Charges for Services	\$166,454	\$130,807	\$199,208	\$162,440	\$(36,768)	(18.5)%
Charges to Other Funds	\$12,413,563	\$13,075,627	\$9,663,623	\$9,983,586	\$319,963	3.3%
From Other Agencies	\$5,869,673	\$5,481,440	\$19,288,640	\$1,236,700	\$(18,051,940)	(93.6)%
Net Sales	\$66,097,248	\$67,261,640	\$69,845,759	\$70,869,210	\$1,023,451	1.5%
Operating Transfers-In	\$196,107	\$196,107	\$246,107	\$196,107	\$(50,000)	(20.3)%
Other Revenue	\$4,775,942	\$4,160,904	\$32,466,020	\$35,995,170	\$3,529,150	10.9%
Other Taxes and Fines	\$2,475	\$37,400	\$6,500	\$6,500	—	—%
Permits and Licenses	\$1,248,297	\$722,814	\$622,096	\$692,096	\$70,000	11.3%
Rental Income	\$631,362	\$612,655	\$801,443	\$759,990	\$(41,453)	(5.2)%
Return on Investments	\$1,229,925	\$1,303,466	\$1,200,100	\$1,200,100	—	—%
Total	\$92,631,046	\$92,982,859	\$134,339,496	\$121,101,899	\$(13,237,597)	(9.9)%
Positions by Fund						
Airport Enterprise Fund	5.46	5.94	5.94	6.42	0.48	8.1%
General Fund-Operating	52.49	50.45	51.65	49.19	(2.46)	(4.8)%
Refuse Fund	15.65	15.93	15.93	15.93	—	—%
Stormwater Management Fund	13.55	13.55	13.55	13.55	—	—%
Vehicle Replacement & Maintenance Fund	16.53	16.01	16.01	14.01	(2.00)	(12.5)%
Wastewater Treatment Fund	71.26	71.26	71.39	71.39	—	—%
Total	174.94	173.14	174.47	170.49	(3.98)	(2.3)%

*This table does not reflect positions in the Capital Improvement Fund nor the Cubberley Property Infrastructure Fund.



CITY OF
**PALO
ALTO**

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 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 Council 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:

- 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 200 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

Goal	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
Objective	Increase rating given by residents for quality of sidewalk maintenance.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of citizens rating the quality of sidewalk maintenance as "good" or "excellent"	N/A*	63%	N/A*	65%	N/A*
Description	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.				
Purpose	Obtain feedback from residents on whether sidewalks are being maintained adequately in order to determine if the program's resources are appropriate.				
Status	The Department had estimated that a 65% rating would be reached in FY 2022 for sidewalk maintenance. *The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A." As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A.". The next survey is anticipated to take place in FY 2023.				

CITIZEN SURVEY - STREET MAINTENANCE

Goal	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
Objective	Increase rating given by residents for quality of street maintenance.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of citizens rating the quality of street repair as "good" or "excellent"	N/A*	55%	N/A*	54%	N/A*
Description	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.				
Purpose	Obtain feedback from residents on whether streets are being maintained adequately in order to determine if the program's resources are appropriate.				

Key Performance Measures

Status	The Department had estimated that a 56% rating would be reached in FY 2022 for street maintenance. *The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A.". As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A.". The next survey is anticipated to take place in FY 2023.

CITIZEN SURVEY - STREET TREE MAINTENANCE

Goal	Preserve the public's health and safety to ensure a vibrant, sustainable community for future generations.				
Objective	Increase rating given by residents for quality of street tree maintenance.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of citizens rating street tree maintenance "good" or "excellent"	N/A*	75%	N/A*	72%	N/A*
Description	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.				
Purpose	Obtain feedback from residents on whether street trees are being maintained adequately in order to determine if the program's resources are appropriate.				
Status	The department had estimated that a 72% rating would be reached in FY 2022 for street tree maintenance. *The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A.". As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A.". The next survey is anticipated to take place in FY 2023.				

PAVEMENT CONDITION SCORE

Goal	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
Objective	Maintain and enhance the overall condition of the City's streets.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Pavement Condition Score	85	84	82	84	83

Key Performance Measures

Description	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.
Purpose	Improving the condition of the City's streets reduces overall maintenance costs and increases ride satisfaction.
Status	The City Council set a goal of raising the citywide average PCI score to 85 by FY 2019 and the Department 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. The index score has declined in recent years and is expected to continue to fall below the FY 2019 goal of 85 due to significant declines in capital investment in streets. In FY 2021 and FY 2022, a \$3.7 million reduction has been approved in order to prioritize expenses in a financial downturn.

RESPONSE TO POTHOLE NOTIFICATION

Goal	Ensure the City's assets and infrastructure inventory are updated and well maintained.				
Objective	Maintain a standard timeframe for pothole repairs.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of potholes repaired within 15 days of notification	85%	90%	80%	75%	80%
Description	This measure records the number of potholes that are repaired within 15 days of the Department being notified of the problem.				
Purpose	The Department has a goal of repairing potholes within 15 days to ensure streets are maintained and repaired in a timely manner.				
Status	FY 2022 percentages will stay lowered to 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, the number of notifications related to potholes continue to be significant and impact response times.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Square feet of sidewalk replaced or permanently repaired	66,662	48,847	44,130	16,820	44,706
Number of lane miles resurfaced	10	7	19	13	27
Percent of lane miles resurfaced%	2.00%	1.55%	4.00%	2.66%	5.63%
Total square footage of facilities maintained	1,815,298	1,815,298	1,903,280	1,902,975	1,902,975

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Cost per square foot for custodial services	\$1.82	\$1.82	\$1.89	\$1.70	\$1.75
Cost per square footage for maintenance services	\$2.11	\$2.11	\$2.16	\$2.50	\$2.50
Number of facilities work order requests completed	6,162	4,771	6,200	4,500	5,000
Number of trees trimmed annually	7,758	3,004	4,000	5,975	3,007
Total of trees maintained by the City	36,813	36,193	36,478	36,250	36,200
Number of tree related electrical service disruptions	6	7	12	8	10
Number of publicly available electric vehicle chargers in garages and city facilities	57	81	90	114	118

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
General Fund Administration	\$1,462,803	\$1,609,317	\$1,398,906	\$1,512,797	\$113,891	8.1%
General Fund Engineering Services	\$1,198,656	\$1,029,660	\$1,233,122	\$1,268,637	\$35,515	2.9%
General Fund Public Services: Streets	\$3,191,234	\$3,395,192	\$3,912,930	\$3,878,572	\$(34,358)	(0.9)%
General Fund Public Services: Structures and Grounds	\$7,117,954	\$7,287,619	\$7,834,494	\$7,930,449	\$95,956	1.2%
General Fund Public Services: Trees	\$4,242,654	\$3,927,496	\$3,796,332	\$3,904,779	\$108,446	2.9%
Sustainability	—	—	\$251,305	\$290,244	\$38,938	15.5%
Total	\$17,213,301	\$17,249,284	\$18,427,090	\$18,785,478	\$358,388	1.9%
Salary & Benefits						
Healthcare	\$1,004,852	\$991,951	\$1,087,944	\$1,214,668	\$126,724	11.6%
Other Benefits	\$137,372	\$138,113	\$167,027	\$179,575	\$12,548	7.5%
Overtime	\$265,771	\$207,027	\$172,251	\$176,729	\$4,479	2.6%
Pension	\$1,388,663	\$1,866,976	\$1,879,915	\$2,042,591	\$162,676	8.7%
Retiree Medical	\$825,828	\$850,603	\$841,486	\$846,426	\$4,939	0.6%
Salary	\$4,641,204	\$4,628,661	\$4,999,491	\$5,011,345	\$11,854	0.2%
Workers' Compensation	\$133,352	\$267,484	\$188,991	\$245,724	\$56,734	30.0%
Total Salary and Benefits	\$8,397,042	\$8,950,815	\$9,337,106	\$9,717,059	\$379,954	4.1%
Dollars by Category						
Allocated Charges	\$3,422,668	\$3,603,602	\$3,444,579	\$3,636,827	\$192,248	5.6%
Contract Services	\$4,392,507	\$3,958,999	\$4,406,565	\$4,401,226	\$(5,339)	(0.1)%
Debt Service	—	—	—	—	—	—%
Facilities & Equipment	—	—	\$2,146	\$2,146	—	—%
General Expense	\$58,001	\$73,791	\$137,659	\$137,159	\$(500)	(0.4)%
Operating Transfers-Out	\$94,518	—	—	—	—	—%
Rents & Leases	\$168,978	\$30,000	\$227,974	\$30,000	\$(197,974)	(86.8)%
Supplies & Material	\$679,589	\$632,077	\$871,061	\$861,061	\$(10,000)	(1.1)%
Total Dollars by Expense Category	\$17,213,301	\$17,249,284	\$18,427,090	\$18,785,478	\$358,388	1.9%
Revenues						
Charges for Services	\$47,778	\$35,058	\$47,320	\$47,320	—	—%
Charges to Other Funds	\$3,331,386	\$3,642,698	\$2,155,112	\$2,349,562	\$194,451	9.0%
Operating Transfers-In	\$196,107	\$196,107	\$196,107	\$196,107	—	—%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Other Revenue	\$119,557	\$98,412	\$6,000	\$6,000	—	—%
Permits and Licenses	\$1,248,297	\$722,814	\$622,096	\$692,096	\$70,000	11.3%
Total Revenues	\$4,943,125	\$4,695,088	\$3,026,635	\$3,291,085	\$264,451	8.7%
Positions by Division						
General Fund Administration	3.05	3.05	3.05	2.54	(0.51)	(16.7)%
General Fund Engineering Services	4.92	3.38	3.79	3.69	(0.10)	(2.6)%
General Fund Public Services: Streets	15.74	15.74	15.74	14.74	(1.00)	(6.4)%
General Fund Public Services: Structures and Grounds	15.83	15.33	15.33	14.68	(0.65)	(4.2)%
General Fund Public Services: Trees	12.95	12.95	12.99	12.79	(0.20)	(1.5)%
Sustainability	—	—	0.75	0.75	—	—%
Total	52.49	50.45	51.65	49.19	(2.46)	(4.8)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Assistant	1.00	1.00	1.00	0.50	(0.50)	\$46,602
Administrative Associate I	0.60	0.10	0.10	—	(0.10)	—
Administrative Associate II	2.65	2.65	2.65	2.65	—	\$207,747
Administrative Associate III	0.01	0.01	0.01	—	(0.01)	—
Assistant Director Public Works	0.87	0.73	0.73	0.73	—	\$138,818
Associate Engineer	0.30	—	—	—	—	—
Building Serviceperson-Lead	1.00	1.00	1.00	1.00	—	\$69,118
Cement Finisher	2.00	2.00	2.00	2.00	—	\$190,154
Cement Finisher-Lead	0.26	0.26	0.26	0.26	—	\$26,440
Coordinator Public Works Projects	1.50	1.50	1.50	1.50	—	\$129,420
Director Public Works/City Engineer	1.00	1.00	1.00	1.00	—	\$221,478
Electrician	0.80	0.80	0.80	0.80	—	\$89,507
Engineer	0.66	0.36	0.48	0.48	—	\$67,442

PUBLIC WORKS

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Engineering Technician III	1.47	1.47	1.75	1.75	—	\$172,463
Equipment Operator	2.46	2.46	2.46	2.46	—	\$215,264
Facilities Carpenter	1.00	1.00	1.00	1.00	—	\$95,077
Facilities Maintenance-Lead	1.85	1.85	1.85	1.85	—	\$227,147
Facilities Painter	1.75	1.75	1.75	1.75	—	\$166,384
Facilities Technician	4.05	4.05	4.05	4.05	—	\$400,224
Heavy Equipment Operator	2.33	2.33	2.33	2.10	(0.23)	\$219,929
Heavy Equipment Operator-Lead	0.85	0.85	0.85	0.85	—	\$95,189
Inspector, Field Services	0.11	0.11	0.11	0.11	—	\$11,694
Landscape Architect Park Planner	0.60	0.60	0.60	0.60	—	\$73,482
Management Analyst	0.70	0.70	1.45	1.45	—	\$182,881
Manager Facilities	0.90	0.90	0.90	0.90	—	\$141,317
Manager Maintenance Operations	1.20	1.20	1.20	1.20	—	\$169,270
Manager Urban Forestry	0.96	0.96	1.00	1.00	—	\$163,197
Manager Watershed Protection	0.05	0.05	0.05	0.05	—	\$8,060
Project Engineer	0.50	—	—	—	—	—
Project Manager	2.65	2.65	2.00	2.00	—	\$218,761
Project Manager (Freeze)*	—	—	0.65	—	(0.65)	—
Senior Engineer	0.79	0.59	0.60	0.60	—	\$104,832
Senior Management Analyst	1.11	1.11	1.11	1.11	—	\$144,172
Senior Project Manager	0.10	—	—	—	—	—
Supervisor Inspection and Surveying	0.10	0.10	0.10	0.10	—	\$13,653
Surveyor, Public Works	0.33	0.33	0.33	0.33	—	\$35,507
Traffic Controller Maintainer I	1.94	1.94	1.94	1.94	—	\$166,613
Traffic Controller Maintainer II	2.00	2.00	2.00	1.00	(1.00)	\$79,539
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	\$88,150
Tree Trim/Line Clear	7.00	7.00	7.00	7.00	—	\$607,443
Tree Trim/Line Clear-Lead	1.00	1.00	1.00	1.00	—	\$92,810
WGW Heavy Equipment Operator	—	—	—	0.23	0.23	\$24,241

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Subtotal: Full-Time Equivalent Positions	51.45	49.41	50.61	48.35	(2.26)	\$5,104,027
Temporary/Hourly	1.04	1.04	1.04	0.84	(0.20)	\$51,505
Total Positions	52.49	50.45	51.65	49.19	(2.46)	\$5,155,532

* The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Public Works Department, a total of 0.65 FTE (0.65 full-time, 0.0 part-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	51.65	18,427,090	3,026,635	15,400,455
One-Time Prior Year Budget Adjustments				
FY 2021 Management and Professionals Group Compensation Reduction	-	183,143	-	183,143
San Francisquito Creek Joint Powers Authority (SFCJPA) Membership One-Time Consultant Fees	-	(94,000)	-	(94,000)
One-Time Prior Year Budget Adjustments	-	89,143	-	89,143
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	483,205	-	483,205
FY21 Staffing Freeze Eliminations (CMR 11872)	(0.65)	(110,906)	-	(110,906)
Streets and Facilities Maintenance Services (CMR 11872)	(0.20)	(37,585)	-	(37,585)
Foothills Road Brush Clearing (CMR 11872)	-	(54,800)	-	(54,800)
Street Sign Supplies and Materials (CMR 11872)	-	(10,000)	-	(10,000)
Encroachment Permit Revenue	-	-	70,000	(70,000)
San Francisquito Creek Joint Powers Authority (SFCJPA) Membership	-	66,768	-	66,768
Urban Forestry (Tree Trimming Services Reduction Year 2)	-	(19,745)	-	(19,745)
Facilities Maintenance Contract Services	-	10,086	-	10,086
Custodial Contract (Year 5 Adjustments)	-	86,352	-	86,352
General Fund Cost Allocation Plan	-	-	145,787	(145,787)
Information Technology Allocated Charges	-	80,645	-	80,645
Liability Insurance Allocated Charges	-	89,289	-	89,289
Printing & Mailing Services Allocated Charges	-	(8,519)	-	(8,519)
Public Works Administration Allocated Charges	-	-	48,663	(48,663)
Refuse Allocated Charges	-	4,574	-	4,574
Stormwater Management Allocated Charges	-	1,651	-	1,651
Utilities Allocated Charges	-	320	-	320
Vehicle Replacement & Maintenance Allocated Charges	-	24,288	-	24,288
Workers' Compensation Allocated Charges	-	56,734	-	56,734
Adjustments to Costs of Ongoing Activities	(0.85)	662,357	264,451	397,907
Total FY 2022 Base Budget	50.80	19,178,590	3,291,085	15,887,505
Budget Adjustments				
1. Traffic Control Staffing Reduction	(1.00)	(108,953)	-	(108,953)

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
2. Public Restrooms Contract Funding Reallocation (to University Avenue Parking Fund)	-	(197,974)	-	(197,974)
3. Public Works Administration Staffing Reduction	(0.61)	(86,185)	-	(86,185)
Total Budget Adjustments	(1.61)	(393,112)	-	(393,112)
Total FY 2022 Adopted Budget	49.19	18,785,478	3,291,085	15,494,392

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Traffic Control Staffing Reduction	(1.00)	(108,953)	-	(108,953)

This action continues the FY 2021 Mid-Year recommendation to eliminate 1.00 Traffic Controller I/II position. This position is responsible for fabricating and maintaining traffic devices such as lane line markings, signs, and curb painting for roadways, trails, parking lots and garages. The resulting service delivery impact will cause delays completing work orders to repair or replace signs and traffic markings, and reduced capacity to support special events or other operations that require traffic control such as setting up and staffing traffic control locations and coordinating lane closures. Eliminating this position negatively impacts scheduling and work order completion by reducing available staff in the traffic controller team from four (4) to three (3) positions. This may cause overtime if emergency work is needed, otherwise work will be prioritized and lower priority work will be delayed. (Ongoing savings: \$115,519)

Performance Results



This action contributes to cost containment strategies in FY 2022.

2. Public Restrooms Contract Funding Reallocation (to University Avenue Parking Fund)	-	(197,974)	-	(197,974)

This action reallocates the cost of automated public restrooms from the General Fund into the University Avenue Parking Fund, since these restrooms are within the University Downtown area and benefit the district. On February, 1, 2021, the City Council approved a contract extension for an automated public toilets lease with JC Decaux (CMR #11843) for an initial 5 years with a possibility of two 5-year extensions. According to Council direction, staff will return with other options for providing public restroom services after FY 2023. If this funding shift is not approved the General Fund will be responsible for paying the contract amount in FY 2022 and FY 2023, as well as the cost for facility removal in FY 2024 if a different option for providing public restroom services is approved. A recommended offset to this action, mitigating the impacts to the alternative funding source, is reflected in the Capital Improvement Fund with a reduction of \$435,100 in planned funding for the University Avenue Parking District Improvement Project (PF-14003). This reduction in capital improvement funding includes FY 2021 reappropriated funding as well the associated planned funding within the 2021-2026 Capital Improvement Plan. This reduction in capital investments prioritizes these contractual operating costs above the funding programmed for work that arises on an as needed basis. (Ongoing Savings: \$197,974)

Performance Results



This action aligns expenditures to the appropriate funding source, assisting in addressing the fiscal pressures in the General Fund, and appropriate prioritizing expenses in the respective funding sources.

3. Public Works Administration Staffing Reduction	(0.61)	(86,185)	-	(86,185)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)

This action eliminates 1.00 FTE Administrative Associate I position and realigns the funding allocation of an Administrative Associate III and Administrative Assistant to better align with administrative needs citywide. This action results in a net reduction of 0.61 FTE in the General Fund and 0.39 FTE in the Capital Fund.

- The Public Works Department Administration and Engineering Services Divisions have made great strides in the last several years towards creating a paperless office environment and creating administrative efficiencies around process improvements. The customer service model has also shifted from a more traditional in-person and phone-based communication to a more web-based public assistance format.
- The Department has historically had three administrative positions located on the 6th floor of City Hall; however, with the efficiencies mentioned above, and the shift in public engagement that has emerged, the Department no longer needs the same level of customer service coverage.- The time needed to complete administrative tasks has also greatly reduced with the trend towards a paperless office and the use of tools like DocuSign and SharePoint. The department finds itself in a unique opportunity to restructure the administrative team on the sixth floor, with two of the three positions currently vacant. Staff has evaluated the customer service and clerical needs and feel this action is the best step forward for the Department with minimal impact to the community. (Ongoing savings: \$89,172)

Performance Results



This action contributes to cost containment strategies in FY 2022.

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

- Began construction of Phase III, the final phase of the Airport 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 after Phase III of the project is completed.

Initiatives

- 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.
- Complete the Apron Reconstruction Project by completing Phase III of the project to improve the pavement condition of the airport and bring the apron to current FAA safety standards.

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.
- 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.

PUBLIC WORKS

- 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

Goal	Operate a safe and viable airport.				
Objective	Provide a safe, aesthetically pleasing, and profitable airport.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of aircraft operations	152,479	121,428	120,000	135,000	150,000
Description	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.				
Purpose	Providing a safe, well maintained and attractive airport will appeal to the tenants, pilots, visitors, outside agencies, residents, and the flying community at large.				
Status	Total operations were 152,479 in FY 2019 and 121,428 in FY 2020 and are estimated to be 135,000 in FY 2021 and 150,000 in FY 2022. Operations are affected by construction, weather, and training schools in the area in FY 2020 and are expected to be affected in FY 2021 as a result of the shelter in place issued by the County of Santa Clara.				

PERCENTAGE OF TIE-DOWNS LEASED

Goal	Manage a financially sustainable and self-sufficient airport enterprise fund.				
Objective	Increase tenant occupancy by providing a safe and well-maintained airport that is also cost recoverable.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of Tie-downs Leased	64%	66%	90%	60%	70%
Description	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, 347 are available for rent.				

Key Performance Measures

Purpose	Maximizing tie-down space occupancy increases revenue and provides funding to revitalize the Palo Alto Airport without changing or increasing the current airport footprint. Providing a safe, well maintained, and attractive airport appeals to the tenants, pilots, visitors, outside agencies, residents, and the flying community at large.
Status	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 2019 the percentage of leased rentable tie-downs was 64%. In FY 2020 it increased to 66%. FY 2021 is estimated to decrease to 60% as a result of the Airport Apron Reconstruction project construction temporarily displacing tenants. Additionally, not all tie-downs are available for rent at this time due to FAA standards and construction causing an apron shift. However, the tie-down number will increase as construction completes for Phase III of the Apron Reconstruction Project. This anticipated increase post-construction is reflected in the FY 2022 target of 70%.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Airport Administration	\$890,722	\$1,028,652	\$934,946	\$1,149,101	\$214,155	22.9%
Airport Operations	\$673,141	\$874,437	\$1,063,943	\$1,203,695	\$139,751	13.1%
CIP Airport Fund	\$6,648,126	\$6,856,518	\$19,360,120	\$1,438,363	\$(17,921,757)	(92.6)%
Total	\$8,211,989	\$8,759,607	\$21,359,009	\$3,791,159	\$(17,567,851)	(82.3)%
Salary & Benefits						
Healthcare	\$99,225	\$75,420	\$109,120	\$150,313	\$41,193	37.7%
Other Benefits	\$21,246	\$19,836	\$21,564	\$26,061	\$4,497	20.9%
Overtime	\$24,407	\$65,243	—	—	—	—%
Pension	\$155,080	\$210,054	\$201,977	\$236,861	\$34,884	17.3%
Retiree Medical	\$43,990	\$45,310	\$42,835	\$43,535	\$700	1.6%
Salary	\$574,373	\$566,446	\$628,838	\$702,813	\$73,975	11.8%
Workers' Compensation	\$14,961	\$28,097	\$19,236	\$25,623	\$6,387	33.2%
Total Salary and Benefits	\$933,283	\$1,010,405	\$1,023,570	\$1,185,206	\$161,636	15.8%
Dollars by Category						
Contract Services	\$51,014	\$88,382	\$139,900	\$214,900	\$75,000	53.6%
Supplies & Material	\$10,458	\$33,635	\$56,472	\$56,472	—	—%
General Expense	\$96,890	\$112,010	\$36,480	\$36,480	—	—%
Rents & Leases	\$6,123	\$6,735	\$11,630	\$11,630	—	—%
Allocated Charges	\$637,851	\$714,749	\$604,614	\$736,897	\$132,283	21.9%
Operating Transfers-Out	\$7,471	\$30,559	\$272,000	\$272,500	\$500	0.2%
Capital Improvement Program	\$6,468,900	\$6,763,131	\$19,214,343	\$1,277,074	\$(17,937,269)	(93.4)%
Total Dollars by Expense Category	\$8,211,989	\$8,759,607	\$21,359,009	\$3,791,159	\$(17,567,851)	(82.3)%
Revenues						
From Other Agencies	\$5,869,673	\$5,481,440	\$19,288,640	\$623,700	\$(18,664,940)	(96.8)%
Net Sales	\$667,142	\$595,601	\$626,767	\$635,320	\$8,553	1.4%
Other Revenue	\$1,155,324	\$1,152,921	\$1,094,020	\$1,115,900	\$21,880	2.0%
Rental Income	\$631,362	\$612,655	\$801,443	\$759,990	\$(41,453)	(5.2)%
Return on Investments	\$22,874	\$(47,092)	\$2,500	\$2,500	—	—%
Total Revenues	\$8,346,376	\$7,795,525	\$21,813,370	\$3,137,410	\$(18,675,960)	(85.6)%
Positions by Division						
Airport Administration	2.00	2.48	2.48	2.48	—	—%
Airport Operations	2.21	2.71	2.71	3.01	0.30	11.1%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
CIP Airport Fund	1.25	0.75	0.75	0.75	—	—%
Total	5.46	5.94	5.94	6.24	0.30	5.1%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Facilities Technician	1.50	1.50	1.50	1.50	—	\$148,231
Management Analyst	1.00	1.00	1.00	1.00	—	\$121,098
Manager Airport	1.00	1.00	1.00	1.00	—	\$174,907
Manager Maintenance Operations	1.00	1.00	1.00	1.00	—	\$117,062
Subtotal: Full-Time Equivalent Positions	4.50	4.50	4.50	4.50	—	\$561,298
Temporary/Hourly	0.96	1.44	1.44	1.92	0.48	\$113,952
Total Positions	5.46	5.94	5.94	6.42	0.48	\$675,251

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	5.94	21,359,009	21,813,370	(454,361)
One-Time Prior Year Budget Adjustments				
Department of Transportation (DOT) Loan	-	(2,000,000)	(2,000,000)	-
FY 2021 Management and Professionals Group Compensation Reduction	-	44,325	-	44,325
Capital Improvement Projects and FAA Grant Funding	-	(17,209,600)	(17,288,640)	79,040
One-Time Prior Year Budget Adjustments	-	(19,165,275)	(19,288,640)	123,365
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	79,555		79,555
Revenue Adjustments (2% CPI increases for Tie-Down Fees, Parking, and Fuel)	-	-	8,553	(8,553)
Transfer to Technology Fund (TE-19001 Council Chambers Project)	-	500	-	500
Rental Income	-	-	(19,573)	19,573
Capital Improvement Projects and FAA Grant Funding	-	1,270,735	623,700	647,035
General Fund Cost Allocation Plan	-	118,198	-	118,198
Industrial Waste Discharge Fee Allocated Charges	-	11	-	11
Information Technology Allocated Charges	-	5,845	-	5,845
Liability Insurance Allocated Charges	-	9,577	-	9,577
Printing & Mailing Services Allocated Charges	-	(1,607)	-	(1,607)
Public Works Administration Allocated Charges	-	4,866	-	4,866
Refuse Allocated Charges	-	(25,774)	-	(25,774)
Utilities Allocated Charges	-	21,972	-	21,972
Vehicle Replacement & Maintenance Allocated Charges	-	791	-	791
Workers' Compensation Allocated Charges	-	6,387	-	6,387
Adjustments to Costs of Ongoing Activities	-	1,491,055	612,680	878,375
Total FY 2022 Base Budget	5.94	3,684,790	3,137,410	547,380
Budget Adjustments				
1. Hangar Door Maintenance and Repair	-	75,000	-	75,000
2. Airport Operations Staffing Augmentation	0.48	31,369	-	31,369
Total Budget Adjustments	0.48	106,369	-	106,369
Total FY 2022 Adopted Budget	6.42	3,791,159	3,137,410	653,749

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Hangar Door Maintenance and Repair	-	75,000	-	75,000

This action will increase contract services by \$75,000 (from approximately \$75,000 to \$150,000, a 100% increase) for Hangar Door Maintenance and Repairs for two years, FY 2022 and FY 2023. The airport has 127 hangar doors in buildings ranging from 40 to 80 years old, that are in various conditions, with many in need of repair or replacement. Additional funding is needed for two years to complete more extensive work on all the hangar doors and facilities previously maintained by the Fixed Based Operators (FBO) lease-holders. This funding will allow the Airport to hire a contractor to repair and replace hangar doors that the Airport operations staff is not able to repair. The increased funding will also allow for the purchase of supplies and materials needed for the operations staff to repair hangar doors that don't require a contractor. Replacing and repairing the hangar doors is anticipated to increase the value of the Airport facilities allowing for increased rental income from tenants. (Ongoing cost: \$75,000)

Performance Results



This action will allow Airport Operations to complete immediate and ongoing necessary maintenance to existing facilities.

2. Airport Operations Staffing Augmentation	0.48	31,369	-	31,369

This action adds a 0.48 FTE General Laborer position to Airport Operations to align staffing levels for covering more facilities maintenance requests, and providing shift coverage to reduce overtime when needed. The City maintains operating hours of 7am - 9pm every day of the year to safely operate the airport. This action will add an hourly position to Airport Operations to allow for sufficient staff time to efficiently cover all operations shifts at the Airport. It is industry standard and best practice that airports have staff for the full 14 hours of FAA tower operations. This staffing level is important to the FAA should tower staff need airport operations staff assistance during their hours of operations. City staff are expected to be present during FAA tower hours of operations to respond to incidents and provide ground support. Additionally, this position will allow for shift coverage to reduce overtime when needed. Current staffing levels are just adequate to cover Tower operational hours, but not sufficient enough to account for employee time off, turnover, or to complete any maintenance to airport grounds and facilities without overtime. The additional hours will allow Operations staff to perform necessary maintenance required during turnover of hangars and or office space which will minimize vacancies of rental units. (Ongoing cost: \$31,916)

Performance Results



This action allows Airport Operations to maintain industry standard staffing levels and reduce time to respond to and complete necessary maintenance.



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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

- Implemented the new Deconstruction and Construction Materials Management Ordinance effective July 1, 2020; provided new outreach to the affected projects; and established processes for reviewing, approving, and ensuring projects meet ordinance requirements.
- Established a new Compost Giveaway Station at the Eleanor Pardee Community Garden for residents to obtain free compost for their gardens.
- Issued a Request for Proposals and selected GreenWaste Recovery's Material Processing Facility to process Palo Alto's garbage to recover additional recyclable and compostable materials before final residual disposition. This will replace the 30-year old agreement with the SMaRT Station.
- Continued active engagement with commercial customers, including multi-family complexes, by conducting inspections and requiring better sorting to clean up the City's recyclable materials to meet improved market demands for cleaner materials that can be marketed beneficially and improve waste diversion from landfills.
- Developed new outreach to encourage community to achieve a Zero Waste lifestyle through awareness of their purchases, packaging, and waste created.
- Collaborated with the County and other jurisdictions to evaluate the State's new SB 1383, Short-Lived Climate Pollutants, and its significant organic (compostables) waste reduction regulation requirements to determine how Palo Alto has already accomplished many of SB 1383 requirements. Developed a checklist to ensure compliance is met with the new regulations not yet implemented in the City including several new initiatives and processes.

Initiatives

- Evaluate ability of deconstruction projects to meet the new Deconstruction and Construction Materials Management Ordinance and develop strategy to expand the ordinance into future phases.

PUBLIC WORKS

- Develop new Edible Food Recovery Ordinance, provide outreach to food service providers, and develop policy for new procurement of recovered organic waste products to ensure compliance with the State's SB1383, Short-Lived Climate Pollutants.
- Assess compliance of food service establishments with the new Foodware Ordinance that bans specific single plastic items and requires compostable alternatives.
- Conduct community engagement to obtain input to further expand the Foodware Ordinance to prohibit additional single-use foodware and prioritize more environmentally friendly alternatives.
- Research the fate of recyclables that are sent overseas and encourage domestic processing.

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.

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.
- 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

Goal	Protect the environment by providing convenient, weekly, and local household hazardous waste collection services to residents and small businesses.				
Objective	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 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of households participating in the Household Hazardous Waste program	5,523	4,519	5,700	5,545	5,600
Description	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.				
Purpose	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.				
Status	The City's Household Hazardous Waste Program continues to have one of the highest public participation rates in the state at 15.4% in FY 2020. The station was closed for 13 weeks during FY 2020 due to the pandemic, which resulted in a 3.5% decrease in participation from the previous fiscal year. By comparison, the County of Santa Clara Household Hazardous Waste Program had a participation rate of 4.1%. The State did not generate data for FY 2020 but, historically, the participation rate has been between 4-5% statewide.				

PERCENTAGE OF COMMERCIAL ACCOUNTS WITH COMPOST SERVICE

Goal	Minimize waste generation and maximize recycling and reuse programs in order to achieve zero waste to landfills by 2030.				
Objective	Reduce landfilled waste by implementing new programs such as the recycling and composting ordinance approved by Council in January 2016.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of commercial accounts with compost service*	100%	100%	100%	100%	N/A*
Description	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.				
Purpose	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.				

Key Performance Measures

Status	Since FY 2019, all commercial accounts have compost service and are compliant with the City's refuse ordinance. The next step is to improve waste sorting and minimize contamination of materials by conducting inspections and waste audits to ensure compliance. As commercial customers improve their waste sorting capabilities, an increase in waste diverted from landfill disposal should be evident. *This performance measure is being replaced by a workload measure that reports on the number of inspections and waste audits conducted to review compliance listed as "Number of inspections performed annually on recycling and compost sorting compliance" below.

PERCENTAGE OF HOUSEHOLDS WITH MINI-CAN GARBAGE SERVICE

Goal	Minimize waste generation and maximize recycling and reuse programs in order to achieve zero waste to landfills by 2030.
Objective	Promote recycling, composting, and reuse through educational programs and outreach in order to increase public participation.

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of households with mini-can garbage service	43%	44%	45%	44%	45%

Description	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.
Purpose	Verify if residents are reducing their garbage generation to achieve zero waste to landfills by 2030.
Status	Residential trend of downsizing their garbage carts and decreasing the amount of garbage landfilled by diverting their recyclable and compostable materials has stabilized.

PERCENTAGE OF WASTE DIVERTED FROM LANDFILLS

Goal	Minimize waste generation and maximize recycling and reuse programs to achieve zero waste to landfills by 2030.
Objective	Promote recycling, composting, and reuse through educational programs and outreach to increase public participation.

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of waste diverted from landfills*	82%	81%	84%	82%	83%

Description	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 and it measures the effectiveness of Zero Waste programs.

Key Performance Measures

Purpose	Track waste generation and verify the City is meeting its zero waste goals.
Status	The City's waste diversion percentage decreased from 82% in FY 2019 to 81% in FY 2020 and is estimated to return to previous levels in FY 2021. *This diversion number is based on the State's calculation for calendar year 2019 when there was a 7% increase in the amount of waste landfilled.

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Tons of materials recycled or composted	55,900	51,852	57,000	48,000	52,000
Number of inspections performed annually on recycling and compost sorting compliance	N/A	141	150	70	150
Number of complete deconstruction of structures	N/A	N/A	100	15	50

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Refuse Administration	\$3,486,653	\$3,633,539	\$2,261,310	\$1,706,440	\$(554,870)	(24.5)%
Refuse Collection, Hauling and Disposal: Operations	\$20,978,767	\$28,038,412	\$24,988,260	\$24,014,866	\$(973,394)	(3.9)%
Refuse Solid Waste: Operations	\$4,195,810	\$3,604,428	\$3,731,992	\$3,903,569	\$171,577	4.6%
Refuse Street Sweeping	\$1,324,218	\$1,363,138	\$1,429,198	\$1,713,425	\$284,227	19.9%
Total	\$29,985,449	\$36,639,518	\$32,410,760	\$31,338,300	\$(1,072,459)	(3.3)%
Salary & Benefits						
Healthcare	\$252,782	\$265,382	\$290,025	\$301,602	\$11,577	4.0%
Other Benefits	\$49,162	\$47,582	\$56,321	\$64,766	\$8,445	15.0%
Overtime	\$39,379	\$24,041	\$45,134	\$46,307	\$1,173	2.6%
Pension	\$445,520	\$662,968	\$591,767	\$675,223	\$83,456	14.1%
Retiree Medical	\$219,089	\$225,661	\$214,998	\$218,513	\$3,515	1.6%
Salary	\$1,448,451	\$1,502,617	\$1,685,997	\$1,781,841	\$95,845	5.7%
Workers' Compensation	\$41,152	\$81,673	\$56,263	\$74,944	\$18,681	33.2%
Total Salary and Benefits	\$2,495,535	\$2,809,924	\$2,940,505	\$3,163,196	\$222,692	7.6%
Dollars by Category						
Utility Purchase	\$16,056,182	\$23,044,324	\$19,798,909	\$18,970,000	\$(828,909)	(4.2)%
Contract Services	\$6,921,151	\$6,111,207	\$6,497,221	\$6,738,108	\$240,887	3.7%
Supplies & Material	\$92,335	\$71,876	\$142,805	\$142,805	—	—%
General Expense	\$14,730	\$20,345	\$112,275	\$112,375	\$100	0.1%
Rents & Leases	\$2,191,696	\$2,155,520	\$1,013,231	\$133,780	\$(879,451)	(86.8)%
Debt Service	\$196,299	\$195,864	\$196,509	—	\$(196,509)	(100.0)%
Facilities & Equipment	—	—	\$3,000	\$3,000	—	—%
Allocated Charges	\$1,974,933	\$2,113,998	\$1,648,930	\$2,027,486	\$378,556	23.0%
Transfer to Infrastructure	—	—	\$37,250	\$27,000	\$(10,250)	(27.5)%
Operating Transfers-Out	\$42,586	\$116,460	\$20,125	\$20,550	\$425	2.1%
Total Dollars by Expense Category	\$29,985,449	\$36,639,518	\$32,410,760	\$31,338,300	\$(1,072,459)	(3.3)%
Revenues						
Charges for Services	\$65,897	\$46,578	\$34,000	\$34,000	—	—%
Charges to Other Funds	\$160,552	\$167,062	\$160,552	\$162,072	\$1,520	0.9%
Net Sales	\$31,070,886	\$30,140,299	\$30,732,000	\$30,822,895	\$90,895	0.3%
Other Revenue	\$2,704,985	\$2,319,266	\$2,311,000	\$2,311,000	—	—%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Other Taxes and Fines	\$(425)	\$37,400	—	—	—	—%
Return on Investments	\$612,423	\$631,031	\$489,100	\$489,100	—	—%
Total Revenues	\$34,614,317	\$33,341,636	\$33,726,652	\$33,819,067	\$92,415	0.3%
Positions by Division						
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	11.54	11.82	11.82	11.82	—	—%
Refuse Street Sweeping	2.68	2.68	2.68	2.68	—	—%
Total	15.65	15.93	15.93	15.93	—	0.0%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Account Specialist	0.10	0.10	0.10	—	(0.10)	—
Accountant	0.10	0.10	0.10	0.20	0.10	\$19,483
Assistant Director Public Works	0.35	0.35	0.35	0.35	—	\$71,531
Deputy Chief/Fire Marshal	0.03	0.03	0.03	0.03	—	\$6,455
Environmental Specialist	2.00	2.00	2.00	2.00	—	\$231,795
Facilities Maintenance Lead	1.00	1.00	1.00	1.00	—	\$107,453
Hazardous Materials Inspector	0.02	0.02	0.02	0.02	—	\$3,290
Landfill Technician	1.00	1.00	1.00	1.00	—	\$107,453
Management Analyst	0.43	0.43	0.43	0.43	—	\$51,114
Manager Environmental Control Program	3.00	3.00	3.00	3.00	—	\$400,795
Manager Maintenance Operations	0.46	0.46	0.46	0.46	—	\$61,494
Manager Solid Waste	1.00	1.00	1.00	1.00	—	\$161,096
Program Assistant I	1.00	1.00	1.00	1.00	—	\$79,560
Project Manager	0.20	0.20	0.20	0.20	—	\$20,862
Senior Accountant	0.10	0.10	0.10	0.10	—	\$13,237

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Senior Management Analyst	0.08	0.08	0.08	0.08	—	\$10,899
Street Maintenance Assistant	1.00	1.00	1.00	1.00	—	\$73,382
Street Sweeper Operator	1.63	1.63	1.63	1.63	—	\$142,363
Zero Waste Coordinator	1.00	1.00	1.00	1.00	—	\$101,650
Subtotal: Full-Time Equivalent Positions	14.50	14.50	14.50	14.50	—	\$1,663,912
Temporary/Hourly	1.15	1.43	1.43	1.43	—	\$69,305
Total Positions	15.65	15.93	15.93	15.93	—	\$1,733,217

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	15.93	32,410,760	33,726,652	(1,315,892)
One-Time Prior Year Budget Adjustments				
Refuse Hauling Fleet Replacement	-	(1,850,000)	-	(1,850,000)
Transfer to Capital Improvement Fund (City Facilities Capital Projects)	-	(37,250)	-	(37,250)
Landfill Compressor Replacement	-	(25,000)	-	(25,000)
FY 2021 Management and Professionals Group Compensation Reduction	-	85,355	-	85,355
One-Time Prior Year Budget Adjustments	-	(1,826,895)	-	(1,826,895)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	131,050	-	131,050
Postclosure Landfill Rent	-	(881,851)	-	(881,851)
Debt Service: City of Sunnyvale Solid Waste Revenue Refunding Bonds	-	(196,509)	-	(196,509)
Transfer to Technology Fund (TE-19001 Council Chambers Project)	-	425	-	425
Rents and Leases	-	2,400	-	2,400
Transfer to Capital Improvement Fund (City Facilities Capital Projects)	-	27,000	-	27,000
Street Sweeping Contract (Year 2 of 5 Year - Contract CMR #11012)	-	244,996	-	244,996
Residential and Commercial Refuse Hauling and Processing Services	-	1,041,982	-	1,041,982
General Fund Cost Allocation Plan	-	267,172	-	267,172
Industrial Waste Discharge Fee Allocated Charges	-	68	-	68
Grounds Maintenance Allocated Charges	-	22,389	-	22,389
Information Technology Allocated Charges	-	19,709	-	19,709
Liability Insurance Allocated Charges	-	28,011	-	28,011
Printing & Mailing Services Allocated Charges	-	21,945	-	21,945
Public Works Administration Allocated Charges	-	9,733	-	9,733
Refuse Allocated Charges	-	(4,365)	-	(4,365)
Stormwater Management Allocated Charges	-	221	-	221
Utilities Allocated Charges	-	4,587	-	4,587
Vehicle Replacement & Maintenance Allocated Charges	-	9,087	-	9,087
Workers' Compensation Allocated Charges	-	6,387	-	6,387

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Adjustments to Costs of Ongoing Activities	-	754,436	-	754,436
Total FY 2022 Base Budget	15.93	31,338,300	33,726,652	(2,388,352)
Budget Adjustments				
1. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments	-	-	92,415	-
Total Budget Adjustments	-	-	92,415	(92,415)
Total FY 2022 Adopted Budget	15.93	31,338,300	33,819,067	(2,480,767)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments	-	-	92,415	-

This action adjusts revenue estimates for allocated charges to the new JMZ facility. Allocated Charges, such as electricity and refuse collection, are generally budgeted at the department level for charges incurred by multiple facilities. Therefore, the estimates for the new JMZ facility was based on proportions of FTE, building square footage ratios managed by the Community Services Department, and historic trends. These estimates continue to be refined and may be adjusted as appropriate through future budget processes. (Ongoing savings: \$123,221)

Performance Results



This action aligns anticipated revenues collected for allocated charges with estimates for the new Junior Museum and Zoo facility.

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 and reduce stormwater runoff impacts 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

- Completed construction of the Loma Verde Avenue Trunk Line Improvements project (SD-19000), the first of the 13 high-priority projects included in the 2017 Storm Water Management Fee ballot measure.
- Initiated design for three Capital Improvement Projects identified in the 2017 Storm Water Management Fee ballot measure: Corporation Way System Upgrades and Pump Station project (SD-21000), West Bayshore Road Pump Station project (SD-20000), and West Bayshore Road Trunk Line Improvements project (SD-23000).
- Completed the Oregon Expressway Box Culvert project.
- Began implementation of the City's Green Stormwater Infrastructure (GSI) Plan accepted by City Council in 2019.

Initiatives

- Continue implementing the 13 high-priority Stormwater Management projects outlined in the Storm Water Management Fee ballot measure passed in April 2017. During FY2022 staff will complete the

design of three projects and award a contract to commence the phased construction of these projects.

- Continue to assist the San Francisquito Creek Joint Powers Authority (SFCJPA) with public outreach, environmental documents, and plan review for the San Francisquito Creek: Upstream to Highway 101 project.
- Continue to implement the GSI Plan recommendations, including understanding and improving the maintenance of GSI features, developing GSI design standards, and researching potential funding options.
- Implement the City's Long-Term Trash Reduction Plan to achieve 100% reduction by July 2025 in the volume of trash entering local creeks and San Francisco Bay through local storm drains.
- Initiate a recurring Green Stormwater Infrastructure (SD-22001) CIP project to support the implementation of the Green Stormwater Infrastructure Plan, including the Greening Parking Facilities project, which will utilize grant funding received from the US Environmental Protection Agency.

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, Flood Basin Tide Gate Replacement project, and planning for Sea Level Rise through efforts initiated by the US Army Corps of Engineers and Valley Water's Shoreline Feasibility Study Phase II.

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 and at existing facilities as required in the Municipal Regional Stormwater Discharge Permit.

Key Performance Measures

CITIZEN SURVEY - STORM DRAIN

Goal	Effectively manage the storm drainage system to ensure adequate local drainage.				
Objective	Measure ratings from residents on the quality of storm drainage.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of respondents rating the quality of storm drainage as good or excellent	N/A*	83%	N/A*	83%	N/A*
Description	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.				
Purpose	Obtain feedback from residents on whether storm drains are being maintained adequately in order to determine if the program's resources are appropriate.				
Status	* The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A.". As approved by the City Council, the FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A.". The next survey is anticipated to take place in FY 2023.				

NUMBER OF CAPITAL PROJECTS ON THE STORM DRAINAGE FEE BALLOT MEASURE COMPLETED

Goal	Effectively manage the storm drainage system to ensure adequate local drainage.				
Objective	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 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of 2005 Ballot Measure capital projects completed - as of June 30*	7	7	7	N/A*	N/A*
Number of 2017 Ballot Measure capital projects completed - as of June 30	—	—	1	1	1
Description	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.				
Purpose	The storm drain system must be improved and maintained on a regular basis so that it will continue to provide service to the community.				

Key Performance Measures

Status

*This measure will not be provided beyond FY 2021.

Thirteen capital improvement projects were identified in the 2017 Storm Water Management Fee ballot measure. The construction of the first of the thirteen projects was completed in FY 2021. Design for the next three priority projects began in FY 2021 and is anticipated to be completed in FY 2022. Construction of these three projects is scheduled to be phased over FY 2023 through FY 2025. In addition, ongoing and routine rehabilitation and replacement projects are scheduled for FY 2022 and FY 2023.

PERCENT OF INSPECTIONS IN COMPLIANCE WITH STORM WATER REGULATIONS

Goal

Reduce stormwater runoff and protect the quality of waters discharged to creeks and San Francisco Bay.

Objective

Conduct regular inspections to ensure compliance.

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of inspections in compliance with stormwater regulations	89%	93%	90%	90%	90%
Description	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.				
Purpose	Stormwater pollution prevention activities are required by the Municipal Regional Stormwater Discharge Permit issued to the City by the San Francisco Bay Regional Water Quality Control Board. Controlling pollutant discharges to the storm drain system helps to improve the water quality in local creeks and San Francisco Bay.				
Status	Watershed Protection staff conducts inspections at commercial and industrial facilities, food facilities, construction projects, and stormwater treatment measures, and investigates reported illicit discharges to ensure compliance with the City's stormwater regulations. Staff anticipates attaining a compliance rate of 90% in FY 2022 based on the inspections conducted and associated compliance to date.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of inspections performed annually (Stormwater Management)	671	602	600	664	650

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
CIP Stormwater Management Fund	\$1,674,327	\$394,235	\$4,184,617	\$5,913,476	\$1,728,859	41.3%
Stormwater Environmental Compliance	\$982,027	\$1,154,195	\$1,224,907	\$1,304,934	\$80,027	6.5%
Stormwater Management Administration	\$1,395,882	\$1,240,961	\$1,993,755	\$2,061,152	\$67,397	3.4%
Stormwater Operations and Maintenance	\$1,425,569	\$1,737,331	\$1,765,337	\$1,691,094	\$(74,243)	(4.2)%
Stormwater Systems Improvement Flood Control	\$206,232	\$199,327	\$703,368	\$718,821	\$15,454	2.2%
Total	\$5,684,038	\$4,726,049	\$9,871,984	\$11,689,477	\$1,817,493	18.4%
Salary & Benefits						
Healthcare	\$210,877	\$239,998	\$252,378	\$287,939	\$35,561	14.1%
Other Benefits	\$37,409	\$38,839	\$47,825	\$53,058	\$5,233	10.9%
Overtime	\$35,883	\$38,204	\$53,385	\$54,773	\$1,388	2.6%
Pension	\$404,257	\$658,347	\$578,952	\$636,197	\$57,244	9.9%
Retiree Medical	\$144,909	\$149,256	\$146,627	\$149,025	\$2,398	1.6%
Salary	\$1,271,169	\$1,451,855	\$1,598,242	\$1,648,375	\$50,133	3.1%
Workers' Compensation	\$28,410	\$69,962	\$49,206	\$65,543	\$16,337	33.2%
Total Salary and Benefits	\$2,132,914	\$2,646,461	\$2,726,615	\$2,894,910	\$168,295	6.2%
Dollars by Category						
Contract Services	\$376,615	\$421,328	\$915,379	\$915,379	—	—%
Supplies & Material	\$87,720	\$94,990	\$93,726	\$93,726	—	—%
General Expense	\$12,164	\$15,372	\$146,960	\$149,760	\$2,800	1.9%
Rents & Leases	\$45,211	\$44,312	\$25,031	\$25,156	\$125	0.5%
Debt Service	\$258,899	\$216,656	\$949,300	\$949,300	—	—%
Facilities & Equipment	—	—	\$7,621	\$7,621	—	—%
Allocated Charges	\$969,252	\$1,037,080	\$1,297,963	\$1,246,661	\$(51,301)	(4.0)%
Transfer to Infrastructure	\$330,000	—	—	—	—	—%
Operating Transfers-Out	\$25,403	\$92,377	\$4,550	\$5,880	\$1,330	29.2%
Capital Improvement Program	\$1,445,861	\$157,472	\$3,704,840	\$5,401,084	\$1,696,245	45.8%
Total Dollars by Expense Category	\$5,684,038	\$4,726,049	\$9,871,984	\$11,689,477	\$1,817,493	18.4%
Revenues						
Charges for Services	\$52,779	\$49,170	\$117,888	\$81,120	\$(36,768)	(31.2)%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Charges to Other Funds	\$1,806	\$1,941	—	—	—	—%
From Other Agencies	—	—	—	\$613,000	\$613,000	—%
Net Sales	\$7,194,560	\$7,494,114	\$7,635,439	\$7,838,411	\$202,972	2.7%
Other Revenue	\$44	\$663	—	—	—	—%
Other Taxes and Fines	\$1,900	—	\$2,500	\$2,500	—	—%
Return on Investments	\$126,469	\$159,138	\$153,400	\$153,400	—	—%
Total Revenues	\$7,377,559	\$7,705,026	\$7,909,227	\$8,688,431	\$779,204	9.9%
Positions by Division						
CIP Stormwater Management Fund	2.37	2.37	2.37	2.37	—	—%
Stormwater Environmental Compliance	4.59	4.59	4.59	4.59	—	—%
Stormwater Management Administration	0.80	0.80	0.80	0.80	—	—%
Stormwater Operations and Maintenance	5.00	5.00	5.00	5.00	—	—%
Stormwater Systems Improvement Flood Control	0.79	0.79	0.79	0.79	—	—%
Total	13.55	13.55	13.55	13.55	—	0.0%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Account Specialist	0.10	0.10	0.10	—	(0.10)	—
Accountant	0.05	0.05	0.05	0.15	0.10	\$14,630
Administrative Associate I	0.10	0.10	0.10	—	(0.10)	—
Administrative Associate II	0.15	0.15	0.15	0.15	—	\$11,759
Administrative Associate III	0.10	0.10	0.10	0.20	0.10	\$16,806
Assistant Director Public Works	0.30	0.30	0.30	0.30	—	\$59,602
Associate Engineer	1.19	1.19	1.19	1.19	—	\$148,438
Electrician	0.10	0.10	0.10	0.10	—	\$11,188
Electrician-Lead	1.00	1.00	1.00	1.00	—	\$119,808
Engineer	0.90	0.90	0.90	0.90	—	\$126,454

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Engineering Technician III	0.25	0.25	0.25	0.25	—	\$24,638
Equipment Operator	0.54	0.54	0.54	0.54	—	\$47,253
Heavy Equipment Operator	0.90	0.90	0.90	0.90	—	\$94,255
Heavy Equipment Operator-Lead	1.15	1.15	1.15	1.15	—	\$128,785
Industrial Waste Inspector	0.40	0.40	0.40	0.40	—	\$38,954
Industrial Waste Investigator	1.00	1.00	1.00	1.00	—	\$109,408
Management Analyst	0.30	0.30	0.30	0.30	—	\$35,077
Manager Environmental Control Program	0.70	0.70	0.70	0.70	—	\$90,709
Manager Maintenance Operations	0.50	0.50	0.50	0.50	—	\$67,309
Manager Watershed Protection	0.20	0.20	0.20	0.20	—	\$32,240
Program Assistant II	0.60	0.60	0.60	0.60	—	\$51,293
Project Engineer	0.83	0.83	0.83	0.83	—	\$125,509
Project Manager	0.55	0.55	0.55	0.55	—	\$65,267
Senior Accountant	0.10	0.10	0.10	0.10	—	\$13,237
Senior Engineer	0.76	0.76	0.76	0.76	—	\$119,256
Senior Industrial Waste Investigator	0.10	0.10	0.10	0.10	—	\$12,474
Surveyor, Public Works	0.12	0.12	0.12	0.12	—	\$12,912
Technologist	0.30	0.30	0.30	0.30	—	\$46,600
Traffic Controller Maintainer I	0.06	0.06	0.06	0.06	—	\$5,153
Subtotal: Full-Time Equivalent Positions	13.35	13.35	13.35	13.35	—	\$1,629,014
Temporary/Hourly	0.20	0.20	0.20	0.20	—	\$8,320
Total Positions	13.55	13.55	13.55	13.55	—	\$1,637,334

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	13.55	9,871,984	7,909,227	1,962,757
One-Time Prior Year Budget Adjustments				
Capital Improvement Program	-	(3,693,540)	-	(3,693,540)
FY 2021 Management and Professionals Group Compensation Reduction	-	51,646	-	51,646
One-Time Prior Year Budget Adjustments	-	(3,641,894)	-	(3,641,894)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	100,311	-	100,311
Rents & Leases Expenditures	-	125	-	125
Stormwater Rate Adjustment (2% CPI increase)	-	-	144,287	(144,287)
Stormwater Treatment Feature Operations and Maintenance (C3) Inspections	-	-	(36,768)	36,768
Stormwater and Wastewater Monitoring Software Upgrade	-	2,800	-	2,800
Transfers to Technology Fund (Citywide Technology CIP)	-	1,330	-	1,330
Capital Improvement Program	-	5,386,118	613,000	4,773,118
General Fund Cost Allocation Plan	-	(504)	-	(504)
Information Technology Allocated Charges	-	38,964	-	38,964
Liability Insurance Allocated Charges	-	24,497	-	24,497
Printing & Mailing Services Allocated Charges	-	(7,093)	-	(7,093)
Public Works Administration Allocated Charges	-	7,299	-	7,299
Stormwater Management Allocated Charges	-	-	7,930	(7,930)
Utilities Allocated Charges	-	(113,683)	-	(113,683)
Vehicle Replacement & Maintenance Allocated Charges	-	2,885	-	2,885
Workers' Compensation Allocated Charges	-	16,337	-	16,337
Adjustments to Costs of Ongoing Activities	-	5,459,387	728,449	4,730,937
Total FY 2022 Base Budget	13.55	11,689,477	8,637,676	3,051,800
Budget Adjustments				
1. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments	-	-	50,755	(50,755)
Total Budget Adjustments	-	-	50,755	(50,755)
Total FY 2022 Adopted Budget	13.55	11,689,477	8,688,431	3,001,046

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments	-	-	50,755	(50,755)

This action adjusts revenue estimates for allocated charges to the new JMZ facility. Allocated Charges, such as electricity and refuse collection, are generally budgeted at the department level for charges incurred by multiple facilities. Therefore, the estimates for the new JMZ facility was based on proportions of FTE, building square footage ratios managed by the Community Services Department, and historic trends. These estimates continue to be refined and may be adjusted as appropriate through future budget processes. (Ongoing savings: \$67,673)

Performance Results



This action aligns anticipated revenues collected for allocated charges with estimates for the new Junior Museum and Zoo facility.



CITY OF
**PALO
ALTO**

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 46 vehicles and 9 pieces of equipment in FY 2021 to maintain safe, reliable, and efficient use of resources.
- Completed and evaluated the fleet electrification pilot program for Plug-in hybrid electric pick-up trucks based on performance, fuel efficiency, total cost of ownership, product availability, and operational compatibility.
- Developed a 5-year vehicle replacement plan in the Police Department with 24 of the 26 scheduled replacements as candidates for hybrid replacements. The pilot program began with one Police Hybrid Interceptor put into service.
- Identified 9 vehicles and pieces of equipment for surplus helping to reduce the size of the City Fleet.
- Awarded separate contracts for: fleet electrification and charging infrastructure assessment; City-wide generator maintenance and repair services; and Cooperatively Owned Back-Up Generator (COBUG) maintenance and repair services.
- Reduced fuel consumption due to newer vehicles providing a significant improvement in fuel efficiency.
- Evaluated and updated rates to ensure cost-recovery is achieved for Compressed Natural Gas (CNG), shop and commercial maintenance and repairs, and parts.

Initiatives

- Perform a review of underutilized vehicles annually and remove vehicles from the 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.
- Continue to implement recommendations from the fleet cost recovery study.
- Award a contract for on-site parts management services.
- Conduct an electric vehicle charger and location study to determine future locations of electric vehicle chargers at City facilities in support of Fleet electrification initiatives.
- Survey staff on feasibility of replacing vehicles with electric bikes/e-cargo bikes.
- Pilot test the use of electric/e-cargo bikes to determine the possibility to reduce the fleet.

Goals and Objectives

GOAL 1

Ensure the City's vehicles, equipment, and fuel storage/dispensing facilities are safe, reliable, and energy efficient to reduce Greenhouse 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

Goal	Ensure the City's vehicles, equipment, and storage/dispensing facilities are safe, reliable, and energy efficient.				
Objective	Increase the usage of alternative fuels.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of alternative fuel consumed by non-emergency vehicles	43%	47%	50%	50%	50%
Description	The City fleet is comprised of vehicles and equipment that are primarily gasoline, diesel, and compressed natural gas (CNG).				
Purpose	To move toward lower emissions goals, the City needs to increase the use of alternative fuel vehicles/equipment.				
Status	The City's fleet used a total of 361,500 gallons of fuel in FY 2020 among unleaded, diesel, and natural gas. It used 169,530 gallons of compressed natural gas, which equates to 47% of alternative fuel use.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of vehicles and equipment that are alternatively fueled or electric	46	49	55	51	54
Number of vehicle repair and preventative maintenance work orders	3,307	3,586	3,200	3,300	3,300
Total number of vehicles and equipment in the City's fleet	558	556	554	550	550

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Vehicle Operations and Maintenance	\$5,264,698	\$5,549,347	\$6,676,769	\$6,526,395	\$(150,373)	(2.3)%
Vehicle Replacement and Additions	\$3,490,206	\$1,932,934	\$6,165,275	\$4,830,611	\$(1,334,664)	(21.6)%
Total	\$8,754,905	\$7,482,281	\$12,842,044	\$11,357,006	\$(1,485,038)	(11.6)%
Salary & Benefits						
Healthcare	\$318,880	\$297,688	\$281,327	\$328,808	\$47,481	16.9%
Other Benefits	\$49,631	\$46,299	\$54,031	\$58,330	\$4,299	8.0%
Overtime	\$14,935	\$8,581	\$61,141	\$62,731	\$1,590	2.6%
Pension	\$430,641	\$599,482	\$532,217	\$571,479	\$39,262	7.4%
Retiree Medical	\$148,359	\$152,810	\$145,803	\$148,187	\$2,384	1.6%
Salary	\$1,365,098	\$1,391,267	\$1,422,653	\$1,451,369	\$28,716	2.0%
Workers' Compensation	\$38,855	\$77,631	\$53,517	\$71,285	\$17,769	33.2%
Total Salary and Benefits	\$2,366,399	\$2,573,757	\$2,550,689	\$2,692,189	\$141,501	5.5%
Dollars by Category						
Contract Services	\$379,511	\$369,383	\$623,940	\$460,210	\$(163,730)	(26.2)%
Supplies & Material	\$1,028,759	\$1,055,767	\$1,464,938	\$1,398,559	\$(66,379)	(4.5)%
General Expense	\$78,267	\$163,572	\$70,630	\$70,630	—	—%
Rents & Leases	\$194,454	\$202,354	\$337,068	\$343,591	\$6,523	1.9%
Facilities & Equipment	\$(1,550)	\$1,572	—	—	—	—%
Allocated Charges	\$1,415,931	\$1,337,215	\$1,176,366	\$1,354,673	\$178,307	15.2%
Transfer to Infrastructure	—	—	\$745,000	\$540,000	\$(205,000)	(27.5)%
Operating Transfers-Out	\$142,786	\$244,080	\$120,569	\$106,060	\$(14,509)	(12.0)%
Capital Improvement Program	\$3,150,348	\$1,534,581	\$5,752,845	\$4,391,094	\$(1,361,750)	(23.7)%
Total Dollars by Expense Category	\$8,754,905	\$7,482,281	\$12,842,044	\$11,357,006	\$(1,485,038)	(11.6)%
Revenues						
Charges to Other Funds	\$8,875,562	\$9,212,514	\$7,285,440	\$7,406,865	\$121,425	1.7%
Operating Transfers-In	—	—	\$50,000	—	\$(50,000)	(100.0)%
Other Revenue	\$429,638	\$355,426	\$155,000	\$155,000	—	—%
Return on Investments	\$220,163	\$244,636	\$239,100	\$239,100	—	—%
Total Revenues	\$9,525,363	\$9,812,575	\$7,729,540	\$7,800,965	\$71,425	0.9%
Positions by Division						

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Vehicle Operations and Maintenance	14.28	13.61	13.61	11.71	(1.90)	(14.0)%
Vehicle Replacement and Additions	2.25	2.40	2.40	2.30	(0.10)	(4.2)%
Total	16.53	16.01	16.01	14.01	(2.00)	(12.5)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Associate III	1.00	—	—	—	—	—
Assistant Director Public Works	0.25	0.25	0.25	0.25	—	\$46,930
Assistant Fleet Manager	1.00	1.00	1.00	1.00	—	\$112,882
Equipment Maintenance Service Person	2.00	2.00	2.00	1.00	(1.00)	\$70,845
Fleet Services Coordinator	2.00	1.00	1.00	1.00	—	\$90,459
Management Analyst	0.20	0.20	0.20	0.20	—	\$25,172
Management Assistant	—	1.00	1.00	1.00	—	\$91,312
Manager Fleet	1.00	1.00	1.00	1.00	—	\$130,853
Motor Equipment Mechanic II	6.00	6.00	5.00	5.00	—	\$502,008
Motor Equipment Mechanic II (Freeze)*	—	—	1.00	—	(1.00)	—
Motor Equipment Mechanic-Lead	2.00	2.00	2.00	2.00	—	\$214,822
Project Manager	1.00	1.00	1.00	1.00	—	\$108,077
Senior Management Analyst	0.08	0.08	0.08	0.08	—	\$10,899
Subtotal: Full-Time Equivalent Positions	16.53	15.53	15.53	13.53	(2.00)	\$1,404,259
Temporary/Hourly	—	0.48	0.48	0.48	—	\$21,935
Total Positions	16.53	16.01	16.01	14.01	(2.00)	\$1,426,194

The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The full-time positions impacted by this action are identified with "(Freeze)" following the job classification title. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872). In the Vehicle Replacement and Maintenance Fund, a total of 1.00 FTE (1.00 full-time, 0.0 part-time) are eliminated as a result of this action.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	16.01	12,842,044	7,729,540	5,112,504
One-Time Prior Year Budget Adjustments				
Transfer to Capital Improvement Fund (City Facilities Capital Projects)	-	(745,000)	-	(745,000)
Electric Vehicle Charger and Location Study	-	(100,000)	(50,000)	(50,000)
FY 2021 Management and Professionals Group Compensation Reduction	-	47,357	-	47,357
One-Time Prior Year Budget Adjustments	-	(797,643)	(50,000)	(747,643)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	306,344	-	306,344
FY21 Staffing Freeze Eliminations (CMR 11872)	(1.00)	(129,616)	-	(129,616)
Capital Improvements Program	-	(1,365,868)	-	(1,365,868)
Rents & Leases Expenditure	-	6,523	-	6,523
Vehicle Parts Managed Service Contract	-	44,328	-	44,328
Transfer to Electric Fund (Year 5 of 5 year lease for Altec Cranes)	-	(18,009)	-	(18,009)
Transfer to Technology Fund (TE-19001 - Council Chambers Upgrade)	-	3,500	-	3,500
Transfer to Capital Improvement Fund (City Facilities Capital Projects)	-	540,000	-	540,000
General Fund Cost Allocation Plan	-	133,060	-	133,060
Industrial Waste Discharge Fee Allocated Charges	-	11	-	11
Information Technology Allocated Charges	-	24,046	-	24,046
Liability Insurance Allocated Charges	-	26,644	-	26,644
Printing & Mailing Services Allocated Charges	-	100	-	100
Public Works Administration Allocated Charges	-	17,032	-	17,032
Utilities Allocated Charges	-	(18,468)	-	(18,468)
Vehicle Replacement & Maintenance Allocated Charges	-	-	121,425	(121,425)
Workers' Compensation Allocated Charges	-	17,769	-	17,769
Adjustments to Costs of Ongoing Activities	(1.00)	(412,606)	121,425	(534,031)
Total FY 2022 Base Budget	15.01	11,631,795	7,800,965	3,830,830
Budget Adjustments				
1. Vehicle Equipment Maintenance Staffing	(1.00)	(100,352)	-	(100,352)
2. Vehicle Fuel Contract Reduction	-	(100,000)	-	(100,000)

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
3. Vehicle Parts Managed Service Contract Reduction	-	(74,437)	-	(74,437)
Total Budget Adjustments	(1.00)	(274,789)	-	(274,789)
Total FY 2022 Adopted Budget	14.01	11,357,006	7,800,965	3,556,041

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Vehicle Equipment Maintenance Staffing	(1.00)	(100,352)	-	(100,352)

This action eliminates 1.00 FTE Equipment Maintenance Serviceperson position. This may result in increased vehicle/equipment downtime as the remaining staff absorbs work from this elimination. - The position of Equipment Maintenance Serviceperson is responsible for general shop housekeeping and building maintenance including, but not limited to, sweeping and mopping garage floors, cleaning spills at the shop and fuel stations, emptying trash barrels, and maintenance and replacement of shop equipment such as replacement of shop hose reels and lubrication equipment. - This position also repairs and replaces passenger and light duty truck tires and installs mounted tires on all types of equipment. They pick up and deliver vehicles and parts, and under direction, performs work such as oil changes, fluid checks, chassis lubrication, replacement of lights and mirrors, first aid kits, fire extinguishers, and they also remove vehicles from service. This position has been vacant, and many of this positions responsibilities have fallen to the Equipment Mechanics. - One example of impacts from this elimination pertains the hours spent per year picking up and delivering vehicles. Prior to the Equipment Maintenance Serviceperson vacancy, Equipment Mechanics only spent approximately 19 hours per year picking up and delivering vehicles; however, since the position has been vacant, Equipment Mechanics spend approximately 63 hours per year on this task. This essentially removes one full-time Equipment Mechanic from their duties for one full week over the course of the year. (Ongoing savings: \$100,352)

Performance Results



Eliminating this position will permanently shift some of these responsibilities to the mechanics, continue to defer less critical repairs, and cause the use of overtime to remain in compliance with routine inspections.

2. Vehicle Fuel Contract Reduction	-	(100,000)	-	(100,000)

This action continues the FY 2021 Mid-Year recommendation to reduce funding for the purchase of fuel by \$100,000 (from \$676,000 to \$576,000, a 15% reduction). Vehicle fueling has not matched the expected gallons for the life of the contract resulting in extra funding that can be returned to the Vehicle Fund, thereby reducing allocated costs for vehicle operations and maintenance to the City. The primary reason for this surplus was due to how extra taxes were accounted for in the budget, this action right-sizes it. The other reason for the surplus has to do with less gallons being used as aging vehicles in the fleet are replaced with newer, more fuel-efficient vehicles and equipment. (Ongoing savings: \$100,000)

Performance Results



This action contributes to cost containment strategies in FY 2022.

3. Vehicle Parts Managed Service Contract Reduction	-	(74,437)	-	(74,437)

This action reduces contract services within the Parts cost center for Equipment Management (Fleet) by \$74,000 (from \$225,000 to \$151,000, a 33% reduction). Fleet has a contract for parts procurement and staffing through Genuine Auto Parts (NAPA). The quote provided for the fifth year of the contract, FY 2022, is split between staffing and parts procurement. Since staffing has been reduced by one position within the Parts shop, funding for the contract can be reduced with minimal impact to Fleet operations. (Ongoing savings: \$74,437)

Performance Results



This action contributes to cost containment strategies in FY 2022.

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 compliance with regulations protecting the San Francisco Bay and the environment.

Accomplishments

- Commenced construction of the Primary Sedimentation Tank Rehabilitation and Equipment Room Electrical Upgrades Project (WQ-14003) financed with a state low interest loan.
- Initiated design of the Advanced Water Purification Facility (WQ-19003), a 1-2 million gallons per day (MGD) salt removal facility, which will include microfiltration and reverse osmosis treatment systems.

Initiatives

- Complete design of the Secondary Treatment Upgrades (WQ-14004) project to prepare for final financing of construction.
- Initiate the development of One Water Plan in partnership with the Utilities Department.
- Complete 60% design of the Horizontal Levee Pilot Project (WQ-22001).
- Partnered with the Utilities Department to develop a rate smoothing strategy that plans for the debt service resulting from the Regional Water Quality Control Plant Capital program.

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.

PUBLIC WORKS

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 recommendations 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

Goal	Protect the environment and the public's health.				
Objective	Maintain 99% discharge test compliance.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of wastewater treatment discharge tests in compliance	100%	100%	99%	99%	99%
Description	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.				
Purpose	Measure compliance of the RWQCP treatment system's final water discharged compared to the limits established in the NPDES discharge permit.				
Status	Over 99% of discharge tests are expected to be in compliance with discharge limits in FY 2021 and FY 2022.				

PERCENT OF PASSED FISH ACUTE TOXICITY BIOASSAY TESTS

Goal	Protect the environment and the public's health.				
Objective	Obtain fish acute toxicity bioassays with 100% survival.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Fish toxicity test (percent survival)	100%	99%	100%	99%	99%
Description	Percent of acute fish toxicity bioassay tests passed.				

Key Performance Measures

Purpose	Fish survival in the bioassay is an indicator that the RWQCP discharges to the Bay are safe for receiving water marine life.
Status	In FY 2020, all acute toxicity bioassay tests passed a state limit of a 90% survival rate with an annual average survival rate of 99%. This trend of nearly 100% survival is expected to continue in FY 2021 and FY 2022.

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Millions of gallons of recycled water delivered	214	247	250	250	250
Number of inspections performed annually (Wastewater Treatment)	503	331	530	100	150
Millions of gallons processed by the Palo Alto Regional Water Quality Control Plant	6,958	6,294	7,000	6,746	7,000

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
CIP Wastewater Treatment Fund	\$14,088,055	\$4,107,974	\$32,656,997	\$30,710,440	\$(1,946,556)	(6.0)%
Wastewater Treatment Administration	\$780,836	\$1,208,682	\$4,664,745	\$5,051,674	\$386,930	8.3%
Wastewater Treatment Environmental Compliance	\$4,290,281	\$4,313,410	\$3,825,085	\$3,871,489	\$46,404	1.2%
Wastewater Treatment Systems Improvement Operations	\$18,323,119	\$19,777,820	\$18,590,589	\$19,337,214	\$746,625	4.0%
Total	\$37,482,291	\$29,407,887	\$59,737,415	\$58,970,818	\$(766,597)	(1.3)%
Salary & Benefits						
Healthcare	\$1,226,483	\$1,277,821	\$1,423,717	\$1,560,955	\$137,237	9.6%
Other Benefits	\$186,828	\$200,373	\$237,367	\$260,944	\$23,577	9.9%
Overtime	\$332,744	\$282,281	\$334,950	\$343,659	\$8,709	2.6%
Pension	\$2,003,517	\$3,166,374	\$2,827,412	\$3,132,167	\$304,755	10.8%
Retiree Medical	\$853,066	\$878,658	\$836,103	\$849,775	\$13,671	1.6%
Salary	\$6,715,499	\$7,308,421	\$7,992,380	\$8,292,200	\$299,820	3.8%
Workers' Compensation	\$195,136	\$374,431	\$256,983	\$342,307	\$85,324	33.2%
Total Salary and Benefits	\$11,513,272	\$13,488,360	\$13,908,913	\$14,782,006	\$873,093	6.3%
Dollars by Category						
Contract Services	\$2,442,785	\$3,176,868	\$3,818,758	\$3,573,758	\$(245,000)	(6.4)%
Supplies & Material	\$1,500,930	\$1,928,772	\$1,969,754	\$2,094,393	\$124,639	6.3%
General Expense	\$713,092	\$348,965	\$431,829	\$493,429	\$61,600	14.3%
Rents & Leases	\$1,496	\$4,487	\$21,700	—	\$(21,700)	(100.0)%
Debt Service	\$366,808	\$756,422	\$1,468,851	\$1,468,851	—	—%
Facilities & Equipment	\$3,210	—	\$7,500	\$7,500	—	—%
Allocated Charges	\$6,907,185	\$5,342,667	\$5,788,994	\$6,200,606	\$411,612	7.1%
Operating Transfers-Out	\$107,065	\$432,038	—	\$14,000	\$14,000	—%
Capital Improvement Program	\$13,926,447	\$3,929,308	\$32,321,116	\$30,336,275	\$(1,984,842)	(6.1)%
Total Dollars by Expense Category	\$37,482,291	\$29,407,887	\$59,737,415	\$58,970,818	\$(766,597)	(1.3)%
Revenues						
Charges to Other Funds	\$44,257	\$51,412	\$62,519	\$65,086	\$2,567	4.1%
Net Sales	\$27,164,660	\$29,031,626	\$30,851,553	\$31,572,584	\$721,031	2.3%
Other Revenue	\$366,393	\$234,217	\$28,900,000	\$32,407,270	\$3,507,270	12.1%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Other Taxes and Fines	\$1,000	—	\$4,000	\$4,000	—	—%
Return on Investments	\$247,996	\$315,754	\$316,000	\$316,000	—	—%
Total Revenues	\$27,824,306	\$29,633,009	\$60,134,072	\$64,364,940	\$4,230,868	7.0%
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	13.21	13.21	13.34	13.34	—	—%
Wastewater Treatment Systems Improvement Operations	56.16	56.16	56.16	56.16	—	—%
Total	71.26	71.26	71.39	71.39	0.00	0.0%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Account Specialist	0.10	0.10	0.10	—	(0.10)	—
Accountant	0.25	0.25	0.25	0.35	0.10	\$34,044
Administrative Associate II	2.00	2.00	2.00	2.00	—	\$156,790
Assistant Director Public Works	0.65	0.65	0.65	0.65	—	\$137,174
Assistant Manager WQCP	2.00	2.00	2.00	2.00	—	\$320,029
Associate Engineer	1.80	1.80	1.81	1.81	—	\$225,775
Chemist	3.00	3.00	3.00	2.00	(1.00)	\$211,744
Deputy Chief/Fire Marshal	0.04	0.04	0.04	0.04	—	\$8,606
Electrician	2.90	2.90	2.90	2.90	—	\$324,461
Electrician-Lead	1.00	1.00	1.00	1.00	—	\$119,808
Hazardous Materials Inspector	0.02	0.02	0.02	0.02	—	\$3,290
Industrial Waste Inspector	2.59	2.59	2.60	2.60	—	\$253,203
Industrial Waste Investigator	0.15	0.15	0.15	0.15	—	\$16,411
Laboratory Technician WQC	3.00	3.00	3.00	3.00	—	\$284,107
Management Analyst	0.57	0.57	0.57	0.57	—	\$66,548

PUBLIC WORKS

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Manager Environmental Control Program	1.20	1.20	1.30	1.30	—	\$170,331
Manager Laboratory Services	1.00	1.00	1.00	1.00	—	\$149,386
Manager Water Quality Control Plant	1.00	1.00	1.00	1.00	—	\$192,733
Manager Watershed Protection	0.75	0.75	0.75	0.75	—	\$120,900
Plant Mechanic	7.00	7.00	7.00	7.00	—	\$722,904
Program Assistant II	1.40	1.40	1.40	1.40	—	\$119,683
Project Engineer	1.00	1.00	1.00	1.00	—	\$151,216
Project Manager	0.60	0.60	0.60	0.60	—	\$74,431
Senior Accountant	0.10	0.10	0.10	0.10	—	\$13,237
Senior Buyer	1.00	1.00	1.00	1.00	—	\$109,637
Senior Chemist	1.00	1.00	1.00	2.00	1.00	\$235,206
Senior Engineer	3.00	3.00	3.00	3.00	—	\$475,197
Senior Industrial Waste Investigator	0.89	0.89	0.90	0.90	—	\$112,264
Senior Management Analyst	0.13	0.13	0.13	0.13	—	\$17,340
Senior Mechanic	1.00	1.00	1.00	1.00	—	\$113,298
Senior Operator WQC	6.00	6.00	6.00	6.00	—	\$706,867
Senior Technologist	1.00	1.00	1.00	1.00	—	\$158,746
Storekeeper	1.00	1.00	1.00	1.00	—	\$79,498
Supervisor WQCP Operations	3.00	3.00	3.00	3.00	—	\$377,894
Technologist	0.70	0.70	0.70	0.70	—	\$108,734
WQC Plant Operator II	16.00	16.00	16.00	16.00	—	\$1,662,003
Subtotal: Full-Time Equivalent Positions	68.84	68.84	68.97	68.97	—	\$8,033,495
Temporary/Hourly	2.42	2.42	2.42	2.42	—	\$219,053
Total Positions	71.26	71.26	71.39	71.39	—	\$8,252,547

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	71.39	59,737,415	60,134,072	(396,657)
One-Time Prior Year Budget Adjustments				
Capital Improvement Program	-	(32,313,394)	(28,862,000)	(3,451,394)
Trailer Rental Lease	-	(21,700)		(21,700)
FY 2021 Management and Professionals Group Compensation Reduction	-	239,062	-	239,062
One-Time Prior Year Budget Adjustments	-	(32,096,032)	(28,862,000)	(3,234,032)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	540,564	-	540,564
Sludge Hauling and Treatment Services	-	(100,000)	-	(100,000)
Recycled Water Operations	-	(38,000)	-	(38,000)
Water Quality Control Plant (WQCP) Chemicals and Supplies	-	124,639	-	124,639
Memberships and Permit Fees	-	58,500	-	58,500
Tributary Agency Partner Contribution	-	-	642,853	(642,853)
Industrial Waste Discharge Permit Revenue and Fee adjustments	-	-	80,745	(80,745)
Stormwater and Wastewater Monitoring Software Upgrade	-	3,000	-	3,000
Transfer to Technology Fund (Citywide Technology CIP)	-	14,000	-	14,000
Capital Improvements Projects	-	30,219,153	32,369,270	(2,150,117)
General Fund Cost Allocation Plan	-	(1,987)	-	(1,987)
Grounds Maintenance Allocated Charges	-	2,258	-	2,258
Information Technology Allocated Charges	-	346,579	-	346,579
Liability Insurance Allocated Charges	-	127,941	-	127,941
Printing & Mailing Services Allocated Charges	-	1,742	-	1,742
Public Works Administration Allocated Charges	-	9,733	-	9,733
Refuse Allocated Charges	-	4,445	-	4,445
Stormwater Management Allocated Charges	-	1,669	-	1,669
Utilities Allocated Charges	-	(82,350)	-	(82,350)
Vehicle Replacement & Maintenance Allocated Charges	-	3,983	-	3,983
Workers' Compensation Allocated Charges	-	85,324	-	85,324
Adjustments to Costs of Ongoing Activities	-	31,321,191	33,092,868	(1,771,677)
Total FY 2022 Base Budget	71.39	58,962,574	64,364,940	(5,402,366)
Budget Adjustments				

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Laboratory Staffing	-	8,244	-	8,244
2. Horizontal Levee Pilot Project	-	-	-	-
Total Budget Adjustments	-	8,244	-	8,244
Total FY 2022 Adopted Budget	71.39	58,970,818	64,364,940	(5,394,122)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Laboratory Staffing	-	8,244	-	8,244

This action reclassifies 1.00 FTE Chemist position to 1.00 FTE Senior Chemist position at the RWQCP Laboratory.- The current California Environmental Laboratory Accreditation Program (ELAP) certification is being revised to include more stringent regulations which require additional quality control and documentation measures. With updated regulations and standards for laboratory procedures and competency to be adopted by the State Water Board, laboratory staff workload is anticipated to increase in order to comply with additional quality control requirements, which are increasing in both volume and complexity from the existing standard. - This position reclassification will align resources with the need to address the additional activities requested by ELAPs upcoming regulations. This position will be dedicated to quality assurance additions needed for the development, implementation, and continuation of these new standards. (Ongoing cost: \$16,882)

Performance Results



This action will allow Wastewater Treatment operations to remain in compliance with industry standards and regulations.

2. Horizontal Levee Pilot Project	-	-	-	-

This action reallocates contract services funding to fund the Horizontal Levee Pilot capital project (WQ-22001). There is no net change to the contract services expenses under the Wastewater Treatment (WWT) Fund as a result of this action.

- This project consists of the design, permitting, and construction of a horizontal levee pilot system. The system will utilize treated wastewater to create a transitional brackish habitat on the Bayside of a future flood control levee located in the Palo Alto Baylands, adjacent to the City of Palo Alto Regional Water Quality Control Plant (RWQCP). Information and data collected by this pilot system could support broader implementation of horizontal levees as green infrastructure components in larger flood control levee improvement projects within Palo Alto and beyond.

- Currently, design work has been completed on the project funded by available operating budget and grants received by the San Francisco Estuary Partnership. Though the project was postponed through the FY21 Capital Budget development process, the project has reached the point where CEQA work must be conducted. That work will need to be completed by the City and will be brought forward to Council for approval as part of the FY 2022 Proposed Capital Budget in WQ-22001. Initially, this project will be funded by the City in the WWT Fund through a reallocation of existing contract services funding in the Source Control Program operating budget. Eventually, as funding sources are identified and processed, it may include additional grants requiring a match from the City. We have estimated up to \$150,000 in matching expenses. If grant funding is not secured for FY23 or beyond, we would not continue with the construction phase of the project. (Ongoing costs: \$0)

Performance Results



This action recognizes the reallocation of contract expenses within the Wastewater Treatment fund from project design to CEQA activities to help minimize delays in project development and implementation.

UTILITIES

Mission Statement



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 in sound financial condition.

UTILITIES DIRECTOR

Dean Batchelor

ELECTRIC ENGINEERING & OPERATIONS

2.00 Administrative Associate II
1.00 Assistant Director Utilities
Electric and Fiber
1.00 Business Analyst
1.00 Coordinator Utilities Projects
3.00 Electrician Assistant I
1.00 Electric Equipment Technician
2.00 Electric Heavy Equipment Operator
4.00 Electric Project Engineer
2.00 Electric Underground Inspectors
1.00 Electric Underground Inspector-Lead
1.00 Engineering Manager – Electric
2.00 Engineer Technician III
10.00 Lineperson / Cable Splicer
4.00 Lineperson / Cable Splicer-Lead
1.00 Manager Electric Operations
3.00 Metering Technician
1.00 Metering Technician- Lead
2.00 Overhead/Underground Troubleshooter
1.00 Power Engineer
2.00 SCADA Technologist
5.00 Senior Electrical Engineer
5.00 Street Light, Traffic Signal & Fiber Technician
2.00 Street Light, Traffic Signal & Fiber Technician-Lead
6.00 Substation Electrician
2.00 Substation Electrician-Lead
3.00 Utilities Comp Tech
1.00 Utilities Comp Tech-Lead
3.00 Utilities Engineer Estimator
1.00 Utilities Engineer Estimator-Lead
3.00 Utilities Locator
6.00 Utilities Supervisor
5.00 Utilities System Operator

UTILITIES ADMINISTRATION

1.00 Administrative Assistant
1.00 Administrative Associate II
2.00 Business Analyst
1.00 Chief Operating Officer
1.00 Compliance Manager
1.00 Coordinator, Utilities Projects
1.00 Manager Communications
1.00 Manager Utilities Telecom
1.00 Principal Business Analyst
0.50 Program Assistant
1.00 Safety Officer
3.00 Senior Business Analyst
1.00 Senior Resource Planner
1.00 Strategic Business Manager

WGW ENGINEERING & OPERATIONS

2.00 Administrative Associate II
1.00 Assistant Director Utilities WGW
2.00 Business Analyst
1.00 Cathodic Protection Tech-Asst
1.00 Cathodic Technician
2.00 Cement Finisher
4.00 Coordinator Utilities Projects
4.00 Engineer
1.00 Engineering Manager – WGW
1.00 Engineering Technician III
1.00 Gas & Water Meter Measurement and Control Technician - Lead
4.00 Gas & Water Meter Measurement and Control Technician
4.00 Heavy Equipment Operator / Installer Repairer
2.00 Maintenance Mechanic Welding
1.00 Manager WGW Operations
1.00 Program Assistant
5.00 Project Engineer
1.00 Restoration Lead
5.00 Senior Project Engineer
1.00 Senior Mechanic
1.00 Senior Utilities Field Service Rep
2.00 Senior Water System Operator
2.00 Utilities Engineer Estimator
5.00 Utilities Field Service Rep
10.00 Utilities Installer/Repairer
1.00 Utilities Installer/Repairer Assistant
5.00 Utilities Install/Rep-Lead
3.00 Utilities Install/Rep-Welding
2.00 Utilities Install/Rep-Welding-Lead
6.00 Utilities Supervisor
4.00 Water Systems Operator II
5.00 WGW Heavy Equipment Operator
5.00 WGW Utilities Field Inspector

CUSTOMER SUPPORT SERVICES

1.00 Assistant Director Utilities
Customer Support Services
2.00 Credit and Collections Specialist
2.00 Customer Service Specialist-Lead
7.00 Customer Service Representative
2.00 Customer Service Specialist
1.00 Manager Customer Service
1.00 Manager, Utilities Credit and Collections
6.00 Meter Reader
1.00 Meter Reader-Lead

RESOURCE MANAGEMENT

1.00 Assistant Director, Resource Management
1.00 Administrative Associate II
1.00 Business Analyst
3.00 Key Account Representative
1.00 Manager, Utility Program Services
4.00 Sustainability Program Administrator
1.00 Program Assistant II
5.00 Resource Planner
5.50 Senior Resource Planner

FY 2022 POSITION TOTALS

245.0 - Full-time
8.6 - Hourly

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

Description

The City of Palo Alto 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

Customer Support Services annually bills over \$300 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.

UTILITIES

ENGINEERING

Engineering is responsible for managing all phases of CPAU's capital improvement projects which include providing new or upgrading existing service to customers and replacing and rehabilitating the City's electric, fiber, gas, water, and wastewater distribution systems.

OPERATIONS

Utilities Operations is responsible for the operations, maintenance, and emergency response for the electric, fiber, gas, water, and wastewater distribution systems.

RESOURCE MANAGEMENT

Resource Management is responsible for the long-term resource acquisition plan for, 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

- Received the Reliable Public Power Provider (RP3) award from American Public Power Association (APPA) for industry-recognized leading practices in reliability & safety.
- Received the Smart Energy Provider Award from American Public Power Association (APPA), which recognizes utilities for demonstrating commitment and accomplishment in smart energy program planning; energy efficiency and distributed energy resources; environmental and sustainability programs; and communication and customer experience.
- Celebrated the City of Palo Alto Utilities anniversary in 2020, providing community-owned electricity for over 120 years.
- Completed the microgrid at VMware campus to provide a charging site for the City's emergency command vehicles during major emergencies.
- Began construction of a new 1.5 million gallon Corte Madera Reservoir, estimated to complete March 2022.
- Completed citywide meter survey (75,000 meters) in preparation of the City's new advanced metering infrastructure (AMI) and smart grid project.
- Upgraded the City's SAP Enterprise Resource Planning (ERP) and Business Intelligence (BI) reporting systems.
- Collaborated with IT to migrate electric utility data and develop a new web interface with Geographic Information System (GIS) Environmental Systems Research Institute (ESRI). The next phase is to deploy the interface and begin migrating Fiber utility data.
- Initiated several bill payment relief options for customers: moratorium on utilities disconnection for non-payment of bills; suspension of payment late fees; expanded eligibility for rate assistance; and extended time frame for payment arrangement plans.
- Increased virtual outreach with virtual educational programs on efficiency services and programs; virtual home efficiency assessments; and online assistance for helping customers keep their utility bills low.

- Expanded City communication outreach by launching a new email newsletter and website to communicate current issues and resources available; increasing interdepartmental coordination on outreach to customers about utility bill relief options.
- Formalized outage communication protocols and notification plans.
- Coordinated with IT in transitioning to the new City Website.
- Partnered with Planning and Development Services Department to enhance education, outreach, and programs for building electrification and implementing the new Energy Reach Codes to reduce greenhouse gas emissions.

Initiatives

- Continue working on the new 12kV Electric and Fiber Optic distribution system in the foothills. This multi-year project will be conducted in one to two mile sections, and is scheduled to be completed in FY 2025.
- Continue working with the Utilities Advisory Commission (UAC) and community on a Utilities Resilience work plan which includes communication, education, and project prioritization.
- Launch programs to assist small businesses with bill savings and to implement COVID ventilation-related measures.
- Complete a detailed engineering design of the City's fiber backbone and fiber-to-the-home (FTTH) network; conduct FTTH education, community engagement and broadband survey.
- Partner with other City departments to complete a comprehensive Sustainability and Climate Action Plan (S/CAP) study and work plan.
- Collaborate with other City departments on efforts to streamline the permitting process related to rooftop solar, energy storage, building electrification, and electric vehicle charging infrastructure.
- Begin Phase III Advanced Metering Infrastructure (AMI) and Smart Grid project for electric, gas and water utilities. The full AMI meter and endpoint deployment is scheduled to be completed in FY 2025.

Key Performance Measures

COMPARABLE AND COST-EFFECTIVE SERVICES

Goal	Ensure fiscally sound and cost-effective services.				
Objective	Reduce the cost of delivering services through best management practices.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Palo Alto's average residential monthly utility bill above/below the median of neighboring cities	(9)%	(10)%	(10)%	(16)%	(10)%
Description	This compares the average residential monthly utility bill which includes electricity, gas, water, and wastewater services to the nearby communities (Menlo Park \$347, Mountain View \$268, Santa Clara \$204, Hayward \$261, Redwood City \$327).				

Key Performance Measures

Purpose	This measure compares the City's average utility rates charged to residents to other comparable cities (e.g., similar size, similar commodity purchase options, similar geography).
Status	The monthly average residential utility bill in fiscal year 2021 for Palo Alto was lower compared to the nearby communities described above. Palo Alto's monthly average residential utility bill was \$236, and for all the communities combined the average was \$281. Electric rates were significantly lower than PGE and slightly higher than Santa Clara. Natural gas rates were lower due to PGE's increased distribution rates for capital improvement and maintenance. Water rates were higher primarily due to differing system characteristics, levels of infrastructure investment, and sources of supply. Palo Alto's water supply comes from the San Francisco Public Utilities Commission (SFPUC), which is undergoing a \$4.8 billion improvement project, and Palo Alto is also investing more than other communities in improving our local distribution pipelines and enhancing our emergency water supply system.

CUSTOMER SATISFACTION

Goal	Provide excellent customer service.				
Objective	Maintain a high level of customer satisfaction, equal to or greater than 83 percent of Palo Alto citizens rating satisfaction of utility services as "Excellent" or "Good" in the National Citizen Survey.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent rating services (electric, gas, wastewater, and water) "Good" or Excellent"	N/A*	83%	N/A*	86%	N/A*
Description	The National Citizen Survey (NCS) is a collaborative effort between National Research Center, Inc. (NRC) and the International City/County Management Association (ICMA). The NCS was developed by NRC to provide a statistically valid survey of opinions about community and services provided by local governments. There are ten California communities participating in the survey.				
Purpose	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.				
Status	In FY 2020 a total of 768 surveys were obtained, providing an overall response rate of 22 percent. In FY 2021, Utilities scored similar or lower compared to FY 2018. Both Electric and Gas experienced a 6 percentage point decrease. Overall, Utilities has met its target of 83 percent and anticipates this continuing through FY 2022. *The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A." As approved by the City Council, this FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is proposed to take place in FY 2023.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Total cost of Capital Improvement Program annually (Millions)	\$27.85*	\$24.01	\$45.81*	\$43.00	\$46.07
*In FY 2022 the methodology for calculating this workload measure was standardized, resulting in the restatement of FY 2019 Actuals and FY 2021 Adopted.					

UTILITIES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Fund						
Electric Fund	\$158,278,458	\$160,455,124	\$183,401,646	\$202,328,763	\$18,927,117	10.3%
Fiber Optics Fund	\$2,885,744	\$3,066,203	\$4,345,287	\$3,304,292	\$(1,040,994)	(24.0)%
Gas Fund	\$43,544,118	\$36,041,196	\$48,705,920	\$46,494,749	\$(2,211,171)	(4.5)%
Wastewater Collection Fund	\$18,415,551	\$22,293,857	\$23,897,257	\$25,117,005	\$1,219,748	5.1%
Water Fund	\$43,711,111	\$46,791,689	\$57,456,171	\$59,611,712	\$2,155,541	3.8%
Total	\$266,834,982	\$268,648,070	\$317,806,281	\$336,856,522	\$19,050,241	6.0%
Revenues						
Charges for Services	\$509,624	\$1,139,896	\$260,000	\$260,000	—	—%
Charges to Other Funds	\$470,943	\$723,458	\$374,310	\$426,267	\$51,957	13.9%
From Other Agencies	\$488,052	\$473,073	\$576,632	\$576,632	—	—%
Net Sales	\$264,444,785	\$269,781,464	\$253,293,473	\$268,498,293	\$15,204,821	6.0%
Operating Transfers-In	\$3,873,979	\$3,130,514	\$3,202,109	\$2,613,966	\$(588,143)	(18.4)%
Other Revenue	\$11,348,937	\$10,383,895	\$11,620,946	\$10,487,250	\$(1,133,696)	(9.8)%
Rental Income	\$10,000	\$20,000	—	—	—	—%
Return on Investments	\$4,908,650	\$4,858,696	\$4,565,900	\$4,585,900	\$20,000	0.4%
Total	\$286,054,970	\$290,510,997	\$273,893,370	\$287,448,308	\$13,554,939	4.9%
Positions by Fund						
Electric Fund	111.33	110.95	111.34	113.59	1.99	1.8%
Fiber Optics Fund	7.60	7.50	7.10	6.90	(0.20)	(2.8)%
Gas Fund	53.83	53.83	53.83	53.57	(0.01)	—%
Utilities Administration Fund	19.21	19.46	19.46	19.46	—	—%
Wastewater Collection Fund	29.16	29.16	28.50	27.50	(1.01)	(3.5)%
Water Fund	46.92	46.94	47.61	46.83	(0.78)	(1.6)%
Total	268.05	267.84	267.84	267.84	—	—%

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 initial electric utility data migration from existing GIS system (Geodesy) to new citywide GIS system (Esri).
- Replaced 81 deteriorated utilities wood poles throughout the City.
- Completed construction for the new Underground District #47 project, and converted customers to the new underground electric system.
- Completed construction for two substation capacitor banks at Hanover and Park Blvd substations to correct system power factor.
- Replaced aging 60kV breakers at Colorado and Park Boulevard electric substations in order to improve electric system resiliency and reliability.
- Met all regulatory compliance reporting requirements for the North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) .
- Converted two Caltrain crossings to underground and raised the overhead electric and communication lines to help Caltrain electrify its rail fleet.

UTILITIES

- Replaced first generation distribution feeder protection relays at Hanover and Quarry Substation with new Schweitzer Engineering Laboratory SEL-751 microprocessor-based relays to avoid nuisance tripping and improve electrical coordination with devices.
- Replaced Colorado Power Bank 2 electrical mechanical relay protection scheme with new Schweitzer relay protection scheme for the 115kV high side breaker, transformer, and 60kV low side breaker. This included installation one of two power station service voltage transformers in need of replacement to provide reliable station power at Colorado Power Substation.
- Began implementation of out-of-state renewable energy certificates exchange program, with nearly \$3.0 million in net earnings dedicated to supporting local economic recovery and electrification.
- Launched a technical assistance program to help multi-family residential building owners and nonprofits install charging infrastructure. Currently, there are 30 sites participating.
- Launched an Electric Vehicle (EV) workplace charging infrastructure program in a regional partnership with the California Energy Commission and other regional energy providers.
- Launched a home electrification assessment for residential homeowners
- Executed renewal of the City's Western Base Resource contract (which represents approximately one-third of the City's electric supply), providing the City an option to continue taking delivery after 2024. Worked with partners to negotiate significant long-term savings and improved contract terms.
- Achieved commercial operation for new solar project, which will begin taking energy delivery in 2023.
- Completed Phase II equipment and cable installation for the Underground District #46 project. Phase III will be completed in FY 2022.
- Completed VMware microgrid proof of concept project for two 500kW energy storage systems and two 130kW photo-voltaic systems for their campus facilities at Arastradero and Hillview.
- Participated in the statewide launch of a new cash rebate program with Low Carbon Fuel Standard (LCFS) funding to encourage purchase of new electric vehicles.

Initiatives

- Continue to evaluate options with PG&E and California Independent System Operator for a second connection point and transmission line to Palo Alto.
- Continue the design and construction of a new 12kV electric distribution line to replace the existing overhead system in the foothills as part of the City's wildfire mitigation plan. The work is completed in one to two-mile sections and is scheduled to be completed by FY 2025.
- Replace transformer and breaker at Bank #3 and install a second station service voltage transformer at Colorado Power Station as a safety, reliability, and resilience measure, construct new master civil plan and oil containment for Colorado Power Station, and install second power station service voltage transformer in need of replacement to provide reliable station power at Colorado Power Substation.
- Increase security at all nine electric substations with new security lighting, new video surveillance system installation, and construction of new upgraded grounding systems at electric substations in accordance with the design (to be completed in 2021).

- Replace undersized 60kV high voltage circuit breakers interconnecting the substations and power stations. This is a multi-year project over a six year period.
- Implement new software tools for Electric Engineering and Operations divisions compatible with new Esri Geographic Information System (GIS).
- Set new 10-year goals for customer electric energy efficiency in Palo Alto.
- Evaluate and implement new programs to encourage building electrification including customer education; pilot programs; rebate incentives; and on-bill financing. This is a continuous effort as the City evaluates its Sustainability and Climate Action Plan (S/CAP) goals.

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.
- Implement activities outlined in the Utilities Wildfire Mitigation Plan to reduce the possibility of fires in the western foothills of Palo Alto caused by overhead electric lines.
- Increase emphasis on the proactive infrastructure replacement program, replacing infrastructure 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

Goal	Support environmental sustainability and promote efficient use of resources.				
Objective	Achieve Renewable Portfolio Standard (RPS) of at least 50 percent by 2030.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of retail electric sales volume provided by renewable supply resources under long-term PPAs	61%	37%	35%	25%	44%
Description	This measures the fraction of the City's retail electric sales volume that is provided by renewable supply resources that are under long-term power purchase agreements (PPAs).				
Purpose	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.				
Status	The City sold Bucket 1 renewable energy credits (RECs) in Q1-Q4 FY 2020 accordingly, which caused the City's RPS levels to drop for FY 2020 (from the levels in FY 2019 and other previous years), but the City still remains in compliance with its RPS requirements. Under the updated Carbon Neutral Plan that was approved by Palo Alto City Council in August 2020, the City was authorized to sell all Bucket 1 RECs exceeding the amount required to comply with the City's RPS requirements, and to replace them with Bucket 3 REC purchases. RPS compliance is based on aggregate RPS procurement over the entire compliance period (2017-2020), which ensures that the City is still in compliance with the state RPS requirements.				

ENVIRONMENTAL SUSTAINABILITY - SOLAR

Goal	Support environmental sustainability and promote efficient use of resources.				
Objective	Increase the penetration of local solar installations.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Cumulative installed capacity of photovoltaic (PV) systems measured in megawatts (MW)	13	16	14	16	17
Description	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).				
Purpose	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.				
Status	At the end of FY 2021, a cumulative 1,179 PV installations since CPAU began supporting local solar PV installations in 1999. These customer-side generation systems are not included in CPAU's Renewable Portfolio Standard (RPS) supply requirements.				

SYSTEM RELIABILITY

Key Performance Measures

Goal	Provide safe and efficient delivery of electric services to customers.				
Objective	Provide exceptional system reliability.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Average duration of customer outages in minutes as reported using industry guidelines	122	65	60	95	60
Description	System Average Interruptible Duration Index (SAIDI) is a measure of outage duration. It measures the number of minutes over the year that the average customer is without power.				
Purpose	Reliability indices were introduced in order to keep track of utility performance. This information will help Utilities prioritize capital and operating spending so that reliability can be improved without increasing costs.				
Status	The goal to attain 60 minutes or less in overall response time to restore outages was impacted in FY 2021 due to staffing vacancies and abnormally stormy weather causing a cluster of outages that resulted in longer response times. The Electric Utility had 18 sustained outages affecting a range of customers from 6 to 9,092 customers. Of the 18 outages, 12 were storm related and 6 non-storm. The non-storm outages were attributed to various types of equipment failure throughout the distribution system.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of Customer Accounts (Electric)	29,600	29,791	29,834	29,790	29,800
Number of momentary outages	1	1	1	1	1
Percent of residents surveyed who rate the quality of the Electric Utility as "Good" or "Excellent" %	N/A*	77%	N/A*	80%	N/A*
Total Number of Outages	42	32	27	22	28

*The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A." As approved by the City Council, this FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is proposed to take place in FY 2023.

UTILITIES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
CIP Electric Fund	\$15,615,817	\$13,250,146	\$27,308,142	\$31,769,499	\$4,461,356	16.3%
Electric Administration	\$23,218,636	\$25,609,423	\$27,202,398	\$29,069,053	\$1,866,655	6.9%
Electric Customer Service	\$2,306,400	\$2,759,969	\$2,682,485	\$3,015,078	\$332,594	12.4%
Electric Demand Side Management	\$3,716,457	\$2,760,278	\$7,052,872	\$7,105,699	\$52,827	0.7%
Electric Engineering (Operating)	\$1,843,389	\$2,055,894	\$2,482,242	\$2,602,207	\$119,966	4.8%
Electric Operations and Maintenance	\$11,606,585	\$13,453,944	\$17,008,182	\$18,106,326	\$1,098,144	6.5%
Electric Resource Management	\$99,971,173	\$100,565,471	\$99,665,325	\$110,660,900	\$10,995,575	11.0%
Total	\$158,278,458	\$160,455,124	\$183,401,646	\$202,328,763	\$18,927,117	10.3%
Salary & Benefits						
Healthcare	\$1,820,670	\$1,820,588	\$2,330,631	\$2,613,352	\$282,721	12.1%
Other Benefits	\$318,143	\$364,169	\$455,345	\$482,383	\$27,038	5.9%
Overtime	\$1,017,707	\$922,569	\$531,386	\$545,202	\$13,816	2.6%
Pension	\$3,214,302	\$5,309,308	\$5,296,009	\$5,783,964	\$487,955	9.2%
Retiree Medical	\$1,555,185	\$1,601,840	\$1,532,993	\$1,558,060	\$25,066	1.6%
Salary	\$10,846,696	\$12,323,907	\$14,884,804	\$15,336,687	\$451,883	3.0%
Workers' Compensation	\$292,351	\$592,660	\$409,199	\$545,061	\$135,862	33.2%
Total Salary and Benefits	\$19,065,053	\$22,935,042	\$25,440,367	\$26,864,709	\$1,424,342	5.6%
Dollars by Category						
Utility Purchase	\$89,680,963	\$90,791,122	\$88,084,000	\$96,512,497	\$8,428,497	9.6%
Contract Services	\$2,786,957	\$2,844,281	\$6,377,366	\$8,053,741	\$1,676,375	26.3%
Supplies & Material	\$533,907	\$752,739	\$924,207	\$911,207	\$(13,000)	(1.4)%
General Expense	\$2,258,230	\$1,337,087	\$3,441,967	\$5,113,267	\$1,671,300	48.6%
Rents & Leases	\$5,784,139	\$6,074,342	\$6,389,015	\$6,490,030	\$101,015	1.6%
Debt Service	\$8,368,513	\$7,074,261	\$8,442,678	\$8,071,519	\$(371,159)	(4.4)%
Facilities & Equipment	\$18,379	\$19,138	\$27,300	\$16,000	\$(11,300)	(41.4)%
Allocated Charges	\$4,253,400	\$4,725,823	\$9,416,874	\$10,597,643	\$1,180,769	12.5%
Transfer to Infrastructure	\$199,167	—	—	—	—	—%
Operating Transfers-Out	\$297,973	\$772,326	\$50,000	—	\$(50,000)	(100.0)%
Equity Transfer	\$12,973,000	\$13,134,000	\$13,479,000	\$14,298,000	\$819,000	6.1%
Capital Improvement Program	\$12,058,775	\$9,994,964	\$21,328,871	\$25,400,150	\$4,071,279	19.1%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Total Dollars by Expense Category	\$158,278,458	\$160,455,124	\$183,401,646	\$202,328,763	\$18,927,117	10.3%
Revenues						
Charges for Services	\$375,880	\$1,028,157	\$220,000	\$220,000	—	—%
Charges to Other Funds	\$193,480	\$257,370	\$145,401	\$188,523	\$43,122	29.7%
Net Sales	\$154,155,483	\$160,169,216	\$145,996,103	\$157,063,270	\$11,067,167	7.6%
Operating Transfers-In	\$3,334,701	\$2,582,378	\$2,644,849	\$2,291,326	\$(353,523)	(13.4)%
Other Revenue	\$8,797,973	\$7,894,326	\$8,918,000	\$8,918,000	—	—%
Rental Income	\$10,000	\$20,000	—	—	—	—%
Return on Investments	\$2,431,950	\$2,336,327	\$2,063,800	\$2,083,800	\$20,000	1.0%
Total Revenues	\$169,299,467	\$174,287,773	\$159,988,153	\$170,764,919	\$10,776,766	6.7%
Positions by Division						
CIP Electric Fund	31.90	31.90	24.35	25.61	1.26	5.2%
Electric Customer Service	12.00	11.90	11.90	11.90	—	—%
Electric Demand Side Management	6.17	5.59	5.59	5.64	0.05	0.9%
Electric Engineering (Operating)	4.98	4.98	6.67	6.67	—	—%
Electric Operations and Maintenance	48.10	48.10	54.35	54.59	0.24	0.4%
Electric Resource Management	8.18	8.48	8.48	9.17	0.69	8.1%
Total	111.33	110.95	111.34	113.58	2.24	2.0%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Account Specialist	0.31	0.31	0.31	0.31	—	\$24,264
Administrative Associate II	3.90	3.30	3.30	3.30	—	\$258,704
Assistant Director Administrative Services	0.20	0.20	0.20	0.20	—	\$36,462
Assistant Director Utilities Customer Support Services	0.40	0.40	0.40	0.40	—	\$81,178
Assistant Director Utilities Engineering	0.40	0.40	—	0.40	0.40	\$86,969

UTILITIES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Assistant Director Utilities Engineering (Freeze)	—	—	0.40	—	(0.40)	—
Assistant Director Utilities Operations	0.60	0.60	0.60	0.60	—	\$136,307
Assistant Director Utilities/Resource Management	0.50	0.50	0.50	0.55	0.05	\$114,892
Business Analyst	1.60	1.60	1.35	2.10	0.75	\$326,203
Business Analyst (Freeze)	—	—	0.25	—	(0.25)	—
Contracts Administrator	0.10	0.10	0.10	0.10	—	\$11,529
Coordinator Utilities Projects	1.55	1.55	1.55	1.55	—	\$148,385
Customer Service Representative	1.87	1.87	1.87	1.87	—	\$145,277
Customer Service Specialist	0.66	0.66	0.66	0.66	—	\$56,381
Customer Service Specialist-Lead	0.58	0.58	0.58	0.58	—	\$52,985
Electric Heavy Equipment Operator	—	—	2.00	2.00	—	\$217,318
Electric Project Engineer	1.95	3.25	3.65	3.65	—	\$580,788
Electric Underground Inspector	2.00	2.00	2.00	2.00	—	\$228,883
Electric Underground Inspector-Lead	1.00	1.00	1.00	1.00	—	\$122,387
Electrical Equipment Technician	1.00	1.00	1.00	1.00	—	\$116,958
Electrician Assistant I	3.00	3.00	3.00	3.00	—	\$272,563
Engineering Manager - Electric	0.55	0.55	0.55	0.55	—	\$118,244
Engineering Technician III	1.40	1.40	1.40	1.40	—	\$137,971
Heavy Equipment Operator	2.00	2.00	—	—	—	—
Inspector, Field Services	0.25	0.25	0.25	—	(0.25)	—
Inspector, WGW Utilities Field Svc	—	—	—	0.25	0.25	\$29,250
Lineperson/Cable Specialist	11.00	11.00	10.00	10.00	—	\$1,574,352
Lineperson/Cable Specialist-Lead	4.00	4.00	4.00	4.00	—	\$673,837
Manager Customer Service	0.33	0.33	0.33	0.33	—	\$52,070
Manager Electric Operations	1.00	1.00	1.00	1.00	—	\$192,546
Manager Treasury, Debt & Investments	0.30	0.30	0.30	0.30	—	\$46,513

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Manager Utilities Compliance	0.15	0.15	0.15	0.15	—	\$29,531
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	\$23,902
Manager Utilities Program Services	0.40	0.40	0.40	0.40	—	\$60,669
Meter Reader	1.99	1.99	1.99	1.99	—	\$145,286
Meter Reader-Lead	0.33	0.33	0.33	0.33	—	\$25,781
Metering Technician	3.00	3.00	3.00	3.00	—	\$409,157
Metering Technician-Lead	1.00	1.00	1.00	1.00	—	\$145,974
Offset Equipment Operator	0.48	0.48	0.48	0.48	—	\$33,426
Overhead Underground Troubleshooter	2.00	2.00	2.00	2.00	—	\$330,720
Power Engineer	2.30	1.00	1.00	1.00	—	\$150,030
Principal Business Analyst	0.34	0.34	0.34	0.34	—	\$62,064
Program Assistant II	—	0.60	0.60	0.50	(0.10)	\$42,744
Project Manager	0.75	0.75	0.75	0.75	—	\$81,806
Resource Planner	3.65	2.85	2.85	2.80	(0.05)	\$401,914
SCADA Technologist	1.00	1.00	1.01	1.01	—	\$154,031
Senior Business Analyst	1.02	1.02	1.02	1.02	—	\$161,921
Senior Electrical Engineer	3.95	3.95	3.95	4.95	1.00	\$958,770
Senior Management Analyst	0.10	0.10	0.10	0.10	—	\$12,881
Senior Resource Planner	3.06	3.36	3.36	3.45	0.09	\$611,440
Senior Utilities Field Service Representative	0.10	0.10	0.10	0.10	—	\$11,588
Street Light, Traffic Signal & Fiber Technician	3.00	3.00	3.00	3.00	—	\$391,310
Street Light, Traffic Signal & Fiber-Lead	1.00	1.00	1.00	1.00	—	\$139,610
Substation Electrician	5.50	5.50	4.50	5.50	1.00	\$782,839
Substation Electrician (Freeze)	—	—	1.00	—	(1.00)	—
Substation Electrician-Lead	2.00	2.00	2.00	2.00	—	\$304,595
Supervising Electric Project Engineer	1.00	1.00	1.00	—	(1.00)	—
Sustainability Programs Administrator	—	—	—	2.95	2.95	\$342,266
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	\$88,150

UTILITIES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Utilities Compliance Technician	2.00	2.00	3.00	3.00	—	\$472,306
Utilities Compliance Technician-Lead	1.00	1.00	1.00	1.00	—	\$168,459
Utilities Credit/Collection Specialist	2.00	2.00	2.00	2.00	—	\$201,469
Utilities Engineer Estimator	3.25	3.25	3.23	3.23	—	\$422,605
Utilities Field Services Representative	0.50	0.50	0.50	0.50	—	\$54,184
Utilities Key Account Representative	1.35	1.35	1.35	1.35	—	\$162,106
Utilities Locator	1.95	1.95	1.95	1.95	—	\$203,652
Utilities Marketing Program Administrator	1.90	2.70	2.70	—	(2.70)	—
Utilities Safety Officer	0.55	0.55	0.55	0.55	—	\$69,841
Utilities Supervisor	5.00	5.00	5.00	6.50	1.50	\$1,087,070
Utilities System Operator	5.00	5.00	5.00	5.00	—	\$881,400
Utility Engineering Estimator - Lead	1.00	1.00	1.00	1.00	—	\$141,336
Subtotal: Full-Time Equivalent Positions	107.22	107.52	107.91	110.15	2.24	\$15,610,051
Temporary/Hourly	4.11	3.43	3.43	3.43	—	\$312,580
Total Positions	111.33	110.95	113.34	113.58	2.24	\$15,922,631

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	111.34	183,401,646	159,988,153	23,413,493
One-time Prior Year Budget Adjustments				
Electric Vehicle Chargers and Location Study		(50,000)	-	(50,000)
FY 2021 Management and Professionals Group Compensation Reduction		20,043	-	20,043
Staffing Resource Reduction		633,944	-	633,944
One-time Prior Year Budget Adjustments	0.00	603,987	0	603,987
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		906,109	-	906,109
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(1.65)	(339,107)	-	(339,107)
FY 2021 Inspector Reclass (CMR 12156)		3,340	-	3,340
Electric Customer Sales Revenue (0% Rate Change)		-	8,724,614	(8,724,614)
Electrification Programs		(230,625)		(230,625)
Return on Investments		-	20,000	(20,000)
Transfer from the General Fund (Traffic Signal and Streetlight Electric Costs)		-	(62,844)	62,844
Rents & Leases Expenditure Alignment		101,015	-	101,015
Utility Payment Processing		189,000	(14,951)	203,951
Transfer from the Water and Gas Fund (EL-11014 Smart Grid Installation)		-	(272,670)	272,670
Contract Services (Overhead Line Maintenance)		515,000	-	515,000
Low Carbon Fuel Standards (LCFS) Program	0.25	2,573,000	1,842,000	731,000
Equity Transfer to the General Fund		819,000	-	819,000
Surplus Energy Revenue		-	(2,565,000)	2,565,000
Electric Commodity Purchase Adjustments		8,057,338	3,005,474	5,051,864
Capital Improvement Program		4,071,279	-	4,071,279
General Fund Cost Allocation Plan		916,696	-	916,696
Grounds Maintenance Allocated Charges		643	-	643
General Liability Insurance Allocated Charges		72,147	-	72,147
Print & Mail Allocated Charges		33,125	-	33,125
Utilities Administration Allocated Charges Adjustment		138,938	-	138,938
Public Works Allocated Charges		1,488	-	1,488
Vehicle Replacement & Maintenance Charges		17,732	-	17,732
Workers' Compensation Allocated Charges		135,862	-	135,862

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Adjustments to Costs of Ongoing Activities	(1.40)	17,981,979	10,676,623	7,305,356
Total FY 2022 Base Budget	109.94	201,987,612	170,664,776	31,322,836
Budget Proposals				
1. Reclassification of Supervising Electrical Project Engineer to Senior Electric Engineer		-	-	-
2. Restore Positions from FY 2021 Staffing Freeze Eliminations	2.15	-	-	-
3. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments		-	100,143	(100,143)
4. Staffing Reallocations for S/CAP and Electrification	0.49	118,360	-	118,360
5. Staffing Reallocation of Utilities Supervisor Position	1.00	222,791	-	222,791
Budget Changes	3.64	341,151	100,143	241,008
Total FY 2022 Adopted Budget	113.58	202,328,763	170,764,919	31,563,844

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Reclassification of Supervising Electrical Project Engineer to Senior Electric Engineer	0.00	-	-	-

This action reclassifies 1.0 FTE Supervising Electrical Project Engineer (SEPE) to 1.00 FTE Senior Electric Engineer (SEE) in the Electrical Engineering (EE) group, and offsets some of those costs with anticipated reductions in training and travel expenses to provide increased supervisory level responsibility for major electrical design engineering projects such as the foothills rebuild for fire mitigation and fiber network expansion. In FY 2020, the EE group completed an evaluation of work priorities and hours, determining a staffing level of 6.0 FTE SEE and 6.0 FTE EE was needed to implement infrastructure replacement, safe and reliable electric service, customer service, resilience, and electrification goals. (Ongoing costs: \$410)

Performance Results



Reclassifying a Supervising Electrical Project Engineer (SEPE) to a Senior Electrical Engineer (SEE) will increase the supervisory experience to oversee emerging/existing electric priorities such as the fiber network expansion project for economic recovery, the foothills rebuild for fire mitigation, and EV charger infrastructure projects for S/CAP implementation.

2. Restore Positions from FY 2021 Staffing Freeze Eliminations	2.15	-	-	-

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)

This action restores 5.00 FTE previously frozen positions in the Utilities Department (2.15 FTE in the Electric Fund) and offsets costs with vacancy savings. In FY 2021, a total of 5.00 FTE positions were recommended to be frozen and defunded to provide high-cost savings at relatively low risk for one to two years, including 1.00 FTE Utilities Chief Operating Officer, 1.00 FTE Assistant Director Utilities Engineering, 1.00 FTE Utilities Supervisor, 1.00 FTE Substation Electrician, and 1.00 FTE Business Analyst. In the FY 2021 recommendation, the Utilities Department noted that issues may arise if positions were held vacant for more than two years as staffing needs may change to meet emerging priorities. This action restores these positions and offsets costs with salary reductions equivalent to holding the same vacancy level. (Ongoing costs: \$475,000)

Performance Results



This action contributes to cost containment strategies in FY 2022. Restoring these positions will help with the strategic organizational restructuring plans and implementation of programs such as Advanced Metering Infrastructure (AMI), Electrification and Fiber-to-the-Home. The use of vacancy savings to offset expenses will have no service delivery impact.

3. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments	0.00	-	100,143	(100,143)

This action adjusts revenue estimates for allocated charges to the new JMZ facility. Allocated Charges, such as electricity and refuse collection, are generally budgeted at the department level for charges incurred by multiple facilities. Therefore, the estimates for the new JMZ facility was based on proportions of FTE, building square footage ratios managed by the Community Services Department, and historic trends. These estimates continue to be refined and may be adjusted as appropriate through future budget processes. (Ongoing savings: \$100,143)

Performance Results



This action aligns anticipated revenues collected for allocated charges with estimates for the new Junior Museum and Zoo facility.

4. Staffing Reallocations for S/CAP and Electrification	0.49	118,360	-	118,360

This action reallocates staffing resources (net 0.49 FTE) to the Electric Fund to support the City's S/CAP and electrification plans. The Utilities Department evaluate their workplan annually and adjust FTE distribution among shared positions as priorities change. These changes include expanding responsibilities to implement the City's S/CAP and cover electric and gas administrative needs. The electric portfolio has become more complex, taking up more time on electric supply and demand management and less to other utilities. This action will reduce 0.53 FTE in Water, 0.20 FTE in Fiber; and increase 0.24 FTE in Gas, and 0.49 FTE in Electric, totaling an increase of \$118,360 to the Electric Fund FY 2022 operating budget. (Ongoing costs: \$122,340)

Performance Results



Reallocating these positions will support the City's S/CAP, electric vehicle infrastructure and electrification plans.

5. Staffing Reallocation of Utilities Supervisor Position	1.00	222,791	-	222,791

This action reallocates 1.0 FTE Utilities Supervisor from Water/Gas/Wastewater (WGW) Operations to Electric Operations. This will increase Electric Fund expenses by approximately \$223,000 and decrease Wastewater Collection Fund expenses by the same amount for a net zero change within the department. Due to growing demands for Electric line work, Electric needs at the supervisory level have increased. The impact from this recommendation will be minimal to the WGW group, which will continue to have sufficient supervisor level oversight to absorb the reallocation and help reduce the backlog of electric work triggered by line work demands. (Ongoing costs: \$230,000)

Performance Results



Reallocating a Utilities Supervisor from Water/Gas/Wastewater (WGW) Operations to Electric Operations will increase electric line construction supervisory experience to oversee increasing electric line inspection and oversight of contract construction work. This action will be little to no impact for WGW operations.



CITY OF
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FIBER OPTICS FUND

Description

In 1996, the City built a dark fiber ring around Palo Alto 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

- Developed scope of work to include installation of fiber from Dahl Reservoir to Montebello Reservoir to enable full remote control of valves at Montebello, installation of new weather station, and improvement of radio coverage in the foothills area for the wildfire mitigation plan. A second phase of the foothills project is to underground both electric and fiber infrastructure to further aid in the prevention of wildfires. Both phases run parallel and will take four years to complete.
- Completed a high-level fiber network design that incorporates current and future City needs, new dark fiber leasing and supports a future fiber-to-the-premise platform.
- Conducted a comprehensive asset inventory of Palo Alto's current fiber-optic network infrastructure data to determine its usefulness in supporting current and future AMI, Smart Grid, SCADA, and wireless communications applications.
- Accelerated effort to underground (and in the case of CalTrain, raise) fiber for both safety, fiber access, and aesthetics.

Initiatives

- Provide high-quality and competitively-priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto by further expanding the network so that it reaches more potential customers.

UTILITIES

- Complete substructure and dark fiber cable installation from the Park Boulevard Substation to the Stanford Research Park area to enhance network capacity to enable future expansion opportunities for licensing dark fiber for commercial purposes.
- Review local ordinances (i.e. Dig Once, One Touch Make Ready, Multi-unit Housing Access) to reduce construction costs and implementation time associated with a fiber network expansion.
- Install substructure cable on Arastradero to enhance network capacity for future expansion.
- Complete a detailed engineering design of the City's fiber backbone and fiber-to-the-home (FTTH) distribution network.
- Conduct FTTH education, community engagement, and residential and commercial broadband survey.
- Develop a detailed City-operated internet service provider (ISP) model.
- Determine financing options for FTTH.

Goals and Objectives

GOAL 1

Increase the value of fiber utility services to customers.

Objectives:

- Provide high-quality, 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

Goal	Provide excellent customer service.				
Objective	Provide high-quality and competitively-priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of commercial fiber connections completed	207	201	219	181	182
Description	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.				
Purpose	The purpose of this measure is to add value to companies doing business in Palo Alto by providing a cost-effective, world class telecommunications system. The goal is to build out and fully leverage the fiber network to add value to the business and other communities as needed.				
Status	The Fiber enterprise continues to build out the network to provide more service options to our ever expanding customer base. As part of the City's fiber expansion project, there will be opportunities to add new dark fiber leasing commercial customers in areas where the existing dark fiber ring does not serve.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of Customer Accounts (Fiber)	96	95	100	83	88
Number of Wholesale re-sellers	14	15	15	15	15

UTILITIES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
CIP Fiber Optics Fund	\$791,530	\$585,453	\$1,509,517	\$434,947	\$(1,074,570)	(71.2)%
Fiber Optics Administration	\$205,681	\$243,174	\$897,311	\$861,088	\$(36,222)	(4.0)%
Fiber Optics Customer Service	\$633,076	\$711,980	\$1,232,615	\$1,285,945	\$53,330	4.3%
Fiber Optics Operations and Maintenance	\$1,255,457	\$1,525,597	\$705,843	\$722,312	\$16,469	2.3%
Total	\$2,885,744	\$3,066,203	\$4,345,287	\$3,304,292	\$(1,040,994)	(24.0)%
Salary & Benefits						
Healthcare	\$152,237	\$151,002	\$138,139	\$163,883	\$25,744	18.6%
Other Benefits	\$23,681	\$28,769	\$33,590	\$33,711	\$120	0.4%
Overtime	\$20,229	\$36,669	\$26,184	\$26,865	\$681	2.6%
Pension	\$247,607	\$398,554	\$327,788	\$345,445	\$17,657	5.4%
Salary	\$884,605	\$988,766	\$984,062	\$977,380	\$(6,682)	(0.7)%
Workers' Compensation	\$19,047	\$41,272	\$28,690	\$38,216	\$9,526	33.2%
Total Salary and Benefits	\$1,347,406	\$1,645,032	\$1,538,453	\$1,585,499	\$47,046	3.1%
Dollars by Category						
Contract Services	\$173,912	\$113,338	\$454,646	\$470,646	\$16,000	3.5%
Supplies & Material	\$1,661	\$9,169	\$9,000	\$9,000	—	—%
General Expense	\$2,125	\$2,789	\$12,000	\$12,000	—	—%
Rents & Leases	\$77,787	\$80,821	\$53,531	\$54,539	\$1,008	1.9%
Facilities & Equipment	\$1,224	\$1,275	—	—	—	—%
Allocated Charges	\$412,690	\$537,896	\$756,042	\$724,778	\$(31,264)	(4.1)%
Transfer to Infrastructure	\$15,218	—	—	—	—	—%
Operating Transfers-Out	\$123,557	\$162,353	\$102,176	\$102,176	—	—%
Capital Improvement Program	\$730,163	\$513,530	\$1,419,438	\$345,655	\$(1,073,784)	(75.6)%
Total Dollars by Expense Category	\$2,885,744	\$3,066,203	\$4,345,287	\$3,304,292	\$(1,040,994)	(24.0)%
Revenues						
Charges for Services	\$26,712	\$24,038	—	—	—	—%
Charges to Other Funds	—	\$65,000	—	—	—	—%
Net Sales	\$4,566,484	\$4,483,752	\$4,716,421	\$4,368,722	\$(347,699)	(7.4)%
Other Revenue	\$163	\$235	\$200,000	\$200,000	—	—%
Return on Investments	\$683,895	\$714,944	\$646,700	\$646,700	—	—%
Total Revenues	\$5,277,254	\$5,287,969	\$5,563,121	\$5,215,422	\$(347,699)	(6.3)%
Positions by Division						

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
CIP Fiber Optics Fund	0.79	0.79	0.39	0.39	—	—%
Fiber Optics Customer Service	3.68	3.58	3.58	3.38	(0.20)	(5.6)%
Fiber Optics Operations and Maintenance	3.13	3.13	3.13	3.13	—	—%
Total	7.60	7.50	7.10	6.90	(0.20)	(2.8)%

UTILITIES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Administrative Associate II	0.20	0.20	0.20	0.20	—	\$15,679
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	\$40,589
Assistant Director Utilities Engineering	0.05	0.05	—	0.05	0.05	\$10,871
Assistant Director Utilities Engineering (Freeze)	—	—	0.05	—	(0.05)	—
Business Analyst	0.30	0.30	0.30	0.10	(0.20)	\$15,533
Electric Project Engineer	0.05	0.45	0.05	0.05	—	\$7,956
Manager Utilities Compliance	0.10	0.10	0.10	0.10	—	\$19,687
Manager Utilities Credit & Collection	0.40	0.40	0.40	0.40	—	\$63,740
Manager Utilities Program Services	0.20	0.20	0.20	0.20	—	\$30,335
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	—	\$154,586
Power Engineer	0.40	—	—	—	—	—
Senior Electrical Engineer	0.05	0.05	0.05	0.05	—	\$9,637
Street Light, Traffic Signal & Fiber Technician	2.00	2.00	2.00	2.00	—	\$260,874
Street Light, Traffic Signal & Fiber-Lead	1.00	1.00	1.00	1.00	—	\$139,610
Utilities Key Account Representative	0.80	0.80	0.80	0.80	—	\$96,063
Utilities Locator	0.03	0.03	0.03	0.03	—	\$3,133
Subtotal: Full-Time Equivalent Positions	6.78	6.78	6.38	6.18	(0.20)	\$868,291
Temporary/Hourly	0.82	0.72	0.72	0.72	—	\$75,259
Total Positions	7.60	7.50	7.10	6.90	(0.20)	\$943,551

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	7.10	4,345,287	5,563,121	(1,217,834)
One-Time Prior Year Budget Adjustments				
Staffing Resource Reduction		15,107		15,107
One-Time Prior Year Budget Adjustments	0.00	15,107	-	15,107
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		44,936	-	14,835
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(0.05)	(15,051)		(15,051)
Rents & Leases Expenditure Alignment		1,008	-	1,008
Other Contract Expenses		16,000	-	16,000
Fiber Optics Revenue		0	(347,699)	347,699
Capital Improvement Program		(1,073,784)	-	(1,073,784)
General Fund Cost Allocation Plan		(29,721)	-	(29,721)
Liability Insurance Allocated Charges		5,966	-	5,966
Utilities Administration Allocated Charges		(7,509)	-	(7,509)
Workers' Compensation Allocated Charges		9,526	-	9,526
Adjustments to Costs of Ongoing Activities	(0.05)	(1,048,630)	(347,699)	(700,930)
Total FY 2022 Base Budget	7.05	3,311,764	5,215,422	(1,903,658)
Budget Proposals				
1. Staffing Reallocations for S/CAP and Electrification	(0.20)	(41,472)	-	(41,472)
2. Communications Staffing and Programming	0.00	34,000	-	34,000
3. Restore Positions from FY 2021 Staffing Freeze Eliminations	0.05	-	-	-
Budget Changes	(0.15)	(7,472)	-	(7,472)
Total FY 2022 Adopted Budget	6.90	3,304,292	5,215,422	(1,911,130)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Staffing Reallocations for S/CAP and Electrification	(0.20)	(41,472)	-	(41,472)

This action reallocates staffing resources (net 0.20 FTE) from Fiber Fund to the Electric Fund to support the City's S/CAP and electrification plans. The Utilities Department evaluate their workplan annually and adjust FTE distribution among shared positions as priorities change. These changes include expanding responsibilities to implement the City's S/CAP and cover electric and gas administrative needs. The electric portfolio has become more complex, taking up more time on electric supply and demand management and less to other utilities. This action will reduce 0.53 FTE in Water, 0.20 FTE in Fiber; and increase 0.24 FTE in Gas, and 0.49 FTE in Electric, totaling an increase of \$118,360 to the Electric Fund FY 2022 operating budget. (Ongoing savings: \$42,700)

Performance Results



Reallocating these positions will support the City's S/CAP, electric vehicle infrastructure and electrification plans.

2. Communications Staffing and Programming	0.00	34,000	-	34,000

This action increases resources for communications programming, contract expense, and staffing levels. This action recognizes expenses equivalent to underfilling the Communications Manager position at a lower level (e.g. Management Analyst level) in order to balance the need to lower the General Fund cost of services while still working to achieve current Council priorities for engagement for key projects approved, such as but not limited to the Fiber to the Home Initiative, as part of the Community and Economic Recovery work plan. With this focus, a portion of the position is recommended to be reallocated from the City Managers Office to the Fiber Fund as well for the implementation of the Fiber to the Home initiative. (Ongoing costs: \$34,000)

Performance Results



This action contributes to cost containment strategies in FY 2022.

3. Restore Positions from FY 2021 Staffing Freeze Eliminations	0.05	-	-	-

This action restores 5.00 FTE previously frozen positions in the Utilities Department (0.05 FTE in the Fiber Fund) and offsets costs with vacancy savings. In FY 2021, a total of 5.00 FTE positions were recommended to be frozen and defunded to provide high-cost savings at relatively low risk for one to two years, including 1.00 FTE Utilities Chief Operating Officer, 1.00 FTE Assistant Director Utilities Engineering, 1.00 FTE Utilities Supervisor, 1.00 FTE Substation Electrician, and 1.00 FTE Business Analyst. In the FY 2021 recommendation, the Utilities Department noted that issues may arise if positions were held vacant for more than two years as staffing needs may change to meet emerging priorities. This action restores these positions and offsets costs with salary reductions equivalent to holding the same vacancy level. Ongoing costs: \$15,500)

Performance Results



This action contributes to cost containment strategies in FY 2022. Restoring these positions will help with the strategic organizational restructuring plans and implementation of programs such as Advanced Metering Infrastructure (AMI), Electrification and Fiber-to-the-Home. The use of vacancy savings to offset expenses will have no service delivery impact.

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

- Completed inspection of 480 sanitary sewer laterals in Phase II of the Crossbore Gas Safety Program, for which the contract was terminated prematurely due to COVID-19. Resumed and completed bid solicitation in Phase III of the Crossbore Gas Safety Program to inspect high priority sanitary sewers for the presence of natural gas pipelines.
- Replaced multiple gas emergency valves with active gas leaks on large diameter gas mains throughout the City.
- Launched virtual home efficiency audit to residential customers, providing alternatives to in-person visits.
- Completed the multi-year refrigerator recycling pilot program successfully to capture refrigerants and offset greenhouse gas emissions which could be applied in the Carbon Neutral Gas Portfolio for the gas utility. Evaluated options to continue the program and acquire carbon offsets for Carbon Neutral Gas program.

Initiatives

- Begin Phase III of the Advanced Metering Infrastructure (AMI) / Smart Grid project including selection and implementation of AMI network, meter data management system (MDMS), and replacement of up to 1,630 gas meters. Project will be completed in FY 2024.
- Complete construction of the Gas Main Replacement 23 (GS-13001) project within business districts to replace approximately 22,000 linear feet of natural gas mains and natural gas service pipelines made of Polyvinyl Chloride (PVC).
- Complete design of the Gas Main Replacement 24 Project (GS-14003).

UTILITIES

- Complete first year construction of the 2-year project for Phase III Crossbore Gas Safety Program to inspect 1,480 high priority sanitary sewers for the presence of natural gas pipelines.
- Launch a new gas efficiency program to provide customers with online efficiency and usage comparison tools, a marketplace and an energy challenge platform.

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

Goal	Provide safe and efficient delivery of natural gas to customers.				
Objective	Respond to and repair all Grade 1 gas leaks immediately.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of Grade 1 leaks responded to within 24 hours	100%	100%	100%	100%	100%
Description	This measures the total response time to Grade 1 leaks found during the walking and mobile (vehicle) surveys and any reported leaks classified as Grade 1. The City's policy is to respond and repair Grade 1 leaks within 24 hours. Grade 1 leaks are hazardous leaks that pose an immediate hazard to persons or property and require continuous action until conditions are no longer hazardous.				
Purpose	Leaks are assigned priority gradings according to location, extent of migration, gas concentration, potential for concentration, ignition sources, and potential hazard to the public and property. These priority grades are intended only as guidelines.				
Status	Utilities Operations responds immediately to Grade 1 leaks. The average repair time can vary depending on the size and location of the gas leak.				

GAS SAFETY

Goal	Provide safe and efficient delivery of natural gas to our customers.				
Objective	Complete a walking gas leak survey for 50 percent of the City and a mobile gas leak survey of services in business districts and 100 percent of the City's gas mains on an annual basis.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of gas system surveyed by mobile (vehicle)	100%	100%	100%	100%	100%
Percentage of gas system surveyed by walking	100%	100%	100%	100%	100%
Description	A walking survey is conducted to check for gas leaks on service/gas meters and covers one-half of the City (approximately 105 miles of gas mains and 36 miles of service lines) every year, so that the entire City's gas service system can be reviewed in a two-year period. 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.				
Purpose	To ensure the safety of all who live and work in Palo Alto and to comply with Federal DOT requirements.				
Status	The department is meeting the requirements and repairing all discovered gas leaks in a timely manner.				

INCREASE ENVIRONMENTAL SUSTAINABILITY AND PROMOTE EFFICIENT USE OF NATURAL GAS RESOURCES

Goal	Support environmental sustainability and promote efficient use of natural gas resources.
Objective	Increase gas efficiency participation.

Key Performance Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Natural gas savings achieved annually through efficiency programs (therms)	301,000	61,203	314,000	188,000	283,000
Description	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 retrocommissioning.				
Purpose	The carbon intensity of the natural gas portfolio is a function of where and how the gas is acquired and how much of it is burned in use. Improving gas efficiency directly reduces the gas-related carbon footprint in Palo Alto.				
Status	The gas efficiency savings goal was last established in 2017. The decline in efficiency savings are due to several reasons; declining gas load, delay in savings claimed from home energy reports, and suspension in the Residential, Small Business, and Commercial and Industrial programs due to restricted on-site visits as a result of COVID-19.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of Customer Accounts (Gas)	23,629	23,388	23,629	23,388	23,393
Number of gas leaks repaired	126	116	75	89	75

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
CIP Gas Fund	\$9,145,930	\$4,792,591	\$9,283,062	\$4,646,504	\$(4,636,558)	(49.9)%
Gas Administration	\$10,587,695	\$11,259,621	\$12,930,871	\$13,421,182	\$490,311	3.8%
Gas Customer Service	\$1,558,608	\$1,873,711	\$1,922,079	\$2,081,145	\$159,066	8.3%
Gas Demand Side Management	\$536,424	\$550,164	\$1,578,651	\$1,534,524	\$(44,127)	(2.8)%
Gas Engineering (Operating)	\$400,087	\$666,285	\$613,019	\$619,617	\$6,598	1.1%
Gas Operations and Maintenance	\$4,957,368	\$5,333,536	\$7,538,469	\$6,886,078	\$(652,391)	(8.7)%
Gas Resource Management	\$16,358,006	\$11,565,288	\$14,839,770	\$17,305,699	\$2,465,929	16.6%
Total	\$43,544,118	\$36,041,196	\$48,705,920	\$46,494,749	\$(2,211,171)	(4.5)%
Salary & Benefits						
Healthcare	\$911,670	\$932,202	\$1,074,047	\$1,162,457	\$88,410	8.2%
Other Benefits	\$134,145	\$148,073	\$199,862	\$209,052	\$9,191	4.6%
Overtime	\$192,593	\$211,699	\$203,318	\$208,604	\$5,286	2.6%
Pension	\$1,428,625	\$2,304,625	\$2,125,769	\$2,311,216	\$185,447	8.7%
Retiree Medical	\$667,617	\$687,645	\$663,940	\$674,796	\$10,856	1.6%
Salary	\$4,379,447	\$4,336,114	\$5,928,585	\$6,098,027	\$169,443	2.9%
Workers' Compensation	\$124,864	\$251,034	\$173,173	\$230,670	\$57,497	33.2%
Total Salary and Benefits	\$7,838,959	\$8,871,393	\$10,368,694	\$10,894,823	\$526,129	5.1%
Dollars by Category						
Utility Purchase	\$15,957,533	\$11,102,378	\$14,051,296	\$16,407,111	\$2,355,815	16.8%
Contract Services	\$542,232	\$785,800	\$2,441,313	\$1,386,313	\$(1,055,000)	(43.2)%
Supplies & Material	\$355,647	\$304,614	\$495,316	\$495,316	—	—%
General Expense	\$358,847	\$296,353	\$778,491	\$897,991	\$119,500	15.4%
Rents & Leases	\$757,276	\$785,958	\$610,121	\$619,916	\$9,795	1.6%
Debt Service	\$179,933	\$155,636	\$802,615	\$802,615	—	—%
Facilities & Equipment	\$8,570	\$8,924	\$1,840	\$1,840	—	—%
Allocated Charges	\$2,527,804	\$2,774,599	\$4,785,034	\$5,256,073	\$471,039	9.8%
Transfer to Infrastructure	\$84,833	—	—	—	—	—%
Operating Transfers-Out	\$713,892	\$741,394	\$414,965	\$161,320	\$(253,645)	(61.1)%
Equity Transfer	\$6,601,000	\$6,942,000	\$7,114,000	\$7,429,000	\$315,000	4.4%
Capital Improvement Program	\$7,617,592	\$3,272,147	\$6,842,237	\$2,142,432	\$(4,699,805)	(68.7)%
Total Dollars by Expense Category	\$43,544,118	\$36,041,196	\$48,705,920	\$46,494,749	\$(2,211,171)	(4.5)%

UTILITIES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Revenues						
Charges for Services	\$34,269	\$23,685	\$20,000	\$20,000	—	—%
Charges to Other Funds	\$111,459	\$126,522	\$105,529	\$108,167	\$2,638	2.5%
Net Sales	\$40,955,173	\$36,343,849	\$37,161,478	\$40,741,500	\$3,580,022	9.6%
Other Revenue	\$1,023,183	\$931,433	\$913,000	\$913,000	—	—%
Return on Investments	\$596,995	\$578,171	\$621,800	\$621,800	—	—%
Total Revenues	\$42,721,079	\$38,003,661	\$38,821,807	\$42,404,467	\$3,582,660	9.2%
Positions by Division						
CIP Gas Fund	15.80	15.80	11.73	11.73	—	—%
Gas Customer Service	9.13	9.03	9.03	9.03	—	—%
Gas Demand Side Management	1.54	1.54	1.54	1.28	(0.26)	(16.9)%
Gas Engineering (Operating)	1.40	1.40	1.85	1.85	—	—%
Gas Operations and Maintenance	24.30	24.30	27.92	27.68	(0.24)	(0.9)%
Gas Resource Management	1.66	1.76	1.76	2.00	0.24	13.6%
Total	53.83	53.83	53.83	53.57	(0.26)	(0.5)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Account Specialist	0.23	0.23	0.23	0.23	—	\$18,002
Administrative Associate II	0.85	0.60	0.60	0.60	—	\$47,037
Assistant Director Administrative Services	0.05	0.05	0.05	0.05	—	\$9,116
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	\$40,589
Assistant Director Utilities Engineering	0.20	0.20	—	0.20	0.20	\$43,484
Assistant Director Utilities Engineering (Freeze)	—	—	0.20	—	(0.20)	—
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	\$34,077
Assistant Director Utilities/ Resource Management	0.25	0.25	0.25	0.20	(0.05)	\$41,779

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Business Analyst	1.15	1.15	0.90	1.05	0.15	\$163,102
Business Analyst (Freeze)	—	—	0.25	—	(0.25)	—
Cathodic Protection Technician Assistant	1.00	1.00	1.00	1.00	—	\$106,621
Cathodic Technician	1.00	1.00	1.00	1.00	—	\$130,853
Cement Finisher	0.68	0.68	0.68	0.68	—	\$64,652
Contracts Administrator	0.10	0.10	0.10	0.10	—	\$11,529
Coordinator Utilities Projects	1.26	1.26	1.26	1.26	—	\$144,092
Customer Service Representative	1.87	1.87	1.87	1.87	—	\$145,277
Customer Service Specialist	0.68	0.68	0.68	0.68	—	\$58,089
Customer Service Specialist-Lead	0.58	0.58	0.58	0.58	—	\$52,985
Engineer	2.00	2.00	2.00	2.00	—	\$281,008
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	\$32,248
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	\$66,540
Engineering Technician III	0.70	0.70	0.70	0.70	—	\$68,985
Gas and Water Meter Measurement and Control Technician	3.20	3.20	3.40	3.40	—	\$345,326
Gas and Water Meter Measurement and Control Technician - Lead	0.80	0.80	0.80	0.80	—	\$86,944
Heavy Equipment Operator	2.52	2.52	—	—	—	—
Heavy Equipment Operator - Install/Repair	0.65	0.65	0.65	0.65	—	\$68,635
Inspector, Field Services	1.42	1.42	2.05	—	(2.05)	—
Inspector, WGW Utilities Field Svc	—	—	—	2.05	2.05	\$239,558
Maintenance Mechanic-Welding	1.00	1.00	1.00	1.00	—	\$106,538
Manager Customer Service	0.33	0.33	0.33	0.33	—	\$52,070
Manager Treasury, Debt & Investments	0.10	0.10	0.10	0.10	—	\$15,504
Manager Utilities Compliance	0.25	0.25	0.25	0.25	—	\$49,218
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	\$23,902

UTILITIES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Manager Utilities Operations WGW	0.20	0.20	0.20	0.20	—	\$37,041
Manager Utilities Program Services	0.20	0.20	0.20	0.20	—	\$30,335
Meter Reader	1.98	1.98	1.98	1.98	—	\$144,556
Meter Reader-Lead	0.33	0.33	0.33	0.33	—	\$25,781
Principal Business Analyst	0.33	0.33	0.33	0.33	—	\$60,238
Program Assistant I	0.33	0.33	0.33	0.33	—	\$26,255
Program Assistant II	—	0.25	0.25	0.30	0.05	\$25,646
Project Engineer	1.00	1.00	1.00	1.00	—	\$151,216
Resource Planner	0.65	0.45	0.45	0.70	0.25	\$100,479
Restoration Lead	0.43	0.43	0.43	0.43	—	\$48,530
SCADA Technologist	0.20	0.20	0.10	0.10	—	\$15,251
Senior Business Analyst	0.99	0.99	0.99	0.99	—	\$157,158
Senior Engineer	2.70	2.70	2.35	2.35	—	\$400,449
Senior Mechanic	0.33	0.33	0.33	0.33	—	\$37,388
Senior Resource Planner	0.46	0.56	0.56	0.65	0.09	\$116,421
Senior Utilities Field Service Representative	0.41	0.41	0.41	0.41	—	\$47,509
Substation Electrician	0.10	0.10	0.25	0.25	—	\$35,584
Sustainability Programs Administrator	—	—	—	0.65	0.65	\$75,415
Utilities Engineer Estimator	0.85	0.85	0.73	0.73	—	\$91,288
Utilities Field Services Representative	1.75	1.75	1.75	1.75	—	\$189,644
Utilities Install Repair-Lead-Welding Certified	1.30	1.30	0.77	0.77	—	\$90,859
Utilities Install Repair-Welding Certified	1.95	1.95	1.43	1.43	—	\$141,077
Utilities Install/Repair	3.85	3.85	4.56	4.56	—	\$481,828
Utilities Install/Repair Assistant	0.65	0.65	0.65	0.65	—	\$58,244
Utilities Install/Repair-Lead	1.98	1.98	1.93	1.93	—	\$205,564
Utilities Key Account Representative	0.50	0.50	0.50	0.50	—	\$60,039
Utilities Locator	0.29	0.29	0.29	0.29	—	\$30,287
Utilities Marketing Program Administrator	0.70	0.90	0.90	—	(0.90)	—

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Utilities Safety Officer	0.20	0.20	0.20	0.20	—	\$25,397
Utilities Supervisor	2.37	2.37	1.87	2.12	0.25	\$322,355
Utilities Supervisor (Freeze)	—	—	0.50	—	—	—
Water System Operator II	0.66	0.66	0.66	0.66	—	\$65,345
WGW Heavy Equipment Operator	—	—	2.50	2.50	—	\$263,484
Subtotal: Full-Time Equivalent Positions	51.54	51.64	51.64	51.38	(0.26)	\$6,108,421
Temporary/Hourly	2.29	2.19	2.19	2.19	—	\$148,151
Total Positions	53.83	53.83	53.83	53.57	(0.26)	\$6,256,572

UTILITIES

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	53.83	48,705,920	38,821,807	9,884,113
One-time Prior Year Budget Adjustments				
Staffing Resource Reduction		219,298		219,298
FY 2021 Management and Professionals Group Compensation Reduction		3,685	-	3,685
One-time Prior Year Budget Adjustments	0.00	222,983	0	222,983
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		443,160	-	443,160
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(0.95)	(224,545)	-	(224,545)
FY 2021 Inspector Reclass (CMR 12156)		19,429	-	19,429
Gas Customer Sales Revenue Adjustments (3% Rate Increase)			3,540,568	(3,540,568)
Crossbore Inspection Program		(1,055,000)	-	(1,055,000)
Transfer to Water Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data)		(253,645)	-	(253,645)
Low Carbon Fuel Standards (LCFS) Program	(0.25)	(33,975)	-	(33,975)
Other Revenues			3,438	(3,438)
Rents & Leases Expenditure Alignment		9,795	-	9,795
Other General Expenses		119,500	-	119,500
Equity Transfer to the General Fund		315,000	-	315,000
Gas Commodity Purchase Adjustments		2,355,815	-	2,355,815
Capital Improvement Program		(4,699,805)	-	(4,699,805)
General Fund Cost Allocation Plan		427,877	-	427,877
General Liability Insurance Allocated Charges		31,559	-	31,559
Grounds Maintenance Allocated Charges		116	-	116
Printing & Mailing Allocated Charges		11,408	-	11,408
Stormwater Management Allocated Charges		(9)	-	(9)
Utilities Administration Allocated Charges Adjustment		(8,698)	-	(8,698)
Vehicle Replacement & Maintenance Charges		8,785	-	8,785
Workers' Compensation Allocated Charges		57,497	-	57,497
Adjustments to Costs of Ongoing Activities	(1.20)	(2,475,735)	3,544,006	(6,019,741)
Total FY 2022 Base Budget	52.63	46,453,168	42,365,813	4,087,355
Budget Adjustments				

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Restore Positions from FY 2021 Staffing Freeze Eliminations	0.70	-	-	-
2. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments	0.00	-	38,654	(38,654)
3. Staffing Reallocations for S/CAP and Electrification	0.24	41,581	-	41,581
Total Budget Adjustments	0.94	41,581	38,654	2,927
Total FY 2022 Adopted Budget	53.57	46,494,749	42,404,467	4,090,282

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Restore Positions from FY 2021 Staffing Freeze Eliminations	0.70	-	-	-

This action restores 5.00 FTE previously frozen positions in the Utilities Department (0.70 FTE in the Gas Fund) and offsets costs with vacancy savings. In FY 2021, a total of 5.00 FTE positions were recommended to be frozen and defunded to provide high-cost savings at relatively low risk for one to two years, including 1.00 FTE Utilities Chief Operating Officer, 1.00 FTE Assistant Director Utilities Engineering, 1.00 FTE Utilities Supervisor, 1.00 FTE Substation Electrician, and 1.00 FTE Business Analyst. In the FY 2021 recommendation, the Utilities Department noted that issues may arise if positions were held vacant for more than two years as staffing needs may change to meet emerging priorities. This action restores these positions and offsets costs with salary reductions equivalent to holding the same vacancy level. (Ongoing costs: \$171,000)

Performance Results



This action contributes to cost containment strategies in FY 2022. Restoring these positions will help with the strategic organizational restructuring plans and implementation of programs such as Advanced Metering Infrastructure (AMI), Electrification and Fiber-to-the-Home. The use of vacancy savings to offset expenses will have no service delivery impact.

2. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments	-	-	38,654	(38,654)

This action adjusts revenue estimates for allocated charges to the new JMZ facility. Allocated Charges, such as electricity and refuse collection, are generally budgeted at the department level for charges incurred by multiple facilities. Therefore, the estimates for the new JMZ facility was based on proportions of FTE, building square footage ratios managed by the Community Services Department, and historic trends. These estimates continue to be refined and may be adjusted as appropriate through future budget processes. (Ongoing savings: \$38,700)

Performance Results



This action aligns anticipated revenues collected for allocated charges with estimates for the new Junior Museum and Zoo facility.

3. Staffing Reallocations for S/CAP and Electrification	0.24	41,581	-	41,581

This action reallocates staffing resources (net 0.24 FTE) to the Gas Fund to support the City's S/CAP and electrification plans. The Utilities Department evaluate their work plan annually and adjust FTE distribution among shared positions as priorities change. These changes include expanding responsibilities to implement the City's S/CAP and cover electric and gas administrative needs. The electric portfolio has become more complex, taking up more time on electric supply and demand management and less to other utilities. This action will reduce 0.53 FTE in Water, 0.20 FTE in Fiber; and increase 0.24 FTE in Gas, and 0.49 FTE in Electric, totaling an increase of \$118,360 to the Electric Fund FY 2022 operating budget. (Ongoing costs: \$42,200)

Performance Results



Reallocating these positions will support the City's S/CAP, electric vehicle infrastructure and electrification plans.

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 29 (WC-16001) to replace approximately 8,952 linear feet of sanitary sewer mains, 154 service laterals, as well as replacement and rehabilitation of 41 sewer manholes in the Charleston Meadows neighborhood.
- Completed design of Sanitary Sewer Replacement Project 30 (WC-17001) to replace approximately 8,257 linear feet of sanitary sewer mains and associated laterals in the Ventura and Fair Meadows neighborhoods.
- Started the deployment of a new software for Operations to manage Wastewater Collection system maintenance activities to streamline maintenance activities. The new software also enables staff to update maintenance activities in real-time while in the field.
- Implemented a wastewater collection cost of service update in FY 2022 rates to ensure that each customer class pay its share of the system costs.

Initiatives

- Begin construction of Sanitary Sewer Replacement Project 30 (SSR 30) to replace approximately 8,257 linear feet of sanitary sewer mains and associated laterals in the Ventura and Fair Meadows neighborhoods.

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

Goal	Maintain and provide a reliable wastewater system to customers.				
Objective	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 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of sewer laterals inspected annually	21%	19%	18%	20%	20%
Description	The purpose of the Sewer System Management Plan (SSMP) is to maintain and improve the condition of the collection system infrastructure; control infiltration and provide appropriate sewer capacity; and minimize the number and impact of sanitary sewer overflows. The goal is to perform sewer main cleaning of the entire collection system every 30 months (81.6 miles per year). This measures inspections and maintenance of 17 percent of City-owned laterals annually using closed-circuit television (CCTV) inspection data, including results of the on-going crossbore lateral inspection program, to target sewer mains and lower laterals for rehabilitation and replacement.				
Purpose	To prevent blockage, sewer overflows, and to comply with the City's SSMP, all the City's sewer mains must be cleaned within 30 months.				
Status	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 percent, or 3,528, laterals of 18,141 in the City.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of Customer Accounts (Wastewater)	22,599	27,663	22,010	22,700	22,700
Number of miles of sewer lines cleaned/treated in a fiscal year	162	130	75	145	145
Percent of sewage spill responses within two hours%	98%	98%	100%	100%	100%
Percent of surveyed residents rating the quality of the Sewer Service as good/excellent%	N/A*	87%	N/A*	87%	N/A*
Number of sewage overflows	67	60	60	40	40
Percent of miles of sewer lines replaced%	1.00%	0.90%	1.00%	0.00%	0.40%

*The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A." As approved by the City Council, this FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is proposed to take place in FY 2023.

UTILITIES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
CIP Wastewater Collection Fund	\$3,328,061	\$5,420,422	\$4,842,433	\$6,050,850	\$1,208,417	25.0%
Wastewater Collection Administration	\$1,755,355	\$2,467,711	\$2,914,040	\$2,960,436	\$46,395	1.6%
Wastewater Collection Customer Service	\$306,092	\$366,154	\$367,727	\$440,686	\$72,958	19.8%
Wastewater Collection Engineering (Operating)	\$328,587	\$339,430	\$425,122	\$421,617	\$(3,505)	(0.8)%
Wastewater Collection Operations and Maintenance	\$12,697,456	\$13,700,140	\$15,347,934	\$15,243,417	\$(104,517)	(0.7)%
Total	\$18,415,551	\$22,293,857	\$23,897,257	\$25,117,005	\$1,219,748	5.1%
Salary & Benefits						
Healthcare	\$521,663	\$526,938	\$591,131	\$641,342	\$50,211	8.5%
Other Benefits	\$66,144	\$76,320	\$101,915	\$98,493	\$(3,422)	(3.4)%
Overtime	\$200,097	\$162,719	\$158,939	\$163,071	\$4,132	2.6%
Pension	\$777,467	\$1,253,764	\$1,144,899	\$1,192,789	\$47,890	4.2%
Retiree Medical	\$259,629	\$267,418	\$256,185	\$260,374	\$4,189	1.6%
Salary	\$2,307,005	\$3,011,194	\$3,194,454	\$3,016,057	\$(178,397)	(5.6)%
Workers' Compensation	\$68,779	\$140,115	\$96,792	\$128,928	\$32,137	33.2%
Total Salary and Benefits	\$4,200,783	\$5,438,468	\$5,544,315	\$5,501,055	\$(43,260)	(0.8)%
Dollars by Category						
Utility Purchase	\$9,842,738	\$10,233,626	\$11,255,702	\$11,153,615	\$(102,087)	(0.9)%
Contract Services	\$142,314	\$186,469	\$248,986	\$248,986	—	—%
Supplies & Material	\$236,250	\$285,517	\$380,618	\$380,618	—	—%
General Expense	\$91,013	\$86,744	\$122,900	\$169,400	\$46,500	37.8%
Rents & Leases	\$420,220	\$435,982	\$351,729	\$356,790	\$5,061	1.4%
Debt Service	\$33,560	\$28,580	\$129,001	\$129,001	—	—%
Facilities & Equipment	\$4,897	\$5,099	\$3,000	\$3,000	—	—%
Allocated Charges	\$925,975	\$880,704	\$2,863,022	\$3,050,597	\$187,574	6.6%
Transfer to Infrastructure	\$47,444	—	—	—	—	—%
Operating Transfers-Out	\$340,672	\$467,350	\$278,630	\$161,320	\$(117,310)	(42.1)%
Capital Improvement Program	\$2,129,686	\$4,245,316	\$2,719,352	\$3,962,623	\$1,243,270	45.7%
Total Dollars by Expense Category	\$18,415,551	\$22,293,857	\$23,897,257	\$25,117,005	\$1,219,748	5.1%
Revenues						

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Charges for Services	\$21,253	\$18,985	\$10,000	\$10,000	—	—%
Charges to Other Funds	\$30,890	\$44,871	\$33,238	\$34,069	\$831	2.5%
Net Sales	\$20,129,208	\$21,185,380	\$21,415,012	\$20,615,857	\$(799,155)	(3.7)%
Other Revenue	\$313,720	\$190,542	\$302,000	\$152,000	\$(150,000)	(49.7)%
Return on Investments	\$201,076	\$210,940	\$244,400	\$244,400	—	—%
Total Revenues	\$20,696,146	\$21,650,718	\$22,004,650	\$21,056,326	\$(948,324)	(4.3)%
Positions by Division						
CIP Wastewater Collection Fund	12.52	12.52	9.82	9.45	(0.37)	(3.8)%
Wastewater Collection Customer Service	2.22	2.22	2.22	2.22	—	—%
Wastewater Collection Engineering (Operating)	1.40	1.40	1.40	1.40	—	—%
Wastewater Collection Operations and Maintenance	13.02	13.02	15.06	14.43	(0.64)	(4.2)%
Total	29.16	29.16	28.50	27.50	(1.00)	(3.5)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Account Specialist	0.23	0.23	0.23	0.23	—	\$18,002
Administrative Associate II	0.40	0.40	0.40	0.40	—	\$31,358
Assistant Director Utilities Engineering	0.15	0.15	—	0.15	0.15	\$32,613
Assistant Director Utilities Engineering (Freeze)	—	—	0.15	—	(0.15)	—
Assistant Director Utilities Operations	0.10	0.10	0.10	0.10	—	\$22,718
Business Analyst	0.75	0.75	0.50	0.75	0.25	\$116,501
Business Analyst (Freeze)	—	—	0.25	—	(0.25)	—
Cement Finisher	0.76	0.76	0.76	0.76	—	\$72,258
Contracts Administrator	0.05	0.05	0.05	0.05	—	\$5,765
Coordinator Utilities Projects	1.10	1.10	1.10	1.10	—	\$125,794
Customer Service Representative	1.45	1.45	1.45	1.45	—	\$112,648

UTILITIES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Customer Service Specialist-Lead	0.25	0.25	0.25	0.25	—	\$22,838
Engineer	1.00	1.00	1.00	1.00	—	\$140,504
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	\$32,248
Engineering Manager - WGW	0.34	0.34	0.34	0.34	—	\$68,556
Engineering Technician III	0.45	0.45	0.45	0.45	—	\$44,348
Heavy Equipment Operator	0.23	0.23	—	—	—	—
Heavy Equipment Operator - Install/Repair	3.15	3.15	3.15	3.15	—	\$315,006
Industrial Waste Investigator	0.50	0.50	0.50	0.50	—	\$54,704
Inspector, Field Services	1.68	1.68	0.96	—	(0.96)	—
Inspector, WGW Utilities Field Svc	—	—	—	0.96	0.96	\$112,028
Maintenance Mechanic-Welding	0.20	0.20	0.20	0.20	—	\$21,308
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	\$23,902
Manager Utilities Operations WGW	0.30	0.30	0.30	0.30	—	\$55,561
Program Assistant I	0.34	0.34	0.34	0.34	—	\$27,050
Project Engineer	2.00	2.00	2.00	2.00	—	\$302,432
Restoration Lead	0.26	0.26	0.26	0.26	—	\$29,344
Senior Engineer	1.30	1.30	0.91	0.91	—	\$148,083
Senior Mechanic	0.33	0.33	0.33	0.33	—	\$37,388
Utilities Engineer Estimator	0.47	0.47	0.56	0.56	—	\$68,831
Utilities Field Services Representative	1.25	1.25	1.25	1.25	—	\$135,460
Utilities Install Repair-Lead-Welding Certified	0.24	0.24	0.58	0.58	—	\$68,439
Utilities Install Repair-Welding Certified	0.36	0.36	0.63	0.63	—	\$67,816
Utilities Install/Repair	4.25	4.25	4.00	4.00	—	\$422,656
Utilities Install/Repair-Lead	2.00	2.00	2.00	2.00	—	\$230,589
Utilities Locator	0.39	0.39	0.39	0.39	—	\$40,730
Utilities Safety Officer	0.10	0.10	0.10	0.10	—	\$12,698
Utilities Supervisor	1.72	1.72	1.72	0.72	(1.00)	\$99,740

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
WGW Heavy Equipment Operator	—	—	0.23	0.23	—	\$24,241
Subtotal: Full-Time Equivalent Positions	28.40	28.40	27.74	26.74	(1.00)	\$3,144,158
Temporary/Hourly	0.76	0.76	0.76	0.76	—	\$51,933
Total Positions	29.16	29.16	28.50	27.50	(1.00)	\$3,196,091

UTILITIES

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	28.50	23,897,257	22,004,650	1,892,607
One-time Prior Year Budget Adjustments				
Staffing Resource Reduction		90,474	-	90,474
FY 2021 Management and Professionals Group Compensation Reduction		842	-	842
One-time Prior Year Budget Adjustments	0.00	91,316	0	91,316
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		142,828	-	142,828
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(0.40)	(92,718)	-	(92,718)
FY 2021 Inspector Reclass (CMR 12126)		5,968	-	5,968
Transfer to Water Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data)		(117,310)	-	(117,310)
Wastewater Collection Customer Sales Revenue		-	1,631	(1,631)
Rents & Leases Expenditure Alignment		5,061	-	5,061
Utility Payment Processing		46,500	831	45,669
Return on Investments		-	(150,000)	150,000
Other Revenues		-	(670,253)	670,253
Capital Improvement Program		1,243,270	(150,000)	1,393,270
General Fund Cost Allocation Plan		163,681	-	163,681
Liability Insurance Allocated Charges		15,623	-	15,623
Printing & Mailing Allocated Charges		2,426	-	2,426
Refuse Allocated Charges		4,556	-	4,556
Utilities Administration Allocated Charges		(5,155)	-	(5,155)
Vehicle Replacement & Maintenance Allocated Charges		6,443	-	6,443
Wastewater Treatment Allocated Charges		(102,087)	-	(102,087)
Workers' Compensation Allocated Charges		32,137	-	32,137
Adjustments to Costs of Ongoing Activities	(0.40)	1,351,223	(967,791)	2,319,014
Total FY 2022 Base Budget	28.10	25,339,796	21,036,859	4,302,937
Budget Proposals				
1. Restore Positions from FY 2021 Staffing Freeze Eliminations	0.40	-	-	-
2. Staffing Reallocation of Utilities Supervisor Position	(1.00)	(222,791)	-	(222,791)
3. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments		-	19,467	(19,467)

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Budget Changes	(0.60)	(222,791)	19,467	(242,258)
Total FY 2022 Adopted Budget	27.50	25,117,005	21,056,326	4,060,679

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Restore Positions from FY 2021 Staffing Freeze Eliminations	0.40	-	-	-

This action restores 5.00 FTE previously frozen positions in the Utilities Department (0.40 FTE in the Wastewater Collection Fund) and offsets costs with vacancy savings. In FY 2021, a total of 5.00 FTE positions were recommended to be frozen and defunded to provide high-cost savings at relatively low risk for one to two years, including 1.00 FTE Utilities Chief Operating Officer, 1.00 Assistant Director Utilities Engineering, 1.00 FTE Utilities Supervisor, 1.00 FTE Substation Electrician, and 1.00 FTE Business Analyst. In the FY 2021 recommendation, the Utilities Department noted that issues may arise if positions were held vacant for more than two years as staffing needs may change to meet emerging priorities. This action restores these positions and offsets costs with salary reductions equivalent to holding the same vacancy level. (Ongoing cots: \$95,100)

Performance Results



This action contributes to cost containment strategies in FY 2022. Restoring these positions will help with the strategic organizational restructuring plans and implementation of programs such as Advanced Metering Infrastructure (AMI), Electrification and Fiber-to-the-Home. The use of vacancy savings to offset expenses will have no service delivery impact.

2. Staffing Reallocation of Utilities Supervisor Position	(1.00)	(222,791)	-	(222,791)

This action reallocates 1.0 FTE Utilities Supervisor from Water/Gas/Wastewater (WGW) Operations to Electric Operations. This will increase Electric Fund expenses by approximately \$223,000 and decrease Wastewater Collection Fund expenses by the same amount for a net zero change within the department. Due to growing demands for Electric line work, Electric needs at the supervisory level have increased. The impact from this recommendation will be minimal to the WGW group, which will continue to have sufficient supervisor level oversight to absorb the reallocation and help reduce the backlog of electric work triggered by line work demands. (Ongoing savings: \$230,000)

Performance Results



Reallocating a Utilities Supervisor from Water/Gas/Wastewater (WGW) Operations to Electric Operations will increase electric line construction supervisory experience to oversee increasing electric line inspection and oversight of contract construction work. This action will be little to no impact for WGW operations.

3. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments	0.00	-	19,467	(19,467)

This action adjusts revenue estimates for allocated charges to the new JMZ facility. Allocated Charges, such as electricity and refuse collection, are generally budgeted at the department level for charges incurred by multiple facilities. Therefore, the estimates for the new JMZ facility was based on proportions of FTE, building square footage ratios managed by the Community Services Department, and historic trends. These estimates continue to be refined and may be adjusted as appropriate through future budget processes. (Ongoing savings: \$19,500)

Performance Results



This action aligns anticipated revenues collected for allocated charges with estimates for the new Junior Museum and Zoo facility.

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

- Completed the Mayfield Reservoir Vent Screens and Crack Sealing Project (WS-19000).
- Completed the contract negotiation for a design and build project to replace Corte Madera Reservoir.
- Completed the Water Infrastructure Risk and Resilience Assessment document as required by America's Water Infrastructure Act of 2018 (AWIA 2018). AWIA 2018 requires community water systems serving 3,300 or more persons to conduct a risk and resilience assessment and develop an emergency response plan that must be actively updated every five years.
- Completed the cost-benefit assessment for Dahl and Park Reservoirs. Re-coating and routine maintenance of the tanks is the recommended option. The design-build is scheduled for FY 2022 to FY 2023.

Initiatives

- Design-build project to replace the 1.5 million gallons Corte Madera tank constructed in 1969 and nearing the end of its useful life. Anticipated completion in March 2022.
- Begin Phase III of the Advanced Metering Infrastructure (AMI) / Smart Grid project including selection and implementation of AMI network, meter data management system (MDMS) and replacement of up to 8,562 water meters. This project will be completed in FY 2024.
- Complete Urban Water Management Plan and OneWater Plan (in partnership with other City departments) to comprehensively evaluate the use of water in Palo Alto.
- Complete the design of Water Main Replacement Project 28 (WS-14001) to replace approximately 14,000 linear feet of water main pipelines and associated services in Duveneck/St. Francis and Barron Park neighborhoods and on Oak Creek Drive.
- Issue RFP for a new software for gas and water operations to streamline maintenance services and enable real-time updates from the field .

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 storage and supply 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

Goal	Provide safe and clean drinking water for customers.				
Objective	Ensure drinking water meets all regulatory standards.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Number of customer-owned water backflow prevention devices in compliance	92%	93%	92%	90%	90%
Description	Customer-owned and maintained backflow devices are an integral part of the City's Cross Connection Control Program, which began in early 2010. The devices help to ensure that no contaminants of any kind (e.g. chemicals, debris, reclaimed water) enter the potable water system.				
Purpose	The California Department of Public Health 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.				
Status	The City is achieving a compliance rate of up to 90-95 percent on an annual basis. There are 3,853 backflow devices in compliance. This number is growing every year as current codes require backflow installation for residences as well as commercial properties.				

WATER EFFICIENCY

Goal	Increase environmental sustainability of the water supply system.				
Objective	Increase water conservation and efficiency participation.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Annual savings achieved through water efficiency programs as a percentage of total sales	1%	0%	1%	0%	1%
Description	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.				
Purpose	Improving water efficiency for homes and businesses can result in water supply, water operations, and wastewater processing savings. This measure supports the Water Fund's ten-year goal to reduce expected water use by 20 percent by 2020.				
Status	Water savings are anticipated to return closer to one percent by FY 2022 after decreasing in FY 2021. Previously anticipated savings associated with the City's green building ordinance may have been impacted from sheltering in place during the pandemic and worsening drought. The business process was updated in FY 2019 to enable the City to collect water savings data more efficiently, which also resulted in a significant impact to the total claimable savings.				

Key Performance Measures

WATER QUALITY

Goal	Ensure the provision of safe and clean drinking water for customers.				
Objective	Safe testing of drinking water to meet all regulatory standards.				
	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percentage of samples passed from all sampling stations	100%	100%	100%	100%	100%
Description	The City of Palo Alto (CPA) regularly collects and tests water samples from connection points between the San Francisco Public Utilities Commission/City of Palo Alto (SFPUC/CPA), storage reservoirs, emergency wells, residential 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.				
Purpose	Complying with regulations guarantees the City maintains its high standards of water quality and avoids fines.				
Status	Palo Alto drinking water continues to be in complete compliance with all existing county, state, and federal standards for water quality.				

Workload Measures

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2021 Estimated	FY 2022 Adopted Budget
Percent of miles of water mains replaced%	1.00%	0.40%	1.00%	0.00%	1.00%
Number of Customer Accounts (Water)	20,012	20,016	20,220	20,020	20,200
Percent of surveyed rating the quality of the Drinking Water (Water) as "Good" or "Excellent" %	N/A*	88%	N/A*	88%	N/A*

*The National Citizen's Survey was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget. As a result of this transition the survey was not completed for FY 2019. The survey was completed for FY 2018 and FY 2020; therefore, FY 2019 actual results are not available and are reflected by "N/A." As approved by the City Council, this FY 2022 Adopted Budget adjusts the frequency of this survey to every other year, to be completed on odd numbered fiscal years. Therefore, in FY 2022, this projected data is also reflected by "N/A". The next survey is proposed to take place in FY 2023.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
CIP Water Fund	\$6,039,680	\$6,737,917	\$14,719,292	\$15,449,140	\$729,848	5.0%
Water Administration	\$7,482,882	\$7,701,071	\$9,154,922	\$9,353,964	\$199,042	2.2%
Water Customer Service	\$1,628,726	\$1,996,917	\$2,472,510	\$2,518,286	\$45,776	1.9%
Water Engineering (Operating)	\$384,551	\$401,902	\$688,274	\$715,936	\$27,662	4.0%
Water Operations and Maintenance	\$5,999,504	\$7,021,482	\$8,598,172	\$8,926,266	\$328,094	3.8%
Water Resource Management	\$22,175,768	\$22,932,401	\$21,823,001	\$22,648,120	\$825,119	3.8%
Total	\$43,711,111	\$46,791,689	\$57,456,171	\$59,611,712	\$2,155,541	3.8%
Salary & Benefits						
Healthcare	\$822,482	\$885,291	\$943,198	\$1,066,252	\$123,054	13.0%
Other Benefits	\$125,716	\$150,011	\$193,501	\$198,432	\$4,932	2.5%
Overtime	\$196,939	\$207,966	\$289,412	\$296,937	\$7,525	2.6%
Pension	\$1,306,588	\$2,168,421	\$1,996,127	\$2,150,868	\$154,740	7.8%
Retiree Medical	\$427,827	\$440,662	\$419,287	\$426,143	\$6,856	1.6%
Salary	\$5,266,306	\$5,914,670	\$5,646,382	\$5,634,221	\$(12,161)	(0.2)%
Workers' Compensation	\$118,581	\$242,883	\$167,879	\$223,618	\$55,739	33.2%
Total Salary and Benefits	\$8,264,439	\$10,009,904	\$9,655,786	\$9,996,471	\$340,684	3.5%
Dollars by Category						
Utility Purchase	\$21,210,399	\$21,773,295	\$20,621,296	\$21,408,998	\$787,702	3.8%
Contract Services	\$386,318	\$461,907	\$799,502	\$799,502	—	—%
Supplies & Material	\$390,121	\$425,477	\$618,482	\$618,482	—	—%
General Expense	\$480,190	\$516,693	\$670,077	\$694,777	\$24,700	3.7%
Rents & Leases	\$1,983,270	\$2,078,726	\$3,396,161	\$3,440,789	\$44,628	1.3%
Debt Service	\$1,632,435	\$1,562,095	\$3,222,606	\$3,222,606	—	—%
Facilities & Equipment	—	\$8,074	\$1,150	\$1,150	—	—%
Allocated Charges	\$3,404,874	\$3,494,775	\$4,840,165	\$5,205,476	\$365,310	7.5%
Transfer to Infrastructure	\$93,339	—	—	—	—	—%
Operating Transfers-Out	\$551,820	\$474,953	\$136,335	—	\$(136,335)	(100.0)%
Capital Improvement Program	\$5,313,905	\$5,985,790	\$13,494,610	\$14,223,462	\$728,852	5.4%
Total Dollars by Expense Category	\$43,711,111	\$46,791,689	\$57,456,171	\$59,611,712	\$2,155,541	3.8%
Revenues						
Charges for Services	\$51,511	\$45,031	\$10,000	\$10,000	—	—%
Charges to Other Funds	\$135,114	\$229,696	\$90,142	\$95,508	\$5,366	6.0%

UTILITIES

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
From Other Agencies	\$488,052	\$473,073	\$576,632	\$576,632	—	—%
Net Sales	\$44,638,437	\$47,599,266	\$44,004,458	\$45,708,943	\$1,704,485	3.9%
Operating Transfers-In	\$539,278	\$548,136	\$557,260	\$322,640	\$(234,620)	(42.1)%
Other Revenue	\$1,213,898	\$1,367,359	\$1,287,946	\$304,250	\$(983,696)	(76.4)%
Return on Investments	\$994,735	\$1,018,314	\$989,200	\$989,200	—	—%
Total Revenues	\$48,061,024	\$51,280,875	\$47,515,638	\$48,007,173	\$491,535	1.0%
Positions by Division						
CIP Water Fund	8.03	8.03	5.34	5.34	—	—%
Water Customer Service	9.66	9.58	9.58	9.38	(0.20)	(2.1)%
Water Engineering (Operating)	1.35	1.35	2.33	2.33	—	—%
Water Operations and Maintenance	24.85	24.85	27.23	26.99	(0.25)	(0.9)%
Water Resource Management	3.02	3.12	3.12	2.79	(0.33)	(10.6)%
Total	46.92	46.94	47.61	46.83	(0.78)	(1.6)%

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Account Specialist	0.23	0.23	0.23	0.23	—	\$18,002
Administrative Associate II	0.65	0.50	0.50	0.50	—	\$39,198
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	\$40,589
Assistant Director Utilities Engineering	0.20	0.20	—	0.20	0.20	\$43,484
Assistant Director Utilities Engineering (Freeze)	—	—	0.20	—	(0.20)	—
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	\$34,077
Assistant Director Utilities/ Resource Management	0.25	0.25	0.25	0.15	(0.10)	\$31,334
Business Analyst	1.20	1.20	0.95	1.00	0.05	\$155,335
Business Analyst (Freeze)	—	—	0.25	—	(0.25)	—
Cement Finisher	0.56	0.56	0.56	0.56	—	\$53,243
Contracts Administrator	0.10	0.10	0.10	0.10	—	\$11,529

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Coordinator Utilities Projects	1.09	1.09	1.09	1.09	—	\$124,651
Customer Service Representative	1.81	1.81	1.81	1.81	—	\$140,615
Customer Service Specialist	0.66	0.66	0.66	0.66	—	\$56,381
Customer Service Specialist-Lead	0.59	0.59	0.59	0.59	—	\$53,899
Electric Project Engineer	—	0.30	0.30	0.30	—	\$47,736
Engineer	1.00	1.00	1.00	1.00	—	\$140,504
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	\$32,248
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	\$66,540
Engineering Technician III	0.45	0.45	0.45	0.45	—	\$44,348
Gas and Water Meter Measurement and Control Technician	0.80	0.80	0.60	0.60	—	\$60,940
Gas and Water Meter Measurement and Control Technician - Lead	0.20	0.20	0.20	0.20	—	\$21,736
Heavy Equipment Operator	1.95	1.95	—	—	—	—
Heavy Equipment Operator - Install/Repair	0.20	0.20	0.20	0.20	—	\$21,086
Inspector, Field Services	1.65	1.65	1.74	—	(1.74)	—
Inspector, WGW Utilities Field Svc	—	—	—	1.74	1.74	\$203,190
Maintenance Mechanic-Welding	0.80	0.80	0.80	0.80	—	\$85,230
Manager Customer Service	0.34	0.34	0.34	0.34	—	\$53,648
Manager Utilities Compliance	0.50	0.50	0.50	0.50	—	\$98,436
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	\$23,902
Manager Utilities Operations WGW	0.50	0.50	0.50	0.50	—	\$92,602
Manager Utilities Program Services	0.20	0.20	0.20	0.20	—	\$30,335
Meter Reader	2.03	2.03	2.03	2.03	—	\$148,206
Meter Reader-Lead	0.34	0.34	0.34	0.34	—	\$26,562
Power Engineer	0.30	—	—	—	—	—
Principal Business Analyst	0.33	0.33	0.33	0.33	—	\$60,238
Program Assistant I	0.33	0.33	0.33	0.33	—	\$26,255

UTILITIES

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Program Assistant II	—	0.15	0.15	0.20	0.05	\$17,098
Project Engineer	2.00	2.00	2.00	2.00	—	\$302,432
Resource Planner	0.70	0.70	0.70	0.60	(0.10)	\$86,124
Restoration Lead	0.31	0.31	0.31	0.31	—	\$34,987
SCADA Technologist	0.80	0.80	0.89	0.89	—	\$135,730
Senior Business Analyst	0.99	0.99	0.99	0.99	—	\$157,158
Senior Engineer	1.00	1.00	1.74	1.74	—	\$285,652
Senior Mechanic	0.34	0.34	0.34	0.34	—	\$38,521
Senior Resource Planner	1.68	1.78	1.78	1.60	(0.18)	\$292,968
Senior Utilities Field Service Representative	0.49	0.49	0.49	0.49	—	\$56,780
Senior Water Systems Operator	2.00	2.00	2.00	2.00	—	\$224,640
Substation Electrician	0.40	0.40	0.25	0.25	—	\$35,584
Sustainability Programs Administrator	—	—	—	0.40	0.40	\$46,409
Utilities Engineer Estimator	0.43	0.43	0.48	0.48	—	\$60,037
Utilities Field Services Representative	1.50	1.50	1.50	1.50	—	\$162,552
Utilities Install Repair-Lead-Welding Certified	0.46	0.46	0.65	0.65	—	\$76,699
Utilities Install Repair-Welding Certified	0.69	0.69	0.94	0.94	—	\$96,201
Utilities Install/Repair	1.90	1.90	1.44	1.44	—	\$152,156
Utilities Install/Repair Assistant	0.35	0.35	0.35	0.35	—	\$31,362
Utilities Install/Repair-Lead	1.02	1.02	1.07	1.07	—	\$114,631
Utilities Key Account Representative	0.35	0.35	0.35	0.35	—	\$42,027
Utilities Locator	0.34	0.34	0.34	0.34	—	\$35,509
Utilities Marketing Program Administrator	0.40	0.40	0.40	—	(0.40)	—
Utilities Safety Officer	0.15	0.15	0.15	0.15	—	\$19,048
Utilities Supervisor	2.91	2.91	2.41	2.66	0.25	\$418,766
Utilities Supervisor (Freeze)	—	—	0.50	—	(0.50)	—
Water System Operator II	3.34	3.34	3.34	3.34	—	\$330,687
WGW Heavy Equipment Operator	—	—	1.97	1.97	—	\$207,625

Staffing

Job Classification	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Salary
Subtotal: Full-Time Equivalent Positions	44.79	44.89	45.56	44.78	(0.78)	\$5,547,461
Temporary/Hourly	2.13	2.05	2.05	2.05	—	\$194,135
Total Positions	46.92	46.94	47.61	46.83	(0.78)	\$5,741,596

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	47.61	57,456,171	47,515,638	9,940,533
One-time Prior Year Budget Adjustments				
Staffing Resource Reduction		219,298	-	219,298
FY 2021 Management and Professionals Group Compensation Reduction		1,684	-	1,684
One-time Prior Year Budget Adjustments	0.00	220,982	0	220,982
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		391,521	-	391,521
FY 2021 Staffing Freeze Eliminations (CMR 11872)	(0.95)	(224,545)	-	(224,545)
FY 2021 Inspector Reclass (CMR 12156)		13,554	-	13,554
Water Customer Sales Revenue (0% Rate Increase)		-	1,330,920	(1,330,920)
Utility Payment Procesing		-	1,716	(1,716)
Rents & Leases Expenditure Alignment		44,628		44,628
Transfer From Wastewater and Gas Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data)		(136,335)	(234,620)	98,285
Water Commodity Purchases		787,702	-	787,702
Credit Card Fees		24,700	-	24,700
Capital Improvement Program		728,852	(983,696)	1,712,548
General Fund Cost Allocation Plan		292,938	-	292,938
Grounds Maintenance Allocated Charges		145	-	145
Liability Insurance Allocated Charges		32,504	-	32,504
Printing & Mailing Services Allocated Charges		9,671	-	9,671
Stormwater Management Allocated Charges		26	-	26
Utilities Administration Allocated Charges		17,259	3,650	13,609
Vehicle Replacement & Maintenance Allocated Charges		12,768	-	12,768
Workers' Compensation Allocated Charges		55,739	-	55,739
Adjustments to Costs of Ongoing Activities	(0.95)	2,051,127	117,970	1,933,156
Total FY 2022 Base Budget	46.66	59,728,280	47,633,608	12,094,672
Budget Proposals				
1. Staffing Reallocations for S/CAP and Electrification	(0.53)	(116,568)	-	(116,568)
2. Restore Positions from FY 2021 Staffing Freeze Eliminations	0.70	-	-	-
3. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments		-	373,565	(373,565)

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Budget Changes	0.17	(116,568)	373,565	(490,133)
Total FY 2022 Adopted Budget	46.83	59,611,712	48,007,173	11,604,539

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Staffing Reallocations for S/CAP and Electrification	(0.53)	(116,568)	-	(116,568)

This action reallocates staffing resources (net 0.53 FTE) from Water Fund to the Electric Fund to support the City's S/CAP and electrification plans. The Utilities Department evaluate their work plan annually and adjust FTE distribution among shared positions as priorities change. These changes include expanding responsibilities to implement the City's S/CAP and cover electric and gas administrative needs. The electric portfolio has become more complex, taking up more time on electric supply and demand management and less to other utilities. This action will reduce 0.53 FTE in Water, 0.20 FTE in Fiber; and increase 0.24 FTE in Gas, and 0.49 FTE in Electric, totaling an increase of \$118,360 to the Electric Fund FY 2022 operating budget. (Ongoing savings: \$120,600)

Performance Results



Reallocating these positions will support the City's S/CAP, electric vehicle infrastructure and electrification plans.

2. Restore Positions from FY 2021 Staffing Freeze Eliminations	0.70	-	-	-

This action restores 5.00 FTE previously frozen positions in the Utilities Department (0.70 FTE in the Water Fund) and offsets costs with vacancy savings. In FY 2021, a total of 5.00 FTE positions were recommended to be frozen and defunded to provide high-cost savings at relatively low risk for one to two years, including 1.00 FTE Utilities Chief Operating Officer, 1.00 FTE Assistant Director Utilities Engineering, 1.00 FTE Utilities Supervisor, 1.00 FTE Substation Electrician, and 1.00 FTE Business Analyst. In the FY 2021 recommendation, the Utilities Department noted that issues may arise if positions were held vacant for more than two years as staffing needs may change to meet emerging priorities. This action restores these positions and offsets costs with salary reductions equivalent to holding the same vacancy level. (Ongoing Costs: \$170,700)

Performance Results



This action contributes to cost containment strategies in FY 2022. Restoring these positions will help with the strategic organizational restructuring plans and implementation of programs such as Advanced Metering Infrastructure (AMI), Electrification and Fiber-to-the-Home. The use of vacancy savings to offset expenses will have no service delivery impact.

3. Junior Museum and Zoo (JMZ) Allocated Charge Adjustments	0.00	-	373,565	(373,565)

This action adjusts revenue estimates for allocated charges to the new JMZ facility. Allocated Charges, such as electricity and refuse collection, are generally budgeted at the department level for charges incurred by multiple facilities. Therefore, the estimates for the new JMZ facility was based on proportions of FTE, building square footage ratios managed by the Community Services Department, and historic trends. These estimates continue to be refined and may be adjusted as appropriate through future budget processes. (Ongoing savings: \$373,600)

Performance Results



This action aligns anticipated revenues collected for allocated charges with estimates for the new Junior Museum and Zoo facility.



CITY OF
**PALO
ALTO**

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) and rental income from City owned space at Cubberley and other City owned properties. The Non-Departmental budget may also include estimated provisions or placeholders for certain revenues and expenditures that have not yet materialized or have not been distributed to various departments and funds at the time the budget is developed or adopted. These items can be one-time or ongoing depending on their nature and frequency.

Various one-time items that appeared in the Fiscal Year 2021 Budget have been removed in FY 2022 including a number of reserves related to COVID-19 recovery and rehabilitation, funding for the November 2020 election, and reductions to Contingency accounts for the City Council, Human Resources, and Innovation and Special Events.

This FY 2022 budget includes various adjustments in the Non-Departmental section, such as recognizing 60 percent of the total estimated American Rescue Plan Act (ARPA) Funding designated to Palo Alto, labor concessions to maintain a zero percent wage increase for certain bargaining groups to help the City recover from financial impacts of the COVID-19 pandemic, and a small reduction in the City Council Contingency account. In addition, funding is appropriated in several one-time reserves, the first reserve provides resources for administrative support across the City to assist service restoration and the City continuing to recover from effects of the COVID-19 pandemic. Another reserve will be used for the development of long term strategic investments for previously approved Council initiatives and other unforeseen initiatives during FY 2022. An uncertainty reserve addresses unforeseen emergent issues that would otherwise impact City operations and services. An ongoing reserve for Utilities Transfer Litigation sets aside funds for dispute resolution in keeping with the City's practice of setting aside funding to plan for the potential financial impacts of an ongoing lawsuit.

NON-DEPARTMENTAL

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Dollars by Division						
Non-Departmental	\$42,159,509	\$36,409,519	\$20,292,683	\$14,316,070	\$(5,976,613)	(29.5)%
Cubberley - Lease Payments to PAUSD	\$5,830,103	\$5,873,856	\$3,694,522	\$3,489,000	\$(205,522)	(5.6)%
Contingent Accounts						
City Manager	—	—	\$200,000	\$200,000	—	—%
City Council	—	—	—	\$100,000	\$100,000	—%
Human Resources	—	—	—	\$50,000	\$50,000	—%
Human Services Resource Allocation Process (HSRAP)	—	\$16,700	\$50,000	\$50,000	—	—%
Innovations & Special Events	—	—	—	\$50,000	\$50,000	—%
Administrative Support Reserve	—	—	—	\$300,000	\$300,000	—%
Budget Uncertainty Reserve	—	—	\$1,799,000	\$475,000	\$(1,324,000)	(73.6)%
Strategic Investments Reserve	—	—	—	\$750,000	\$750,000	—%
Utilities Transfer Litigation Reserve	—	—	—	\$8,400,000	\$8,400,000	—%
Total	\$47,989,612	\$42,300,075	\$26,036,205	\$28,180,070	\$2,143,866	8.2%
Salary & Benefits						
Labor Concessions	—	—	—	\$(710,000)	\$(710,000)	—%
Total Salary and Benefits	—	—	—	\$(710,000)	\$(710,000)	—%
Dollars by Category						
Contract Services	\$5,693,384	\$3,453,369	\$2,195,000	\$9,170,000	\$6,975,000	317.8%
Debt Service	\$431,154	—	—	—	—	—%
General Expense	\$5,875,034	\$6,447,039	\$5,837,222	\$4,810,137	\$(1,027,086)	(17.6)%
Operating Transfers-Out	\$8,298,952	\$8,048,582	\$4,333,734	\$4,296,286	\$(37,448)	(0.9)%
Rents & Leases	\$177,127	\$177,127	\$203,000	\$208,000	\$5,000	2.5%
Supplies & Material	—	\$1,580	—	—	—	—%
Transfer to Infrastructure	\$27,513,960	\$24,172,378	\$13,467,248	\$10,405,648	\$(3,061,600)	(22.7)%
Total Dollars by Expense Category	\$47,989,612	\$42,300,075	\$26,036,205	\$28,180,070	\$2,143,866	8.2%

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Revenues						
Charges for Services	\$88,264	\$250,683	\$(5,000,000)	\$(5,000,000)	—	—%
Charges to Other Funds	\$756	—	\$106,700	\$68,000	\$(38,700)	(36.3)%
Documentary Transfer Tax	\$6,922,609	\$6,903,057	\$4,700,000	\$7,136,900	\$2,436,900	51.8%
From Other Agencies	\$46,289	\$90,437	—	\$8,220,000	\$8,220,000	—%
Operating Transfers-In	\$19,815,140	\$20,244,015	\$21,034,417	\$22,171,417	\$1,137,000	5.4%
Other Revenue	\$3,439,860	\$1,376,633	\$930,765	\$727,703	\$(203,062)	(21.8)%
Other Taxes and Fines	\$53,281	\$54,925	—	—	—	—%
Property Taxes	\$47,327,394	\$51,089,154	\$52,000,000	\$51,227,800	\$(772,200)	(1.5)%
Rental Income	\$15,022,813	\$15,073,940	\$14,932,561	\$13,309,742	\$(1,622,819)	(10.9)%
Return on Investments	\$2,018,018	\$1,418,921	\$1,100,000	\$852,200	\$(247,800)	(22.5)%
Sales Taxes	\$36,318,472	\$30,563,248	\$20,350,000	\$28,033,600	\$7,683,600	37.8%
Transient Occupancy Tax	\$25,648,696	\$18,553,491	\$14,900,000	\$8,427,700	\$(6,472,300)	(43.4)%
Utility Users Tax	\$16,402,044	\$16,140,345	\$15,100,000	\$14,370,000	\$(730,000)	(4.8)%
Total Revenues	\$173,103,635	\$161,758,848	\$140,154,444	\$149,545,062	\$9,390,618	6.7%

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	0.00	26,036,205	140,154,444	(114,118,239)
One-Time Prior Year Budget Adjustments				
Implementation Costs Associated with Balancing Strategy	-	(1,055,000)	-	(1,055,000)
Litigation Reserve	-	(1,000,000)	-	(1,000,000)
COVID-19 Council Reserve	-	(744,000)	-	(744,000)
COVID-19 Recovery: Contact Tracing	-	(450,000)	-	(450,000)
COVID-19 Recovery: Workplace Restoration	-	(350,000)	-	(350,000)
November 2020 Elections	-	(225,000)	-	(225,000)
COVID-19 Recovery: Business & Communications Support	-	(150,000)	-	(150,000)
Human Resources Contingency	-	50,000	-	50,000
Innovation and Special Events Contingency	-	50,000	-	50,000
City Council Contingency	-	125,000	-	125,000
One-Time Prior Year Budget Adjustments	0.00	(3,749,000)	-	(3,749,000)

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Adjustments to Costs of Ongoing Activities				
Sales Taxes	-	-	7,683,600	(7,683,600)
Transfer to Capital Improvement Fund	-	(3,061,600)	-	(3,061,600)
Documentary Transfer Tax	-	-	2,436,900	(2,436,900)
Equity Transfer	-	-	1,134,000	(1,134,000)
Traffic and Streetlight Electricity Costs Adjustment	-	(62,846)	-	(62,846)
Transfer to University Avenue Parking Fund (Employee Parking Permits)	-	(4,380)	-	(4,380)
University Avenue Police Patrol (2.0% CPI)	-	-	3,000	(3,000)
Transfer to 2018 Golf Course COP Debt Service Fund	-	(514)	-	(514)
Property Tax Administration	-	2,437	-	2,437
Adjustment for El Camino Park Lease (2.0% CPI)	-	5,000	-	5,000
Transfer to Technology Fund (Technology Surcharge)	-	30,290	-	30,290
General Fund Cost Allocation Plan	-	-	(38,700)	38,700
Cubberley Lease Adjustment and Rental Income	-	(205,522)	(278,203)	72,681
Cable Franchise Fees	-	-	(201,000)	201,000
Return on Investments	-	-	(247,800)	247,800
Utility Users Tax	-	-	(730,000)	730,000
Property Taxes	-	-	(772,200)	772,200
Rents and Leases	-	-	(1,346,679)	1,346,679
Transient Occupancy Taxes	-	-	(6,472,300)	6,472,300
Adjustments to Costs of Ongoing Activities	0.00	(3,297,135)	1,170,618	(4,467,753)
Total FY 2022 Base Budget	0.00	18,990,070	141,325,062	(122,334,992)
Budget Adjustments				
1. American Rescue Plan Act of 2021 (ARPA)	-	-	8,220,000	(8,220,000)
2. Management & Professional (MGMT) and Service Employees International Union (SEIU) Salary and Benefit Assumptions	-	(710,000)	-	(710,000)
3. City Council Contingent Account	-	(25,000)	-	(25,000)
4. Reserve: Administrative Support	-	300,000	-	300,000
5. Reserve: FY 2022 City Council Budget Uncertainty	-	475,000	-	475,000
6. Reserve: Strategic Investments	-	750,000	-	750,000
7. Reserve: Utilities Transfer Litigation (Equity Transfer)	-	8,400,000	-	8,400,000
Total Budget Adjustments	0.00	9,190,000	8,220,000	970,000
Total FY 2022 Adopted Budget	0.00	28,180,070	149,545,062	(121,364,992)

Budget Adjustments

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. American Rescue Plan Act of 2021 (ARPA)	0.00	-	8,220,000	(8,220,000)

This action recognizes 60% of the estimated \$13.7 million in American Rescue Plan Act (ARPA) Funding expected to be received over a 24 month period. The President of the United States signed into law a \$1.9 trillion COVID-19 relief package titled the American Rescue Plan Act. The bill includes direct aid to state and local governments of \$350 billion, along with other areas like education, rental assistance, direct stimulus, and transit. A National League of Cities survey showed a 21-percent revenue decline among cities that incurred losses during the COVID-19 pandemic and the National Association of Counties projected a 20-percent revenue decline. Palo Alto has seen even greater declines due to its tax and economic base, solved a nearly \$40 million deficit in FY 2021 in the General Fund, balanced expenses and revenues for additional projected gaps in FY 2022, and planned for continued economic uncertainty as part of this budget.

State and local fiscal relief funds may not be deposited into a pension fund, but they can be used to mitigate the fiscal effects stemming from the public health emergency including:

- a) assistance to households, small businesses and nonprofits, assistance to hard-hit industries like tourism, travel, and hospitality,
- b) response to workers performing essential work during COVID-19,
- c) the provision of government services to the extent of the reduction in revenue due to the pandemic in the most recent full fiscal year, and/or
- d) making necessary infrastructure investments.

Palo Alto's specific allocation is estimated at approximately \$13.7 million (one-time funding allocated in two disbursements over two years). The first disbursement of funding (\$6.9 million) was received by Palo Alto in May 2021. On June 14, 2021 the City Council recognized the revenue and established the American Rescue Plan Act of 2021 (ARPA) Reserve.

This action reappropriates the \$6.9 million received in the first disbursement in FY 2021, and consistent with the direction from the City Council, recognizes an additional \$1.3 million for a total of \$8.2 million to reflect a 60-40 split of the total \$13.7 million in FY 2022 and FY 2023 respectively. (Ongoing savings: \$5.5 million in FY 2023)

Performance Results



This action contributes to cost containment strategies in FY 2022.

Budget Adjustments

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
2. Management & Professional (MGMT) and Service Employees International Union (SEIU) Salary and Benefit Assumptions	0.00	(710,000)	-	(710,000)

This action recognizes \$0.7 million in expense reduction to align with the current salary and benefit status for Service Employees International Union (SEIU) and Management and Professional Employees (MGMT) labor groups at the time of budget adoption in June 2021. At the time of adoption, neither group had executed contracts through June 2022; therefore, this action aligns with no change in salary and benefits for these labor groups. The City has actively engaged with labor groups to negotiate concessions that generate cost savings to offset losses resulting from the pandemic. The City's current Memorandum of Agreement's (MOA's) with public safety groups expire in June 2022 and defer contractual wage increases from July 2020 to 2021. The MOA for SEIU expires in December 2021, and negotiations are anticipated in FY 2022. No change in salary and benefit assumptions due to contract expiration for SEIU without a successor agreement in place and the approved one year extension of the MGMT group agreement results in expected lower expenditures of \$260,000 in the General Fund, \$725,000 all funds, for SEIU and \$430,000 in the General Fund, \$715,000 all funds, for MGMT. (Ongoing savings: \$0)

Performance Results



This action contributes to cost containment strategies in FY 2022.

3. City Council Contingent Account	-	(25,000)	-	(25,000)

This one-time action reduces the City Council Contingency by \$25,000, to a remaining balance of \$100,000. (Ongoing savings: \$0)

Performance Results



This action contributes to cost containment strategies in FY 2022.

4. Reserve: Administrative Support	-	300,000	-	300,000

Consistent with staff recommendation at the May 25 meeting, this action establishes an Administrative Support Reserve in the amount of \$300,000 to provide funding for unforeseen resource needs in FY 2022. This funding will be used for administrative support costs that are anticipated to materialize in various departments across the City as a result of service restoration and the City continuing to recover from effects of the COVID-19 pandemic. (Ongoing costs: \$0)

Performance Results



This action contributes to cost containment strategies in FY 2022 and ensures that should the Council wish to adjust quickly to the changing environment of the pandemic and service needs, funding will be available in a timely manner..

5. Reserve: FY 2022 City Council Budget Uncertainty	-	475,000	-	475,000

Consistent with Finance Committee recommendation at the May 12 meeting, this action establishes a FY 2022 City Council Budget Uncertainty Reserve that the City Council may use to address unforeseen emergent issues that would otherwise impact City operations and services. The original direction established the Reserve at \$500,000; however, at the June 21 meeting, as part of the adoption of the FY 2022 Budget, the City Council approved using \$25,000 of this Reserve to fund the Know Your Neighbor Grant Program in the Community Services Department, bringing the Reserve to \$475,000. (Ongoing costs: \$0)

Performance Results



This action contributes to cost containment strategies in FY 2022.

Budget Adjustments

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
6. Reserve: Strategic Investments	-	750,000	-	750,000

This action establishes a reserve in the amount of \$750,000 for investment in strategic initiatives during FY 2022. The City Council has approved ambitious workplans for Community and Economic Recovery, Housing, Race and Equity, and in the process of developing a workplan for Sustainability and Climate Action Plan. Although staff is working to implement these as economically and efficiently as possible, it is expected that many of these will require additional resources. As an example, over \$250,000 was previously allocated in FY 2019 for the analysis, outreach, and polling efforts necessary to explore one potential ballot measure. Although outlined in current referrals to staff, resources for this work to begin again in FY 2022 have not been allocated or identified as staff expects this work to begin in summer 2021. This reserve will allow staff to provide funding for these Council approved initiatives and any other unforeseen initiatives during FY 2022. (Ongoing costs: \$0)

Performance Results



This action contributes to cost containment strategies in FY 2022.

7. Reserve: Utilities Transfer Litigation (Equity Transfer)	-	8,400,000	-	8,400,000

This action continues a practice started in the FY 2021 Adopted Budget of setting aside funding to plan for the potential financial impacts of an ongoing lawsuit, *Green v. City of Palo Alto* (Santa Clara Superior Court, Case No. 1-16-CV-300760). This case is a class action lawsuit filed on October 6, 2016, which claimed that the City's gas and electric rates are taxes that exceed the cost of providing service, absent voter approval, because the rates fund annual transfers from the utilities to the City's general fund. The lawsuit sought a refund of three years of alleged overpayments by gas and electric ratepayers and an injunction prohibiting further overpayments.

On October 27, 2020, the Santa Clara County Superior Court issued a Statement of Decision Regarding Phase II Trial granting the relief sought by the plaintiffs as to the City's gas ratepayers only. The court's ruling established the City's liability at \$12.6 million, which the City may have to refund to gas customers after the judgment is final and all appeals, if any are filed, are resolved. Once a judgment is issued by the Superior Court, which is likely to occur during the summer of 2021, both the City and the plaintiffs may appeal. A decision by the City Council whether to appeal is likely to be made after the Council's summer break. If either the City or the plaintiffs appeal, a decision by the Court of Appeal is not expected until late 2022 or early 2023. Because important areas of law are unsettled relevant to the City's positions on appeal, the exact exposure to the City's general fund cannot be estimated at this time. However, the City believes it is prudent to set aside funding to cover the \$12.6 million remedy the Superior Court identified in Phase II, plus interest, as well as the estimated future reduction in the gas equity transfer, should the current Santa Clara County Superior Court decision stand.

As a result of this current status, the City estimates an annual financial impact of over \$8 million over the coming four years and an average of \$4 million annually after the initial four-year period. This action continues the City's proactive actions to address known liabilities with the best information available at the time and sets these funds aside pending final resolution of this dispute. The general fund receives revenue of approximately \$21 million annually in transfers from the gas (\$7 million) and electric (\$14 million) utilities. (Ongoing costs: \$8.4 million)

Performance Results



This action contributes to cost containment strategies in FY 2022.



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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, supplemental pension contributions, 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 in the Employee Information section of this document.

In FY 2022, expenditures in the General Benefits Fund are increasing by \$2.6 million or 3.4 percent over prior-year levels, from \$76.2 million to \$78.8 million. This increase is primarily attributable to rising pension costs, discussed in more detail in the following section. The General Benefits Fund acts as a pass-through for pension and healthcare costs; therefore, this budget includes corresponding adjustments to department allocations and associated expenses.

This FY 2022 budget includes actions taken by the City Council during budget deliberations to restore services and staffing initially proposed for elimination, adding approximately \$4.9 million in salary and benefits (primarily in the General Fund). Of this amount, \$775,000 is attributable to healthcare and pension costs that pass through the General Benefits Fund. The corresponding actions in the General Benefits Fund to increase revenue estimates for department allocations and the associated healthcare and pension expense are not included in the FY 2022 Adopted Budget. Staff will bring this action forward in a subsequent budget process.

Additional information relating to position changes can be found in Attachment B of the Transmittal Letter and in the individual sections of the budget document where the transactions occur, including the Staffing Tables and Budget Adjustment sections of the respective departments and the Citywide Table of Organization.

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 2021, approximately 52 percent of the City's employees are either in Tier 2 or Tier 3, which confer a lesser benefit than Tier 1.

EMPLOYEE INFORMATION

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 the CalPERS Annual Valuation Reports to the Finance Committee for review and discussion in the fall timeframe. The most recent report was brought forward in October 2020 for the valuation period ending June 30, 2019 (CMR 11607). The total ADC for FY 2022 is \$54.9 million (\$35.7 million for the Miscellaneous Plan and \$19.2 million for the Safety Plan). This reflects the 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 3.4 percentage points, from an employer contribution rate of 38.4 percent to 41.8 percent (8.9 percent growth).
- Safety plan: Blended cost increase of 4.3 percentage points, from an employer contribution rate of 65.3 percent to 69.6 percent (6.6 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 decreasing by 0.5 percentage points, from 11.5 percent to 11.0 percent, for Miscellaneous and by 0.1 percentage points, from 21.6 percent to 21.5 percent, for Safety. These rates are anticipated to decrease in the forecast as new employees in Public Employees' Pension Reform Act (PEPRA) plans replace higher-cost members in Classic plans.

Unfunded Accrued Liability: The UAL represents the employer's amortization of unfunded accrued liability and is assessed as a flat rate. The City's current net UAL is \$476.9 million (\$294.7 million for the Miscellaneous Plan and \$182.2 million for the Safety Plan), a \$21.3 million or 4.7 percent increase over the prior year.

The annual UAL payment calculated by CalPERS and assumed in the development of the FY 2022 budget is \$38.3 million (\$25.5 million for the Miscellaneous Plan and \$12.8 million for the Safety Plan). The budget assumes pre-payment of the UAL portion of the annual pension cost which confers \$1.3 million in savings across the organization (approximately \$800,000 realized in the General Fund). These savings are calculated by CalPERS.

The City's current funded status is 66.1 percent for the Miscellaneous Plan and 61.3 percent 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.

- In 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 and ending in FY 2021.
- 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 with one-time savings.

- As part of the FY 2019 Adopted Budget, the City Council approved a \$4.0 million reduction in budgeted expenses in the General Fund to proactively address pension obligations by assuming the normal cost at a more conservative 6.2 percent discount rate and contributing proceeds above the CalPERS ADC to the pension trust fund.
- During FY 2019, the City Council adopted “Fiscal Sustainability” as one of four priorities in 2019, including initiatives to develop a policy that addresses unfunded liability. Staff returned to the Finance Committee with a Fiscal Sustainability Workplan that included strategic actions to address pension funding for review, feedback, and discussion.
- Beginning with the FY 2020 Adopted Budget, staff implemented a practice to include a normal cost pension expense of 6.2 percent as part of financial planning. Staff returned to the Finance Committee and the City Council to review and discuss the options for a Pension Funding Policy and elements to consider in the establishment of a Pension Funding Policy. Four scenarios were presented that included different timelines, mechanisms, and options available to reach a target funded status of 100 percent. Ultimately, the City Council recommended a draft policy that includes a fifteen-year timeframe to reach a 90 percent funding level (CMR 11407).

This FY 2022 Adopted Budget continues the practice to include a normal cost pension expense of 6.2 percent as part of financial planning for all funds. This results in budgeted retirement costs above required CalPERS levels of \$5.1 million (\$3.1 million General Fund) in FY 2022. In total, planned contributions (principal) of \$37.3 million to the pension Trust Fund will have been made since inception in FY 2017 through FY 2022 (\$24.1 million, or 65 percent of the total is from the General Fund), an average annual contribution of \$6.2 million.

As discussed above, 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. Staff expects to recommend at year-end that one-time retirement savings in FY 2020 are used to make an additional \$2.0 million (\$1.3 million General Fund) contribution. In the prior year, a total of \$5.2 million (\$3.5 million General Fund) from FY 2019 savings was contributed to the trust.

Staff will return to the City Council to report back on the progress towards meeting the funding goals outlined in the Pension Funding Policy. This policy is an evergreen policy, subject to modification at the City Council’s direction, and is intended to identify a path forward for the City to address its pension obligations on an ongoing basis, ensure prudent and proactive financial planning, and avoid service delivery crowdfout.

HEALTHCARE COSTS

The FY 2022 budget for healthcare is based on the health plan choices employees made for Calendar Year 2021. 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 the calendar year 2022, the budget models a four percent annual increase in flat rate medical costs.

Consistent with the FY 2021 Adopted Budget and Government Accounting Standards Board pronouncements that require government agencies to recognize the true cost of medical health care by active

EMPLOYEE INFORMATION

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 FY 2022, 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 \$2.6 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 is located in the Retiree Health Benefits Fund section of this document.

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Healthcare	\$17,663,571	\$16,937,135	\$21,049,492	\$20,996,526	\$(52,966)	(0.3)%
Other Benefits	\$588,334	\$844,930	\$1,118,483	\$1,118,490	\$7	0.0%
Pensions	\$35,854,780	\$40,878,616	\$51,462,822	\$53,831,300	\$2,368,478	4.6%
Salary	\$274,627	\$1,899,224	\$22,963	\$23,422	\$459	2.0%
Total Salary and Benefits	\$54,381,312	\$60,559,905	\$73,653,760	\$75,969,738	\$2,315,978	3.1%
Contract Services	\$148,275	\$129,703	\$220,795	\$220,795	—	—%
Supplies & Material	\$3,540	—	—	—	—	—%
General Expense	\$115,507	\$26	—	—	—	—%
Operating Transfers-Out	\$2,197,000	\$2,384,000	\$2,347,000	\$2,619,000	\$272,000	11.6%
Total Dollars by Expense Category	\$56,845,634	\$63,073,634	\$76,221,555	\$78,809,533	\$2,587,978	3.4%
Operating Transfers-In	\$5,991,729	\$5,240,748	—	—	—	—%
Other Revenue	\$57,060,208	\$73,429,649	\$76,496,296	\$79,073,157	\$2,576,861	3.4%
Return on Investments	\$152,730	\$199,695	\$362,600	\$362,600	—	—%
Total Revenues	\$63,204,667	\$78,870,092	\$76,858,896	\$79,435,757	\$2,576,861	3.4%

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	0.48	76,221,555	76,858,896	(637,341)
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	0.00	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits	-	466	-	466
Department Charges for General Benefits	-	-	2,576,861	(2,576,861)
PARs Contributions and Expenses (Normal Cost Calculated at 6.2 Percent Discount Rate)	-	(384,221)	-	(384,221)
Citywide Dental Insurance	-	(147,396)	-	(147,396)
Citywide Vision Insurance	-	(10,798)	-	(10,798)
Citywide Healthcare Insurance	-	105,228	-	105,228
Citywide Pension	-	3,024,699	-	3,024,699
Adjustments to Costs of Ongoing Activities	0.00	2,587,978	2,576,861	11,117
Total FY 2022 Base Budget	0.48	78,809,533	79,435,757	(626,224)
Budget Adjustments				
1. None	-	-	-	-
Total Budget Adjustments	0.00	-	-	-
Total FY 2022 Adopted Budget	0.48	78,809,533	79,435,757	(626,224)

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 as payments for the unfunded liability for future medical benefits that will be provided to current and future retirees. The City uses actuarial studies, completed on a biennial basis by Bartel Associates, to inform the development of annual operating budgets. The most recent report was completed in May 2020 to inform both the FY 2021 and FY 2022 Operating Budgets (CMR 11284). This study captured investment gains for the Retiree Healthcare Trust Fund as of June 30, 2019 and lowered the assumed investment returns from 6.75 percent to 6.25 percent.

The City's ADC for FY 2022 is \$16.4 million, or a 3.0 percent increase from FY 2021 (\$15.9 million). Though the ADC assumed for the FY 2022 budget is \$16.4 million, the charges to the City's funds are budgeted at \$13.8 million. The difference of \$2.6 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 FY 2017, that government agencies must recognize the true cost of medical health care of 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 FY 2022, 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 \$2.6 million, and a transfer from the General Benefits Fund of \$2.6 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.

EMPLOYEE INFORMATION

Budget Summary

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget	FY 2022 Adopted Budget	FY 2022 Change \$	FY 2022 Change %
Other Benefits	\$24,221	\$28,733	\$61,560	\$61,560	—	—%
Retiree Medical	\$15,997,000	\$16,475,219	\$15,924,000	\$16,418,000	\$494,000	3.1%
Total Salary and Benefits	\$16,021,221	\$16,503,951	\$15,985,560	\$16,479,560	\$494,000	3.1%
Total Dollars by Expense Category	\$16,021,221	\$16,503,951	\$15,985,560	\$16,479,560	\$494,000	3.1%
Operating Transfers-In	\$2,197,000	\$2,384,000	\$2,347,000	\$2,619,000	\$272,000	11.6%
Other Revenue	\$13,800,000	\$14,214,000	\$13,577,000	\$13,799,000	\$222,000	1.6%
Return on Investments	\$93,008	\$51,454	\$63,800	\$63,800	—	—%
Total Revenues	\$16,090,008	\$16,649,453	\$15,987,800	\$16,481,800	\$494,000	3.1%

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	0.00	15,985,560	15,987,800	(2,240)
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Citywide Retiree Health Benefits Adjustment	-	494,000	494,000	-
Adjustments to Costs of Ongoing Activities	-	494,000	494,000	-
Total FY 2022 Base Budget	0.00	16,479,560	16,481,800	(2,240)
Budget Adjustments				
1. None	-	-	-	-
Total Budget Adjustments	0.00	-	-	-
Total FY 2022 Adopted Budget	0.00	16,479,560	16,481,800	(2,240)



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TABLE OF ORGANIZATION

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
General Fund						
Administrative Services						
Account Specialist	4.63	4.63	3.13	4.13	1.00	31.9%
Account Specialist (Freeze)	—	—	1.50	—	(1.50)	(100.0)%
Account Specialist-Lead	3.45	3.45	3.45	3.45	—	—%
Accountant	3.00	3.00	3.00	2.00	(1.00)	(33.3)%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	1.00	1.00	0.50	0.50	—	—%
Administrative Associate II (Freeze)	—	—	0.50	—	(0.50)	(100.0)%
Administrative Associate III	1.00	1.00	1.00	1.00	—	—%
Assistant Director Administrative Services	1.65	1.65	1.65	1.65	—	—%
Buyer	1.00	1.00	1.00	2.00	1.00	100.0%
Chief Procurement Officer	1.00	1.00	1.00	1.00	—	—%
Contracts Administrator	2.70	2.70	2.30	1.70	(0.60)	(26.0)%
Contracts Administrator (Freeze)	—	—	0.40	—	(0.40)	(100.0)%
Director Administrative Services/CFO	0.80	0.80	0.80	0.80	—	—%
Director Office of Management and Budget	1.00	1.00	—	1.00	1.00	—%
Director Office of Management and Budget (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Management Analyst	1.00	2.00	2.00	2.00	—	—%
Manager Budget	2.00	2.00	2.00	2.00	—	—%
Manager Real Property	1.00	1.00	1.00	1.00	—	—%
Manager Revenue Collections	0.62	0.62	0.62	0.62	—	—%
Manager Treasury, Debt & Investments	0.60	0.60	0.60	0.60	—	—%
Manager, Finance	1.00	1.00	1.00	1.00	—	—%
Payroll Analyst	2.00	2.00	2.00	2.00	—	—%
Performance Auditor II (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Senior Accountant	3.00	3.00	3.00	3.00	—	—%
Senior Buyer	1.00	1.00	1.00	1.00	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Senior Management Analyst	2.30	2.30	2.30	2.30	—	—%
Storekeeper	1.00	1.00	1.00	1.00	—	—%
Storekeeper-Lead	0.20	0.20	0.20	0.20	—	—%
Warehouse Supervisor	0.20	0.20	0.20	0.20	—	—%
Total Administrative Services	38.15	39.15	40.15	37.15	(3.00)	(7.5)%
City Attorney						
Assistant City Attorney	3.00	3.00	3.00	3.00	—	—%
Chief Assistant City Attorney	1.00	1.00	1.00	1.00	—	—%
City Attorney	1.00	1.00	1.00	1.00	—	—%
Claims Investigator	1.00	1.00	1.00	1.00	—	—%
Deputy City Attorney	1.00	1.00	1.00	1.00	—	—%
Legal Fellow	1.00	1.00	0.50	1.00	0.50	100.0%
Legal Fellow (Freeze)	—	—	0.50	—	(0.50)	(100.0)%
Secretary to City Attorney	1.00	1.00	1.00	1.00	—	—%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Total City Attorney	10.00	10.00	10.00	10.00	—	—%
City Auditor						
City Auditor	1.00	1.00	1.00	—	(1.00)	(100.0)%
Performance Auditor I	1.00	—	—	—	—	—%
Performance Auditor II	1.00	2.00	—	—	—	—%
Senior Performance Auditor	1.00	1.00	2.00	—	(2.00)	(100.0)%
Total City Auditor	4.00	4.00	3.00	—	(3.00)	(100.0)%
City Clerk						
Administrative Associate III	2.00	2.00	2.00	2.00	—	—%
Assistant City Clerk	1.00	1.00	1.00	1.00	—	—%
City Clerk	1.00	1.00	1.00	1.00	—	—%
Deputy City Clerk	1.00	1.00	1.00	1.00	—	—%
Total City Clerk	5.00	5.00	5.00	5.00	—	—%
City Manager						
Administrative Assistant	1.00	2.00	2.00	2.00	—	—%
Administrative Associate III	1.00	—	—	—	—	—%
Assistant City Manager	—	1.00	1.00	1.00	—	—%
Assistant City Manager/Utilities General Manager	0.25	—	—	—	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Assistant to the City Manager	2.00	2.00	1.00	1.00	—	—%
Assistant to the City Manager (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Chief Communications Officer	1.00	1.00	1.00	1.00	—	—%
Chief Sustainability Officer	1.00	—	—	—	—	—%
City Manager	1.00	1.00	1.00	1.00	—	—%
Deputy City Manager	2.00	1.00	1.00	1.00	—	—%
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	—	—%
Management Analyst	0.75	0.75	—	—	—	—%
Manager Communications	1.00	1.00	1.00	1.00	—	—%
Total City Manager	12.00	10.75	10.00	9.00	(1.00)	(10.0)%
Community Services						
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate III	1.00	1.00	—	—	—	—%
Administrative Associate III (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Assistant Director Community Services	2.00	2.00	1.00	1.00	—	—%
Assistant Director Community Services (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Building Serviceperson	1.25	1.25	1.00	1.00	—	—%
Building Serviceperson-Lead	0.60	0.60	0.60	0.60	—	—%
Coordinator Recreation Programs	3.00	4.00	4.00	4.00	—	—%
Director Community Services	1.00	1.00	1.00	1.00	—	—%
Division Manager Open Space, Parks and Golf	1.00	1.00	—	—	—	—%
Heavy Equipment Operator	0.07	0.07	0.07	—	(0.07)	(100.0)%
Inspector, Field Services	2.00	2.00	2.00	2.00	—	—%
Junior Museum & Zoo Educator	3.60	3.60	3.25	3.25	—	—%
Junior Museum & Zoo Educator (Freeze)	—	—	0.35	—	(0.35)	(100.0)%
Management Analyst	1.00	1.00	1.00	1.00	—	—%
Management Assistant	1.00	1.00	1.00	1.00	—	—%
Manager Community Services	5.00	5.00	4.00	5.00	1.00	25.0%
Manager Community Services (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Manager Community Services Senior Program	4.00	4.00	4.00	4.00	—	—%
Manager Human Services	1.00	1.00	1.00	1.00	—	—%
Park Maintenance Person	6.00	6.00	6.00	6.00	—	—%
Park Maintenance-Lead	1.00	1.00	1.00	1.00	—	—%
Park Ranger	5.00	5.00	5.00	5.00	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	—	—%
Producer Arts/Science Program	11.00	11.00	10.25	11.00	0.75	(12.0)%
Producer Arts/Science Program (Freeze)	—	—	1.75	—	(1.75)	(100.0)%
Program Assistant I	8.00	8.00	3.00	3.00	—	—%
Program Assistant I (Freeze)	—	—	4.00	—	(4.00)	(100.0)%
Program Assistant II	4.00	3.00	4.00	4.00	—	—%
Project Manager	0.10	0.10	0.10	0.10	—	—%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Sprinkler System Representative	4.00	4.00	4.00	4.00	—	—%
Superintendent Community Services	2.00	2.00	2.00	2.00	—	—%
Superintendent Recreation	1.00	1.00	—	—	—	—%
Superintendent Recreation (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Theater Specialist	2.00	2.00	2.00	2.00	—	—%
WGW Heavy Equipment Operator	—	—	—	0.07	0.07	—%
Total Community Services	75.62	75.62	75.37	67.02	(8.35)	(11.1)%
Fire						
40-Hour Training Battalion Chief	1.00	1.00	1.00	1.00	—	—%
40-Hour Training Captain	1.00	1.00	—	1.00	1.00	100.0%
40-Hour Training Captain (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	2.20	2.20	1.20	2.20	1.00	83.3%
Administrative Associate II (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Battalion Chief	3.00	3.00	3.00	3.00	—	—%
Business Analyst	0.80	0.80	0.80	0.80	—	—%
Deputy Chief/Fire Marshal	0.05	0.05	0.05	0.05	—	—%
Deputy Director Technical Services Division	0.20	0.20	—	—	—	—%
Deputy Director Technical Services Division (Freeze)	—	—	0.20	—	(0.20)	(100.0)%
Deputy Fire Chief	2.00	2.00	2.00	1.00	(1.00)	(50.0)%
Emergency Medical Service Director	1.00	1.00	1.00	1.00	—	—%
Emergency Medical Services Data Specialist	1.00	1.00	1.00	1.00	—	—%
Fire Apparatus Operator	26.00	26.00	26.00	26.00	—	—%
Fire Captain	21.00	21.00	21.00	20.00	(1.00)	(4.8)%
Fire Chief	1.00	1.00	1.00	1.00	—	—%
Fire Fighter	34.00	34.00	29.00	29.00	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Fire Fighter (Freeze)	—	—	5.00	—	(5.00)	(100.0)%
Fire Inspector	0.80	0.80	0.40	0.40	—	—%
Fire Inspector (Freeze)	—	—	0.40	—	(0.40)	(100.0)%
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	—%
Hazardous Materials Inspector	0.30	0.30	0.30	0.30	—	—%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Total Fire	97.85	97.85	97.85	90.25	(7.60)	(7.8)%
Human Resources						
Assistant Director Human Resources	1.00	1.00	1.00	1.00	—	—%
Director Human Resources/CPO	1.00	1.00	1.00	1.00	—	—%
Human Resources Representative	3.00	3.00	2.50	2.00	(0.50)	(20.0)%
Human Resources Representative (Freeze)	—	—	0.50	—	(0.50)	(100.0)%
Human Resources Technician	4.00	4.00	3.50	3.00	(0.50)	(14.0)%
Human Resources Technician (Freeze)	—	—	0.50	—	(0.50)	(100.0)%
Manager Employee Benefits	1.00	1.00	1.00	1.00	—	—%
Manager Employee Relations	1.00	1.00	1.00	1.00	—	—%
Senior Human Resources Administrator	3.00	3.00	3.00	3.00	—	—%
Senior Management Analyst	2.00	2.00	2.00	2.00	—	—%
Total Human Resources	16.00	16.00	16.00	14.00	(2.00)	(12.5)%
Library						
Administrative Associate III	1.00	1.00	—	—	—	—%
Administrative Associate III (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Assistant Director Library Services	1.00	1.00	—	—	—	—%
Assistant Director Library Services (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Business Analyst	1.00	1.00	1.00	1.00	—	—%
Coordinator Library Programs	1.00	1.00	1.00	1.00	—	—%
Director Libraries	1.00	1.00	1.00	1.00	—	—%
Division Head Library Services	1.00	1.00	1.00	1.00	—	—%
Librarian	7.00	6.00	6.00	6.00	—	—%
Library Associate	7.00	7.00	6.00	6.00	—	—%
Library Associate (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Library Specialist	11.50	11.50	10.50	10.50	—	—%
Library Specialist (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Management Analyst	1.00	1.00	1.00	1.00	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Manager Library Services	4.00	3.00	3.00	3.00	—	—%
Senior Librarian	9.00	8.00	6.00	6.00	—	—%
Senior Librarian (Freeze)	—	—	2.00	—	(2.00)	(100.0)%
Supervising Librarian	2.00	4.00	4.00	4.00	—	—%
Total Library	47.50	46.50	46.50	40.50	(6.00)	(12.9)%
Office of Emergency Services						
Director Office of Emergency Services	1.00	1.00	1.00	1.00	—	—%
Office of Emergency Services Coordinator	1.00	1.00	1.00	1.00	—	—%
Program Assistant II	1.00	1.00	—	—	—	—%
Program Assistant II (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Total Office of Emergency Services	3.00	3.00	3.00	2.00	(1.00)	(33.3)%
Office of Transportation^b						
Administrative Assistant	—	0.50	0.50	0.60	0.10	20.0%
Administrative Associate III	0.30	—	—	—	—	—%
Associate Engineer	0.65	0.30	0.30	0.35	0.05	16.7%
Associate Planner	0.24	0.30	0.45	0.40	(0.05)	(11.1)%
Chief Transportation Official	0.55	0.70	0.70	0.70	—	—%
Coordinator Transportation Systems Management	0.74	1.25	1.25	0.65	(0.60)	(48.0)%
Management Analyst	0.02	0.50	0.50	0.50	—	—%
Parking Operations-Lead	0.10	—	—	0.05	0.05	—%
Project Engineer	0.50	0.45	0.45	0.25	(0.20)	(44.4)%
Senior Engineer	—	0.20	0.20	0.20	—	—%
Senior Planner	0.28	0.50	0.50	0.15	(0.35)	(70.0)%
Traffic Engineering-Lead	0.65	0.35	0.35	0.35	—	—%
Transportation Planning Manager	0.36	1.15	1.15	1.00	(0.15)	(13.0)%
Total Office of Transportation	4.39	6.20	6.35	5.20	(1.15)	(18.1)%
Planning and Development Services^c						
Administrative Assistant	2.00	1.00	1.00	1.00	—	—%
Administrative Associate I	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	2.80	2.80	2.80	2.80	—	—%
Administrative Associate III	3.29	4.00	4.00	3.00	(1.00)	(25.0)%
Assistant Chief Building Official	1.00	1.00	1.00	1.00	—	—%
Assistant Director PCE	1.00	1.00	1.00	1.00	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Associate Engineer	0.02	0.22	0.20	—	(0.20)	(100.0)%
Associate Planner	3.03	3.15	3.00	3.25	0.25	8.3%
Building Inspector Specialist	4.00	4.00	6.00	6.00	—	—%
Building/Planning Technician	3.00	3.00	2.00	2.00	—	—%
Building/Planning Technician (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Business Analyst	1.00	—	—	—	—	—%
Chief Building Official	1.00	1.00	1.00	1.00	—	—%
Chief Planning Official	1.00	1.00	1.00	1.00	—	—%
Chief Transportation Official	0.09	—	—	—	—	—%
Code Enforcement Officer	2.00	2.00	—	—	—	—%
Code Enforcement Officer (Freeze)	—	—	2.00	—	(2.00)	(100.0)%
Code Enforcement-Lead	1.00	1.00	1.00	1.00	—	—%
Deputy Chief/Fire Marshal	0.80	0.80	0.80	0.80	—	—%
Development Project Coordinator II	2.00	2.00	2.00	2.00	—	—%
Development Project Coordinator III	3.00	3.00	3.00	3.00	—	—%
Development Services Director	1.00	—	—	—	—	—%
Director Planning/Community Environment	1.00	1.00	1.00	1.00	—	—%
Engineer	0.64	0.64	0.52	0.52	—	—%
Engineering Technician III	1.78	1.78	1.50	1.50	—	—%
Fire Inspector	3.20	3.20	1.60	1.60	—	—%
Fire Inspector (Freeze)	—	—	1.60	—	(1.60)	(100.0)%
Hazardous Materials Inspector	1.60	1.60	1.60	1.60	—	—%
Industrial Waste Inspector	0.01	0.01	—	—	—	—%
Industrial Waste Investigator	0.35	0.35	0.35	0.35	—	—%
Inspector, Field Services	0.68	0.68	0.68	0.68	—	—%
Landscape Architect Park Planner	0.50	0.50	0.50	0.50	—	—%
Management Analyst	1.79	0.01	—	—	—	—%
Manager Development Center	1.00	—	—	—	—	—%
Manager Environmental Control Program	0.10	0.10	—	—	—	—%
Manager Planning	3.00	5.00	4.00	4.00	—	—%
Manager Urban Forestry	0.04	0.04	—	—	—	—%
Planner	4.00	4.00	4.00	4.00	—	—%
Planning Division Manager	1.00	—	—	—	—	—%
Principal Management Analyst	—	1.00	—	—	—	—%
Principal Planner	1.00	2.00	1.00	1.00	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Principal Planner (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Program Assistant	—	1.00	—	—	—	—%
Program Assistant I (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Project Engineer	0.33	0.13	0.10	—	(0.10)	(100.0)%
Senior Business Analyst	—	1.00	1.00	1.00	—	—%
Senior Engineer	0.46	0.46	0.40	0.40	—	—%
Senior Industrial Waste Investigator	0.01	0.01	—	—	—	—%
Senior Management Analyst	1.88	2.00	2.00	2.00	—	—%
Senior Planner	3.60	3.60	2.60	3.65	1.05	40.0%
Senior Planner (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Supervisor Inspection and Surveying	0.27	0.27	0.25	0.25	—	—%
Traffic Engineering-Lead	—	0.10	0.10	0.05	(0.05)	(50.0)%
Transportation Planning Manager	0.05	—	—	0.05	0.05	—%
Total Planning and Development Services	62.32	62.45	61.60	54.00	(7.60)	(12.3)%
Police						
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	3.00	3.00	2.00	2.00	—	—%
Administrative Associate II (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Animal Control Officer	3.00	3.00	2.00	2.00	—	—%
Animal Control Officer (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Animal Control Officer-Lead	1.00	1.00	1.00	1.00	—	—%
Animal Services Specialist II	2.00	—	—	—	—	—%
Assistant Police Chief	1.00	1.00	1.00	1.00	—	—%
Business Analyst	1.20	1.20	1.20	1.20	—	—%
Code Enforcement Officer	1.00	1.00	1.00	1.00	—	—%
Communications Manager	1.00	1.00	—	—	—	—%
Communications Manager (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Communications Technician	1.00	1.00	—	—	—	—%
Communications Technician (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Community Service Officer	7.50	7.50	5.63	5.63	—	—%
Community Service Officer (Freeze)	—	—	1.87	—	(1.87)	(100.0)%
Court Liaison Officer	1.00	1.00	1.00	1.00	—	—%
Crime Analyst	1.00	1.00	1.00	1.00	—	—%
Deputy Director Technical Services Division	0.80	0.80	—	—	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Deputy Director Technical Services Division (Freeze)	—	—	0.80	—	(0.80)	(100.0)%
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	—%
Police Agent	19.00	19.00	19.00	19.00	—	—%
Police Captain	2.00	2.00	2.00	2.00	—	—%
Police Chief	1.00	1.00	1.00	1.00	—	—%
Police Lieutenant	5.00	5.00	4.00	4.00	—	—%
Police Lieutenant (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Police Officer	50.00	50.00	39.00	39.00	—	—%
Police Officer (Freeze)	—	—	11.00	—	(11.00)	(100.0)%
Police Records Specialist II	6.00	6.00	6.00	6.00	—	—%
Police Records Specialist-Lead	1.00	1.00	1.00	1.00	—	—%
Police Sergeant	14.00	14.00	14.00	14.00	—	—%
Program Assistant II	1.00	1.00	1.00	1.00	—	—%
Property Evidence Technician	2.00	2.00	2.00	2.00	—	—%
Public Safety Communications Manager	1.00	1.00	—	—	—	—%
Public Safety Communications Manager (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Public Safety Dispatcher	16.00	16.00	12.00	12.00	—	—%
Public Safety Dispatcher (Freeze)	—	—	4.00	—	(4.00)	(100.0)%
Public Safety Dispatcher-Lead	4.00	4.00	4.00	4.00	—	—%
Public Safety Program Manager	2.00	2.00	2.00	1.00	(1.00)	(50.0)%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Superintendent Animal Services	1.00	—	—	—	—	—%
Veterinarian	1.00	—	—	—	—	—%
Veterinarian Technician	2.00	—	—	—	—	—%
Total Police	155.00	149.00	149.00	124.33	(24.67)	(16.6)%
Public Works						
Administrative Assistant	1.00	1.00	1.00	0.50	(0.50)	(50.0)%
Administrative Associate I	0.60	0.10	0.10	—	(0.10)	(100.0)%
Administrative Associate II	2.65	2.65	2.65	2.65	—	—%
Administrative Associate III	0.01	0.01	0.01	—	(0.01)	(100.0)%
Assistant Director Public Works	0.87	0.73	0.73	0.73	—	—%
Associate Engineer	0.30	—	—	—	—	—%
Building Serviceperson-Lead	1.00	1.00	1.00	1.00	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Cement Finisher	2.00	2.00	2.00	2.00	—	—%
Cement Finisher-Lead	0.26	0.26	0.26	0.26	—	—%
Coordinator Public Works Projects	1.50	1.50	1.50	1.50	—	—%
Director Public Works/City Engineer	1.00	1.00	1.00	1.00	—	—%
Electrician	0.80	0.80	0.80	0.80	—	—%
Engineer	0.66	0.36	0.48	0.48	—	—%
Engineering Technician III	1.47	1.47	1.75	1.75	—	—%
Equipment Operator	2.46	2.46	2.46	2.46	—	—%
Facilities Carpenter	1.00	1.00	1.00	1.00	—	—%
Facilities Maintenance-Lead	1.85	1.85	1.85	1.85	—	—%
Facilities Painter	1.75	1.75	1.75	1.75	—	—%
Facilities Technician	4.05	4.05	4.05	4.05	—	—%
Heavy Equipment Operator	2.33	2.33	2.33	2.10	(0.23)	(9.9)%
Heavy Equipment Operator-Lead	0.85	0.85	0.85	0.85	—	—%
Inspector, Field Services	0.11	0.11	0.11	0.11	—	—%
Landscape Architect Park Planner	0.60	0.60	0.60	0.60	—	—%
Management Analyst	0.70	0.70	1.45	1.45	—	—%
Manager Facilities	0.90	0.90	0.90	0.90	—	—%
Manager Maintenance Operations	1.20	1.20	1.20	1.20	—	—%
Manager Urban Forestry	0.96	0.96	1.00	1.00	—	—%
Manager Watershed Protection	0.05	0.05	0.05	0.05	—	—%
Project Engineer	0.50	—	—	—	—	—%
Project Manager	2.65	2.65	2.00	2.00	—	—%
Project Manager (Freeze)	—	—	0.65	—	(0.65)	(100.0)%
Senior Engineer	0.79	0.59	0.60	0.60	—	—%
Senior Management Analyst	1.11	1.11	1.11	1.11	—	—%
Senior Project Manager	0.10	—	—	—	—	—%
Supervisor Inspection and Surveying	0.10	0.10	0.10	0.10	—	—%
Surveyor, Public Works	0.33	0.33	0.33	0.33	—	—%
Traffic Controller Maintainer I	1.94	1.94	1.94	1.94	—	—%
Traffic Controller Maintainer II	2.00	2.00	2.00	1.00	(1.00)	(50.0)%
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	—%
Tree Trim/Line Clear	7.00	7.00	7.00	7.00	—	—%
Tree Trim/Line Clear-Lead	1.00	1.00	1.00	1.00	—	—%
WGW Heavy Equipment Operator	—	—	—	0.23	0.23	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Total Public Works	51.45	49.41	50.61	48.35	(2.26)	(4.5)%
Total General Fund	582.28	574.93	574.43	506.80	(67.63)	(11.8)%
Enterprise Fund						
Public Works						
Account Specialist	0.30	0.30	0.30	—	(0.30)	(100.0)%
Accountant	0.40	0.40	0.40	0.70	0.30	75.0%
Administrative Associate I	0.10	0.10	0.10	—	(0.10)	(100.0)%
Administrative Associate II	2.15	2.15	2.15	2.15	—	—%
Administrative Associate III	0.10	0.10	0.10	0.20	0.10	100.0%
Assistant Director Public Works	1.30	1.30	1.30	1.30	—	—%
Assistant Manager WQCP	2.00	2.00	2.00	2.00	—	—%
Associate Engineer	2.99	2.99	3.00	3.00	—	—%
Chemist	3.00	3.00	3.00	2.00	(1.00)	(33.3)%
Deputy Chief/Fire Marshal	0.07	0.07	0.07	0.07	—	—%
Electrician	3.00	3.00	3.00	3.00	—	—%
Electrician-Lead	2.00	2.00	2.00	2.00	—	—%
Engineer	0.90	0.90	0.90	0.90	—	—%
Engineering Technician III	0.25	0.25	0.25	0.25	—	—%
Environmental Specialist	2.00	2.00	2.00	2.00	—	—%
Equipment Operator	0.54	0.54	0.54	0.54	—	—%
Facilities Maintenance Lead	1.00	1.00	1.00	1.00	—	—%
Facilities Technician	1.50	1.50	1.50	1.50	—	—%
Hazardous Materials Inspector	0.04	0.04	0.04	0.04	—	—%
Heavy Equipment Operator	0.90	0.90	0.90	0.90	—	—%
Heavy Equipment Operator-Lead	1.15	1.15	1.15	1.15	—	—%
Industrial Waste Inspector	2.99	2.99	3.00	3.00	—	—%
Industrial Waste Investigator	1.15	1.15	1.15	1.15	—	—%
Laboratory Technician WQC	3.00	3.00	3.00	3.00	—	—%
Landfill Technician	1.00	1.00	1.00	1.00	—	—%
Management Analyst	2.30	2.30	2.30	2.30	—	—%
Manager Airport	1.00	1.00	1.00	1.00	—	—%
Manager Environmental Control Program	4.90	4.90	5.00	5.00	—	—%
Manager Laboratory Services	1.00	1.00	1.00	1.00	—	—%
Manager Maintenance Operations	1.96	1.96	1.96	1.96	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Manager Solid Waste	1.00	1.00	1.00	1.00	—	—%
Manager Water Quality Control Plant	1.00	1.00	1.00	1.00	—	—%
Manager Watershed Protection	0.95	0.95	0.95	0.95	—	—%
Plant Mechanic	7.00	7.00	7.00	7.00	—	—%
Program Assistant I	1.00	1.00	1.00	1.00	—	—%
Program Assistant II	2.00	2.00	2.00	2.00	—	—%
Project Engineer	1.83	1.83	1.83	1.83	—	—%
Project Manager	1.35	1.35	1.35	1.35	—	—%
Senior Accountant	0.30	0.30	0.30	0.30	—	—%
Senior Buyer	1.00	1.00	1.00	1.00	—	—%
Senior Chemist	1.00	1.00	1.00	2.00	1.00	100.0%
Senior Engineer	3.76	3.76	3.76	3.76	—	—%
Senior Industrial Waste Investigator	0.99	0.99	1.00	1.00	—	—%
Senior Management Analyst	0.21	0.21	0.21	0.21	—	—%
Senior Mechanic	1.00	1.00	1.00	1.00	—	—%
Senior Operator WQC	6.00	6.00	6.00	6.00	—	—%
Senior Technologist	1.00	1.00	1.00	1.00	—	—%
Storekeeper	1.00	1.00	1.00	1.00	—	—%
Street Maintenance Assistant	1.00	1.00	1.00	1.00	—	—%
Street Sweeper Operator	1.63	1.63	1.63	1.63	—	—%
Supervisor WQCP Operations	3.00	3.00	3.00	3.00	—	—%
Surveyor, Public Works	0.12	0.12	0.12	0.12	—	—%
Technologist	1.00	1.00	1.00	1.00	—	—%
Traffic Controller Maintainer I	0.06	0.06	0.06	0.06	—	—%
WQC Plant Operator II	16.00	16.00	16.00	16.00	—	—%
Zero Waste Coordinator	1.00	1.00	1.00	1.00	—	—%
Total Public Works	101.19	101.19	101.32	101.32	—	—%
Utilities						
Account Specialist	1.70	1.70	1.70	1.00	(0.70)	(41.2)%
Accountant	0.60	0.60	0.60	1.30	0.70	116.7%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	7.00	6.00	6.00	6.00	—	—%
Assistant City Manager/Utilities General Manager	0.75	—	—	—	—	—%
Assistant Director Administrative Services	0.25	0.25	0.25	0.25	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Assistant Director Utilities Customer Support Services	1.00	1.00	1.00	1.00	—	—%
Assistant Director Utilities Engineering	1.00	1.00	—	1.00	1.00	100.0%
Assistant Director Utilities Engineering (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Assistant Director Utilities Operations	1.00	1.00	1.00	1.00	—	—%
Assistant Director Utilities/Resource Management	1.00	1.00	1.00	1.00	—	—%
Business Analyst	6.00	6.00	5.00	6.00	1.00	20.0%
Business Analyst (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Cathodic Protection Technician Assistant	1.00	1.00	1.00	1.00	—	—%
Cathodic Technician	1.00	1.00	1.00	1.00	—	—%
Cement Finisher	2.00	2.00	2.00	2.00	—	—%
Contracts Administrator	0.70	0.70	0.70	0.70	—	—%
Coordinator Utilities Projects	6.00	6.00	6.00	6.00	—	—%
Customer Service Representative	7.00	7.00	7.00	7.00	—	—%
Customer Service Specialist	2.00	2.00	2.00	2.00	—	—%
Customer Service Specialist-Lead	2.00	2.00	2.00	2.00	—	—%
Deputy Chief/Fire Marshal	0.08	0.08	0.08	0.08	—	—%
Deputy City Attorney	1.00	1.00	1.00	1.00	—	—%
Director Administrative Services/CFO	0.20	0.20	0.20	0.20	—	—%
Electric Heavy Equipment Operator	—	—	2.00	2.00	—	—%
Electric Project Engineer	2.00	4.00	4.00	4.00	—	—%
Electric Underground Inspector	2.00	2.00	2.00	2.00	—	—%
Electric Underground Inspector-Lead	1.00	1.00	1.00	1.00	—	—%
Electrical Equipment Technician	1.00	1.00	1.00	1.00	—	—%
Electrician Assistant I	3.00	3.00	3.00	3.00	—	—%
Engineer	4.00	4.00	4.00	4.00	—	—%
Engineering Manager - Electric	1.00	1.00	1.00	1.00	—	—%
Engineering Manager - WGW	1.00	1.00	1.00	1.00	—	—%
Engineering Technician III	3.00	3.00	3.00	3.00	—	—%
Gas and Water Meter Measurement and Control Technician	4.00	4.00	4.00	4.00	—	—%
Gas and Water Meter Measurement and Control Technician - Lead	1.00	1.00	1.00	1.00	—	—%
Hazardous Materials Inspector	0.06	0.06	0.06	0.06	—	—%
Heavy Equipment Operator	6.70	6.70	—	—	—	—%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Heavy Equipment Operator - Install/Repair	4.00	4.00	4.00	4.00	—	—%
Human Resources Representative	—	—	—	1.00	1.00	—%
Industrial Waste Investigator	0.50	0.50	0.50	0.50	—	—%
Inspector, WGW Utilities Field Services	5.00	5.00	5.00	5.00	—	—%
Lineperson/Cable Specialist	11.00	11.00	10.00	10.00	—	—%
Lineperson/Cable Specialist-Lead	4.00	4.00	4.00	4.00	—	—%
Maintenance Mechanic-Welding	2.00	2.00	2.00	2.00	—	—%
Manager Communications	1.00	1.00	1.00	1.00	—	—%
Manager Customer Service	1.00	1.00	1.00	1.00	—	—%
Manager Electric Operations	1.00	1.00	1.00	1.00	—	—%
Manager Treasury, Debt & Investments	0.40	0.40	0.40	0.40	—	—%
Manager Utilities Compliance	1.00	1.00	1.00	1.00	—	—%
Manager Utilities Credit & Collection	1.00	1.00	1.00	1.00	—	—%
Manager Utilities Operations WGW	1.00	1.00	1.00	1.00	—	—%
Manager Utilities Program Services	1.00	1.00	1.00	1.00	—	—%
Manager Utilities Strategic Business	1.00	1.00	1.00	1.00	—	—%
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	—	—%
Meter Reader	6.00	6.00	6.00	6.00	—	—%
Meter Reader-Lead	1.00	1.00	1.00	1.00	—	—%
Metering Technician	3.00	3.00	3.00	3.00	—	—%
Metering Technician-Lead	1.00	1.00	1.00	1.00	—	—%
Offset Equipment Operator	0.48	0.48	0.48	0.48	—	—%
Overhead Underground Troubleshooter	2.00	2.00	2.00	2.00	—	—%
Power Engineer	3.00	1.00	1.00	1.00	—	—%
Principal Business Analyst	1.00	1.00	1.00	1.00	—	—%
Program Assistant I	1.50	1.50	1.50	1.50	—	—%
Program Assistant II	—	1.00	1.00	1.00	—	—%
Project Engineer	5.00	5.00	5.00	5.00	—	—%
Project Manager	0.75	0.75	0.75	0.75	—	—%
Resource Planner	6.00	5.00	5.00	5.00	—	—%
Restoration Lead	1.00	1.00	1.00	1.00	—	—%
SCADA Technologist	2.00	2.00	2.00	2.00	—	—%
Senior Accountant	0.70	0.70	0.70	0.70	—	—%
Senior Business Analyst	3.00	3.00	3.00	3.00	—	—%
Senior Electrical Engineer	4.00	4.00	4.00	5.00	1.00	25.0%

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	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Senior Engineer	5.00	5.00	5.00	5.00	—	—%
Senior Management Analyst	0.70	0.70	0.70	0.70	—	—%
Senior Mechanic	1.00	1.00	1.00	1.00	—	—%
Senior Performance Auditor	1.00	1.00	1.00	—	(1.00)	(100.0)%
Senior Resource Planner	6.00	6.50	6.50	6.50	—	—%
Senior Utilities Field Service Representative	1.00	1.00	1.00	1.00	—	—%
Senior Water Systems Operator	2.00	2.00	2.00	2.00	—	—%
Storekeeper	1.00	1.00	1.00	1.00	—	—%
Storekeeper-Lead	0.80	0.80	0.80	0.80	—	—%
Street Light, Traffic Signal & Fiber Technician	5.00	5.00	5.00	5.00	—	—%
Street Light, Traffic Signal & Fiber-Lead	2.00	2.00	2.00	2.00	—	—%
Substation Electrician	6.00	6.00	5.00	6.00	1.00	20.0%
Substation Electrician (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Substation Electrician-Lead	2.00	2.00	2.00	2.00	—	—%
Supervising Electric Project Engineer	1.00	1.00	1.00	—	(1.00)	(100.0)%
Sustainability Programs Administrator	—	—	—	4.00	4.00	—%
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	—%
Utilities Chief Operating Officer	1.00	1.00	—	1.00	1.00	100.0%
Utilities Chief Operating Officer (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Utilities Compliance Technician	2.00	2.00	3.00	3.00	—	—%
Utilities Compliance Technician-Lead	1.00	1.00	1.00	1.00	—	—%
Utilities Credit/Collection Specialist	2.00	2.00	2.00	2.00	—	—%
Utilities Director	—	1.00	1.00	1.00	—	—%
Utilities Engineer Estimator	5.00	5.00	5.00	5.00	—	—%
Utilities Field Services Representative	5.00	5.00	5.00	5.00	—	—%
Utilities Install Repair-Lead-Welding Certified	2.00	2.00	2.00	2.00	—	—%
Utilities Install Repair-Welding Certified	3.00	3.00	3.00	3.00	—	—%
Utilities Install/Repair	10.00	10.00	10.00	10.00	—	—%
Utilities Install/Repair Assistant	1.00	1.00	1.00	1.00	—	—%
Utilities Install/Repair-Lead	5.00	5.00	5.00	5.00	—	—%
Utilities Key Account Representative	3.00	3.00	3.00	3.00	—	—%
Utilities Locator	3.00	3.00	3.00	3.00	—	—%
Utilities Marketing Program Administrator	3.00	4.00	4.00	—	(4.00)	(100.0)%
Utilities Safety Officer	1.00	1.00	1.00	1.00	—	—%
Utilities Supervisor	12.00	12.00	11.00	12.00	1.00	100.0%

TABLE OF ORGANIZATION

Table of Organization

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Utilities Supervisor (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Utilities System Operator	5.00	5.00	5.00	5.00	—	—%
Utility Engineering Estimator - Lead	1.00	1.00	1.00	1.00	—	—%
Warehouse Supervisor	0.80	0.80	0.80	0.80	—	—%
Water System Operator II	4.00	4.00	4.00	4.00	—	—%
WGW Heavy Equipment Operator	—	—	4.70	4.70	—	—%
Total Utilities	256.67	257.42	257.42	257.42	(0.00)	—%
Total Enterprise Fund	357.86	358.61	358.74	358.74	(0.00)	—%
Other Funds						
Capital Project Fund						
Administrative Assistant	—	0.15	0.15	0.65	0.50	333.3%
Administrative Associate I	0.80	0.80	0.80	—	(0.80)	(100.0)%
Administrative Associate III	1.09	0.89	0.89	0.80	(0.09)	(10.1)%
Assistant Director Public Works	0.58	0.72	0.72	0.72	—	—%
Associate Engineer	3.04	2.49	1.50	1.65	0.15	10.0%
Associate Engineer (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Associate Planner	0.31	0.30	0.30	0.35	0.05	16.7%
Building Serviceperson	0.75	0.75	1.00	1.00	—	—%
Building Serviceperson-Lead	1.40	1.40	1.40	1.40	—	—%
Cement Finisher-Lead	0.74	0.74	0.74	0.74	—	—%
Chief Transportation Official	0.36	0.30	0.30	0.30	—	—%
Contracts Administrator	0.60	0.60	0.60	0.60	—	—%
Coordinator Public Works Projects	1.30	1.30	1.30	1.30	—	—%
Coordinator Transportation Systems Management	0.76	0.75	0.75	1.35	0.60	80.0%
Engineer	2.80	3.10	2.10	2.10	—	—%
Engineer (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Engineering Technician III	0.50	0.50	0.50	0.50	—	—%
Facilities Technician	1.50	1.50	1.50	1.50	—	—%
Inspector, Field Services	1.21	1.21	1.21	1.21	—	—%
Landscape Architect Park Planner	0.90	0.90	0.90	0.90	—	—%
Management Analyst	0.82	0.94	0.95	0.95	—	—%
Manager Facilities	0.10	0.10	0.10	0.10	—	—%
Manager Maintenance Operations	0.65	0.65	0.65	0.65	—	—%

Table of Organization

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Parking Operations-Lead	0.35	0.40	0.40	0.30	(0.10)	(25.0)%
Project Engineer	6.84	7.59	7.62	7.92	0.30	3.9%
Project Manager	1.15	1.15	0.80	0.80	—	—%
Project Manager (Freeze)	—	—	0.35	—	(0.35)	(100.0)%
Senior Engineer	1.99	2.99	4.04	4.04	—	—%
Senior Management Analyst	0.72	0.60	0.60	0.60	—	—%
Senior Planner	0.72	0.50	0.50	0.80	0.30	60.0%
Senior Project Manager	0.90	1.00	—	—	—	—%
Supervisor Inspection and Surveying	0.63	0.63	0.65	0.65	—	—%
Surveyor, Public Works	0.55	0.55	0.55	0.55	—	—%
Traffic Engineering-Lead	0.35	0.55	0.55	0.60	0.05	9.1%
Transportation Planning Manager	0.35	0.35	0.35	0.45	0.10	28.6%
Total Capital Project Fund	34.76	36.40	36.77	35.48	(1.29)	(3.5)%
Printing and Mailing Services						
Manager Revenue Collections	0.10	0.10	0.10	0.10	—	—%
Offset Equipment Operator	1.52	1.52	1.52	1.52	—	—%
Total Printing and Mailing Services	1.62	1.62	1.62	1.62	—	—%
Special Revenue Funds						
Account Specialist	1.87	1.87	1.37	1.37	—	—%
Account Specialist (Freeze)	—	—	0.50	—	(0.50)	(100.0)%
Account Specialist-Lead	0.55	0.55	0.55	0.55	—	—%
Administrative Assistant	—	0.35	0.35	0.25	(0.10)	(28.6)%
Administrative Associate II	0.20	0.20	0.20	0.20	—	—%
Administrative Associate III	0.21	—	—	—	—	—%
Associate Planner	0.42	0.25	0.25	—	(0.25)	(100.0)%
Community Service Officer	0.50	0.50	0.37	0.37	—	—%
Community Service Officer (Freeze)	—	—	0.13	—	(0.13)	(100.0)%
Coordinator Public Works Projects	0.20	0.20	0.20	0.20	—	—%
Electrician	0.20	0.20	0.20	0.20	—	—%
Facilities Maintenance-Lead	0.15	0.15	0.15	0.15	—	—%
Facilities Painter	0.25	0.25	0.25	0.25	—	—%
Facilities Technician	0.45	0.45	0.45	0.45	—	—%
Management Analyst	0.17	0.35	0.35	0.35	—	—%
Manager Community Services Senior Program	1.00	1.00	1.00	1.00	—	—%

TABLE OF ORGANIZATION

Table of Organization

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Manager Maintenance Operations	0.19	0.19	0.19	0.19	—	—%
Manager Revenue Collections	0.28	0.28	0.28	0.28	—	—%
Parking Operations-Lead	0.55	0.60	0.60	0.65	0.05	8.3%
Senior Planner	0.40	0.40	0.40	0.40	—	—%
Street Maintenance Assistant	2.00	2.00	2.00	2.00	—	—%
Street Sweeper Operator	0.37	0.37	0.37	0.37	—	—%
Transportation Planning Manager	0.24	0.50	0.50	0.50	—	—%
Total Special Revenue Funds	10.20	10.66	10.66	9.73	(0.93)	(8.7)%
Technology Fund						
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Assistant Director Administrative Services	0.10	0.10	0.10	0.10	—	—%
Business Analyst	1.00	1.00	1.00	1.00	—	—%
Desktop Technician	6.00	6.00	6.00	6.00	—	—%
Director Information Technology/CIO	1.00	1.00	—	1.00	1.00	100.0%
Director Information Technology/CIO (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Manager Information Technology	3.00	3.00	3.00	3.00	—	—%
Manager Information Technology Security	1.00	1.00	1.00	—	(1.00)	(100.0)%
Principal Business Analyst	1.00	1.00	1.00	—	(1.00)	(100.0)%
Senior Business Analyst	2.00	2.00	2.00	2.00	—	—%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Senior Technologist	18.00	18.00	16.00	14.00	(2.00)	(12.5)%
Senior Technologist (Freeze)	—	—	2.00	—	(2.00)	(100.0)%
Technologist	1.00	1.00	—	—	—	—%
Technologist (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Total Technology Fund	36.10	36.10	36.10	29.10	(7.00)	(19.4)%
Vehicle Replacement and Maintenance Fund						
Administrative Associate III	1.00	—	—	—	—	—%
Assistant Director Public Works	0.25	0.25	0.25	0.25	—	—%
Assistant Fleet Manager	1.00	1.00	1.00	1.00	—	—%
Equipment Maintenance Service Person	2.00	2.00	2.00	1.00	(1.00)	(50.0)%
Fleet Services Coordinator	2.00	1.00	1.00	1.00	—	—%
Management Analyst	0.20	0.20	0.20	0.20	—	—%
Management Assistant	—	1.00	1.00	1.00	—	—%
Manager Fleet	1.00	1.00	1.00	1.00	—	—%

Table of Organization

	FY 2019 Actuals	FY 2020 Actuals	FY 2021 Adopted Budget ^a	FY 2022 Adopted Budget	FY 2022 Change FTE	FY 2022 Change %
Motor Equipment Mechanic II	6.00	6.00	5.00	5.00	—	—%
Motor Equipment Mechanic II (Freeze)	—	—	1.00	—	(1.00)	(100.0)%
Motor Equipment Mechanic-Lead	2.00	2.00	2.00	2.00	—	—%
Project Manager	1.00	1.00	1.00	1.00	—	—%
Senior Management Analyst	0.08	0.08	0.08	0.08	—	—%
Total Vehicle Replacement and Maintenance Fund	16.53	15.53	15.53	13.53	(2.00)	(12.9)%
Workers' Compensation Program Fund						
Senior Human Resources Administrator	1.00	1.00	1.00	1.00	—	—%
Total Workers' Compensation Program Fund	1.00	1.00	1.00	1.00	—	—%
Total Other Funds	100.21	101.31	101.68	90.46	(11.22)	(11.0)%
Total Citywide Positions	1,040.35	1,034.85	1,034.85	956.00	(78.85)	(7.6)%

a. The FY 2021 Adopted Budget includes position freezes that reduced the funding equivalent to holding a position vacant. The positions impacted by this action are identified with "(Freeze)" following the job classification title and summarized in two rows; one to reflect the total FTE authorized (less freezes), and another to reflect FTE freezes. The FY 2022 Adopted Budget includes City Council direction to eliminate these positions (CMR 11872).

b. The Office of Transportation was created within the City Manager's Office in FY 2020 through the reallocation of staff and resources from the Planning and Development Services Department (previously the Planning and Community Environment Department). Prior year staffing levels have been restated for demonstrative purposes.

c. The Planning and Development Services Department was established in FY 2020 through the merging of the Development Services Department and Planning and Community Environment Department and the reallocation of resources to create a dedicated Office of Transportation within the City Manager's Office. Prior year staffing levels have been restated for demonstrative purposes.



CITY OF
**PALO
ALTO**



SUPPLEMENTAL INFORMATION





CITY OF
**PALO
ALTO**

BUDGET ADOPTION ORDINANCE

Budget Adoption Ordinance

As discussed in the ‘Budget Process’ section of this document, the review of the operating and capital budgets is structured around public hearings conducted by the Finance Committee and City Council prior to adoption of the budget. These hearings are conducted in part to incorporate community input into the decision making process. The ordinance to adopt the Fiscal Year 2022 Budget is included below. This ordinance was approved and adopted by the City Council on June 21, 2021.

Changes from the Proposed Budget document to the Adopted Budget document are summarized by department and by fund in the memorandum that recommends approval of the FY 2022 budget adoption ordinance (CMR 12307). This report can be found on the City’s website: www.cityofpaloalto.org/City-Hall/City-Council-Agendas-Minutes under the June 21, 2021 meeting agenda.

Ordinance No. 5528

Ordinance of the Council of the City of Palo Alto Adopting the Budget for Fiscal Year 2022

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 6(g) of Article IV of the Charter of the City of Palo Alto and Chapter 2.28 of the Palo Alto Municipal Code, the City Manager has prepared and submitted to the City Council, by letter of transmittal, a budget proposal for Fiscal Year 2022; and

B. Pursuant to the provisions of Section 12 of Article III of the Charter, the Council did, on June 21, 2021, hold public hearings on the budget after publication of notice in accordance with Section 2.28.070 of the Palo Alto Municipal Code; and

C. In accordance with the provisions of Chapter 8 of Division 1, of Title 7, commencing with Section 66016 of the Government Code, as applicable, the Council did on June 21, 2021, hold a public hearing on the proposed amendments to the Municipal Fee Schedule, after publication of notice and after availability of the data supporting the amendments was made available to the public at least 10 days prior to the hearing.

SECTION 2. Pursuant to Chapter 2.28 of the Palo Alto Municipal Code, the following documents, collectively referred to as “the budget” are hereby approved and adopted for Fiscal Year 2021:

- (a) The budget document (Exhibit “1”) containing the proposed operating and capital budgets submitted on May 3, 2021, by the City Manager for Fiscal Year 2022, entitled “City of Palo Alto - City Manager’s Fiscal Year 2022 Proposed Budget” covering General Government Funds, Enterprise Funds, Special Revenue Funds, and Internal Service Funds, a copy of which is on file in the Department of Administrative Services, to which copy reference is hereby made concerning the full particulars thereof, and by such reference is made a part hereof; and
- (b) The Amendments to the City Manager’s Fiscal Year 2022 Proposed Budget, attached hereto as Exhibit “2”, Exhibit “3”, and Exhibit “4” and made a part hereof; and
- (c) Changes and revised pages in the Table of Organization, as displayed on pages 339 through 356 in “Exhibit 1,” and amended in Exhibit “5” made a part hereof; and
- (d) Fee changes of the Municipal Fee Schedule attached hereto as Exhibit “6”.

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SECTION 3. The sums set forth in the budget for the various departments of the City, as herein amended, are hereby appropriated to the uses and purposes set forth therein.

SECTION 4. All expenditures made on behalf of the City, directly or through any agency, except those required by state law, shall be made in accordance with the authorization contained in this ordinance and the budget as herein amended.

SECTION 5. Appropriations for the Fiscal Year 2021 that are encumbered by approved purchase orders and contracts for which goods or services have not been received or contract completed, and/or for which all payments have not been made, by the last day of the Fiscal Year 2021 shall be carried forward and added to the fund or department appropriations for Fiscal Year 2022.

SECTION 6. The City Manager is authorized and directed to make changes in the department and fund totals and summary pages of the budget necessary to reflect the amendments enumerated and aggregated in the budget as shown in Exhibit “2”, Exhibit “3”, and Exhibit “4” and the Fiscal Year 2021 appropriations carried forward as provided in Section 5.

SECTION 7. As specified in Section 2.04.320 of the Palo Alto Municipal Code, a majority vote of the City Council is required to adopt this ordinance.

SECTION 8. As specified in Section 2.28.140(b) of the Palo Alto Municipal Code, the Council of the City of Palo Alto hereby delegates the authority to invest the City’s funds to the Director of Administrative Services, as Treasurer, in accordance with the City’s Investment Policy for Fiscal Year 2022.

SECTION 9. The Council of the City of Palo Alto adopts the changes to the Municipal Fee Schedule as set forth in Exhibit “6”. The amount of the new or increased fees and charges is no more than necessary to cover the reasonable costs of the governmental activity, and the manner in which those costs are allocated to a payer bears a fair and reasonable relationship to the payer’s burden on, or benefits received from, the governmental activity. All new and increased fees shall go into effect immediately; provided that pursuant to Government Code Section 66017, all Planning & Community Environment Department fees relating to a “development project” as defined in Government Code Section 66000 shall become effective sixty (60) days from the date of adoption.

SECTION 10. Fees in the Municipal Fee Schedule are for government services provided directly to the payor that are not provided to those not charged. The amount of this fee does not exceed the reasonable costs to the City of providing the services. Consequently, pursuant to Art. XIII C, Section 1(e)(2), such fees are not a tax.

SUPPLEMENTAL INFORMATION

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SECTION 11. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 12. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED: June 21, 2021

AYES: BURT, DUBOIS, KOU, STONE

NOES: CORMACK, FILSETH, TANAKA

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

DocuSigned by:

Lesley Milton

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City Clerk

APPROVED AS TO FORM:

APPROVED:

DocuSigned by:

Molly Stump

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City Attorney

DocuSigned by:

T. Dubois

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Mayor

DocuSigned by:

Ed Shikada

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City Manager

DocuSigned by:

Kiely S. Rose

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Director of Administrative Services

APPROPRIATIONS LIMIT RESOLUTION AND CALCULATION

Fiscal Year 2022 Appropriations Limit Resolution and Calculation

The City of Palo Alto complies with Article XIII B of the Constitution of the State of California, which mandates that the City may not appropriate any proceeds of taxes in excess of its appropriations limit. The limit is calculated annually to adjust for inflation and population changes. The resolution determining the Calculation of the Appropriations Limit for Fiscal Year 2022 is included below. This Resolution was adopted by the City Council on June 21, 2021.

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Resolution No. 9970

Resolution of the Council of the City of Palo Alto Determining the Calculation of the Appropriations Limit for Fiscal Year 2022

R E C I T A L S

1. Under Article XIII B of the Constitution of the State of California, the City of Palo Alto (City) may not appropriate any proceeds of taxes in excess of its appropriations limit (Limit); and
2. Since fiscal year 1991, the City is permitted to annually adjust its Limit in accordance with inflation and population adjustment factors; and
3. Pursuant to Government Code Section 37200, the calculation of the Limit and the total appropriations subject to the limit were set forth in the annual budget of the City for Fiscal Year 2022, which was adopted by ordinance of the Council on June 21, 2021; and
4. Pursuant to Government Code sections 7901 and 7910, the final calculation of the Limit has been determined, and the adjustment factors on which the calculation is based are a 5.73% percent change in California per capita income and a -0.56% percent change in the population growth for the County of Santa Clara; and
5. The documentation used in the determination of the Limit has been made available to the general public for fifteen (15) days prior to the date of adoption of this resolution; and
6. According to the final calculation, the City's net appropriations subject to limitation are approximately \$127.09 million.

NOW THEREFORE THE CITY COUNCIL OF THE CITY OF PALO ALTO RESOLVES AS FOLLOWS:

SECTION 1. The Council of the City of Palo Alto hereby finds that, for Fiscal Year 2022, the final calculation of the Appropriations Limit of the City of Palo Alto has been determined in accordance with the adjustment factors referred to above, the documentation used in the determination of the calculation has been made available to the general public for the period of fifteen days as required by law, and the City's appropriations subject to limitation are under the Limit by approximately \$63.07 million.

SECTION 2. The Council hereby adopts the final calculation of the Appropriations Limit of the City for Fiscal Year 2022, a copy of which is attached hereto as Exhibit 1.

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SECTION 3. The Council finds that the adoption of this resolution does not constitute a project under the California Environmental Quality Act, and, therefore, no environmental assessment is necessary.

INTRODUCED AND PASSED: June 21, 2021

AYES: BURT, CORMACK, DUBOIS, FILSETH, KOU, STONE, TANAKA

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

DocuSigned by:

Beth Minor

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City Clerk

APPROVED AS TO FORM:

DocuSigned by:

Molly Stump

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City Attorney

APPROVED:

DocuSigned by:

T. Dubois

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Mayor

DocuSigned by:

Ed Shikada

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City Manager

DocuSigned by:

Kelly L. Nosi

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Administrative Services Director

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FINANCIAL POLICIES

Reserve Policies

One of the key components of a financially stable organization is the adherence to a policy of maintaining an appropriate level of reserves. The Government Finance Officers Association (GFOA) recommends, at a minimum, that general purpose governments, regardless of size, maintain reserves (unrestricted fund balance) in their General Fund of no less than two months of operating revenues or expenditures, or a minimum of approximately 16.7 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 15.0 to 20.0 percent of General Fund operating expenditures, with a target of 18.5 percent. Any reduction to the reserve below 15.0 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 15.0 percent of General Fund operating expenses. The table below depicts the BSR balances for seven years, the last five years of actual ending BSR balances, and two years of budgeted ending BSR balances. As discussed in this document, the Fiscal Year 2022 Budget assumes a BSR ending balance of \$36.0 million or 17.2 percent. This is within the targeted range of 15 to 20 percent, although it does remain below the City Council goal of 18.5 percent by \$2.7 million.

	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Adopted	2022 Adopted
Ending BSR Balance (in millions)	\$49.5	\$48.1	\$52.8	\$41.0	\$42.7	\$33.0	\$36.0
% of Total Expenses	24.06%	22.87%	25.63%	19.16%	18.50%	16.75%	17.19%

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. Historically 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. In FY 2019, \$10,000 was spent on the Heart and Home Collaborative leaving \$40,000 in this Reserve. These funds are anticipated to be unspent at the conclusion of Fiscal Year 2021, and it is recommended that this reserve be carried forward to Fiscal Year 2022 for future HSRAP needs.

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 reaffirmed those ratings in March 2021 by S&P and Moody's. 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. Unspent monies from General Fund capital projects are returned to the IR and retained within the Capital Fund along with investment income from this reserve 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.

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

SUPPLEMENTAL INFORMATION

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.

GLOSSARY

Key Budget Terms

Accrual Accounting

A method of accounting that recognizes expenses when incurred and revenues when earned rather than when payment is made or received.

Adopted Budget

The budget that is approved and enacted by the City Council annually on or before June 30th.

Appropriation

The allocation of an expense budget for a particular project or program usually for a specific period of time.

Balanced Budget

A balanced budget exists when total revenues are equal to, or greater than, total expenses.

Bond

A debt investment in which an investor loans money to an entity (governmental or otherwise) that borrows the money for a defined period of time at a fixed interest rate to pay for a variety of projects.

Budget Stabilization Reserve (BSR)

The BSR was established as a prudent measure to maintain the City's fiscal stability in the event that unanticipated events reduce revenue or create obligations that significantly impact the current-year budget. Examples of such events include a downturn in the economy, a natural disaster or actions that may be taken by another governmental agency that reduce revenues and/or increase expenses for the City.

Capital Budget

A plan of proposed capital outlays and the means of financing them for the current fiscal period. In a two-year budget, the second year of the Capital Improvement Program is adopted-in-concept.

Capital Improvement Program (CIP)

The City's plan for current and future projects related to the acquisition, expansion, or rehabilitation of buildings, equipment, parks, streets, and other public infrastructure.

Capital Projects Fund

A fund created to account for all resources to be used for the construction or acquisition of designated fixed assets by a governmental unit except those financed by proprietary or fiduciary funds.

City Manager's Report (CMR)

Staff reports for City Council meetings as well as boards and commissions that are prepared by City staff and submitted through the City Manager's Office.

Comprehensive Plan

The Palo Alto Comprehensive Plan contains the City's official policies on land use and community design, transportation, housing, natural environment, business and economics, and community services. Its focus is on the physical form of the City and is applicable to both public and private properties. The Budget integrates the 2030 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.

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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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



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PALO ALTO

Spanish explorers named the area for the tall, twin-trunked redwood tree they camped beneath in 1769. Palo Alto incorporated in 1894 and the State of California granted its first charter in 1909. The City has long been known for its innovative people and its exploration of ideas that have changed the world. In Palo Alto, our history has always been about the future.



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