



CITY OF
**PALO
ALTO**

PROPOSED OPERATING BUDGET

FISCAL YEAR 2023

COMMUNITY
HEALTH AND
SAFETY

CLIMATE
CHANGE:
PROTECTION &
ADAPTATION



ECONOMIC
RECOVERY &
TRANSITION



HOUSING
FOR SOCIAL
AND ECONOMIC
BALANCE



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OVERVIEW



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TRANSMITTAL LETTER

April 28, 2022

To the Honorable Mayor and City Council

2023 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 2023 Proposed Operating Budget and Fiscal Year 2023 Proposed Capital Budget along with the 2023-2027 Capital Improvement Plan (CIP).

This transmittal letter outlines the proposed budget balancing strategy that continues to reflect the recovery period in the wake of the pandemic and transition into an endemic state. The City has regularly reevaluated the financial status of the City, every three months or sooner, and made significant adjustments during FY 2022 including the restoration of over 20 positions. This continuous evaluation has enabled the organization and Council to remain agile and responsive to the rapidly changing environment.

This budget reflects continued cautious optimism, consistent with the conservative financial assumptions used to develop the FY 2022 Adopted Budget. This budget builds on the reinvestments already approved by the Council and recommends additional investments focusing on: 1) the community's immediate health and safety-related service needs, 2) reinvesting in a range of services with the use of one-time funding, in anticipation of potential revenue ballot measures; and 3) investments to support the City Council's priorities.

Both the Proposed Operating and Capital Budgets are based on the City Council review of the FY 2023-2032 Long-Range Financial Forecast (LRFF), balancing the base case scenario and the two alternative scenarios, as previously discussed by the Council. The forecast reflects an extended community recovery from the current pandemic over a three to five-year period, projecting both revenue and services levels remaining below pre-pandemic levels. Recommendations in this budget aggressively reinvest to the best extent possible and uses one-time funds for priority service restorations, in parallel with advancing work on longer term fiscal sustainability.

As recognized in the FY 2021 and FY 2022 budgets, the service reductions necessary to address the significant financial disruptions of the pandemic and other challenges were operationally unsustain-

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able for the long-term health of Palo Alto. These prior budgets reflected the proactive organizational repositioning needed for emergency conditions. Since then, however, additional forces have continued to challenge the City's recovery. Supply chain delays, as well as the significant employee vacancies, institutional knowledge loss and disruption of the Great Resignation, have significantly impacted the capacity of the organization and its ability to deliver priority services and projects. These challenges were highlighted in the Q1 Preliminary Financial Status report discussed by the Council in October 2021 and reiterated in the FY 2022 Mid-Year Budget Report in February 2022.

Although the City's fiscal recovery outlook remains cautiously optimistic, the City's long-term fiscal health requires additional sustainable revenue to meet community service priorities. With the rising cost of services in a period of significant inflation and workforce competition, coupled with the services reduced over the prior two years, long-term sustainability is not achieved with existing revenue sources alone. This Proposed Budget reflects a transitional budget as Council contemplates major changes for funding of programs and services such as affordable housing and grade separating train crossings.

While creating and developing this proposed budget, staff and the Council have actively pursued Fiscal Sustainability: A Community Conversation. In parallel with the City's annual budget process, the City Council is considering potential revenue ballot measures. New revenues can restore services to pre-pandemic levels, support investments in the community's future, expand priority services, and build on Palo Alto's services as community needs evolve. Work on two potential ballot measures includes affirming the long-standing practice of transferring proceeds from the natural gas utility and establishing a new business tax. The combination of these two measures, if placed on the ballot, support restoring service levels (affirmation of the natural gas utility transfer) and new investments such as train crossing safety, affordable housing, and enhanced services. As part of the engagement for these ballot measures, an extensive effort has been underway to provide community members an opportunity to engage and provide feedback on priority services.

Reflections on Recovery Efforts and the Continued Challenges

In reflecting over the past two years and the adversity that came with it, the work of the City provides a testament to our team's ability to remain nimble and think strategically when navigating rapidly changing challenges. Every step of the way, the City team has demonstrated continued adaptation and this budget is yet another step in our progress. In the development of budget proposals, staff was challenged to re-imagine how services might be delivered most effectively based on learning from the past two years and reinvesting where possible in new adjusted service models. In other areas, this budget simply reinvests to return to prior levels where needed for safety or basic service levels.

It is hard to imagine that just 12 months ago, the City and State of California were operating under California's 'Blueprint for a Safer Economy' and its color-coded tier system for lifting restrictions which was ultimately lifted on June 15, 2021. Since then, additional waves of the pandemic have hit, reminding us all to remain agile and continually adjust to protect the safety of all while ensuring continuity of services.

As the City managed through the pandemic, the City Council closely monitored and provided direction to staff on the Long-Range Financial Forecast (LRFF) and assumptions for financial planning. This has

enabled the City to proactively address the impacts of the pandemic and other challenges to date, and position the organization to recommend the reinvestments described in this budget.

Budget Transmittal Letter Elements

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

1. Summary of FY 2023 Proposed Budgets
2. City Council Priorities
3. Fiscal Status & Fiscal Sustainability Community Conversation
4. FY 2023 Proposed Budget
5. Budget Process and Key Dates
6. Acknowledgments

Summary of FY 2023 Proposed Budgets

The operating budget totals \$934.2 million and the capital budget totals \$351.8 million in FY 2023 and \$789.0 million over the five-year CIP. As required by the City Municipal Code, the Planning and Transportation Commission (PTC) is scheduled to review the 2023-2027 CIP in May 2022 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, supports economic recovery and other priority workplan activities, and positions the City to continue its agile approach to addressing needs of the community. It also reflects significant growth in capital investments, particularly in alignment with the Water Quality Control Plant (WQCP) long range facility plan.

The FY 2023 budget recommends ongoing reinvestments for urgent, critical needs for health, safety, and prior council direction (\$2.6 million, including \$1 million for Project Homekey) and also recommends approximately \$4 million in reinvestment in services previously reduced with the use of one-time funds. Building on fiscal reports reviewed thus far – FY 2022 Preliminary Q1 Financial Status, FY 2022 Mid-Year Budget Review, and FY 2023-2032 Long Range Financial Report, revenues are expected to exceed budgeted estimates by approximately \$14 million (previously reported as \$10.6 million). These one-time funds are therefore recommended in part to assist in the restoration of services for a two year, or 24-month period. This approach allows the City to continue its ambitious plans to rebuild community services. However, to sustain these reinvestments beyond the limited term, ongoing revenues will be needed. The potential revenue ballot measure to affirm the current transfer of natural gas proceeds would provide the ongoing funding needed to sustain these reinvestments in services.

This budget relies on use of the General Fund Budget Stabilization Reserve (BSR) funds totaling \$8.9 million, \$5.5 million in American Rescue Plan Act of 2021 (ARPA) funding, and \$0.6 in program specific reserves (e.g. Development Center) to maintain and enhance service levels for the upcoming year. The second installment of the ARPA funding will exhaust the City's full allocation of \$13.7 million, received over a two-year period (FY 2022 and FY 2023) as revenue replacement, that has assisted in mitigating the severity of reductions necessary until supported by economic recovery. The remaining one-time funds from revenues exceeding FY 2022 budgeted levels is necessary to maintain the BSR at the Council target of 18.5 percent of expenses.

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Council Priorities

In February of this year, the City Council held a retreat and selected four priorities to focus on in this year. While recognizing the devastating impacts of the pandemic both economically and from a sense of community, the City Council adjusted its priorities to the following:

- Economic Recovery & Transition
- Climate Change – Protection & Adaptation
- Housing for Social & Economic Balance (continued from 2020)
- Community Health & Safety

Visit the City's website for the <https://www.cityofpaloalto.org/Departments/City-Clerk/City-Council/City-Council-Priorities> staff report highlighting the results of the 2022 City Council Priorities Ranking Survey Responses as well as the status of the workplans for the priorities ([City Council Agenda Item 15 on April 4, 2022](#)).

Fiscal Status and Fiscal Sustainability Community Conversation

The FY 2023 slight surplus of \$2.4 million identified in the LRFF base case stemmed from continuing significant, unsustainable service reductions due to a combination of impacts resulting from the pandemic and a legal challenge related to the City's Utility Transfer. As outlined in the LRFF alternative scenarios, if the City were to restore services to pre-pandemic levels, the City would be facing approximately a \$10 million gap, as the loss of revenues historically transferred from the City's Utility and the pace of recovery would be insufficient. New investments needed and desired, such as funding to match local funds for investment in train crossings and affordable housing, are not assumed in the alternative scenario. Therefore, the Council has directed staff to approach this adaptive environment working towards fiscal sustainability in two core ways:

- Work towards an iterative reinvestment cycle, where the Council, community and staff routinely evaluate the financial projections and nimbly adjust to the pace of recovery.
- Evaluate ways to stabilize existing revenue and seek to raise new revenues, which has been established and is ongoing through the City's Fiscal Sustainability efforts looking at local ballot measures.

Proactive and Iterative Reinvestment

To address the adaptive nature on the recovery period, routine reports including adjustments are brought at least every three months for update and action by the City Council. Three significant financial reports, both informing of projected revenues and expenses as well as adjusting resource levels, discuss reinvesting at an ambitious pace in alignment with evolving financial projections and challenges the organization faces during FY 2022.

Through the Council's actions as part of the FY 2022 Preliminary Q1 Financial Status Report ([Council agenda item 5](#)), the FY 2022 Mid-Year Budget Review ([Council Agenda Item 10](#)), as other subsequent actions, include the addition of 20 full time positions are actively seeking to fill. While innovative new methods for recruiting have been implemented, increasing capacity, and staff are hiring at record pace however, overall staffing levels remain unchanged due to attrition. In the wake of the pandemic, employees every-

where are re-evaluating decisions with new perspectives. Inherent in turnover is capacity lost to train new staff, which can be a significant period as long-tenured employees are replaced with new hires.

The Council has made significant strides to support the workforce including the award of Employee Appreciation days during the holidays as well agreeing to 4 percent increases in March 2022 to proactively address the increase in inflation to show appreciation and support retention efforts. While the market continues to reflect unprecedented levels of change and competition, we appreciate these actions.

In total, subsequent to the adoption of the FY 2022 Budget, additional investments of \$6.6 million Citywide (\$3.2 million in the General Fund) in ongoing services were approved and incorporated in the FY 2023 Base Budget. Additional details on the staffing investments that have been approved are included in detail in attachment B to this letter as well as in each of the department's Budget Reconciliation.

Fiscal Sustainability Community Conversation Context

Work on Fiscal Sustainability was highlighted and prioritized as part of the City Council 2019 priorities, and again returned as a key area of focus as the economic impacts of the pandemic were realized. As part of the "Fiscal Sustainability" efforts in 2019 staff were evaluating potential local tax ballot measure(s) which were put on pause during the pandemic. At that time, staff began efforts 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. The Community and Economic Recovery workplan was developed that identified priority projects through emphasis in 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](#) including quarterly status updates.

The global pandemic and economic shifts have impacted the City's ability to provide services such as library, recreation, and public safety programs at all levels residents expect and deserve. Even with improved service delivery, without additional revenues City services will remain below pre-pandemic levels. Potential revenue measures can help invest in the community's future, enhance priority services, to the community, and help build on Palo Alto's high-quality services as the community evolves and grows.

As we all recover from the fiscal and health impacts of the pandemic together, the City has invited the Community to join a conversation about the City's future, and how to maintain and deliver services the community needs and expects. Thus far, community feedback to prioritize unfunded community needs and City service gaps have indicated:

- "Maintaining basic services" was one of the top three priorities
- "Repairing streets/roads" and "Investing in community-owned assets like roads and community centers" were each one of the top three for about 55 percent of respondents
- "Adding public safety services such as police, fire, and emergency medical" was a top three priority for 46 percent of respondents
- This was followed by "Funding affordable housing and homeless services" (34 percent)

These priorities are reflected in this proposed budget. Looking forward to the years ahead, the City is considering potential revenue measures. Investing in fire and emergency services, affordable housing and sup-

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port for the unhoused, parks and recreation, transportation and other public services have been identified by community members as being foundational to allowing Palo Alto to meet the future needs of our community. The two measures the Council is evaluating includes: 1) affirmation of the current natural gas utility transfer, and 2) establishing of a new Business Tax.

The community is encouraged to continue to engage with this effort and can find information including the ability to sign up for updates here: <http://cityofpalaoalto.org/fiscalsustainability>.

FY 2023 Proposed Budget

As noted previously, this is a transitional budget providing a bridge as Council contemplates major changes for funding of programs and services; it is bridging a period of significant reductions in the pandemic to a new phase as we rebuild. Overall, the City's General Fund is estimated to collect \$237.8 million in revenues against \$247.2 million in expenses. A net use of reserves totaling \$9.4 million produces a balanced budget for FY 2023, with some funds remaining in the City's Budget Stabilization Reserve for allocation by the City Council. These funding levels reflect a significant increase of \$37.9 million, or 18.1 percent, increase compared to the FY 2022 Adopted Budget, however, when compared to current projections for FY 2022, it reflects a more modest increase of approximately 9%, or \$19 million. Of the year-over-year increase, approximately \$11 million is recommended to be set aside into reserve for specific potential spending needs as outlined in greater detail in the Non-Departmental section of the Operating Budget. The City's Capital Improvement Plan reflects a \$351.8 million FY 2023 budget, and a \$789.0 million plan over the 2023-2027 five-year CIP. Of this, the General Capital Improvement Fund reflects expected expenses of \$82.0 million in the FY 2023 budget and \$198.8 million over the five-year CIP.

To balance General Fund revenues and expenses, this Budget includes use of General Fund Budget Stabilization Reserve (BSR) funds totaling \$8.9 million, \$5.5 million in ARPA funds, and \$0.6 in program specific reserves (e.g. Development Center) to maintain and reinvest in reduced services, allocate resources to move the City through the next phase of recovery, and strategically address the City's future fiscal sustainability. With these actions, the Budget Stabilization Reserve will be slightly above the Council directed target of 18.5% of 45.7 million by \$100,000, however, when adjusted for appropriate reserves, the BSR is approximately \$800,000 above the target level of 18.5% of expenses.

This year's budget continues the City Council's hard work accomplished in FY 2020 - FY 2022 to address the loss of \$40 million in revenue in the General Fund in FY 2021 and the overall reduction of approximately \$20 million in services in the General Fund. These reductions eliminated 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 lowest in a decade. These difficult reductions positioned the FY 2023 budget to transition to a new phase reflecting some breathing room for investment in services. Year over year, this budget reflects recommended Citywide staffing levels to increase by 58.85 FTE for a total authorized staffing of 1,014.85 in FY 2023 (20 FTE were previously authorized by the Council during FY 2022). This total full-time staffing remains below pre-pandemic levels. Of the recommended 39 FTE included in this Proposed Budget, approximately 23 FTE are only funded for two years pending ongoing funding sources.

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

Citywide Strategies

Departments have re-evaluated and recommended investment in critical and key services areas, needing additional support, or simply resources as demands for services increase. From an operating budget standpoint, strategies include use of one-time Federal relief funding and General Fund Budget Stabilization Reserves to both address urgent, critical needs for healthy, safety, and prior council direction as well as the restoration of resources and services for a limited term. From a Capital infrastructure standpoint, the level of reductions seen in prior years have also transitioned to a recovery and restorative period. As outlined in the LRFF, the General Fund transfer for CIP investments is being phased in over a period of four years and expected to return to pre-pandemic levels in FY 2026.

Overall, these two budgets pivot in alignment with initial trends during FY 2022. After two years of reduced expenses, revenue estimates reflecting the optimism in the recovery have allowed for some breathing room, and all departments have and continue to evaluate needs and services with recommended areas for investment. These investments will only be sustainable with the multi solution strategies outlined above including a continued recovery, and consideration of potential ballot measures as the Council contemplates major changes for funding of programs and services.

Use of American Rescue Program Act (ARPA) Funding: the American Rescue Plan Act of 2021 (ARPA) signed into law in March 2021 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. The City expects to receive \$13.7 million over two years.

The Adopted Budget balancing strategy uses the remaining 40 percent, or \$5.5 million in FY 2023, the remainder of the City's \$13.7 million total funding allocation. Use of these funds has allowed the City to abate additional significant service reductions. The use of the remaining funds remains in alignment of the Council direction in FY 2022 to continue to use the funding for the provision of government services offsetting the reduction in revenue due to the pandemic in the most recent full fiscal year and assist in a two-year bridge as the recovery period continues.

Limited Term, Two Year Transition: A core and significant portion of this Proposed Budget reflects a two-to-three-year horizon in the General Fund including the restoration of services with one-time funds. As noted previously, revenues are expected to exceed the conservative estimated for FY 2022, this has allowed for some room for investing in services, however, in order to invest ongoing in services to the community, a stable revenue source will be necessary. This budget recommends \$4 million in restoration of services across the organization and recommends establishing a reserve for the second year of these expenses in FY 2024; however, if an ongoing revenue is not established by the end of FY 2024, these services would sunset. This strategy ensures sufficient time for the City Council to continue exploration of Fis-

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cal Sustainability, namely potential ballot measures while transitioning timely as the recovery period continues.

City Council Priorities Workplan: Council adopted priorities for 2022 focus in four key areas – Economic Recovery & Transition, Climate Change – Protection & Adaptation, Housing for Social & Economic, Community Health & Safety. Where feasible, investments in supporting these priorities are recommended in this budget including significant investment in Climate Change – Protection & Adaptation. However, some projects, as approved in the workplans, do remain unsourced and accordingly either will not begin or will be delayed.

Proactive Funding of Long-Term Liabilities: This FY 2023 Budget includes approximately \$5.9 million (\$3.4 million in the General Fund) in supplemental contributions. Through FY 2022, a total of \$41.3 million in principal contributions will have been made to the Pension Trust (approximately 65 percent from the General Fund). Additionally, this FY 2023 Proposed Budget includes a \$1.3 million reserve to fund supplemental contributions to the Pension Trust at a lower 5.3 percent discount rate in alignment with the most recent Cal PERS Asset Liability Management (ALM) study. 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 based on ALM review in 2017. A reserve for half of the costs associated with the anticipated shift from a 6.2 discount rate to 5.3 percent (General Fund only) is included, consistent with the intent of the Council Pension Funding Policy.

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.

Budget Stabilization Reserve (BSR): This FY 2023 Budget anticipates a BSR balance of \$45.8 million, or 17.2 percent of General Fund expenses. This is above the City Council target level of 18.5 percent by \$100,000, or \$800,000 when adjusted for appropriate reserves. This adjustment reflects the exclusion of the reserve for the two-year funding strategy noted above for FY 2024 services, this has been calculated to avoid unintentional inflation the BSR. These funds may be allocated at the discretion of the City Council. The BSR remains within the targeted range of 15 percent to 20 percent of General Fund expenses.

Department Specific Service Recommendations

Public Safety: Resource training and recruiting activities to ensure continued workforce recruitment and retention. Invest significantly in Fire Prevention Programing including exploration of both sworn and non-sworn resources. Restore police officer staffing to support re-establishing the special problems detail, support PERT, and begin rebuilding the detective bureau.

Community & Library Services: Implementation of phased reopening of library branches as vacant positions are filled. This will ultimately result in an increase in library branch hours to four days a week for small branches and six days per week for large. Additional staff resources to manage community center customer support, open space (Baylands) preserve, and reservations and ticketing for facilities. In addition, investments in programming and availability of it for public art, twilight concert services, Junior Museum and Zoo, and the arts center will assist in making continued progress in available programming to the com-

munity as well as acknowledgement of some adaptation of service delivery when deploying the benefits and lessons learned from the fully virtual environment.

Planning, Transportation & Infrastructure: Significant investments in the development center and support for important economic recovery efforts will assist in the City working on critical projects such as housing for social and economic balance, movement from temporary to permanent parklets and street closures, and reinstating resources to support and sustain reasonable cycle times for inspections and review as requested by applicants. Investment of resources here also reflects continued investment in the Council's climate change – protection and adaptation priority and Sustainability and Climate Action Plan (S/CAP) work, positioning the City to continue to advance key projects such as electrification.

Citywide Internal Support, Administration, and Council Appointed Officers: Select restorations are reflected throughout these departments to assist in alleviating service delays across the organization and continue to support and scale with the size and complexity of the organization.

Once again, we must recognize that many of these budget balancing strategies are limited in term and remain unsustainable over the long term. However, these strategies and adjustments seek to support the transition of the organization while allowing for time for the Council to continue consideration of major changes for funding of programs and services.

Summary of Other Funds

The City's Enterprise and other funds, including the Capital Improvement Fund reflect the priorities from the FY 2023 budget development with moderate adjustments for rate increases recommended for FY 2023. 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. The main goals of developing the five-year Capital Improvement Plan (CIP) are to maintain sufficient reserves to address emergencies as they arise, ensure projects that address health and safety issues are programmed and funded as early in the CIP as possible, and balance projects and staff workload capacity across the five-year plan in order to ensure that projects are able to be completed when they are planned. 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 2023 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 3.5 percent.

The City's Capital Improvement Plan reflects a \$351.8 million budget in FY 2022 and \$789.0 million plan over the 2023-2027 five-year CIP. Major investments continue in the Regional Water Quality Control Plant (WQCP) capital program which has \$186.6 million budgeted in FY 2023 and \$282.5 million over the five-year CIP for projects such as Secondary Treatment Upgrades, an Advanced Water Purification Facility, and Outfall Line Construction. Approximately 64 percent of the expenses for the WQCP are reimbursed by five contributing partner agencies outside of the City of Palo Alto, and a majority of these projects are anticipated to be funded by debt financed revenue, such as bonds or State Revolving Fund loans. After the Wastewater Treatment Fund, the Capital Improvement Fund is the second largest single fund in the 2023-

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2027 CIP with \$198.8 million planned for 77 projects. Responsible investments and essential infrastructure are prioritized in this budget and will be necessary as the economically sensitive TOT revenue begins to increase from the large impacts of the COVID-19 pandemic.

The FY 2023 Capital Budget was developed based on direction in the 2023-2032 LRFF that continued the incremental increase of the base transfer from the General Fund to the Capital Improvement Fund to return to a pre-pandemic level by FY 2026, as well as the positive trends being seen in TOT revenue. In total, transfers from the General Fund to the Capital Improvement Fund increased in FY 2023 by \$9.9 million, from \$9.7 million to \$1967 million due to increases in TOT revenue and an incremental increase 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;
- Program projects that address health and safety issues as soon as possible; 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.

One of the City Council’s goals for calendar year 2022 is Climate Change – Protection and Adaptation, which ties into the [Sustainability and Climate Action Plan S/CAP](#) that was developed to help the City achieve aggressive sustainability targets. [Efforts to increase S/CAP resources across the City were approved](#) as part of the FY 2022 Mid-Year Budget Review ([CMR 13801](#)), and the City’s commitment to a sustainable future is reflected in the FY 2023 Budget, which increases resources for the continued refinement and initial implementation of the S/CAP across various City funds.

More information about programs and expenditures in other funds can be found in Attachment A of this Transmittal Letter.

Acknowledgments

I would like to thank the City Council for your leadership and our Executive Leadership Team and the entire staff of the City for providing outstanding services to our community. 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 - Paul Harper, Jessie Deschamps, Kayla Shapiro, Naomi Hsu, Oscar Murillo, Joseph Shin, Alyssa Ching, Chaitali Paliwal, and Joshua Martinez, and special support from Steve Guagliardo, Christine Paras, and Maria Lagman. Completing this budget could not have been accomplished without the dedication, and expertise of this team. Their willingness to continue to adapt to evolving circumstances 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



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BUDGET BALANCING STRATEGY

The FY 2023 Operating Budget of \$934.2 million reflects a 32.8 percent increase from the FY 2022 Operating Budget of \$703.5 million. The increase primarily reflects a large amount of one-time funding programmed in the Capital Improvement Plan (CIP) in FY 2022 for various projects at the Regional Water Quality Control Plant (RWQCP) such as Secondary Treatment Upgrades (WQ-19001), an Advanced Water Purification Facility (WQ-19003), and Primary Sedimentation Tank Rehabilitation (WQ-14003). More information about these projects can be found in the Wastewater Treatment Fund section of the FY 2023 Capital Budget. CIP expenses budgeted in FY 2022 were \$174.3 million; FY 2023 includes programmed expenses of \$351.8 million. The General Fund has \$247.2 million in budgeted expenses and represents 27.1 percent of the City's total expenditures.

The FY 2023 Budget reflects a balancing strategy that utilizes one-time resources such as the General Fund Budget Stabilization Reserve (BSR) and American Rescue Plan Act (ARPA) funds to prioritize essential services, maintain investments in the City's most critical infrastructure, and continue to proactively fund long term obligations against resources that continue to be impacted from the COVID-19 pandemic. The economy is showing signs of recovery, but it is estimated that full recovery for most major tax revenues will not return to pre-pandemic levels until FY 2025 at the earliest. The budget sets additional funding of \$5.1 million aside in FY 2023 to bring the Utility Transfer Litigation Reserve to \$17.5 million 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). This amount is estimated to cover the prior year settlement decision, and an ongoing reserve of \$3.6 million annually remains to offset potential ongoing liability from this case. The City Council is currently evaluating the feasibility of a ballot measure for the November 2022 election to legitimize this funding ongoing. The City receives revenue of approximately \$22 million annually in transfers from the Gas and Electric utilities (approximately \$7 million from the Gas enterprise and \$15 million from Electric). The Budget reduces expenditure of a portion of the Gas transfer in alignment with the Superior Court's interpretation of state law.

The City Council approved a 4.0 percent Cost of Living Adjustment (COLA) for all labor groups, effective April 2022, and an additional 3.0 percent market adjustment for IAFF, effective July 2022 (CMR 14069 and CMR 14149). As part of these terms, agreements with the unrepresented management and professionals group (MGMT), the Utilities Management and Professionals Association of Palo Alto (UMPAPA), and safety groups were extended six months, from June 2022 to December 2022. The agreement with Service Employees International Union (SEIU) expired in Dec 2021 and has been extended to Dec 2022. The COLA adjustment is an across-the-board salary adjustment in recognition of rising cost of living indicators (such as the Consumer Price Index) and regional economic factors, and the impacts have been factored into the development of the FY 2023 budget. In

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the coming year, the City will engage in labor negotiations with the various bargaining units to negotiate new agreements and terms for wages, hours, and other terms and conditions of employment as well as discussions with unrepresented management professionals. A \$900,000 reserve has been set aside to fund potential adjustments to labor costs due to rising inflation and new labor agreements beginning in January 2023.

CONTINUING FISCAL SUSTAINABILITY ACTIONS

The FY 2023 Budget takes advantage of the cautiously optimistic economic recovery in order to fund a number of actions across the City to reinvest in services that were reduced as a result of the COVID-19 pandemic, while also looking at new ways of providing services to the community. This increase in expenditures is done while ensuring that the City continues to proactively pay for long-term liabilities, continues capital investments in its most critical infrastructure, and provides resources for the City to successfully adapt to future service delivery models. In addition, \$5.5 million in ARPA funds have been appropriated in the General Fund to support one-time focus areas that support the City's long-term and strategic goals.

As a balanced budget, the assumptions contained herein continue to follow conservative proactive fiscal management across all funds and sets aside resources that enable the City to continue to adapt and respond to service needs and the continued economic recovery. Significant progress towards ongoing cost containment over the past several years and the reductions that were made across the organization have provided the foundation through which the City was able to effectively respond to the financial impacts of COVID-19. This strategic planning has put the organization in a position to take advantage of the recovering economy and reinvest resources while rethinking how to provide services that were reduced. It shows the continued efforts 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") (\$3.4 million General Fund, \$5.9 million all funds) and additional payments to the City's OPEB Trust (approximately \$2.8 million annually all funds). In addition, a General Fund reserve of \$1.3 million has been established to fund supplemental contributions to the City's Section 115 Pension Trust Fund at an even lower discount rate. In October 2018, the City Council directed staff to budget the normal cost of pension expense at the equivalent of 6.2 percent rate of return and a transfer of the additional ("supplemental") funding beyond CalPERS actuarial determined contribution levels to the Pension Trust Fund (CMR 9740). In the most recent study completed in November 2021, median expected returns of survey participants were 5.3 percent; this reserve sets aside six months of the anticipated annual costs to shift from a 6.2 discount rate to 5.3 percent, consistent with the intent of this policy.

Investment in capital infrastructure remains 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 (IP) in the General Capital Improvement Fund, and the recovering economy has increased the funding from the General Fund allowing for reinvestment in catch-up and keep-up work at the City's streets, parks, and facilities.

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, 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 2022 Adopted Budget resulted in a 9.1 percent reduction in the City's workforce; however, the FY 2023 Budget reinvests resources to increase the City's workforce by 6.2 percent over FY 2022 adopted levels.

GENERAL FUND

The FY 2023 Operating Budget is balanced through aligning increased available resources from a recovering economy with service reinvestments throughout the organization. Prioritizing these reinvestments was done by making sure services addressing health, safety, or legal issues were funded first. After these types of services were funded, reinvestments needed to return to ongoing sustainable service levels were evaluated and funded, but only on a two-year basis with a reserve set aside for the second year in Non-Departmental. In order to restore the sustainable service items on an ongoing basis, additional ongoing financial resources will be needed. The City Council is currently evaluating the feasibility of two separate ballot measures for the November 2022 election to secure ongoing funding to support not only the sustainable service items, but also Council priorities and service enhancements that were not contemplated as part of this proposed budget document as a result of limited ongoing resources. Notwithstanding the service delivery reinvestments 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, and provides resources for the City to successfully adapt to future service delivery models. The FY 2023 Budget includes revenues of \$237.8 million in the General Fund, representing a 15.2 percent increase over the FY 2022 Adopted Budget of \$206.4 million.

The FY 2022 Budget Stabilization Reserve (BSR) is anticipated to be \$54.7 million, which is 26.1 percent of FY 2022 General Fund expenses and \$16.0 million above the City Council target level of \$38.7 million, or 18.5 percent of General Fund expenses. The FY 2023 Budget assumes a net \$8.9 million drawdown of the BSR therefore it is anticipated that the FY 2023 BSR balance will be \$45.8 million, or 18.5 percent of General Fund expenses, at the City Council target level and within the targeted range of 15 percent to 20 percent.

GENERAL FUND BALANCING STRATEGY

REVENUES

Revenues of \$237.8 million in the General Fund represent estimates based on a recovering economy its impacts on the City's financial situation. The FY 2023 revenue budget represents an overall \$31.4 million increase compared to the FY 2022 Adopted Budget and is driven by increases in major tax revenue categories with Transient Occupancy Tax and Property Tax increasing the most at \$9.8 million and \$8.5 million respectively. In addition, the second payment of \$5.5 million in ARPA Funds is anticipated to be received in FY 2023. Excluding ARPA Funds, tax revenue constitutes 56 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 2023 Budget totals \$133.4 million, a 22.0 percent increase compared to \$109.3 million in the FY 2022 Adopted Budget. Estimates for the major tax revenues listed below will be refined as additional data and information become available.

- Sales Tax is projected to increase by 15.6 percent (from \$28.2 million to \$32.6 million),

BUDGET BALANCING STRATEGY

- Property Taxes is estimated to increase by 16.7 percent (from \$51.2 million to \$59.8 million),
- Transient Occupancy Tax (TOT) is anticipated to increase by 115.9 percent (from \$8.4 million to \$18.2 million)
- Utilities Users Tax is expected to increase by 8.4 percent (from \$14.4 million to \$15.6 million), and
- Documentary Transfer Tax estimated to increase slightly by 1.4 percent (from \$7.1 million to \$7.2 million).

The comparisons above look at the FY 2022 Adopted revenue estimates; however, as of the printing of this document, staff is currently projecting FY 2022 to end the year with a surplus of approximately \$14.0 million, mainly due to increased major tax revenue compared to the FY 2022 budgeted levels. This funding will be used to address a number of one-time needs as described more in detail in the expenses section below and proactively set aside a reserve for a second year of service restorations. The City will continue to monitor current revenues, trends in travel, and other indicators that demonstrate the economy's level and swiftness of recovery. As directed in the LRFF, the FY 2023 budget continues to incrementally increase the base transfer to the Capital Improvement Fund with the anticipation of returning to pre-pandemic funding levels by FY 2026. Funding from other sources, such as Measure B and SB1, are included in this budget to provide resources for Capital Infrastructure. As with other funding, these sources are starting to recover and discussed in the FY 2023 Capital Budget. Impacts on external funding sources such as these will be monitored as the fiscal year progresses.

EXPENSES

The City's FY 2023 General Fund expense budget is \$247.2 million and reflects a 18.2 percent increase compared to the FY 2022 Adopted Budget of \$209.2 million. As a service-driven organization, salaries and benefits, including the City's proactive pension funding contributions, represent 60.0 percent of total General Fund expenses. Following staffing costs, the next largest expense in the General Fund is contract services, which is decreasing 20.5 percent from \$30.2 million in FY 2022 to \$24.0 million in FY 2023. A majority of this decrease is attributed to shifting funding for the Utility Transfer Litigation out of contract services and into a Reserve in the General Expenses category. Excluding this shift, contract services would be increasing by \$2.2 million or 10.1 percent. This category includes a variety of services including legal counsel, contract staffing for Planning and Development Services, facility maintenance and citywide landscaping.

The FY 2023 Budget assumes that the reduction to the base transfer to the Capital Improvement Fund taken in FY 2021 will continue to be incrementally restored in order to return to pre-pandemic level by FY 2026. In addition to this, as health and safety guidelines have been adjusted to allow travel, the TOT revenue transfer to support capital investments has been adjusted upward. Net TOT revenue allocated towards capital investments totals \$9.7 million, a 64.4 percent increase compared to the FY 2022 Adopted Budget. Cumulatively, for both the base transfer and TOT revenues, support to the Capital Improvement Fund has increased by \$9.9 million, or 102.2 percent in the FY 2023 Budget compared to the FY 2022 Adopted Budget.

The FY 2023 Budget ensures that the City is funding issues related to community health and safety while also reinvesting in more sustainable ongoing service levels. Funding of approximately \$1.6 million has been

used to address items related to health, safety, and legal issues such as staffing in the Fire Department for Prevention and Support Services, a position to address Citywide equity and inclusion issues in the City Manager's Office, and resources to increase support in the Planning and Development Services Department for inspections and plan checking along with other items. Funding of approximately \$4.0 million has been used to reinvest in more sustainable levels of service ongoing; however, most of these reinvestments can only be funded for two years based on the projects ongoing revenue compared to the increasing expenses. Some of these items include increased resources for the Library Department to restore hours and services across all libraries; increased Police staffing for a Psychiatric Emergency Response Team (PERT) in partnership with Santa Clara County, Investigations, and a Special Problems detail to address homelessness; and funding for the Community Services Department to restore classes and other activities for the City.

As mentioned previously, ongoing funding for these sustainable services is not currently available. One-time savings from FY 2022 will be used to establish a FY 2023 Service Reinvestments Reserve to fund these items in FY 2024. In order to fund these services beyond FY 2024, the City Council is currently evaluating the feasibility of two separate ballot measures for the November 2022 election to secure ongoing funding.

The FY 2023 Budget reflects a 44.01 increase in full-time equivalent (FTE) positions in the General Fund (58.85 All Funds) including positions that were approved to be added by the City Council at various times in FY 2022. In addition to these full-time staff reductions, 6.67 part-time FTEs were also added in FY 2023. All changes to positions included in the FY 2023 Budget are discussed in Attachment B of the transmittal letter along with more detail regarding salary and benefit changes.

Additional details for the reserves discussed in this letter can be found in the Non-Departmental section of this book.

ALL FUNDS

In addition to addressing health, safety, and legal issues and reinvesting in sustainable ongoing service levels in the General Fund, operations and capital projects in non-General Funds were also reevaluated to prioritize needs based on increasing resources. Revenue estimates contained in this budget were revised to ensure a balanced budget in several funds with economically sensitive revenues. Major activities in non-general funds the FY 2023 Budget are described below.

Airport Fund

Revenues in the Airport Fund are anticipated to be \$3.8 million with corresponding expenses of \$4.5 million in FY 2023. 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 awards. The large multi-year Airport Apron Reconstruction project (AP-16000) is expected to be completed in Fall 2022. This will allow the Airport to fully utilize apron space for tie down rentals. In addition, staffing at the Airport will increase from 6.42 FTE to 7.94 FTE to increase operations and administrative support to the patrons who use the Airport. 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

BUDGET BALANCING STRATEGY

\$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 this payment through FY 2035 as part of its commitment to fiscal sustainability and financial viability.

Refuse Fund

The Refuse Fund's goals are to minimize waste generation and maximize recycling and reuse to meet and exceed the City's Zero Waste goals. In the FY 2023 Budget, \$0.7 million will be used to support the City's efforts to process mixed paper waste at a domestic location, rather than using international markets. This will ensure the mixed paper is processed based on higher level regulations and reducing impacts to the environment. To comply with the zero-waste goal, \$0.4 million will be used to purchase electricity that is generated from the processing of organic materials to offset the impacts to the environment. Another, \$0.4 million is appropriated on a one-time basis to continue to achieve these goals by installing Electric Vehicle Charging stations for the City's refuse hauling vehicles to reduce greenhouse gas emissions

Stormwater Management Fund

In FY 2023, the Stormwater Management fee is scheduled to increase by 4.2 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 sunseting 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 2023 Capital Budget.

Wastewater Treatment Fund

The FY 2023 Budget includes significant funding for ten system improvement capital projects at the Regional Water Quality Control Plant (RWQCP) programmed through the FY 2023 - 2027 Capital Improvement Plan. \$186.6 million is budgeted in FY 2023 for these projects, including \$144.7 million for Secondary Treatment Upgrades, \$16.9 million for an Advanced Water Purification Facility, and \$10.6 million for Outfall Line Construction. Through the five-year CIP, expenses of \$282.5 million are programmed across the ten 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 2023 Capital Budget.

Sustainability and Climate Action Plan (S/CAP)

One of the City Council's goals for calendar year 2022 is Climate Change – Protection and Adaptation, which ties into the Sustainability and Climate Action Plan S/CAP that was developed to help the City achieve aggressive sustainability targets. One of those targets is the goal of reducing greenhouse gas (GHG) emissions 80 percent below 1990 levels by 2030 (the “80 x 30” goal). Efforts to increase S/CAP resources across the City were approved as part of the FY 2022 Mid-Year Budget Review (CMR 13801). The City's commitment to a sustainable future is reflected in the FY 2023 Budget, which increases resources for the continued refinement and initial implementation of the S/CAP. Investments have been made across

various City funds related to S/CAP including: additional staffing to manage infrastructure improvement projects; scale existing successful energy efficiency programs; perform and analyze research in alternative energy sources, sustainable water supplies, and carbon sequestration options; increase incentives for voluntary electrification programs, and install additional electric vehicle (EV) charging stations to encourage the wider adoption of EVs and the transition of the City's fleet.

Various Parking Funds

This FY 2023 Budget includes no changes to current staffing levels in the Parking Funds. Capital improvement investments remain relatively low due to the reprioritization of new projects and extension of timelines for existing projects, as well as anticipated decreases in revenue sources. As a result of the recommended changes in various parking programs, this budget includes:

- Revenue reductions in permit sales and parking enforcement for the University Avenue, California Avenue, and Residential Preferential Parking (RPP) Funds
- One-time loan of \$0.4 million from the General Fund to the RPP Fund in response to a sustained drop in parking demand during the pandemic
- Funding of \$0.2 million in the University Avenue Fund for the Palo Alto Transportation Management Authority (TMA) to fund staff salaries, transit pass purchases, BikeLove incentives, and commute surveys, among other programming.

These programmatic changes are expected to allow the RPP Fund to continue to provide services in FY 2023, with the assumption that parking revenue will return to pre-pandemic levels, and the RPP Fund will be able to pay back the loan from the General Fund and remain financially solvent. Subsequent Municipal Fee Schedule adjustments will be examined as staff expects to return to the City Council for program change reviews and implementation timeframes in the new fiscal year.

A more detailed presentation of the FY 2023 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.

UTILITY RATE CHANGES

FY 2023 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 2023 Budget assumes the following rate changes as presented to the Utilities Advisory Commission (UAC):

- 5.0% rate change for Electric
- 4.2% CPI increase for Fiber
- 4.0% rate increase for Gas
- 0% rate change for Refuse
- 4.2% CPI increase for Stormwater
- 3.0% rate change for Wastewater
- 4.0% rate change for Water



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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 60 percent of the FY 2023 General Fund Budget is attributed to funding salaries and benefits.

In the two years since the onset of the pandemic, the City has actively engaged with labor groups to negotiate concessions that generate cost savings to offset losses resulting from the pandemic, including position eliminations, furloughs, and wage freezes. Overall, staffing levels were reduced from pre-pandemic levels of 1,034.85 FTE (574.43 FTE in the General Fund) to 956.00 FTE (506.80 FTE in the General Fund), a reduction of 78.85 FTE (67.63 FTE in the General Fund), or 7.6 percent reduction (11.8 percent in the General Fund).

In FY 2022, the City Council approved amendments to realign the budget with a more optimistic economic outlook and proactively reinvest in activities that addressed the most immediate needs of the City and its residents. In total, 20.0 full-time and three part-time (0.94 FTE) positions were added as part of quarterly financial reports, Mid-Year Budget Review, and the Staffing for Adequate Fire and Emergency Response (SAFER) grant. These actions appear in the FY 2023 Base Budget.

This FY 2023 Budget continues to reinvest in staffing resources that support City services and recommends the net addition of 38.85 full-time and nearly twenty part-time (6.67 FTE) positions. Additionally, the City Council approved a 4.0 percent Cost of Living Adjustment (COLA) for all labor groups.

Overall, actions in this budget increase full-time staffing levels from 956.00 FTE (506.80 FTE in the General Fund) to 1,014.85 FTE (550.81 in the General Fund), a 58.85 FTE or 6.2 percent increase. 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

Position changes recommended in this budget include eliminations, additions, reclassifications, and reallocation/realignment of staff. The table below summarizes the changes in full-time positions and is followed by a more detailed discussion. Additional information about current year staffing eliminations, additions, reclassification, and reorganizations are available in this FY 2023 Proposed Budget in the individual department sections and the Table of Organization.

SALARIES, BENEFITS, & POSITION SUMMARY

Full-Time Position Changes

FY 2022 Adopted to FY 2023 Proposed

	General Fund	Enterprise Funds	Other Funds*	Total
FY 2022 Adopted Budget	506.80	358.74	90.46	956.00
FY 2022 Approved Adjustments	12.66	5.34	2.00	20.00
FY 2022 Modified Budget	519.46	364.08	92.46	976.00
FY 2023 Increase (Proposed Adjustments)	31.35	8.50	1.00	40.85
FY 2023 Decrease (Proposed Adjustments)	-	(2.00)	-	(2.00)
FY 2023 Reallocation (Proposed Adjustments)	-	-	-	-
FY 2023 Proposed Budget	550.81	370.58	93.46	1,014.85
FY 2022 Adopted to FY 2023 Proposed Net Difference:	44.01	11.84	3.00	58.85

- Other Funds include Internal Service, Special Revenue, and Capital Improvement
 - This table does not include part-time/hourly positions

Full-time position changes recommended in this budget include eliminations, additions, reclassifications, and reallocation of staff as detailed below.

Additions, reclassifications, and reallocations:

- Add 1.00 Storekeeper in the Administrative Services Department to ensure adequate staffing levels to meet safety standards.
- Add 1.00 Contract Administrator in the Administrative Services Department, on a limited term basis, to support the transition to an improved electronic procurement software.
- Add 1.00 Senior Management Analyst in the City Manager's Office to serve as the City's Equity and Inclusion Official.
- Add 1.00 Program Assistant II in the Community Services Department to provide customer service support and facility rental coordination for the Lucie Stern Community Center.
- Add 0.25 FTE to an existing Producer Arts/Science Program and two part-time positions (0.71 FTE) to support expanded Children's Theatre programming and productions.
- Reclassify 1.00 Program Assistant II to a Producer Arts/Science Program to provide a higher level of support to the Public Art Program.
- Add 1.00 Park Ranger in the Community Services Department to increase patrol coverage of the Baylands Open Space Preserve.
- Add 1.00 Deputy Chief in the Fire Department to manage recruitment and succession planning.
- Add 3.00 Fire Fighter Trainees** to establish a proactive and continuous recruitment of Fire Fighters.
- Add 1.00 Assistant Director, 1.00 Coordinator Library Programs, 1.00 Administrative Associate III, 1.00 Librarian, and 2.00 Library Specialists and six part-time positions in the Library Clerk and Library Page classifications (1.90 FTE) to restore library hours at all branches.
- Add 1.00 Plans Check Engineer to support a sustainable level of plan review service at the Development Center and allow the department to have increased quality control of plan reviews.
- Reclassify six positions 1.00 Senior Planner to 1.00 Principal Planner, 2.00 Planners to 2.00 Senior Planners, and 3.00 Associate Planners to 3.00 Planners to support succession planning and provide growth opportunities in the Current Planning Division.

SALARIES, BENEFITS, & POSITION SUMMARY

- Add 1.00 Associate Planner to the Data Team of the Planning and Development Services Department to support increasing demand for technical support for business operations such as online permitting.
- Add 1.00 Assistant Chief Building Official and 2.00 Building Inspector Specialist to support improvements to the permit process and reduce inspection wait times.
- Add net four full-time positions to the Fire Prevention Bureau, including reclassification of 1.00 Deputy Chief/Fire Marshal to a Fire Marshal**, 1.00 40-hr Prevention Captain**, 2.00 Hazardous Materials Inspectors, and 1.00 Administrative Associate III to meet demand for hazmat facility inspections and ensure compliance with state mandates.
- Add 4.00 Police Officer to focus on the health and safety of downtown and commercial cores, conduct outreach to the unhoused population, serve on the City's Psychiatric Emergency Response Team (PERT), and support the solving of property crimes.
- Add 1.00 Business Analyst in the Police Department to support Communications Center infrastructure maintenance, data gathering, and technology deployment.
- Add 2.00 Public Safety Dispatcher in the Police Department to restore Communication Center call coverage.
- Add 1.00 Facilities Technician and 1.00 Administrative Associate I to the Airport to align staffing levels with anticipated workload and keep up with maintenance and administrative tasks.
- Add 1.00 Equipment Operator to align staffing levels with anticipated workload in Utilities Wastewater Collection.
- Add 1.00 Management Analyst** in the Utilities Department to manage the additional and increasingly complex operational work associated with significant Utilities projects.
- Add 0.50 FTE Senior Resource Planner, 1.00 Sustainability Programs Administrator, and reclassify 1.00 Program Assistant II to a 1.00 Associate Sustainability Program Administrator** in the Utilities Department to support the Resource Management Division's work on the Sustainability and Climate Action Plan (S/CAP) and related projects.
- Add 1.00 Electric Project Engineer to support the increasing demand for electrical engineering work related to Fiber projects and comply with current regulatory requirements. Add 1.00 Coordinator
- Utilities Projects and eliminate 1.00 Streetlight, Traffic Signal & Fiber Technician in the Utilities Department to increase efficiency in coordinating in-house and outsourced work.
- Reclassify 1.00 Electric Heavy Equipment Operator to a Utilities System Operator to increase coverage at the 24/7 Utility Control and Dispatch Center.
- Reclassify 1.00 Installer Repairer Lead (IR) position to an Installer Repairer Lead Welder to align staffing expertise with the anticipated demand in the welding program.
- Add 3.00 General Laborer - H and 1.00 Administrative Specialist II - H to support the transition to Advanced Metering Infrastructure (AMI).
- In addition to these adjustments part-time positions were added to support work such as summer camps, coordinate facility rentals, and care for animals at the Junior Museum and Zoo (JMZ) (2.69 FTE); respond to code enforcement requests (0.48 FTE); and support administrative work associated with the workers' compensation program (0.48 FTE).

** The FY 2023 Proposed Budget includes new job classifications that require completion of a meet and confer process with the respective bargaining groups to negotiate terms for wages, hours, and other employment conditions. Proposals in this budget include estimated funding levels for financial planning purposes only and do not reflect the final negotiated terms of the proposed classifications.

SALARIES, BENEFITS, & POSITION SUMMARY

SALARY & BENEFITS

SALARIES

In the two years since the onset of the pandemic, the City has actively engaged with labor groups to negotiate concessions that generate cost savings to offset losses resulting from the pandemic, including position eliminations, furloughs, and wage freezes. Overall, staffing levels were reduced from pre-pandemic levels of 1,034.85 FTE (574.43 FTE in the General Fund) to 956.00 FTE (506.80 FTE in the General Fund). The unrepresented Management and Professionals (MGMT) group participated in 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) in FY 2021. In the MGMT and Utilities Management and Professionals Association (UMPAPA) groups, general salary adjustments were not received in 2020 or 2021, except for merit awards that were effective July 2021. 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).

In FY 2022, the City Council approved amendments to realign the budget with a more optimistic economic outlook and proactively reinvest in activities that addressed the most immediate needs of the City and its residents. In total, 20.0 full-time and three part-time (0.94 FTE) were added:

Preliminary Q1 FY 2022 Financial Status (CMR 13439)

- Add 2.00 Assistant to the City Manager for housing initiatives and economic development
- Add 1.00 Administrative Associate III in the Development Center, and
- Add 1.00 Communications Manager to restore management resources for dispatch staff and operations

Staffing for Adequate Fire and Emergency Response (SAFER) Grant (CMR 13643)

- Add 5.00 Firefighters

FY 2022 Mid-Year Budget Review (CMR 13801)

- Reclassify 2.0 Deputy City Attorney to Assistant City Attorney
- Add 0.75 Junior Museum and Zoo Educator, offset by part-time Instructor II eliminations (net -0.50 FTE) for children and youth-oriented ceramics classes
- Add one part-time Arts & Sciences Professional I (0.48 FTE) for children's art classes and camps
- Add 1.0 Deputy Director of Technical Services to restore management resources for the Police
- Technical Service Division and patrol support
- Add 1.0 Human Resources Technician to restore recruitment resources

SALARIES, BENEFITS, & POSITION SUMMARY

- Add two part-time Management Specialists (0.96 FTE) to restore resources for special projects and administrative tasks in the Human Resources Department
- Add 2.0 Senior Technologist to perform network and security administration
- Reclassify 1.0 Traffic Engineering-Lead to a 1.0 Senior Engineer in the Office of Transportation for engineering design and construction projects
- Add 1.0 Code Enforcement Officer to address code violations and leaf blower concerns
- Add 1.0 Environmental Specialist for S/CAP initiatives
- Reclassify 0.75 Management Analyst to 1.0 Manager Environmental Control Program for S/CAP initiatives
- Reclassify 1.0 Metering Technician to a 1.0 Electric Project Coordinator and add 3.0 Electric Project Engineer for increased workloads in Electric engineering and operations functions
- Add 1.0 Utilities Program Services Manager to focus on commercial energy efficiency and electrification, and
- Add 1.0 Senior Engineer for technical oversight and scaling of the electrification program

Additionally, the City Council approved a 4.0 percent Cost of Living Adjustment (COLA) for all labor groups, effective April 2022, and an additional 3.0 percent market adjustment for IAFF, effective July 2022 (CMR 14069 and CMR 14149). The COLA adjustment is an across-the-board salary adjustment in recognition of rising cost of living indicators (such as the Consumer Price Index) and regional economic factors. As part of these terms, agreements with the MGMT, UMPAPA, and safety groups were extended six months, from June 2022 to December 2022. The agreement with Service Employee International Union (SEIU) expired in Dec 2021 and has been extended to Dec 2022. The impacts from this COLA have been factored into the development of the FY 2023 budget.

This FY 2023 Proposed Budget also includes a \$900,000 reserve for labor and inflation costs in the coming year in anticipation of new agreements beginning in January 2023. In the coming year, the City will engage in labor negotiations with the various bargaining units to negotiate new agreements and terms for wages, hours, and other terms and conditions of employment as well as discussions with unrepresented management professionals. As part of the Long Range Financial Forecast (LRFF), the City assumes a 2.0 percent increase once terms have ended. This practice is intended for financial modeling purposes and not a commitment to future negotiations. Consistent with that practice, this reserve sets aside funding for future negotiations and contracts. An additional \$400,000 is included in the Human Resources department to contract with outside counsel for labor relations, employment matters, and strategic negotiations.

SALARIES, BENEFITS, & POSITION SUMMARY

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:

- Employee payment of the CalPERS employee contribution for all bargaining groups.
- Employee contribution toward the employer portion of CalPERS normal cost, between 1 percent and 4 percent.
- Employees sharing the cost of health plans by shifting from a percentage share to a flat-rate medical benefit.
- Implementation of a less costly third-tier pension plan (PEPRA), effective January 1, 2013.

The FY 2023 Budget reflects the required employer pension contributions determined in the CalPERS actuarial valuation as of June 30, 2020 (CMR 13440). The calculation for annual employer contributions are based on a set of actuarial assumptions for demographic (e.g., mortality, retirement, termination, and disability rates) and economic factors (e.g., future investment returns, inflations, salary growth). In a year that CalPERS does not meet assumptions, due to plan changes, assumption changes, method changes, or plan experience (including investment gains/losses), there is an increase or decrease to the City's pension liability. Therefore, there are potential impacts to the City's pension liability resulting from the COVID-19 pandemic and associated market volatility.

The Actuarial Determined Contribution (ADC), also referred to as the blended rate, reflects the total estimated employer contribution and includes the combined cost of Normal Cost (NC) and Unfunded Accrued Liability (UAL).

- The NC reflects the employer contribution for the plan retirement benefits provided to current employees based on the current set of assumptions and is billed as a percentage of payroll.
- The UAL represents the employer amortization of unfunded accrued liability and is billed as a flat dollar rate. The CalPERS's annual payment is calculated to pay down the City's unfunded accrued pension liability over the amortization timeline. If all actuarial assumptions were realized through the amortization timeline, the City would eliminate its unfunded pension liability after making these annual payments.

The ADC for the Miscellaneous Plan is \$39.5 million in FY 2023, an increase of \$3.7 million (10.5 percent), from an ADC of \$35.7 million in FY 2022. The ADC for the Safety Plan is \$20.9 million in FY 2023, an increase of \$1.7 million (8.7 percent), from an ADC of \$19.2 in FY 2022.

SALARIES, BENEFITS, & POSITION SUMMARY

CalPERS projected pension rates through FY 2028 are included in the table below (expressed as a percent of payroll).

Pension Rates by Plan (Fiscal Year) – CalPERS

FY	2021	2022	2023	2024	2025	2026	2027	2028
Miscellaneous (%)	38.4	41.8	42.9	43.5	44.1	41.5	37.6	37.2
Safety (%)	65.3	69.6	71.1	72.9	74.0	74.0	73.8	73.1
Discount Rate (%)	7.0	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, the City's UAL is impacted if CalPERS investment returns do not meet expectations. In recent reporting, plans experienced a 4.7 percent investment return for the period ending June 30, 2020, and 21.3 percent investment return for the period ending June 30, 2021, as compared to a 7.0 percent return assumed by CalPERS. Actuarial reports are completed two years in arrears therefore investment loss from the 4.7 percent return will be amortized over 20 years with a 5-year ramp-up period beginning in FY 2023. The most recent 21.3 percent return for the period ending June 30, 2021 valuation triggered the CalPERS Risk Mitigation Policy, resulting in a reduction in the rate of return from 7.0 to 6.8 percent. These impacts will be included in the development of the FY 2024 budget. The City will continue to work to understand the ramifications and strategize appropriate actions that address long-term pension obligations.

The City has taken several proactive steps to address rising pension costs and long-term liabilities, including cost-sharing in labor agreements, establishing an irrevocable Section 115 Pension Trust Fund ("Pension Trust"), and adopting a Pension Funding Policy. In January 2017 the City council authorized the establishment of a Pension Trust Fund with the Public Agency Retirement Service (PARS) (CMR 7553). Contributions were initially made to the Pension Trust on an ad-hoc basis, using one-time savings or excess revenues. In October 2018, the City Council directed staff to include in budget assumptions the NC for pension benefits at an equivalent of 6.2 percent rate of return and a transfer of the additional ("supplemental") funding beyond CalPERS actuarial determined contribution levels to the Pension Trust (CMR 9740). This practice more closely aligned pension savings with projected market returns at the time. Additional one-time contributions continue to be made each year if excess revenues or unspent savings are available, subject to City Council approval. This practice was reinforced in the development of a Pension Funding Policy, adopted by the City Council in November 2020 (CMR 11722). As part of policy goals, the City seeks to reach a 90 percent funded status by FY 2036. This policy is subject to modification at City Council discretion and requires that staff report the status of the funding goal every three years. This FY 2023 Budget includes approximately \$5.9 million (\$3.4 million in the General Fund) in supplemental contributions. This includes a one-time action to add a \$550,000 "catch-up" contribution from Other Funds, consistent with actions in FY 2022 to contribute \$1.0 million from the General Fund Budget Stabilization Reserve (BSR)

SALARIES, BENEFITS, & POSITION SUMMARY

(CMR 13801). Through FY 2022, a total of \$41.3 million in principal contributions will have been made to the Pension Trust (approximately 65 percent from the General Fund).

Additionally, this FY 2023 Proposed Budget includes a \$1.3 million reserve to fund supplemental contributions to the Pension Trust at a lower 5.3 percent discount rate. Every four years, CalPERS completes an Asset Liability Management (ALM) study to review capital market assumptions and the strategic asset allocation and ascertain whether a change in the discount rate and other economic assumptions is warranted. As part of this study, external asset managers and consultants are surveyed to gain expert projections on market returns. In the most recent study completed in November 2021, median expected returns of survey participants were 5.3 percent (10-year) to 6.2 percent (20-year). This reserve sets aside six months of the anticipated annual costs to shift from a 6.2 discount rate to 5.3 percent (General Fund only), consistent with the intent of this policy.

In the General Fund, it is anticipated the City will spend a total of \$37.7 million on total pension costs in FY 2023, including both CalPERS contributions and supplemental Pension Trust Fund contributions.

RETIREE HEALTHCARE

Retiree Healthcare/Other Post-Employment Benefits (OPEB) is based on actuarial consultant studies (Bartel Associates) that are completed bi-annually. The most recent study was completed in May 2020 to inform the development of the FY 2021 and FY 2022 operating budgets (CMR 11284). Consistent with City Council direction, staff continues to budget the cost for retiree healthcare at a more conservative 6.25 percent discount rate and transmit the amount above the required payment as an additional discretionary payment (“prefunding”) to the California Employers’ Retiree Benefit Trust (CERBT) Fund.

The budget assumes the full payment of the Actuarial Determined Contribution (ADC) for retiree healthcare. CalPERS blends active employees with pre-Medicare retirees and charges the same medical premium, even though younger employees on average consume less healthcare. The higher premium to younger employees thereby subsidizes older employees and retirees who, on average, have higher claims and premiums. This implied subsidy effectively lowers the funding necessary to meet the ADC.

As of the timing of the FY 2023 Proposed Budget, the City has not yet received a finalized report for use in FY 2023 and FY 2024. Therefore, the FY 2023 Proposed Budget contains the long-range information provided in the most recent study, increasing the budget for Retiree Healthcare to \$16.9 million for ADC, an approximate \$472,000 or 2.9 percent increase from FY 2022 levels of \$16.4 million. The current actuarial study is anticipated to be completed before the end of the fiscal year, which will provide an update on the fund’s status as of June 30, 2021. Staff anticipates discussing the latest actuarial valuation as part of the public hearing process for the adoption of the FY 2023 Budget.

SALARIES, BENEFITS, & POSITION SUMMARY

Retiree Healthcare Annual Required Contributions (by Fiscal Year)

FY	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
General Fund (\$)	10.5	10.8	11.1	11.5	11.8	12.2	12.6	13.0	13.4	13.8	14.2
Non-General Fund (\$)	5.9	6.1	6.3	6.5	6.7	6.9	7.1	7.3	7.6	7.8	8.0
Total (\$)	16.4	16.9	17.4	18.0	18.5	19.1	19.7	20.3	20.9	21.6	21.6

The FY 2023 Budget for Retiree Healthcare increased to \$16.9 million, representing a 3.0 percent increase from the FY 2022 Adopted Budget of \$16.4 million.

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



CITY OF
**PALO
ALTO**



Fiscal Year 2023 Proposed Operating Budget

City Council

Patrick Burt, Mayor

Lydia Kou, Vice Mayor

Alison Cormack

Tom DuBois

Eric Filseth

Greer Stone

Greg Tanaka

Ed Shikada, City Manager

Kiely Nose, Interim Assistant City Manager/Director of Administrative Services/
Chief Financial Officer

Jessie Deschamps, Budget Manager, Office of Management and Budget

Paul Harper, Budget Manager, Office of Management and Budget

Tom DuBois, Finance Committee Chair

CITY OF PALO ALTO

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



OUR VALUES



Quality

Superior delivery of services

Courtesy

Providing service with respect and concern

Efficiency

Productive, effective use of resources

Integrity

Straight-forward, honest and fair relations

Innovation

Excellence in creative thought and implementation

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INTRODUCTION



CITY OF
**PALO
ALTO**



CITY OF
**PALO
ALTO**

Budget Acknowledgments

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City Attorney

Tricia Hoover

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City Manager/Office of Transportation

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Community Services

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Information Technology

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Library

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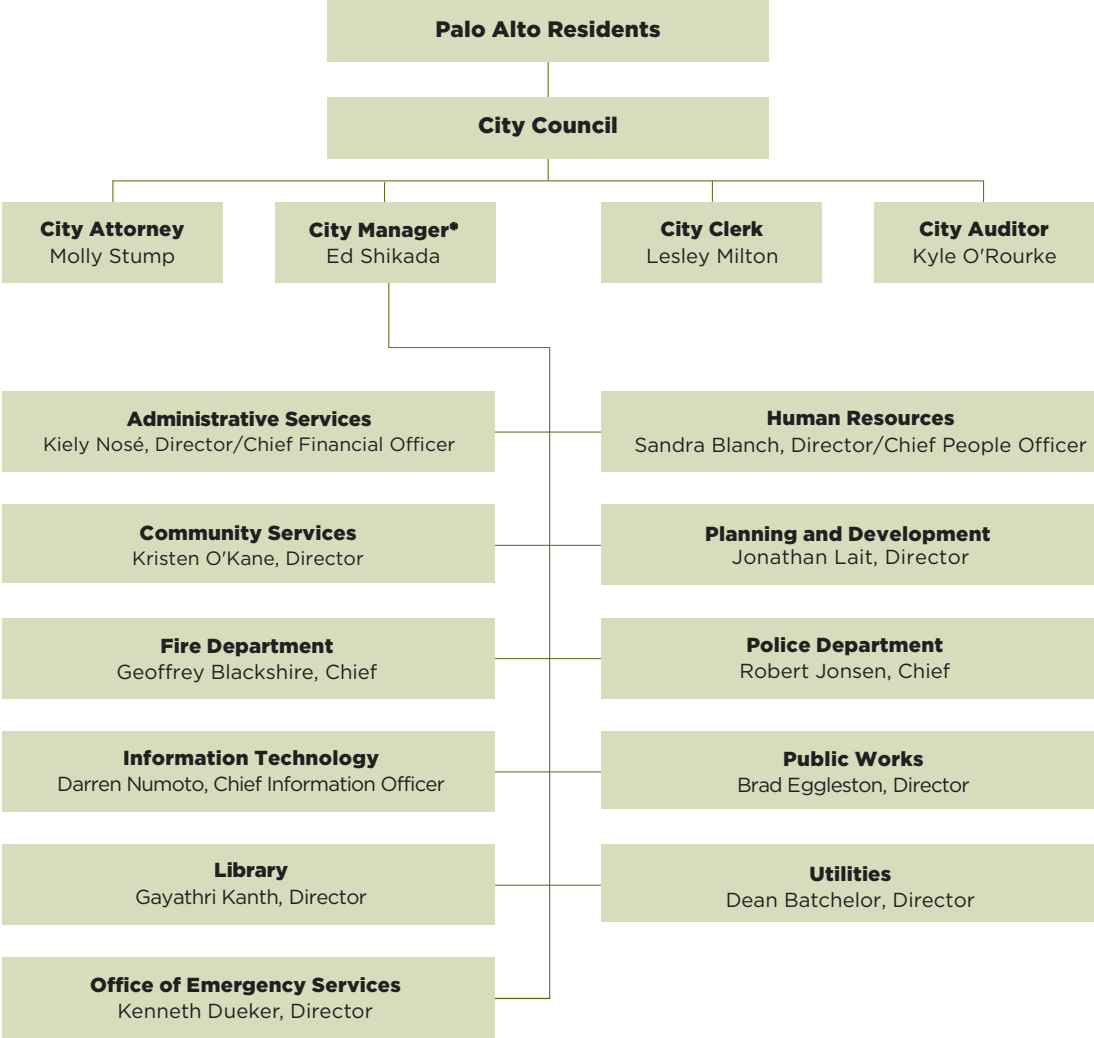
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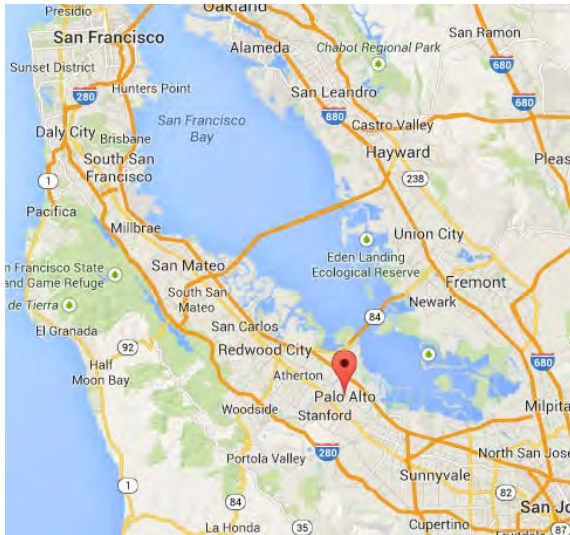
Josh Martinez

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 67,973 in 2021. This represents a 2.1 percent increase over the previous year and a 14.64 percent increase since 2000. Approximately 22.8 percent of the population is under the age of 18, and the median age is 42.6. Approximately 50.3 percent of the population is female, and 49.7 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 97.5 percent of Palo Alto residents aged 25 or over have received a high school diploma. Over 82.7 percent have obtained a bachelor's degree or higher and 54.7 percent have earned a post-graduate or professional degree.



School enrollments in Palo Alto decreased to 10,801 from 12,286, or by 12.9 percent between 2011 and 2020. In school-year 2020-21, Palo Alto and Gunn high schools had a average SAT scores of 1,409 and 1,383 on a scale of 1,600. The average scores for the United States and California were 1,061 and 1,057, respectively.

INCOME

In 2020, Palo Alto's median household income was \$174,003 and the per capita income was \$97,307. As of 2020, 78.7 percent of all households in Palo Alto had an annual income of greater than \$100,000.

PERSONS PER HOUSEHOLD

The average number of persons per household in Palo Alto owner-occupied and renter occupied homes was 2.6 in 2020, compared to 2.3 per household in 2000.



HOUSING UNITS

In 2020, 56.3 percent of the 26,150 housing units were owner-occupied and 43.7 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 2020.

DEVELOPMENT

The City issued approximately 1,747 residential and 391 commercial building permits in Fiscal Year (FY) 2021. The combined valuation for all permits was \$296.72 million.

OFFICE AND INDUSTRIAL RENTAL ACTIVITY

Palo Alto's net rentable office space totaled approximately 8.3 million sq. ft as of the fourth quarter of 2021. The vacancy rate during this same time period was 12.0 percent compared to 11.2 percent for the Silicon Valley market. Average asking rents in Palo Alto and the Silicon Valley were, respectively, \$9.33 and \$5.57 per sq. ft, as of the fourth quarter of 2021.

Net rentable square footage for industrial facilities in Palo Alto was 1.3million with a vacancy rate of 3.5 percent and average asking rent of \$2.70 per sq. ft for manufacturing and \$2.03 per sq. ft for warehouse. The Silicon Valley market had an average vacancy rate of 3.3 percent and asking rent averaged \$1.39 per sq. ft for manufacturing and \$1.39 for warehouse.

Net rentable space for Research and Development (R&D) facilities in Palo Alto totaled 10.0

million sq. ft with a vacancy factor of 10.6 percent and average asking rent of \$7.07 per sq. ft. The vacancy rate for the Silicon Valley market was 9.4 percent with an average asking rent of \$2.76 per sq. ft.



Top 25 Major Sales/Use Tax Contributors, FY 2021

Anderson Honda	HP Enterprise Services	Shreve & Co.
Apple Stores	Louis Vuitton	Stanford Outpatient Clinic Pharmacy
Atila Biosystems incorporated	Lucile Packard Children's Hospital	Tesla
Audi Palo Alto	Macy's Department Store	Tesla Lease Trust
Bloomingdale's	Magnussen's Toyota of Palo Alto	Tiffinay & Company
Crate & Barrel	Neiman Marcus Department Store	Varian Medical Systems
Enclos Corporation	Nordstrom Department Stores	Volvo Cars Palo Alto
Hengehold Trucks	Richemont	
Hermes	Shell Service Stations	

PALO ALTO AT A GLANCE

RETAIL SALES AND SALES TAX REVENUE

Sales and use tax totaled \$29.1 million in FY 2021 a decrease of \$1.4 million, or 4.7 percent, due to the second year of COVID-19 impacts. In comparison, in FY2020, this decreased by 5.9 million or 16.3 percent so the sales tax losses is plateauing and is expected to increase in FY2022. The sales tax revenue receipts are driven by personal income and spending. Prior to COVID-19, on-line sales tax was steadily increasing, COVID-19 and enacted state law re-

quiring on-line retailers to collect sales tax greatly accelerated this process as a larger share of the consumer spending incurred on-line due to business closures, work from home orders/recommendations, and the general recommendations to avoid public gatherings. Whether some this attributable to COVID-19 will return to physical stores as the economy open opens up or this will be the new reality is unknown at this time.

Principal Property Taxpayers, FY 2021

Rank	Taxpayer	Taxable Assessed Value
1	Leland Stanford Jr. University	\$6,529,897
2	Google Inc.	\$303,697
3	ARE-San Francisco 80 LLC	\$291,000
4	SVF Sherman Palo Alto Corporation	\$143,575
5	ARE-San Francisco 69 LLC	\$141,494
6	395 Page Mill LLC	\$123,083
7	530 Lytton Owner LLC	\$119,850
8	Hohbach Realty Co. LP	\$110,392
9	SI 45 LLC	\$84,423
10	PA Hotel Holdings LLC	\$82,600
Total		\$7,930,011

PALO ALTO BUSINESSES

As the birthplace of the Silicon Valley, Palo Alto is the home to Stanford University and thousands of innovative companies including Hewlett-Packard, IDEO, Tesla, Flipboard, Palantir Technologies, Xerox'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 33,202 employed residents in 2021. 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 96,812 jobs citywide. Palo Alto's unemployment rate was 3.2 percent in 2021, which was considerably lower than the nation (5.9 percent), state (7.9 percent), and county (6.6 percent), during the same period.

LARGEST EMPLOYERS

Palo Alto's top ten employers as of June 30, 2021 reflect jobs in industries ranging from education and healthcare to technology and research and development.



Principal Employers, FY 2021

Rank	Employer	Number of Employees
1	Stanford Health Care	5,500
2	Hewlett-Packard Company	5,000
3	Stanford University	4,060
4	Veteran's Affairs Palo Alto Healthcare System	3,900
5	Stanford Children's Health/Lucile Packard Children's H	3,500
6	VM ware Inc.	3,500
7	SAP Labs Inc.	3,500
8	Varian Medical Systems	3,300
9	Tesla Inc.	2,650
10	Palo Alto Medical Foundation	2,200
Total		37,110

Parks, Recreation & Community Centers

Item (FY 2021)	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 2021)	Number
Library Branches	5
Items Checked Out (Circulation)	842,786
Books (Inventory)	245,078
Digital Audio/Visual (Inventory-Movies, Music,Books)	234,945
Physical Audio/Visual (Inventory-Movies, Music, Audiobooks)	42,468
Reference Questions	42,514

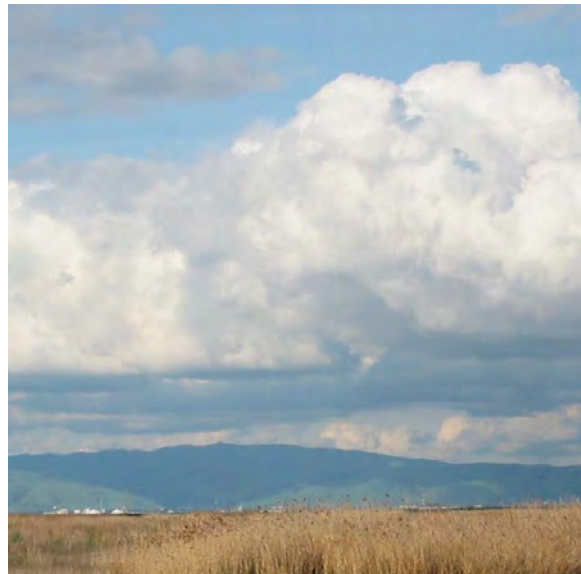
Public Safety

Item (FY 2021)	Number
Police	
Police Stations	1
Sworn Police Personnel	79
Police Vehicles	29
Motorcycles	3
Canine Units	2
Number of Calls for Service	38,661
Item (FY 2021)	Number
Fire	
Fire Stations	7
Sworn Fire Personnel	79
Fire Engines	9
Fire Trucks	1
Ambulances	6
Number of Calls for Service	7,209



Infrastructure, Maintenance & Development Activity

Item (FY 2021)	Number
Street Miles	471
Lane Miles Resurfaced Annually	20
Building Permits Issued Annually	2,828
Number of Fire Inspections	7,369
Active Capital Improvement Projects	196
Capital Improvement Projects Exp.	\$84.1 million
Miles of Water Municipal Mains	235.3
Gallons of Water Delivered Daily	9.8 million
Miles of Municipal Wastewater Mains	216.2
Gallons of Wastewater Treated	5.5 million
Miles of Gas Mains	216.6
Miles of Overhead Electrical Line	115.63
Miles of Underground Electrical Line	273.2
Miles of Fiber Optic Backbone	48



Sustainability

Item (FY 2021)	Number
Total Tons of Material Recycled or Composted	46,168
Total Megawatt-hours Purchased from Eligible Renewable Sources*	807,133
Percent of Electric Portfolio Purchased from Eligible Renewable Sources	74%
Percent of Electric Portfolio Purchased from Carbon Neutral Sources**	100%

* FY 2021 "Eligible Renewable Sources" are wind, solar, small hydroelectric, and biogas generators whose output is directly purchased by the City. These include purchased under long-term purchase agreements, and short-term renewable energy certificate (REC) purchases.

** FY 2021 "Carbon Neutral Sources" include eligible renewable (74%) and large hydroelectric power (26%). Due to low levels of precipitation, the City's large hydroelectric supplies were significantly lower than in an average year.

SOURCES:

POPULATION:

U.S. Census Bureau, 2020 American Community Survey, Demographic and Housing Estimates, 5-Year Estimates, Table DP05.

EDUCATION:

U.S. Census Bureau, 2020 American Community Survey, Social Characteristics in United States, Educational Attainment, 5-Year Estimates, Table DP02.

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

2021 SAT Suite of Assessments Annual Report by College Board.

INCOME:

2020 American Community Survey 5-Year Estimates, Selected Economic Characteristics, Table DP03.

PERSONS PER HOUSEHOLD AND HOUSING UNITS:

2020 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 Office Figures Q4 2021
CBRE Silicon Valley R&D Snapshot Q4 2021
CBRE Silicon Valley Industrial Figures Q4 2021

RETAIL SALES AND SALES TAX REVENUE:

Information provided by Treasury, Debt and Investments Division.

TOP 25 MAJOR SALES/USE TAX CONTRIBUTORS:

Information provided by Treasury, Debt and Investments Division..

PRINCIPAL PROPERTY TAXPAYERS:

City of Palo Alto 2020-2021 ACFR- Principal Property Taxpayers-Current Year and Nine Years Ago.

EMPLOYMENT:

California Employment Development Department- Labor Market Information Division for City unemployment rate, US Department of Labor-Bureau of Labor Statistics for Nation and State and County unemployment rate. 2020 American Community Survey, Means of Transportation to work by age and workplace geography, 5-Year Estimates, Table B08501

PALO ALTO BUSINESSES:

City of Palo Alto Economic Development

LARGEST EMPLOYERS:

City of Palo Alto 2020-2021 ACFR

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
- 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 2022, adopted in January 2022.

- Economic Recovery and Transition
- Climate Change - Protection and Adaptation
- Housing for Social and Economic Balance
- Community Health and Safety

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.

THE BUDGET PROCESS AND DOCUMENT

BUDGET HEARINGS* With City Council and Finance Committee FY 2023 Budget			
Date	Description	Location	Description
Monday, May 2	City Council	Hybrid	City Manager comments reviewing the proposed Capital and Operating Budgets and notices the start of public budgetary discussions in May
Tuesday, May 10	Finance Committee	Hybrid	Budget Hearing
Wednesday, May 11	Finance Committee	Hybrid	Budget Hearing
Tuesday, May 24	Finance Committee	Hybrid	Budget Hearing
Monday, June 20	City Council	Hybrid	Public Hearing - Budget Approval & Adoption

*Pursuant to the provisions of the California Governor's AB-361, issued on September 16, 2021, to prevent the spread of COVID-19, these meetings were held as "hybrid" meetings with the option to attend by teleconference or in person. These meetings were broadcast on Cable TV Channel 26 or 29, live on YouTube at www.youtube.com/channel/UC-iIsS-c6up6UvSzDNOHhHw/go/, and Midpen Media Center at midpenmedia.org/government/city-of-palo-alto/.

Members of the public who wished to participate by computer or phone could access the meeting by going to www.zoom.us/join and entering meeting ID 362 027 238. 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

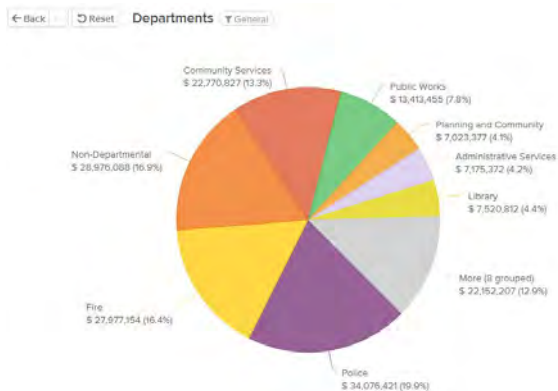
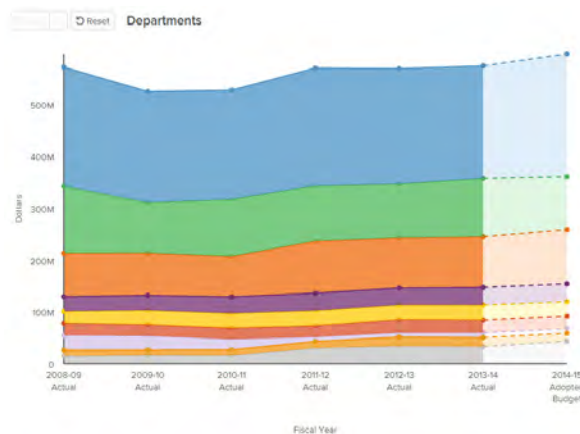
HOW DOES IT WORK?

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. For example, the Administrative Services Department (ASD) Assistant Director oversees the SAP functional team, as displayed on the organizational chart but those positions are budgeted in the Technology Fund so they do not appear in the ASD departmental budget summary.

Accomplishments: identifies the department's noteworthy accomplishments 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. The budget change table itemizes expenditure and revenue recommendations and the net impact on the fund.

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, 2021

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. Morrell

Date: February 15, 2022



CITY OF
**PALO
ALTO**



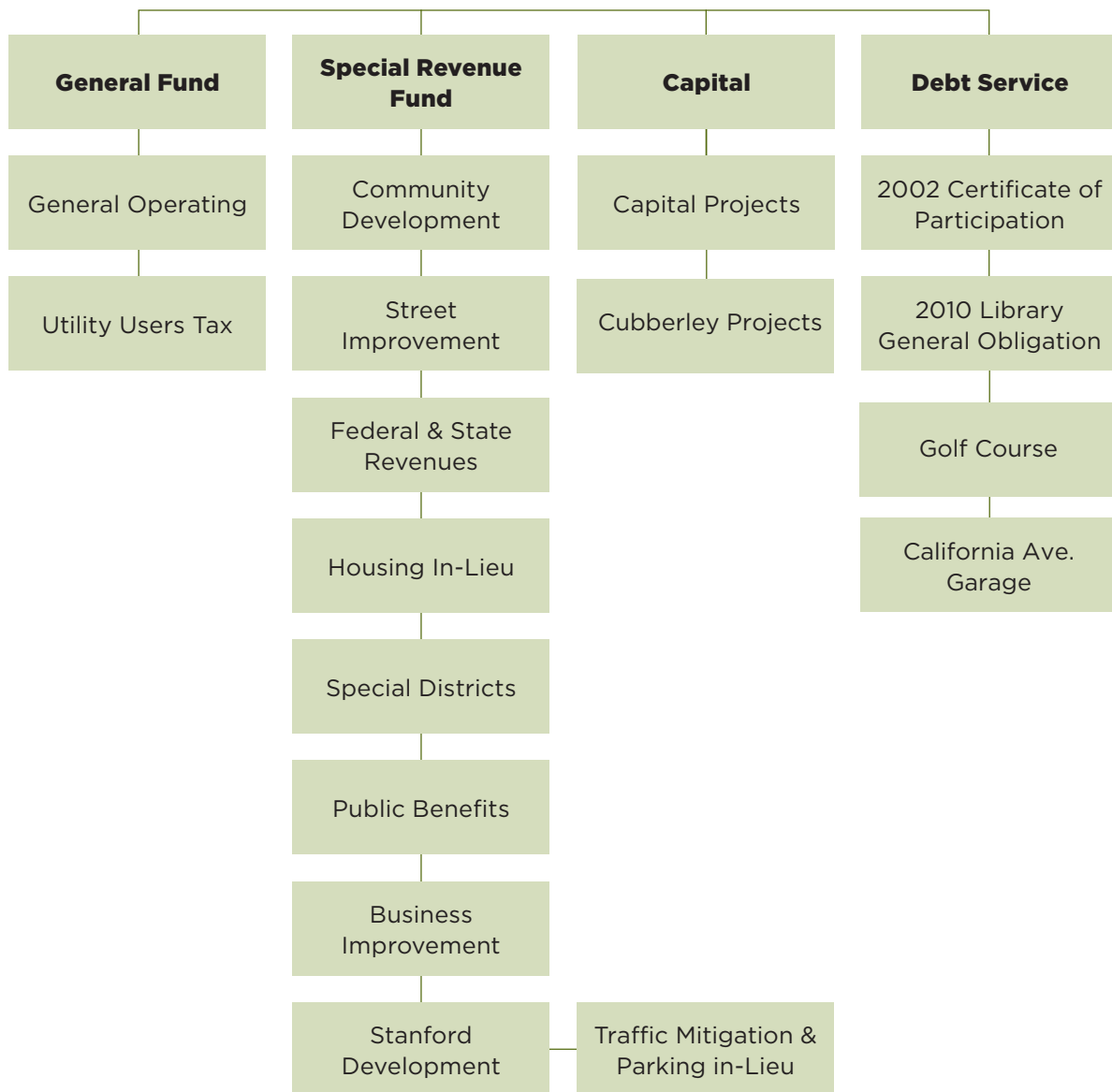
CITYWIDE FUNDS



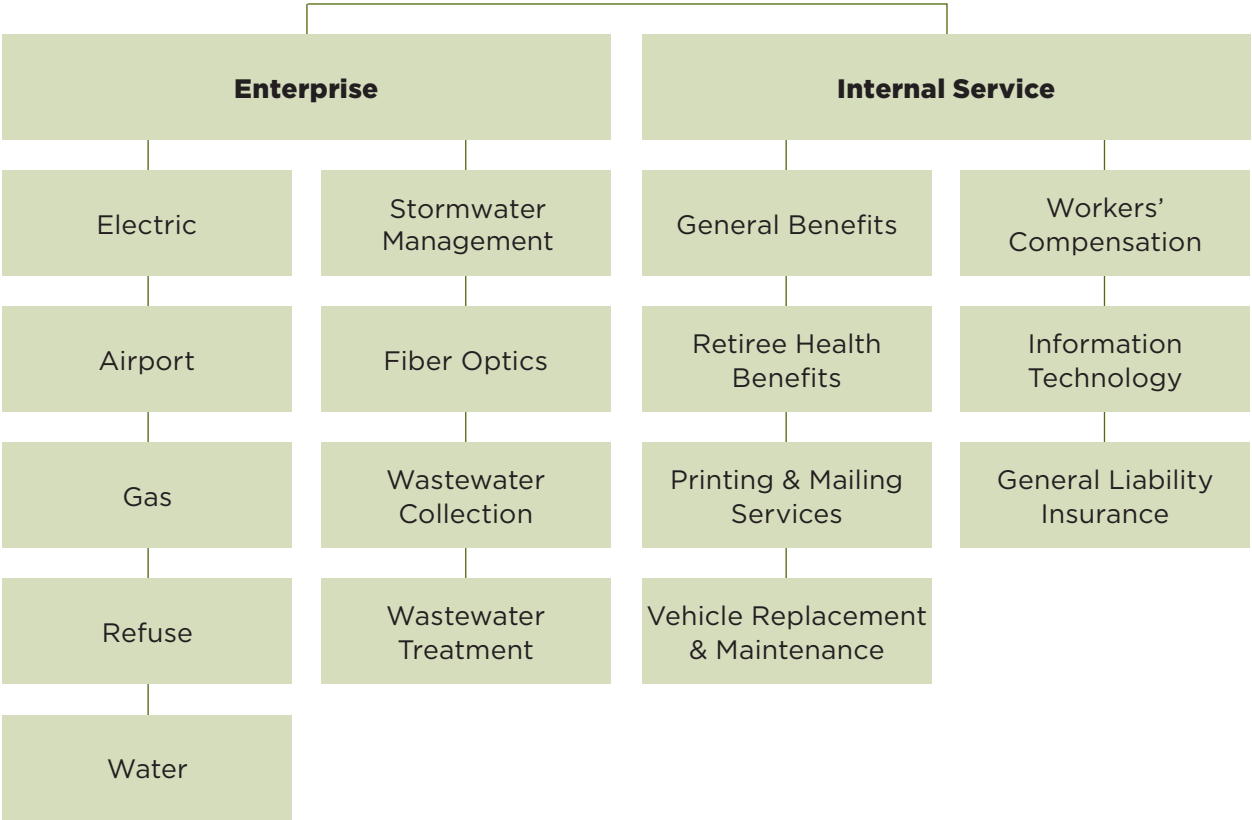


CITY OF
**PALO
ALTO**

Fund Structure



Fund Structure

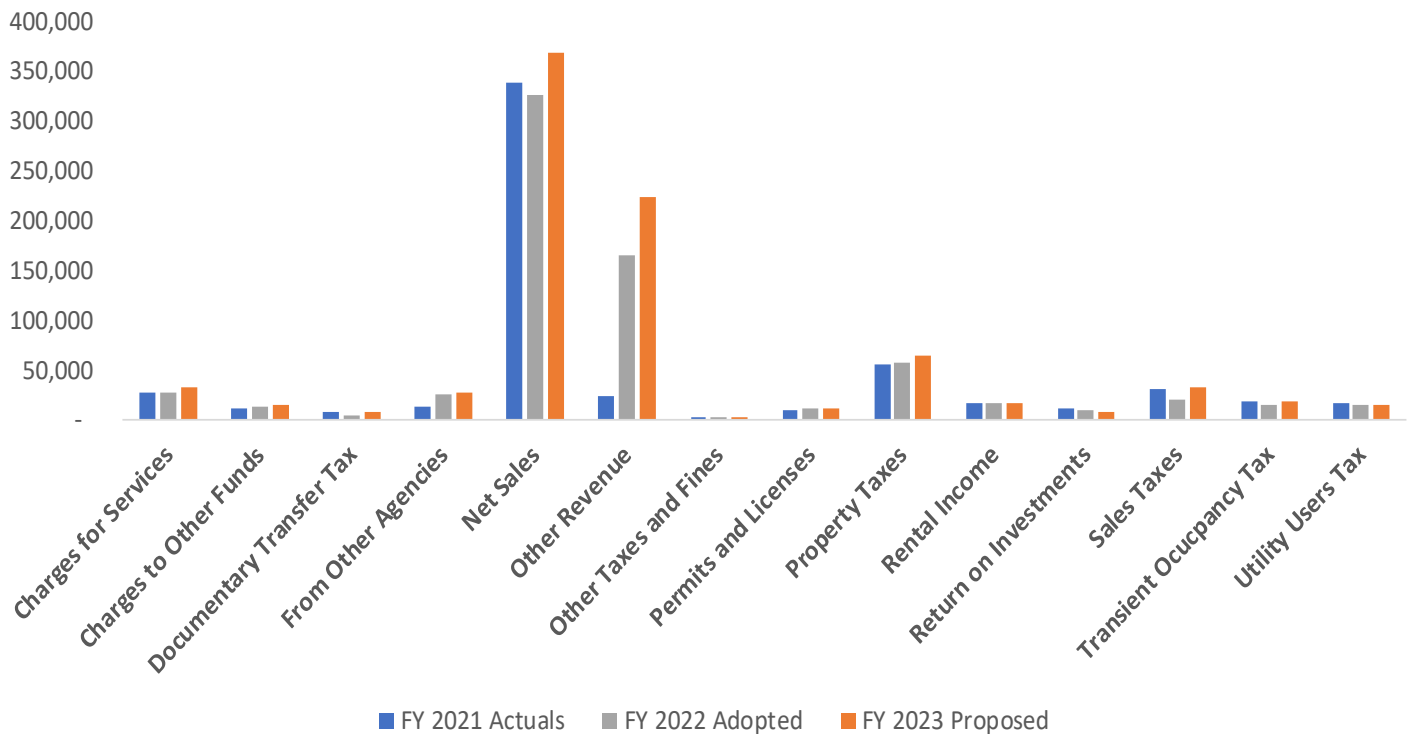


Total Citywide Revenue by Category

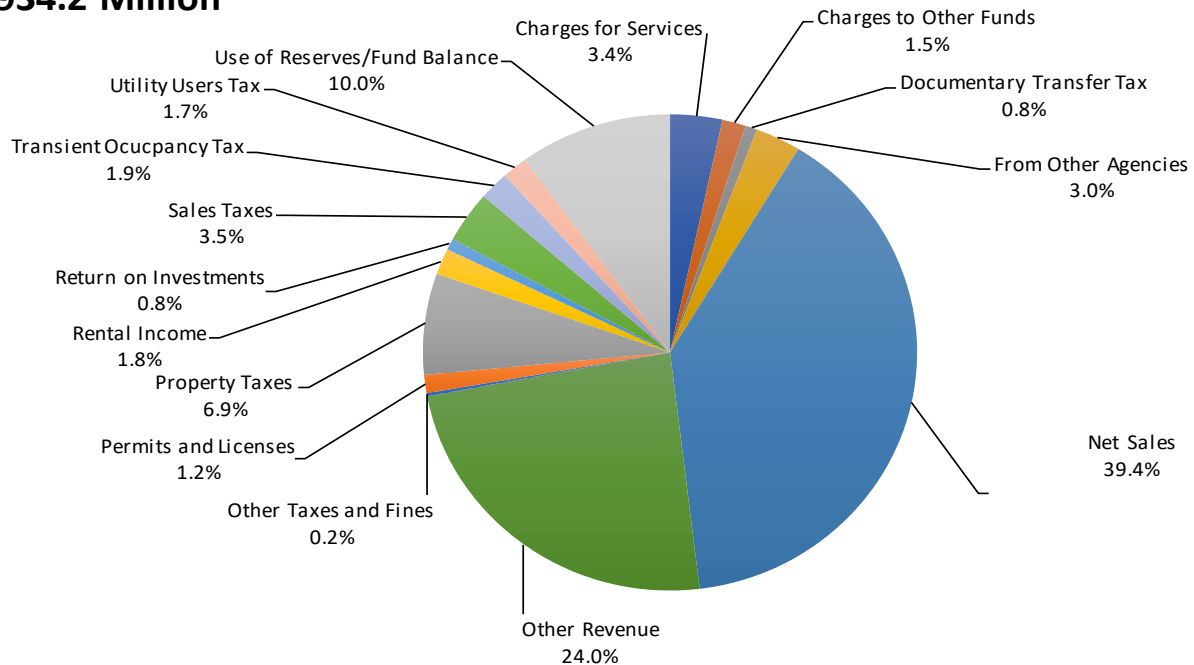
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted	FY 2023 Proposed	FY 2023 Change \$	FY 2023 Change %
Charges for Services	26,880	26,709	25,470	31,870	6,400	25.1%
Charges to Other Funds	12,081	12,371	14,818	14,352	(466)	-3.1%
Documentary Transfer Tax	6,903	10,627	7,137	7,217	80	1.1%
From Other Agencies	12,506	16,687	13,864	27,798	13,934	100.5%
Net Sales	338,609	334,120	340,825	367,925	27,100	8.0%
Other Revenue	24,386	135,065	59,398	223,974	164,576	277.1%
Other Taxes and Fines	1,353	710	1,597	1,876	279	17.5%
Permits and Licenses	10,194	8,042	10,629	11,544	915	8.6%
Property Taxes	55,628	60,905	55,627	64,167	8,540	15.4%
Rental Income	16,672	14,015	15,245	16,492	1,247	8.2%
Return on Investments	10,697	8,341	9,189	7,260	(1,929)	-21.0%
Sales Taxes	30,563	29,127	28,184	32,580	4,396	15.6%
Transient Occupancy Tax	18,553	5,179	8,428	18,199	9,771	115.9%
Utility Users Tax	16,140	14,642	14,370	15,579	1,209	8.4%
Total for Summary Tables	581,165	676,540	604,781	840,833	236,052	39.0%

CITYWIDE FUNDS

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



FY 2023 Sources \$934.2 Million

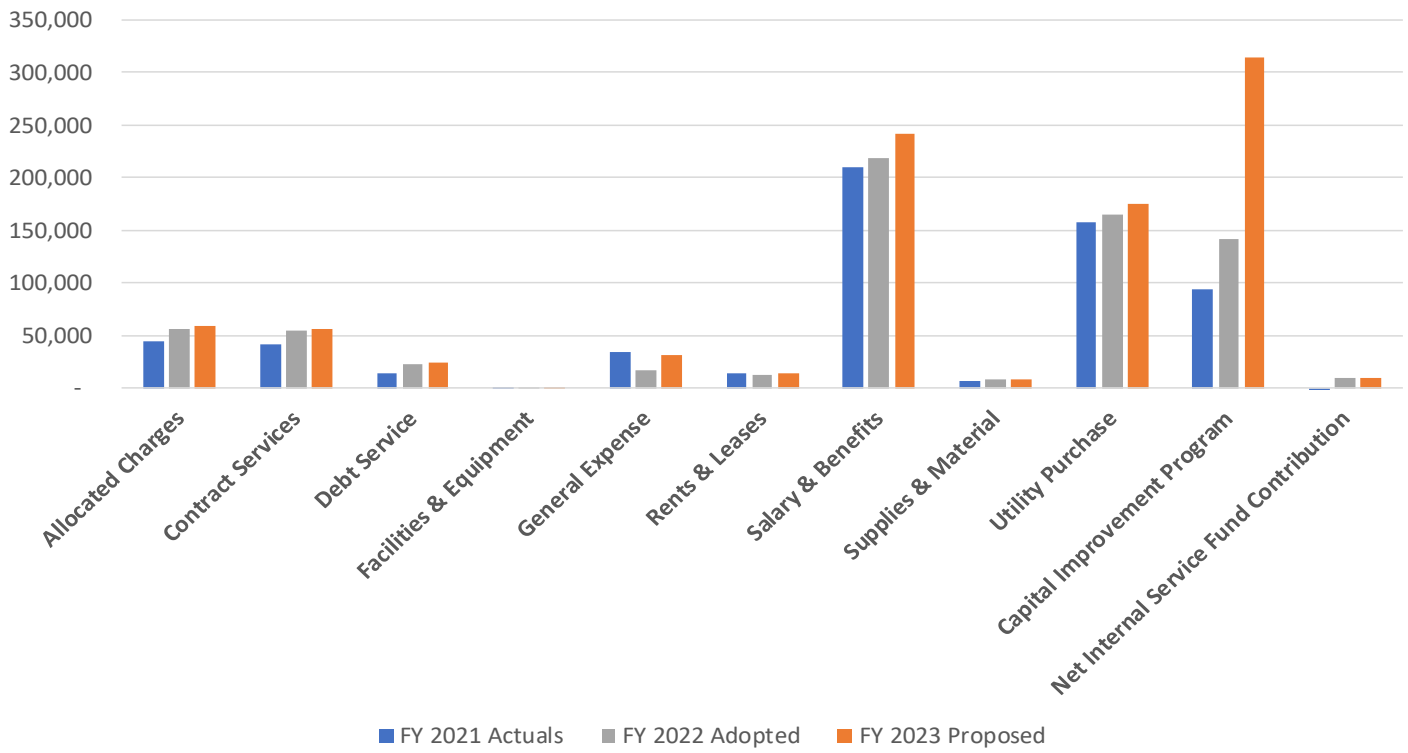


Total Citywide Expense by Category

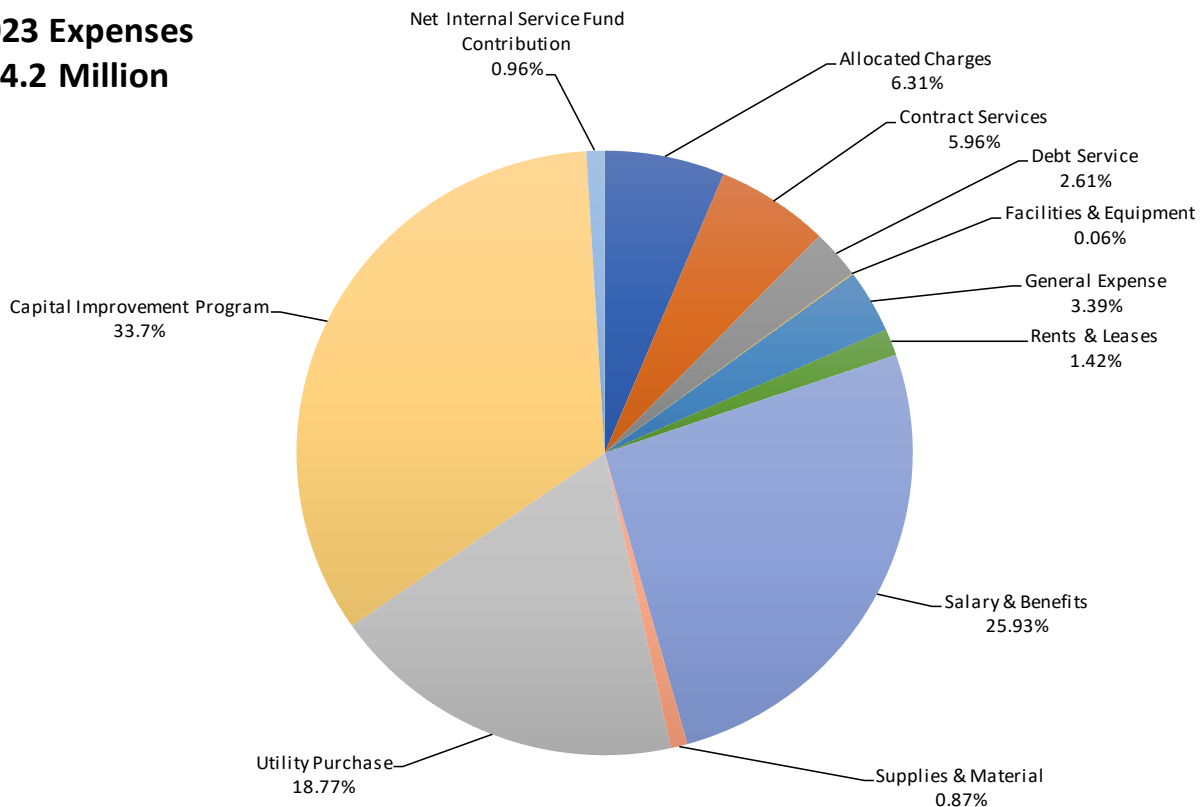
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted	FY 2023 Proposed	FY 2023 Change \$	FY 2023 Change %
Allocated Charges	44,002	41,185	55,506	58,928	3,422	6.2%
Contract Services	41,260	35,709	55,097	55,668	571	1.0%
Debt Service	14,469	16,882	21,983	24,370	2,387	10.9%
Facilities & Equipment	559	479	467	520	53	11.3%
General Expense	34,450	53,539	16,510	31,662	15,152	91.8%
Rents & Leases	13,187	12,620	12,646	13,312	666	5.3%
Salary & Benefits	210,127	203,636	218,345	242,207	23,862	10.9%
Supplies & Material	6,706	5,872	7,942	8,166	224	2.8%
Utility Purchase	156,945	161,162	164,452	175,325	10,873	6.6%
Capital Improvement Program	93,652	73,294	141,525	315,098	173,573	122.6%
Net Transfers	(20,963)	(2,946)	9,009	8,934	(75)	-0.8%
Total	594,394	601,432	703,482	934,190	230,708	32.8%

CITYWIDE FUNDS

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



FY 2023 Expenses \$934.2 Million



Citywide Projected Operating Fund Balance

FUND	PROJECTED ENDING BALANCE 6/30/22	ESTIMATED REVENUES	NET FUND TRANSFERS	ESTIMATED EXPENDITURES	PROJECTED ENDING BALANCE 6/30/23
GENERAL FUND					
General Fund	54,650	215,219	(2,776)	221,294	45,799
Total General Fund	54,650	215,219	(2,776)	221,294	45,799
CAPITAL FUNDS					
Capital Improvement Fund	27,936	21,023	36,352	79,426	5,885
Cubberley Property Infrastructure Fund	5,142	1,963	1,864	5,134	3,835
Total Capital Funds	33,078	22,986	38,216	84,560	9,720
DEBT SERVICE					
2018 Golf Course Capital Improvement	19	0	529	529	19
2019 California Avenue Parking Garage	21	0	2,375	2,375	21
2021 Public Safety Building	4,621	0	1,463	1,463	4,621
Library Bonds	3,743	4,405	0	4,427	3,721
Total Debt Service	8,404	4,405	4,367	8,794	8,382
ENTERPRISE					
Electric Fund	66,448	183,572	(13,121)	196,250	40,648
Fiber Optics Fund	33,671	4,435	(102)	4,390	33,614
Gas Fund	6,345	47,352	(7,331)	51,223	(4,857)
Wastewater Collection Fund	3,944	21,681	(166)	23,369	2,089
Water Fund	25,864	51,901	332	59,362	18,735
Refuse Fund	6,572	33,765	(70)	33,788	6,479
Stormwater Management Fund	4,277	8,973	(15)	13,077	159
Wastewater Treatment Fund	(21,435)	232,135	(27)	216,410	(5,737)
Airport Fund	(14,472)	3,848	(273)	4,203	(15,100)
Total Enterprise	111,214	587,661	(20,773)	602,072	76,030

CITYWIDE FUNDS

Citywide Projected Operating Fund Balance

FUND	PROJECTED ENDING BALANCE 6/30/22	ESTIMATED REVENUES	NET FUND TRANSFERS	ESTIMATED EXPENDITURES	PROJECTED ENDING BALANCE 6/30/23
INTERNAL SERVICE					
General Benefits Fund	5,897	87,719	(2,826)	84,453	6,337
Retiree Health Benefit Fund	2,694	14,128	2,826	16,983	2,665
Workers' Compensation Fund	1,504	7,740	0	7,787	1,457
Liability Insurance Fund	3,681	5,405	5	6,821	2,270
Printing and Mailing Fund	125	1,580	0	1,466	239
Technology Fund	21,801	15,115	1,711	22,960	15,667
Vehicle Replacement and Maintenance Fund	9,645	10,141	75	12,082	7,779
Total Internal Service	45,347	141,828	1,791	152,552	36,414
SPECIAL REVENUE					
Community Development Fund	6,558	816	(5,240)	0	2,134
Street Improvement Fund	9	3,551	(3,504)	0	56
Federal and State Revenue Funds	5,578	10	0	86	5,502
Housing In-Lieu and BMR Fund	58,419	2,536	0	371	60,584
Special Districts Fund	6,315	2,653	702	4,746	4,924
Traffic Mitigation & Parking In-Lieu Fund	12,881	458	(5,936)	0	7,403
Downtown Business Improvement District	58	1	0	0	59
Stanford Development Agreement (SUMC)	16,239	275	(4,400)	0	12,114
Public Art Funds	2,152	301	170	239	2,384
Total Special Revenue	108,209	10,601	(18,208)	5,442	95,160
TOTAL OPERATING FUNDS	360,902	982,700	2,617	1,074,714	271,505

Citywide Average Salary & Benefits

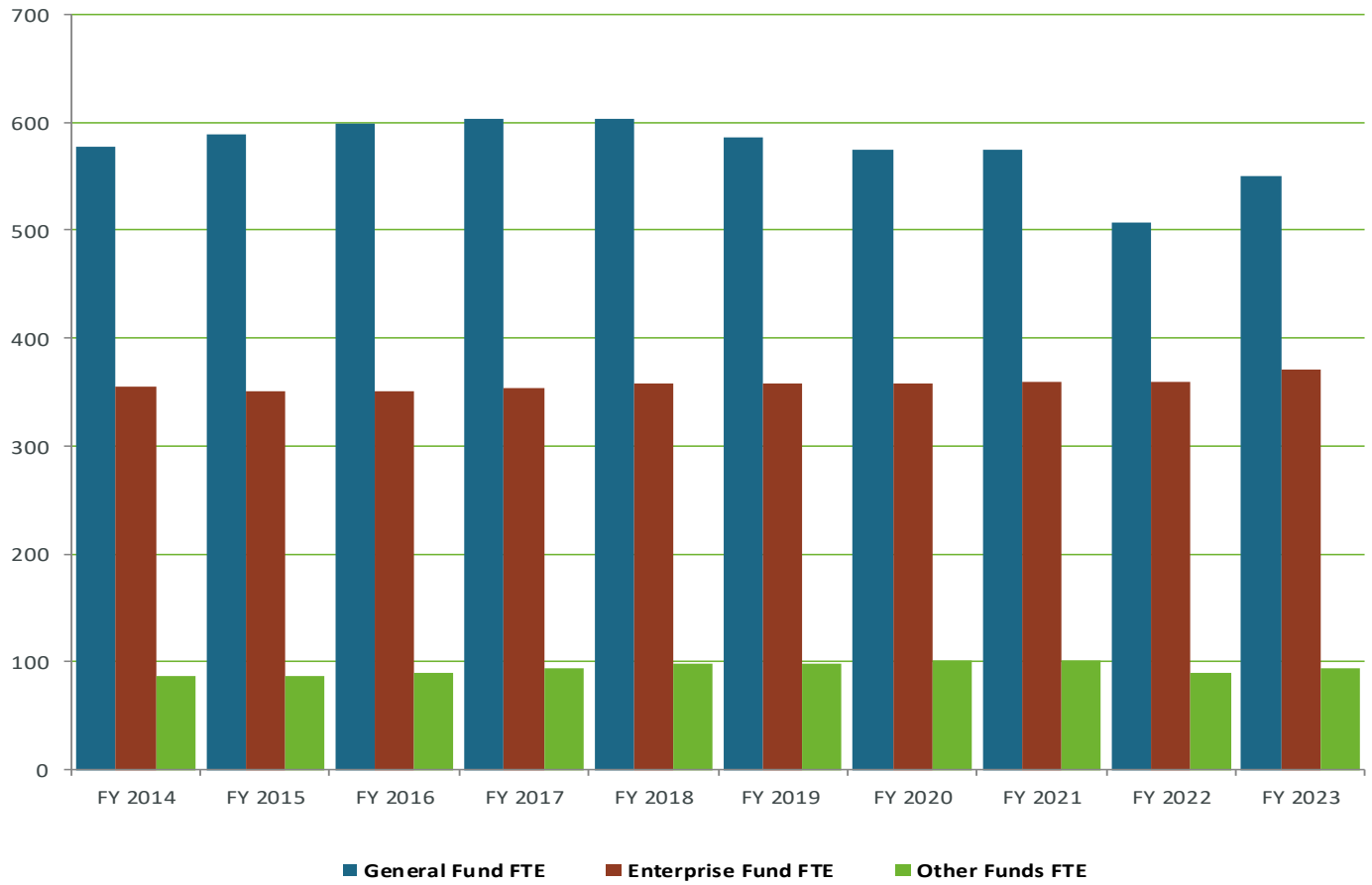
CATEGORY	Mgmt/ Professional	Utilities Mgmt/ Professional	Fire Chief Association	Fire Fighters	Police Mgmt Association	PAPOA	SEIU	Average
Full-Time Equivalent (FTE)	222.00	51.00	4.00	91.00	6.00	76.00	564.85	1,014.85
% of City	21.9%	5.0%	0.4%	9.0%	0.6%	7.5%	55.7%	100%
Salary (1)	157,445	189,161	208,316	151,379	235,423	151,935	103,909	128,946
In-Lieu Holiday	-	-	-	5,973	-	4,999	298	1,492
Incentive Pay (2)	-	-	-	960	-	1,403	421	590
Overtime (Average)	-	-	-	23,341	-	9,114	4,760	7,523
Management Leave (80 Hours)	6,056	7,275	8,012	-	9,055	-	-	6,367
Pension Employer Portion Misc 42.9%; Safety 71.1% (3)	67,544	81,150	148,112	107,630	167,386	108,026	44,577	62,978
Medicare	2,283	2,743	3,021	2,195	3,414	2,203	1,507	1,870
Medical	20,809	21,856	25,153	21,523	22,236	22,427	21,006	21,182
Dental/Vision	1,985	2,257	2,461	2,064	2,094	2,107	1,936	1,990
Retiree Medical (4)	7,819	7,267	14,523	11,184	16,266	14,890	6,356	7,885
Workers' Comp	6,078	4,544	-	15,032	-	13,377	6,078	7,291
LIFE/LTD/SUI	511	511	511	511	511	511	511	511
Non-salary Benefits (5)	3,412	4,395	4,978	1,909	3,395	2,520	580	1,689
Average Salary & Benefits	273,942	321,159	415,087	343,701	459,780	333,512	191,939	250,314
City's Proactive Contributions to Long-term Pension Liability (6)	6,360	8,527	13,418	8,591	14,738	8,950	4,388	5,815
Isolate Holiday Pay from Salary Category								
Salary, includes holidays	157,445	189,161	208,316	151,379	235,423	151,935	103,909	128,946
Holidays (assumes 11, 9 hour days)	7,494	9,003	9,915	7,205	11,205	7,232	4,946	6,137
Salary, excludes holidays	149,951	180,158	198,401	144,174	224,218	144,703	98,963	122,809

Citywide Average Salary & Benefits

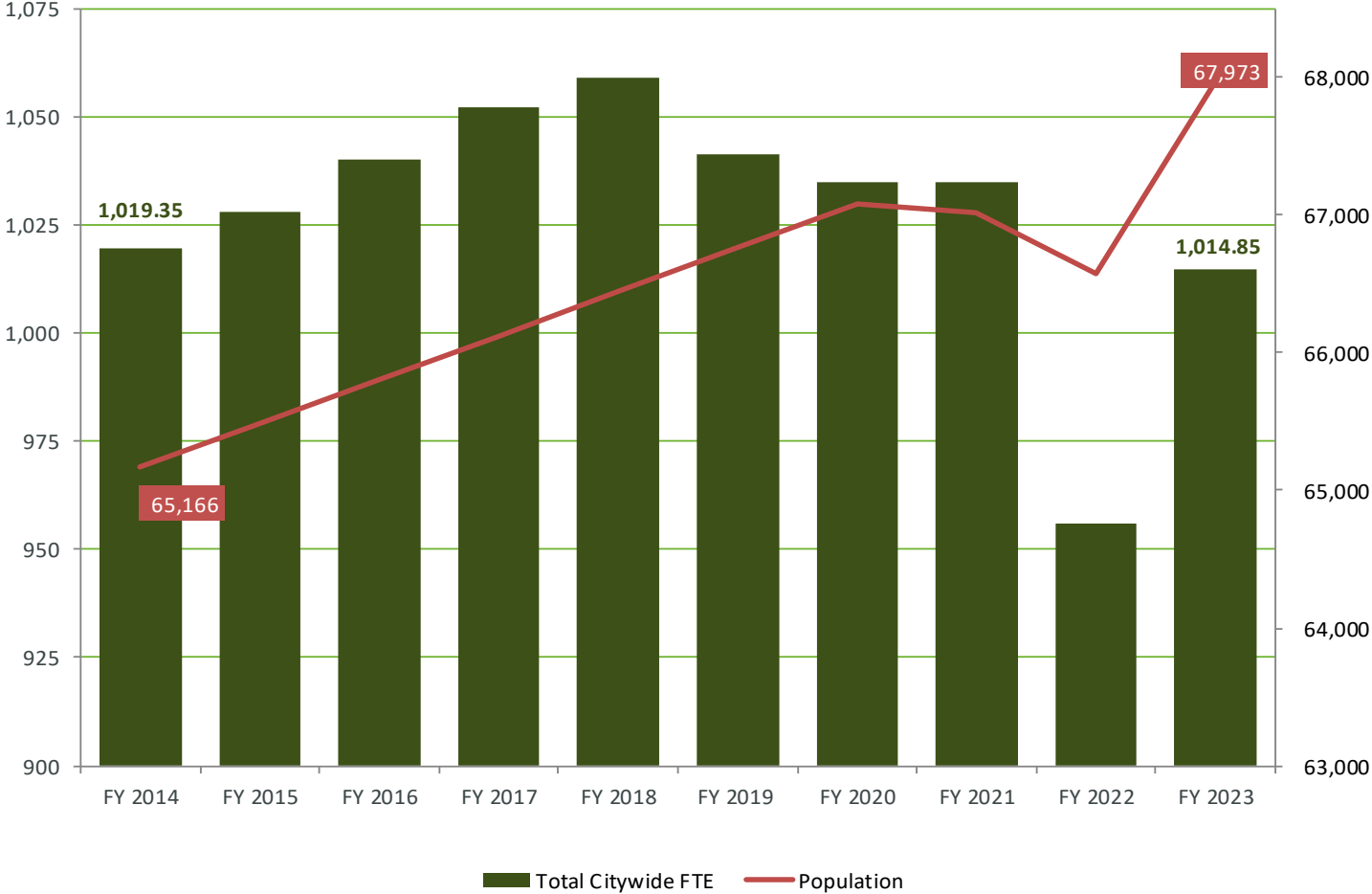
CATEGORY	Mgmt/ Professional	Utilities Mgmt/ Professional	Fire Chief Association	Fire Fighters	Police Mgmt Association	PAPOA	SEIU	Average

- (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 Memoranda of Understandings 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.
- (6) The FY 2023 Proposed Budget includes a one-time \$500,000 "catch-up" contribution to the City's 115 Pension Trust to align contributions from Other Funds with a supplemental contribution made by the General Fund in FY 2022. Additional details are available in the Non-Departmental section of the budget book.

10 Year Trend - Citywide FTE by Fund



10 Year Trend - Citywide FTE
Positions vs. Population Growth





GENERAL FUND





CITY OF
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ALTO**

GENERAL FUND

Overview

The Fiscal Year 2023-2032 LRFF was presented to the City Council in January 2022 (CMR 13800). The Long Range Financial Forecast (LRFF) provides a ten-year financial forecast of the General Fund based on City Council approved service levels and alternative financial scenarios. The LRFF reflects staff's best estimates on the projected revenues and expenditures and is based on information that is available at the time. Additionally, staff transmits Budget Development Guidelines together with the LRFF as part of City efforts to strategically plan and prioritize spending to ensure financial stability. This forecast is used to guide the development of the annual budget, and assumptions are revised and refined as more information becomes available throughout the budget development process.

At the time of this LRFF, the economy was showing positive signs of recovery and public health restrictions were continuing to ease. The LRFF forecast assumes a gradual improvement of economic conditions and recovery of major tax revenues. However, recovery to pre-pandemic levels is anticipated to take several years in some instances. Although there is less uncertainty as compared to prior years, staff projections are cautiously optimistic as the City and the County move through different phases of recovery from the COVID-19 pandemic. The City continues to adapt operations to best support and serve the community.

The LRFF Base Case projects a surplus of \$2.4 million in FY 2023, followed by a \$1.0 million gap in FY 2024, with small but increasing surpluses in FY 2025 through FY 2032. Ultimately, if the City spends the projected FY 2023 surplus of \$2.4 million on an ongoing basis, the available projected gap for FY 2024 will be approximately \$3.4 million. Based on these assumptions, the cumulative net operating margin, or ongoing surplus, during the forecast period is \$34.3 million.

GENERAL FUND

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

	Actual 2021	Adopted 2022	Projected 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total Revenue	\$200,925	\$206,452	\$218,167	\$230,393	\$239,692	\$252,271	\$259,853	\$268,149	\$277,233	\$286,670	\$297,136	\$308,506	\$320,187
			5.7%	5.6%	4.0%	5.2%	3.0%	3.2%	3.4%	3.4%	3.7%	3.8%	3.8%
Total Expenditures	\$185,634	\$209,210	\$207,468	\$227,995	\$240,741	\$251,691	\$256,437	\$260,691	\$266,344	\$271,661	\$276,414	\$282,271	\$285,855
			-0.8%	9.9%	5.6%	4.5%	1.9%	1.7%	2.2%	2.0%	1.7%	2.1%	1.3%
Net One-Time Surplus/(Gap)	\$15,291	(\$2,758)	\$10,699	\$2,398	(\$1,049)	\$581	\$3,416	\$7,458	\$10,889	\$15,009	\$20,722	\$26,235	\$34,332
Cumulative Net Operating Margin (One-Time)													\$119,990
Net Operating Margin			\$0	\$2,398	(\$3,446)	\$1,629	\$2,836	\$4,041	\$3,431	\$4,120	\$5,713	\$5,513	\$8,097
Cumulative Net Operating Margin													\$34,332

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

City staff continues to refine these numbers and provide more frequent and robust financial status updates to the City Council. During FY 2022, the City Council approved several significant actions to realign the budget with current projections and proactively fund reinvestments to address the most immediate needs of the City and its residents, including the addition of over twenty positions. Below is a list of these reports:

- First Quarter (Q1) FY 2022 Financial Status Update (CMR 13439)
- Staffing for Adequate Fire and Emergency Response (SAFER) Grant (CMR 13643)
- FY 2022 Mid-Year Budget Review (CMR 13801)
- Various salary schedule amendments to recognize a 4.0 percent Cost of Living Adjustment (COLA) for all labor groups, and additional 3.0 percent market adjustment for IAFF (CMR 14069 and CMR 14149)

The LRFF is completed in early fall, therefore, these projections include adjustments made in the First Quarter (Q1) FY 2022 Financial Status Update and SAFER Grant. Subsequent actions to amend the FY 2022 Adopted Budget are not reflected in the LRFF estimates above. The ongoing impacts of all FY 2022 adjustments are included in the FY 2023 Base Budget.

A comprehensive list of City Council approved budget amendments is available on the City website: <https://www.cityofpaloalto.org/Departments/Administrative-Services/Budget-Adjustments-and-Monitoring>

Additionally, this forecast does not include several potential impacts on the City's finances for several projects, factors, and data points that were not contemplated in the FY 2023-2032 LRFF. This list is not intended to be comprehensive nor in any priority order:

- Project Homekey
- November 2022 ballot initiatives
- Sustainability and Climate Action Plan (S/CAP)
- Service reductions not restored to pre-pandemic levels
- Significant code and ordinance updates
- Labor negotiations
- Capital Infrastructure Plan

- Grade separation
- Parks Master Plan
- Racial Equity Work
- Palo Alto Animal Shelter operations and rebuild
- Cubberly 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

Each year, the City Council reviews its priorities for the year at its annual Council Retreat. As part of the 2022 priorities setting on February 5, 2022, the City Council selected the following areas of focus:

- Economic Recovery and Transition
- Climate Change – Protection and Adaptation
- Housing for Social and Economic Balance
- Community Health and Safety

These Council priorities are prioritized through City work plans to ensure organizational support and capacity to further these efforts in the coming year and beyond, where anticipated. At the timing of this budget, the City is continuing efforts to manage through the next phases of the pandemic, including ongoing response management, workplace & community safety, high-volume communications, and community engagement. Reinvestments in the Palo Alto community continue to be made as economic indicators and positive financial trends show signs of growth. Additionally, staff is actively engaged in ongoing discussions with the City Council to support fiscal sustainability measures such as potential November 2022 ballot measure(s).

FISCAL YEAR 2023 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
- Allocated charges
- Contract services
- Transfers

The FY 2023 Proposed Budget assumes revenue totaling \$237.8 million, a 15.2 percent, or \$31.3 million increase compared to the FY 2022 Adopted Budget of \$206.5 million, and General Fund expenditures

GENERAL FUND

totaling \$247.2 million, an 18.1 percent, or \$38.0 million, increase from the FY 2022 Adopted Budget of \$209.2 million. The FY 2023 Budget Stabilization Reserve (BSR) is anticipated to be \$45.8 million, which is slightly above the City Council recommended level of 18.5 percent target by \$100,000. Once adjusted for recommended reserves, the BSR is approximately \$800,000 above the 18.5 percent target.

REVENUES

Revenues for the FY 2023 Proposed Budget are driven by economic assumptions and recovery timelines; discussion of these factors began with the City Council at the onset of the pandemic and remains an ongoing conversation.

As discussed previously in this section, at the time the LRFF was developed, the economy showed positive signs of recovery, and health restrictions continued to ease. The ongoing conversation with the City Council continued the discussion of assumptions regarding the economic impacts of COVID-19 that were built into the Base Case of the LRFF, which reflected a surplus of \$2.4 million in FY 2023. Tax revenues constitute 56 percent of General Fund resources and therefore fluctuations in this category may significantly impact the City's financial outlook. Revenue forecasts and adjustments leading up to the FY 2023 budget process assumed a realignment of estimates such as increasing sales tax receipts and lowering estimates for Transient Occupancy Tax to actual activity as consumer behaviors continue to evolve and the impacts on the local economy change as COVID-19 restrictions are lifted and the local workforce returns. As a result of the City Council's leadership and adoption of a fiscally conservative budget, some of the variances between the FY 2022 Adopted Budget and FY 2023 Proposed Budget will be significant; this is a result of financial trend data becoming available as the economy transitions out of the pandemic.

SALES TAX

The FY 2023 Proposed Budget assumes sales tax revenue of \$32.6 million, a 15.6 percent, or \$4.4 million increase compared to \$28.2 million in the FY 2022 Adopted Budget. The FY 2023 Proposed Budget was based on a conservative estimate and a variety of unknowns and remains 10.7 percent below pre-pandemic actuals of \$36.5 million in FY 2019. As the City continued through the next phase of the pandemic, the FY 2022 midyear budget reported that a recent local economic slow-down may result in lower than anticipated revenue. However, fourth (calendar) quarter results ultimately reflected an overall economic quarter over quarter increase in sales tax activity of 16.7 percent due to strong performance in the general retail segment. The City's revenue base is dependent on many high-end goods and dining options at regional destinations, such as Stanford Shopping Center. The outlook of Sales Tax revenue remains positive as the City and County enters this phase of recovery of the pandemic.

PROPERTY TAX

Property tax revenue is the General Fund's largest revenue source and represents 25.0 percent of total revenues. Historically, the 10-year compound annual growth rate (CAGR) was 8.2 percent with a low of -1.1 percent in FY 2011 and a high of 11.5 percent in FY 2015. Typically, during economic downturns, impacts to property tax occur one year later.

Property tax grew 19.5 percent from FY 2019 levels of \$47.3 million to \$56.6 million in FY 2021 due to a combination of higher assessed values and excess Education Revenue Augmentation Fund (ERAF) reve-

nue. The higher assessed values reflect continued robust commercial and residential real estate markets during those periods. Conservative assumptions based on trends during severe economic downturns were used at the time the FY 2022 Adopted Budget was developed. In comparison, the FY 2023 Proposed Budget assumes \$59.8 million in property tax revenue, a \$8.5 million or 16.7 percent increase, compared to FY 2022 Adopted Budget level of \$51.2 million.

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, FY 2020, and FY 2021 receipts totaled \$1.4 million, \$2.7 million, \$3.9 million, and \$5.5 million, respectively for excess ERAF distributions from the County of Santa Clara. In FY 2022, a favorable resolution was reached between the County of Santa Clara and the State that involved a dispute over the calculation and disbursement of excess ERAF funds. A reserve of \$3.2 million had been set aside in FY 2020 and FY 2021 for this purpose and released to the Budget Stabilization Reserve (BSR) as part of the FY 2022 Midyear budget process. In November 2021, the County notified cities that the California School Boards Association and its Education Legal Alliance filed a similar lawsuit against the Controller of the State of California. As a result, Santa Clara County estimates that 20 to 30 percent of ERAF in FY 2022 is subject to litigation. The updated forecast for FY 2022 assumes a more conservative 25 percent, or \$1.5 million, reserve for potential loss starting in FY 2022. It is uncertain whether a similar percentage is at risk for the prior year years; the status of the case is continually monitored as significant developments occur.

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 2023 Proposed Budget assumes \$1.5 million in excess ERAF revenue.

TRANSIENT OCCUPANCY TAX (TOT)

In FY 2023, TOT revenue is estimated to be \$18.2 million, a \$9.8 million or 115.9 percent increase, compared to the FY 2022 Adopted Budget of \$8.4 million. As discussed in the Property Tax section of this overview, the FY 2022 Adopted Budget was developed around many unknowns, including the timeframe of when health, safety, and travel restrictions would be lifted. FY 2021 actual receipts were slightly higher than revised budget levels of \$4.8 million by \$0.4 million but remained significantly lower than pre-pandemic levels. This revenue remains extremely low compared to typical levels, up to a 90 percent reduction or more over the course of the pandemic. Current receipts indicate that this revenue category continues to have robust growth from the unprecedented lows seen during the pandemic; optimistically, if current activity levels continue through the full fiscal year, staff expects revenues to exceed the FY 2022 budget estimates.

During the second quarter of FY 2022 the average occupancy rate was 55.9 percent, 23.7 percentage points higher than the same quarter last year, but 17.0 percentage points lower than the same quarter in FY 2020 (pre-pandemic). Average room rate has declined 26.1 percent compared to pre-pandemic levels.

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DOCUMENTARY TRANSFER TAX (DTT)

The FY 2023 Proposed Budget for DTT remains flat against the FY 2022 Adopted Budget, totaling \$7.2 million. As of the development of the budget (March 2022), the number of year-to-date transactions for FY 2022 (596) are higher than in FY 2021 (522) 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 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 18.2 percent from \$3.3 million in March 2021 to \$3.9 million in March 2022.

UTILITY USERS' TAX (UUT)

The UUT is levied on electric, gas, and water consumption, as well as on telephone usage. In total, The FY 2023 Proposed Budget assumes \$15.6 million in UUT revenue, a \$1.2 million, or 8.4 percent, increase compared to the FY 2022 Adopted Budget of \$14.4 million. This revenue is showing early signs of recovery as public health orders ease and workers return to the office. These trends continues to be monitored as employees gradually return to work on premises.

OTHER TAXES AND FINES

The FY 2023 Proposed Budget assumes \$1.8 million in other taxes and fines, a \$0.3 million increase compared to the FY 2022 Adopted Budget. 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 2023 Adopted Budget assumes \$30.3 million in charges for services revenue, \$6.4 million, or 26.8 percent increase, compared to the FY 2022 Adopted Budget. The FY 2023 Proposed Budget assumes resumed programming and operations in accordance with lifting many of the State and County Public Health restrictions, including those for recreation and golf and the Junior Museum & Zoo. The Proposed Budget includes assumptions for fee revenue initiatives that were implemented in the Fire Department, specifically the Ambulance Subscription and First Responder Fees. Golf course revenues trends were also reviewed as part of the FY 2023 budget process. Based on activity and appropriately categorizing costs associated with the golf course, revenue estimates were adjusted in the FY 2022 midyear budget and remain flat in FY 2023. Development Services continues to be cost neutral in FY 2023. Other adjustments to this revenue category are tied to assumptions for economically sensitive revenues in the Non-Departmental budget.

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 \$8.1 million.

PERMITS AND LICENSES

Permits and licenses consist of payments to the City for the issuance of Building Permits, Fire Permits, and miscellaneous health and safety-related licenses. The FY 2023 Proposed Budget for permits and license revenue increased to \$9.8 million, a \$1.4 million or 16.2 percent increase, above the FY 2022 Adopted Budget level of \$8.4 million. This increase is primarily driven by a \$0.8 million increase in fire prevention permit revenue that is offset by additional staff resources to meet the demand for hazmat facility inspections.

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. Staff had anticipated the decline in interest rates would occur sooner and at a faster rate than it has occurred; higher investment yields and earnings are expected due to prudent investment choices over the past few years. As of the close of the third fiscal year quarter of FY 2022, the average portfolio rate of return was 1.61 percent. The FY 2023 Proposed Budget totals \$1.1 million and reflects a \$0.2 million or 25.1 percent, increase above the FY 2022 Adopted Budget.

RENTAL INCOME

Rental income of \$14.6 million primarily reflects rent paid to the General Fund from the City's Enterprise Funds and the Cubberley Community Center. FY 2023 Proposed Budget revenue levels increase \$1.1 million, or 7.6 percent, compared to the FY 2022 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 2023 estimate for Charges to Other Funds of \$13.7 million reflects a 3.4 percent decrease from the FY 2022 Adopted Budget of \$14.2 million; the amount recovered in FY 2023 does not reflect all of the recommended service investments in the General Fund in this proposed budget document. This revenue source will be reevaluated for the FY 2023 Adopted Budget.

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 slightly increase by \$0.1 million to \$2.2 million in the FY 2023 Proposed Budget.

OPERATING TRANSFERS-IN

Overall, compared to the FY 2022 Adopted Budget, operating transfers-in decreased by \$0.6 million, from \$23.1 million to \$22.5 million due to one-time transfer to Animal Services being eliminated. Operating Trans-

GENERAL FUND

fers-in materializes as expenses in other funds throughout the City and as 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 approved by the California Public Utilities Commission (CPUC). The equity transfer from the Electric and Gas Funds continues to be flat compared to FY 2022 Adopted Budget, totaling \$21.8 million in the FY 2023 Proposed Budget. Due to a class action lawsuit regarding the City's Equity Transfer, a Utility Transfer Litigation Reserve was established in the FY 2022 Adopted Budget to set aside funding to proactively plan for the potential financial impacts of the ongoing lawsuit. Further information can be found in the Non-Departmental section of this budget document.

EXPENSES

FY 2023 expenditures total \$247.2 million in the Proposed Budget, representing a \$38.0 million, or 18.1 percent, increase compared to the FY 2022 Adopted Budget of \$209.2 million. This increase is driven primarily by recommendations that reinvest in services across the organization, proactively save for the pending Utility Transfer litigation and other known costs, and increase funding to the Capital Improvement Program. Discussed in the Transmittal Letter, the FY 2023 Proposed Budget realigns major tax revenues with current projections and focuses on immediate health and safety needs, a continued reinvestment in City services, and resources that support City Council priorities.

SALARY AND BENEFITS

Salary and benefit costs represent 60.0 percent of the FY 2023 Proposed Budget. The salary and benefit budget in the General Fund totals \$148.4 million, a 12.8 percent increase from the FY 2022 Adopted Budget total of \$131.5 million. This year over year increase reflects significant reinvestments in staffing resources and continued practice to proactively fund pension liabilities. It should be noted that in the "Budget Summary" section of each document, a variance will be seen between FY 2021 Actuals and the FY 2022 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, CalPERS' required contributions, and proactive contributions to address the City's long-term pension liability.

Salaries: In FY 2023, salaries, including overtime, are projected to increase \$11.5 million in the General Fund, representing a 16.6 percent increase compared to prior year. This year over year change includes City Council approved amendments during FY 2022 to begin to reinvest in services following budget reductions in FY 2021 and FY 2022. In total, 20.0 full-time and three part-time (0.94 FTE) positions were added as part of FY 2022 quarterly financial reports, Mid-Year Budget Review, and the Staffing for Adequate Fire and Emergency Response (SAFER) Grant. These actions are included in the FY 2023 Base Budget.

This FY 2023 Proposed budget continues to reinvest in services across the organization and recommends the net addition of 44.01 full-time FTE and 5.07 part-time FTE positions in the General Fund. Additionally, this budget includes actions taken by the City Council to approve a 4.0 percent Cost of Living Adjustment

(COLA) for all labor groups and an additional 3.0 percent market adjustment for IAFF, effective April 2022. A summary of staffing changes and more detailed discussion of salaries and benefits are included in Attachment B of the Transmittal Letter and Employee Information section of this document.

Lastly, 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.

Pension Costs: The General Fund's overall pension costs increased by \$3.1 million, or 9.1 percent, from \$34.6 million to \$37.7 million. Pension costs are driven primarily by CalPERS determined contribution levels and the City Council's direction to budget pension costs at a more conservative discount rate than CalPERS. In FY 2023, the CalPERS Actuarial Determined Contribution (ADC) for employer contributions increased from 41.8 percent to 42.9 percent in the miscellaneous group and 69.6 percent to 71.1 percent in the safety group. The ADC is the "blended rate" of the normal cost and unfunded accrued liability that make up the annual billing to the City and expresses as a percent of payroll.

This FY 2023 Proposed Budget continues the practice to include a normal cost pension expense at a 6.2 percent rate of return as part of financial planning for all funds as compared to 7.0 percent assumed by CalPERS. This results in budgeted retirement costs above required CalPERS levels of \$3.4 million in the General Fund (\$5.9 million Citywide). Through FY 2022, a total of \$41.3 million in principal contributions will have been made to the Pension Trust (\$30.4 million, or 65 percent of the total is from the General Fund). Additionally, this budget establishes a \$1.3 million reserve to fund supplemental pensions at a lower 5.3 percent rate of return. This lower rate is based on the CalPERS Asset Liability Management (ALM) study completed in November 2021 in which a survey of external asset managers and consultants resulted in median expected returns of 5.3 percent (10-year) to 6.2 percent (20-year).

Retiree Health/Other Post-Employment Benefits (OPEB): The City uses actuarial studies, completed on a biennial basis by Bartel to inform the development of annual operating budgets. The most recent study was completed in May 2020 to inform the development of the FY 2021 and FY 2022 operating budgets (CMR 11284). As of the timing of the FY 2023 Proposed Budget, the City has not yet received a finalized report for use in FY 2023 and FY 2024. Therefore, this budget contains the long-range information provided in the most recent study. The General Fund costs total \$9.3 million in FY 2023, an increase of \$500,000 or 5.7 percent, from \$8.8 million in FY 2022. The current actuarial study is anticipated to be completed before the end of the fiscal year, which will provide an update on the fund's status as of June 30, 2021. Staff anticipates discussing the latest actuarial valuation as part of the public hearing process for the adoption of the FY 2023 Budget.

Healthcare and Other Benefits: The budget for healthcare is based on the health plan choices employees made for Calendar Year 2022. Increases for the various bargaining units' healthcare costs are included in the memoranda of agreements and these costs are modeled throughout the budget per these terms and assume a moderate increase in forecast years. The General Fund costs total \$13.0 million in FY 2023, an increase of \$1.3 million or 10.6 percent, from \$11.7 million in FY 2022. Costs for special pays, long-term disability, and Medicare remain generally consistent with FY 2022 levels. This increase is partly attributable to the significant staffing additions approved during FY 2022 and continued staffing investments in this FY 2023 budget.

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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 \$5.0 million, a \$0.5 million or 9.7 percent increase, from \$4.5 million in FY 2022.

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 the FY 2023 Proposed Budget, Non-departmental expenses also include \$8.6 million in estimated costs related to the pending Utility Transfer litigation, sets aside \$3.7 million to establish a one-time reserve to continue service restorations included in the FY 2023 Proposed Budget for one more year in FY 2024, and includes \$1.0 million for funding needs associated with Project Homekey. These, and other non-departmental expenses, are discussed in greater detail 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, or Human Resources Director to fund unanticipated expenses. The FY 2022 Adopted Operating Budget restored contingencies for the City Council (\$125,000), Human Resources (\$50,000), and Innovation and Special Events (\$50,000) that had been eliminated in the FY 2021 Adopted Budget as balancing actions. These contingencies are maintained in the FY 2023 Proposed Operating Budget.

OPERATING TRANSFERS-OUT

Funds are transferred from the General Fund to various funds throughout the City, including the Capital Improvement Fund, the Cubberley Infrastructure Fund, various Debt Service Funds, and the Technology Fund on an annual basis. In FY 2023 a total of \$22.4 million will be transferred, with a majority (\$17.5 million) of this being transferred to the Capital Improvement Fund. The transfer to the Capital Improvement Fund represents a 68.3 percent increase of FY 2022 levels of \$10.4 million, representing the projected uptick in Transient Occupancy Tax (TOT) revenues discussed in the General Fund Revenues section of this document. The General Fund also transfers funds to the University Avenue parking fund to pay for employee parking permits; \$0.4 million is included in FY 2023 for these permits to align with anticipated parking fees. The General Fund also pays the electric costs associated with streetlights and traffic signals and the FY 2023 Proposed Budget includes \$2.2 million for those costs.

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 Improvements Infrastructure Reserve at their discretion. The FY 2023 Proposed Budget is projected to end the year with a \$45.8 million BSR balance, which is at the City Council recommended target level of 18.5 percent target.

General Fund Reserves

	FY 2021 Balance	FY 2022 Adopted Changes	FY 2022 Net Adjustments	FY 2022 Projected Year-End	FY 2023 Proposed Budget	FY 2023 Projected Year-End
Budget Stabilization Reserve (BSR) Activity:						
BSR	\$49,089	(\$1,808)	\$7,369	\$54,650	(\$8,851)	\$45,799
Other Reserve Activity:						
Human Services Resource Allocation Process (HSRAP) Reallocation	\$40			\$40		\$40
Encumbrance & Reappropriation	\$10,907			\$10,907		\$10,907
Notes Receivable, Prepaid Items, Interfund Advances, Unrealized Gains and Losses, Inventory of Materials & Supplies	\$10,920			\$10,920		\$10,920
Reserves for Development Services, Edgewood Plaza, and other items	\$4,680					
Total Reserves	\$75,636	(\$1,808)	\$7,369	\$76,517	(\$8,851)	\$67,666

1. The BSR is projected to be 22.1 percent of the FY 2023 Proposed Expense Budget at the end of FY 2022; these funds are above the 18.5 percent target and recommended for use in balancing the FY 2023 Proposed Budget.

2. The City Reserve Policy indicates a 15 to 20 percent range, with an 18.5 percent target

3. FY 2022 Net Adjustments includes BAOs through March 2022 and anticipated receipt of \$14.0 million in tax revenues above FY 2022 budget

4. FY 2022 Adopted BSR: \$31.4M (15.0 percent), \$38.7M (18.5 percent), \$41.8M (20.0 percent)

5. FY 2023 Proposed BSR: \$37.1M (15.0 percent), \$45.7M (18.5 percent), \$49.4M (20.0 percent)

General Fund Revenues by Category

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Revenues						
Charges for Services	\$23,557	\$24,478	\$23,870	\$30,271	\$6,401	26.8%
Charges to Other Funds	\$11,099	\$11,661	\$14,165	\$13,690	\$(475)	(3.4)%
Documentary Transfer Tax	\$6,903	\$10,627	\$7,137	\$7,217	\$80	1.1%
From Other Agencies	\$1,529	\$2,173	\$8,521	\$7,526	\$(996)	(11.7)%
Other Revenue	\$2,848	\$2,424	\$2,260	\$2,201	\$(59)	(2.6)%
Other Taxes and Fines	\$1,172	\$683	\$1,434	\$1,784	\$350	24.4%
Permits and Licenses	\$8,038	\$7,888	\$8,406	\$9,764	\$1,358	16.2%
Property Taxes	\$51,089	\$56,572	\$51,228	\$59,770	\$8,542	16.7%
Rental Income	\$16,037	\$13,366	\$14,476	\$15,572	\$1,096	7.6%
Return on Investments	\$1,419	\$1,014	\$852	\$1,066	\$214	25.1%
Sales Taxes	\$30,563	\$29,127	\$28,184	\$32,580	\$4,396	15.6%
Transient Occupancy Tax	\$18,553	\$5,179	\$8,428	\$18,199	\$9,772	115.9%
Utility Users Tax	\$16,140	\$14,642	\$14,370	\$15,579	\$1,209	8.4%
Subtotal	\$188,947	\$179,793	\$183,332	\$215,219	\$31,888	17.4%
Operating Transfers-In	\$20,722	\$20,887	\$23,121	\$22,532	\$(588)	(2.5)%
Total	\$209,669	\$200,721	\$206,452	\$237,751	\$31,299	15.2%
Use of Reserves	-	-	\$2,759	\$9,402	\$6,650	241.0%
Modified Total	-	-	\$209,211	\$247,160	\$37,949	18.1%

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.

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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.

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

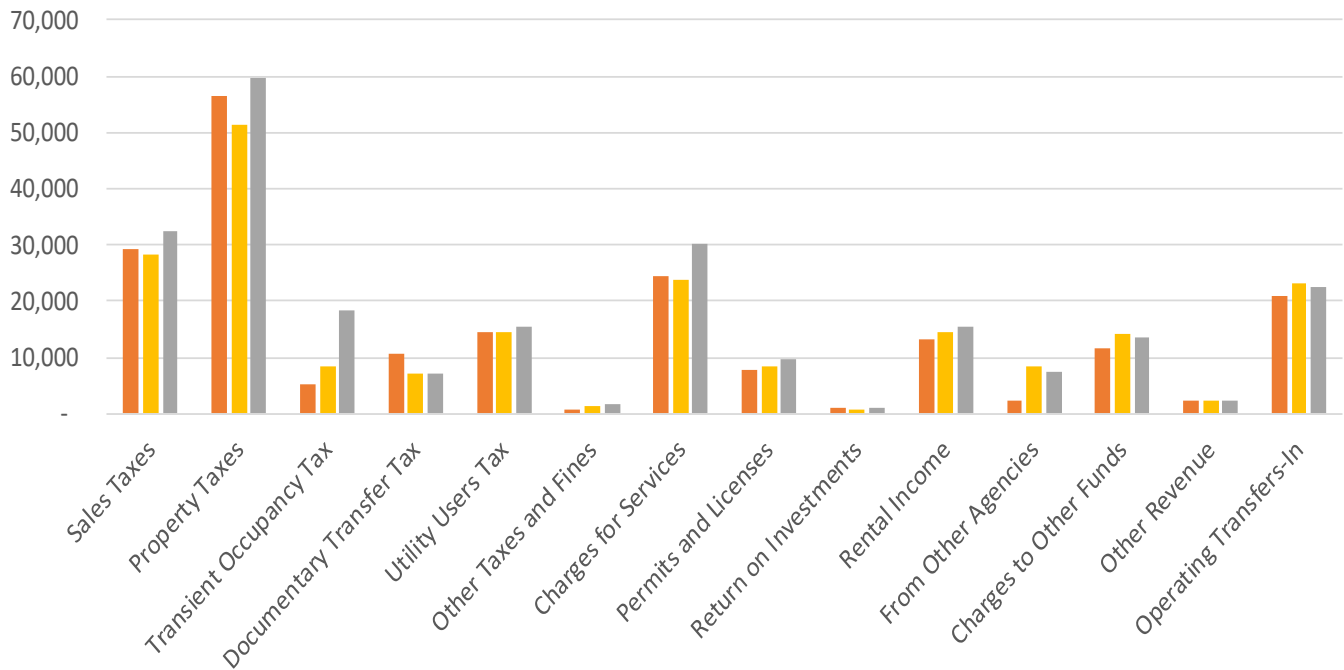
Major revenue sources in this category are Animal Services charges to Los Altos and Los Altos Hills, reimbursements from PAUSD for its share of Cubberley and athletic field maintenance, donations from non-profits for City libraries, and miscellaneous revenues.

OPERATING TRANSFERS-IN

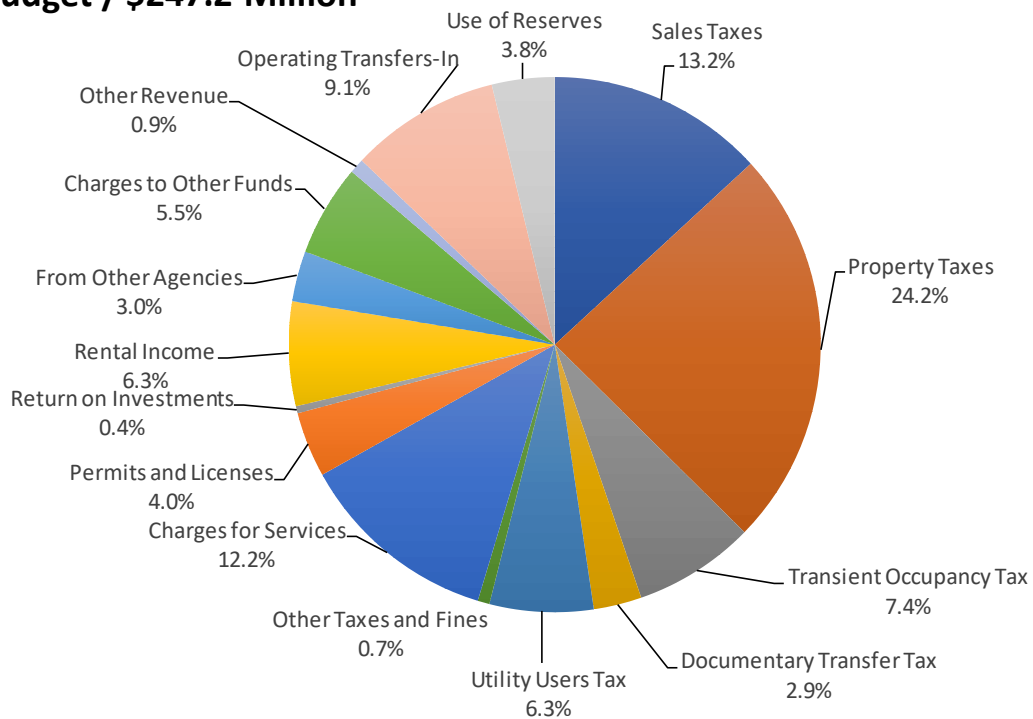
Operating Transfers include the equity transfer from the Electric and Gas Funds. In accordance with a methodology approved by Council in June 2009, the equity transfer is calculated by applying a rate of return to the capital asset base of the Electric and Gas Funds. This rate of return is based on PG&E's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

GENERAL FUND

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



FY2023 Budget / \$247.2 Million



General Fund Expenditures by Department

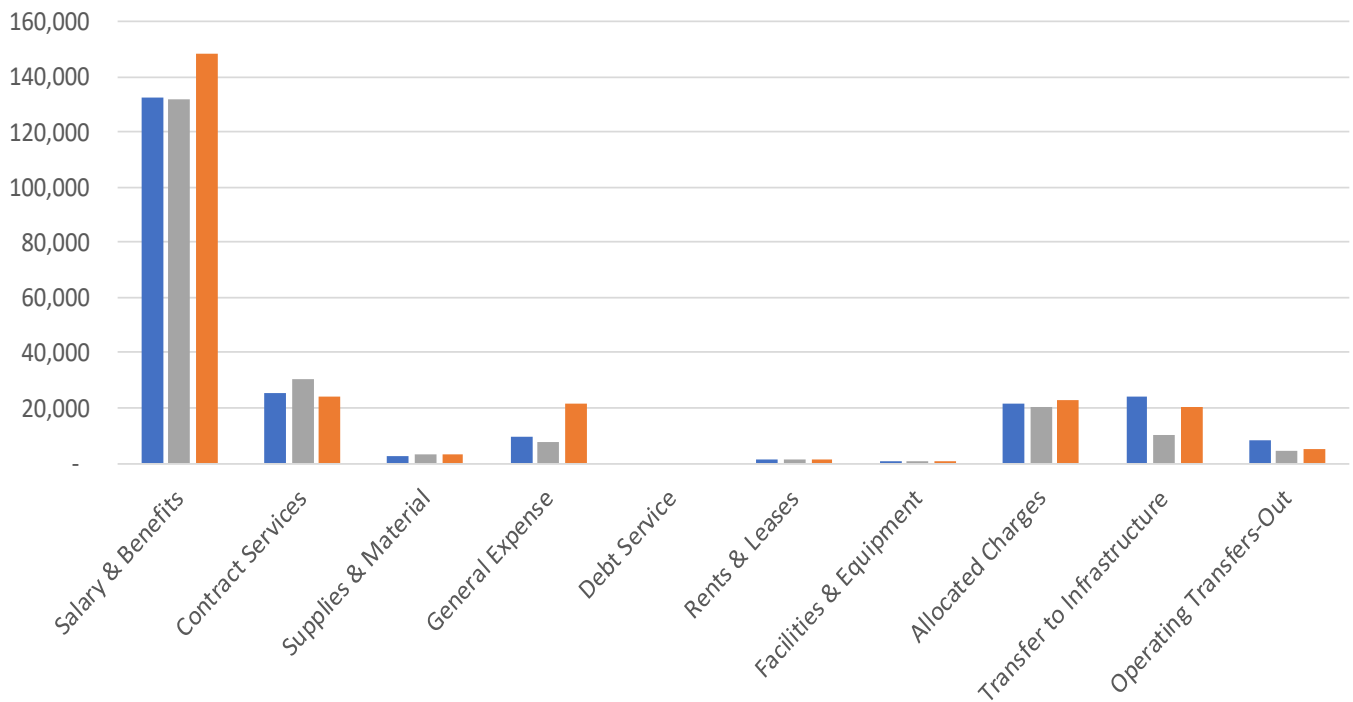
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Administrative Services	8,281	7,618	8,923	9,670	747	8.4%
City Attorney	3,521	3,223	3,945	4,213	268	6.8%
City Auditor	939	933	972	979	7	0.7%
City Clerk	1,134	1,093	1,327	1,424	97	7.3%
City Council	325	334	433	440	7	1.6%
City Manager	4,129	3,371	3,319	4,052	733	22.1%
Community Services	29,743	26,415	31,052	32,710	1,658	5.3%
Development Services	12,345	10,876	-	-	-	-%
Fire	36,602	35,080	35,677	40,735	5,058	14.2%
Human Resources	3,930	3,552	3,921	4,757	837	21.3%
Library	9,988	8,528	8,903	10,147	1,245	14.0%
Non-Departmental	10,079	4,566	13,478	20,288	6,810	50.5%
Office of Emergency Services	1,263	1,282	1,237	1,340	102	8.3%
Office of Sustainability	217	4	-	-	-	-%
Office of Transportation	2,052	1,936	1,747	1,711	(36)	(2.1)%
Planning and Development Services	7,252	5,201	17,673	22,308	4,635	26.2%
Police	44,990	40,783	43,115	47,139	4,024	9.3%
Public Works	17,249	17,215	18,785	19,937	1,152	6.1%
Subtotal	194,040	172,011	194,508	221,852	27,343	14.1%
Transfer to Infrastructure	24,172	9,294	10,406	20,400	9,994	96.0%
Operating Transfers-Out	8,049	4,271	4,296	4,908	612	14%
Total	226,261	185,576	209,210	247,160	37,950	18.1%

GENERAL FUND

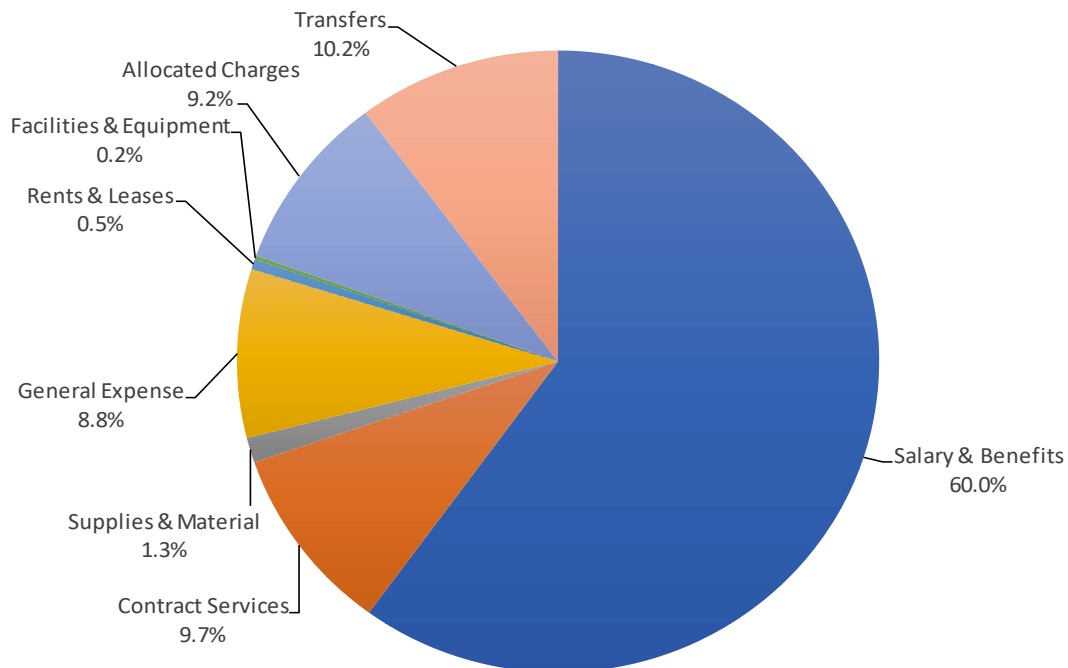
General Fund Expenditures by Category

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Allocated Charges	21,771	17,423	20,117	22,801	2,684	13.3%
Contract Services	25,362	17,764	30,200	24,006	(6,194)	(20.5)%
Facilities & Equipment	462	464	427	480	53	12.5%
General Expense	9,755	6,581	7,938	21,664	13,726	172.9%
Rents & Leases	1,520	1,782	1,298	1,333	35	2.7%
Salary & Benefits	132,460	125,793	131,549	148,363	16,814	12.8%
Supplies & Material	2,709	2,204	2,980	3,205	225	7.5%
Subtotal	194,040	172,011	194,508	221,852	27,343	14.1%
Transfer to Infrastructure	24,172	9,294	10,406	20,400	9,994	96.0%
Operating Transfers-Out	8,049	4,271	4,296	4,908	612	14%
Total	226,261	185,576	209,210	247,160	37,950	18.1%

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



FY 2023/\$247.2 Million





CITY OF
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ALTO**



ENTERPRISE FUNDS





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ALTO**

ENTERPRISE FUNDS

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 2023 is \$590.3 million, which represents a \$192.8 million, or 48.5 percent increase from the FY 2022 Adopted Budget of \$397.5 million. A large portion of this increase is from estimated debt financed revenue, such as bonds or State Revolving Fund loans, anticipated for capital projects at the Water Quality Control Plant (WQCP). The Federal Aviation Administration (FAA) provides grants to public agencies for the planning and development of public-use airports and reimburses up to 90 percent of the non-salary cost of eligible projects. Enterprise Fund services with rate increases for FY 2023 include Electric, Fiber Optics, Gas, Stormwater Management, Wastewater Collection, and Water. Refuse rates will remain the same for FY 2023. Details on these changes and the specific rate increase for each service is discussed below.

EXPENDITURES

The total budgeted expenditure of the Enterprise Funds for FY 2023 is \$611.2 million, which represents a \$168.6 million, or 38.1 percent increase from the FY 2022 Adopted Budget of \$442.6 million. The primary driver for this year over year change is an increase of \$140.5 million, or 45.7 percent, in capital projects from \$96.4 million in FY 2022 to \$236.9 million in FY 2023, due to projects at the WQCP. In addition, increases to Salaries and Benefits, Allocated Charges, General Expenses, and Equity Transfers resulted in a combined increase of \$7.4 million, or 5.8 percent, from \$128.0 million in FY 2022 to \$135.3 million in FY 2023.

UTILITY RATE CHANGES

The FY 2023 Budget includes rate adjustments for Electric, Fiber Optics, Gas, Stormwater Management, Wastewater Collection, and Water. In general, there has been a gradual upward pressure on rates as commercial usage has decreased across all utilities due to the COVID-19 pandemic, and consumption remains around 5.0 to 10.0 percent below long-term consumption trends. Current models suggest pandemic economic recovery will continue through calendar year 2022 and 2023, with consumption stabilizing on the long run average by calendar years 2024 or 2025. The size and timing of rate adjustments account for current and future revenue requirements to purchase com-

ENTERPRISE FUNDS OVERVIEW

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

- Electric Fund - Scheduled rate increase is 5.0 percent for FY 2023 due to increases in supply costs and minimum reserve levels required.
- Gas Fund - Scheduled rate increase is 4.0 percent due to resumption of gas main replacements and increasing construction costs.
- Water Fund - Scheduled rate increase is 4.0 percent due to increases in supply costs and maintain adequate reserve levels.
- Wastewater Collection Fund - Scheduled rate increase is 3.0 percent for FY 2023 due to rising costs driven by the rehabilitation of the Regional Water Quality Control Plant, as well as increasing collection system and capital costs.
- Fiber Optics Fund - Scheduled rate increase for customers on the EDF-1 rate is 4.2 percent, based on Consumer Price Index (CPI) for All Urban Consumers in the San Francisco Bay Area.
- Stormwater Management Fund - Scheduled rate increase of 4.2 percent, based on CPI for All Urban Consumers in the San Francisco Bay Area.
- Refuse Fund - No rate adjustment is scheduled for FY 2023 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, 4.2 percent, based on CPI for All Urban Consumers in the San Francisco Bay Area. As a result of this CPI increase, the net change year-over-year in the rent paid by the Enterprise Funds to the General Fund is an increase of \$0.4 million from \$9.2 million to \$9.6 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 2023, the equity transfers from the Electric and Gas Funds are projected to increase by approximately \$0.1 million, or 0.3 percent, from \$21.7 million to \$21.8 million.

The additional \$0.1 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 2023 at \$83.0 million, decreasing by \$35.2 million from a projected FY 2022 ending fund balance of \$118.2 million.

UTILITIES ENTERPRISE FUNDS

The City of Palo Alto Utilities (CPAU) relied on reserves heavily over the past few years to minimize rate increases following Council direction to keep rates flat or minimize rate increases to provide economic relief for residential and commercial customers without compromising the safety and integrity of the utility systems and impacting service delivery. As the economy recovers, CPAU will need to recover operating costs to continue providing safe and reliable utility services to customers with rate increases projected in FY 2023 and beyond. Rate increases ensure CPAU maintains the ability to replenish depleted reserves and provide sufficient funding for continually increasing expenses in commodity costs; repair and replacement of the City's aging utility infrastructure through various capital projects; and to achieve Sustainability and Climate Action Plan (S/CAP) goals.

For more information on Utilities Rates, please visit:

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

Electric

FY 2023 electric rates are scheduled to increase by 5.0 percent due to increasing transmission costs and substantial additions to capital investment in the City's aging electric distribution system in preparation for sustainability electrification. Electricity purchase costs have also increased substantially with increasing transmission costs as new renewable projects come online to support improvements to the California energy grid, and lower hydro output leads to more on-the-spot market purchases (which are substantially more expensive). 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 was exacerbated by the COVID-19 pandemic and, although consumption has mostly recovered from pandemic levels, consumption is anticipated to remain lower than pre-pandemic levels. To accommodate a 5.0 percent rate increase, the Hydro Stabilization Reserve will be depleted so the Hydro Rate Adjuster will be activated to add \$0.013 per kilowatt-hour in revenue, which reflects prior predictions that hydro conditions will not improve in FY 2023. Additionally, in anticipation of electrification and S/CAP implementation efforts, rate increases of approximately 6.0 percent are projected starting in FY 2024 and FY 2025.

Gas

FY 2023 gas rates are scheduled to increase by 4.0 percent, effective July 1. Capital Improvement Program (CIP) costs appear higher in FY 2023 compared to the prior year due to construction work being programmed every other year to help smooth cost fluctuations, and FY 2023 being a construction year. The City is replacing Polyvinyl Chloride (PVC) mains with Polyethylene (PE) mains throughout the system since

ENTERPRISE FUNDS OVERVIEW

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. Capital expenditures for the last several years were lower than normal while the City was completing the Upgrade Downtown project, and much of the rate increase is due to the Gas Utility resuming ongoing main replacement projects and the cross-bore safety verification program.

Water

FY 2023 water rates are scheduled to increase by 4.0 percent. In addition to the 4.0 percent distribution rate increase, the San Francisco Public Utilities Commission (SFPUC) is projecting a wholesale rate increase of 15.9% for FY 2023, which is a pass-through commodity charge to CPAU customers and will impact CPAU water rate increases. At the time this Proposed Budget was printed, the full impact from the SFPUC rate increase has not yet been reflected as the SFPUC will be making their final determination of the FY 2023 wholesale water rate increase on May 10, 2022, and to be effective July 1, 2022. These rate increases have been anticipated since late last year when SFPUC declared a local water shortage emergency on November 23, 2021 and called for voluntary system-wide 10% water use reductions. Through worsening drought conditions, increased water conservation, and increasing operation costs, and a series of major capital projects SFPUC has invested in, wholesale water rate increases will be required to offset decreasing revenue and increasing costs so CPAU anticipates SFPUC rate increases to continue. Capital Improvement Program (CIP) costs appear lower in FY 2023 compared to the prior year due to construction work being programmed every other year to help smooth cost fluctuations, and FY 2023 being a non-construction year for main replacements.

Wastewater Collection

FY 2023 wastewater collection rates are scheduled to increase by 3.0 percent. Capital Improvement Program (CIP) costs appear lower in FY 2023 compared to the prior year due to construction work being programmed every other year to help smooth cost fluctuations, and FY 2023 being a non-construction year. Treatment costs will continue 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.

Fiber Optics

FY 2023 Fiber optics rates are scheduled to increase by 4.2 percent for customers on the EDF-1 rate schedule 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 with a one-time promotion allowing commercial fiber optic accounts to be enrolled under the EDF-1 rate schedule, which is adjusted annually in accordance with CPI. Subsequent fiber customer enrollments are under the Dark Fiber Licensing Services Rate Schedule EDF-3, which has not changed since 2006. Upon the expiration of contracts on EDF-1 rates, these contracts are renewed and enrolled under the EDF3 rate. Most contracts on the EDF-1 rates have expired or voluntarily moved from the EDF-1 rate to the EDF-3 rate for cost saving purposes.

PUBLIC WORKS ENTERPRISE FUNDS

Refuse

FY 2023 refuse rates remain unchanged. FY 2024 rates are projected to increase at a rate based on CPI. The Refuse Fund completed its 30-year solid waste processing agreement with the Sunnyvale Materials Recovery and Transfer Station and began a contract with GreenWaste Recovery. 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 2023 Stormwater Management Fee is scheduled to increase by 4.2 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 2023 revenues in the Wastewater Treatment Fund are expected to increase by approximately \$167.8 million, or 260.7 percent, compared to FY 2022. Changes in revenue are from estimated debt finance revenue, such as bonds or State Revolving Fund loans, for capital projects at the treatment plant.

Airport

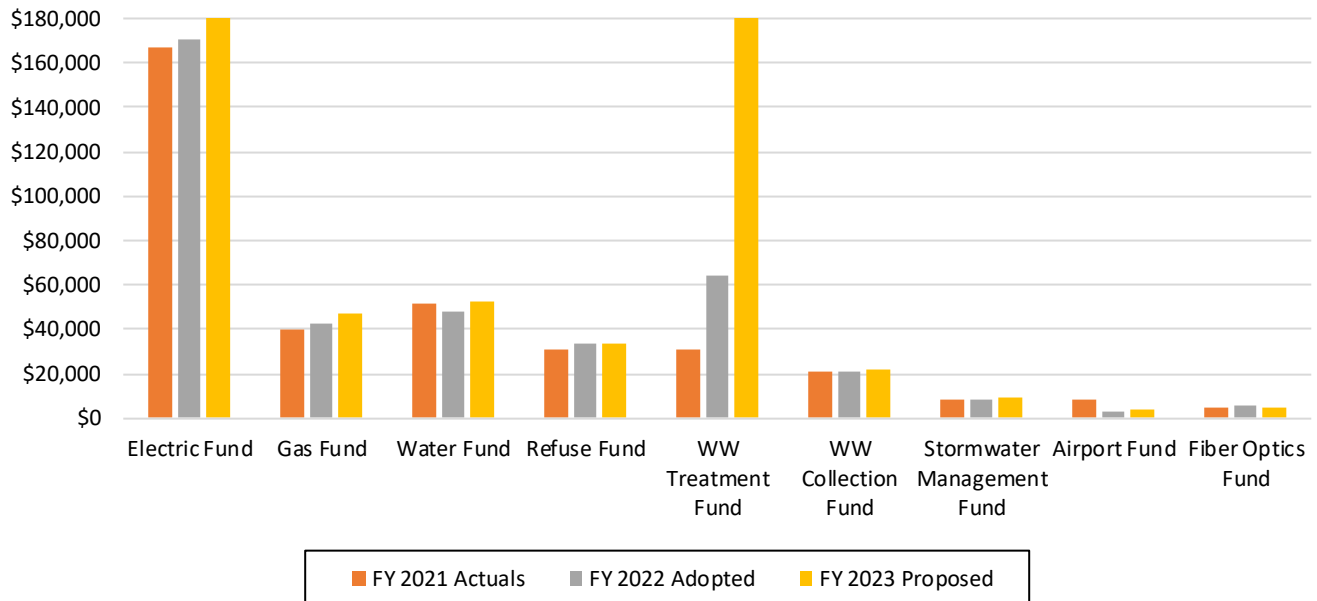
The City assumed airport operations from Santa Clara County in August 2014 for the Palo Alto Airport, which ranks among the busiest general aviation airports in the country. The City entered into 1-3 year interim leases in 2017 while the airport completed the Sustainable Airport Planning Update. These 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. New leases are being prepared to be executed in July 2022, renewing all businesses and fuel tenants with 5-year terms. The construction associated with the Airport Apron Reconstruction project resulted in the inability to offer new tie-down agreements; however, once Phase III of the Airport Apron Reconstruction project is completed in Fall 2022, more tiedowns will become available for rent, increasing the potential for revenue. The Airport's fees and charges are scheduled to be adjusted dependent on an updated fee study that is scheduled to be completed in FY 2023. The Airport continues to pay down the General Fund loan at \$272,000 annually, and currently owes a \$2.3 million principle.

ENTERPRISE FUNDS OVERVIEW

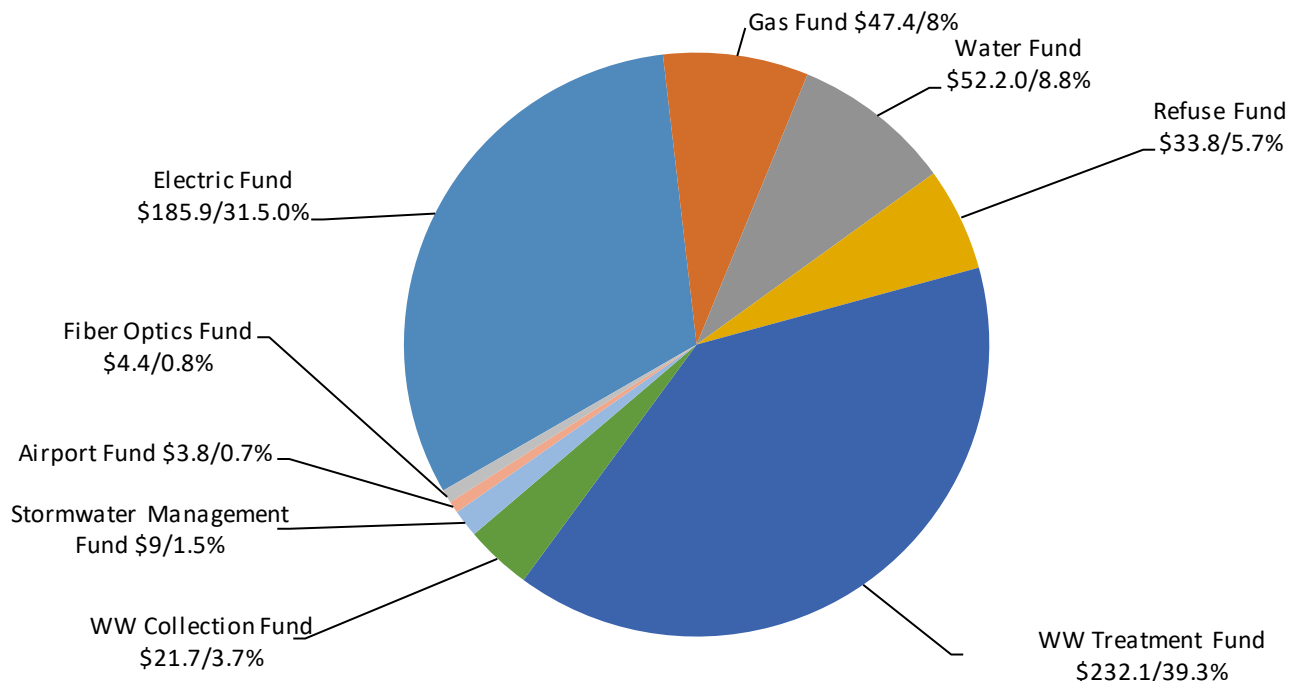
Enterprise Funds Summary

Fund Summary (\$000)	Electric Fund	Gas Fund	Water Fund	Refuse Fund	Wastewater Treatment Fund	Wastewater Collection Fund	Stormwater Management Fund	Airport Fund	Fiber Optics Fund	Total
Revenues										
Charges for Services	220	20	10	34	—	10	81	—	—	375
Charges to Other Funds	189	108	102	163	67	34	—	—	—	662
From Other Agencies	—	—	577	—	—	—	613	1,116	—	2,306
Net Sales	172,681	45,836	50,084	30,853	33,832	21,346	8,167	683	3,712	367,194
Operating Transfers-In	2,294	—	332	—	—	—	—	—	—	2,626
Other Revenue	8,918	913	332	2,311	198,013	152	—	1,138	200	211,977
Other Taxes and Fines	—	—	—	—	4	—	3	—	—	7
Rental Income	—	—	—	—	—	—	—	911	—	911
Return on Investments	1,564	475	797	404	219	139	110	—	522	4,230
Total	185,865	47,352	52,233	33,765	232,135	21,681	8,973	3,848	4,435	590,287
Expenses										
Allocated Charges	10,644	5,115	5,226	2,070	6,770	2,860	1,591	747	716	35,740
Contract Services	12,821	1,903	863	8,265	3,484	249	915	362	243	29,106
Debt Service	9,003	803	3,223	—	1,469	129	949	—	—	15,576
Equity Transfer	14,635	7,165	—	—	—	—	—	—	—	21,800
Facilities & Equipment	16	2	1	3	8	3	8	—	—	40
General Expense	5,263	2,546	753	112	641	181	150	36	12	9,695
Operating Transfers-Out	—	166	—	43	27	166	15	273	102	792
Rents & Leases	6,642	640	3,536	138	335	368	26	12	57	11,753
Salary & Benefits	23,068	9,127	9,565	3,287	14,985	3,762	2,493	1,246	1,337	68,871
Supplies & Material	911	495	618	143	2,094	381	94	56	9	4,802
Transfer to Infrastructure	780	—	—	27	—	—	—	—	—	807
Utility Purchase	101,744	20,113	21,848	19,770	—	11,851	—	—	—	175,325
Capital Improvement Program	19,478	7,794	12,400	—	186,232	1,370	6,314	1,573	1,736	236,897
Total	205,005	55,868	58,034	33,858	216,045	21,320	12,556	4,306	4,212	611,204

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

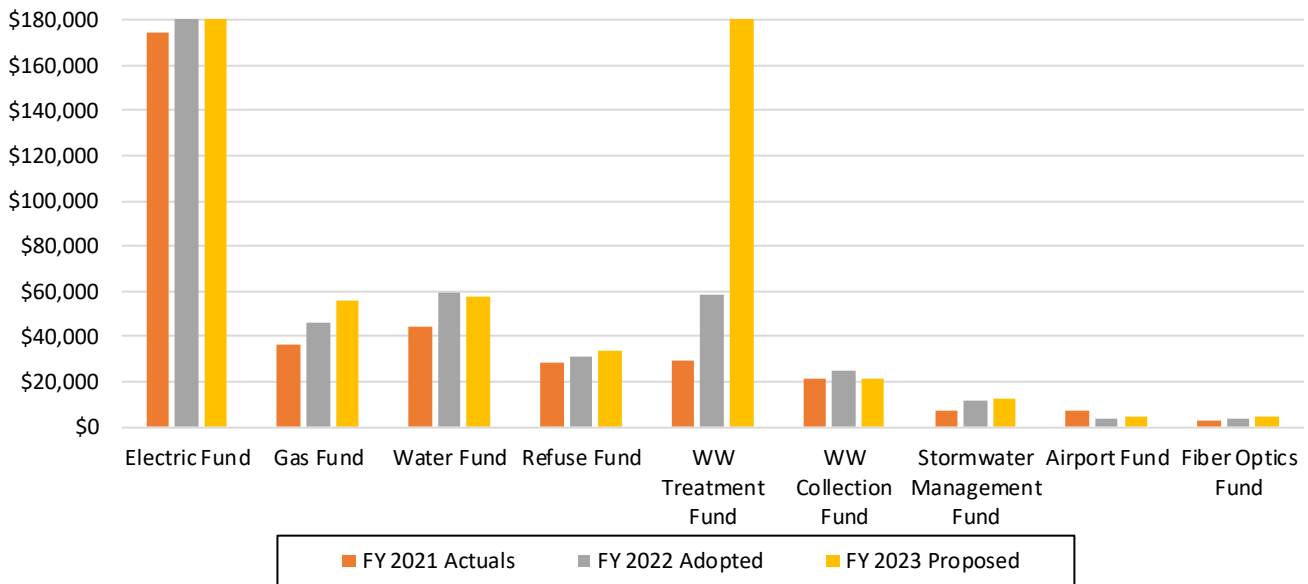


FY 2023 PROPOSED REVENUES/\$590.3 MILLION

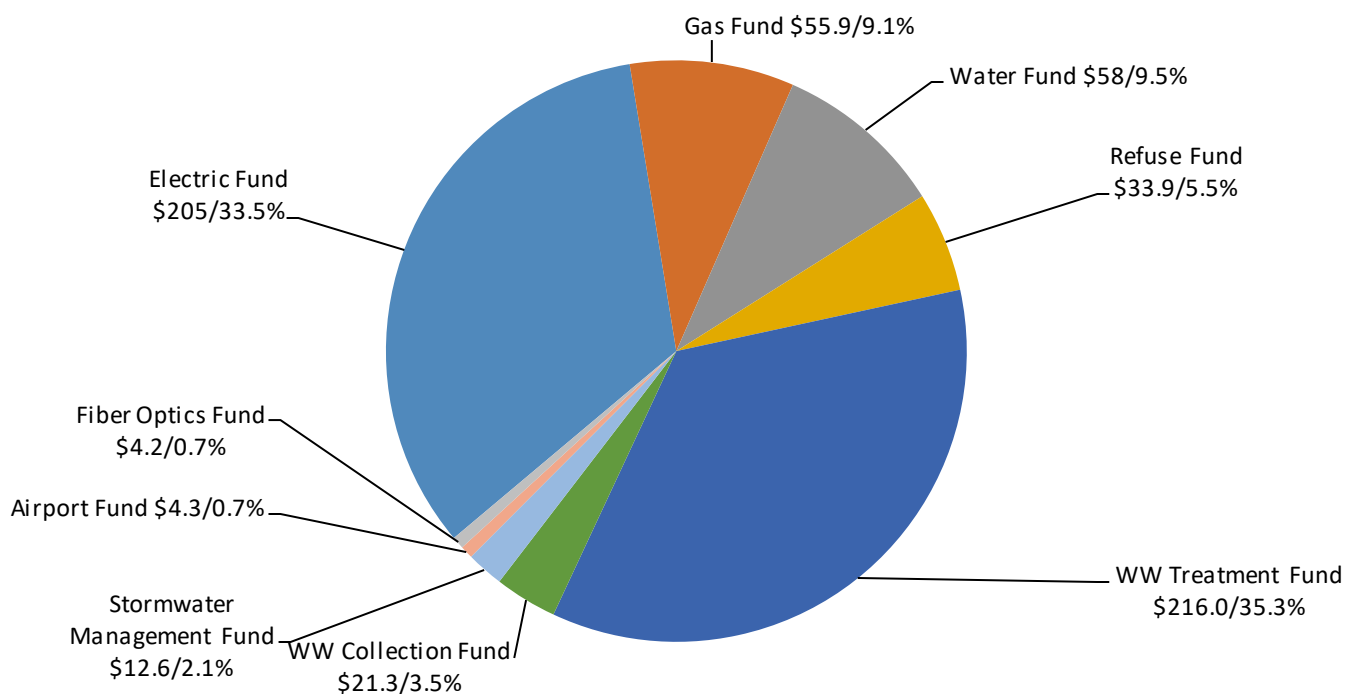


ENTERPRISE FUNDS OVERVIEW

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



FY 2023 PROPOSED EXPENSES /\$611.2 MILLION



Enterprise Fund Reserves

Revenues	FY 2022 Projected Ending Balance	FY 2022 Changes	Projected FY 2023 Projected Ending Balance	FY 2023 Reserve Guideline Range
Electric Fund				
Operations	40,249	13,232	53,481	34,800 - 69,600
Hydro Stabilization	15,400	(15,000)	400	
Electric Special Projects	46,665	(26,000)	20,665	
Low Carbon Fuel Standard	6,944	(1,616)	5,328	
Public Benefit	3,028	1,584	4,612	
Underground Loan	727	-	727	
CIP Reserves	880	2,000	2,880	
GASB 68 Pension Reserve	(34,212)	-	(34,212)	
GASB 75 OPEB Reserve	(13,233)	-	(13,233)	
Subtotal	66,448	(25,800)	40,648	
Gas Fund				
Rate Stabilization	2,766	-	2,766	
Operations	20,400	(11,202)	9,198	9,600 - 19,300
CIP Reserves	3,820	-	3,820	
GASB 68 Pension Reserve	(14,792)	-	(14,792)	
GASB 75 OPEB Reserve	(5,849)	-	(5,849)	
Subtotal	6,345	(11,202)	(4,857)	
Wastewater Collection Fund				
Rate Stabilization	342	(342)	-	
Operations	11,028	(496)	10,533	3,900 - 9,700
CIP Reserves	3,178	(1,017)	2,161	
GASB 68 Pension Reserve	(8,368)	-	(8,368)	
GASB 75 OPEB Reserve	(2,236)	-	(2,236)	

ENTERPRISE FUNDS OVERVIEW

Enterprise Fund Reserves

Revenues	FY 2022 Projected Ending Balance	FY 2022 Changes	Projected FY 2023 Projected Ending Balance	FY 2023 Reserve Guideline Range
Subtotal	3,944	(1,855)	2,090	
Water Fund				
Rate Stabilization	9,070	(1)	9,069	
Operations	24,284	(5,028)	19,256	9,800 - 19,500
CIP Reserves	10,707	(2,100)	8,607	
GASB 68 Pension Reserve	(14,143)	-	(14,143)	
GASB 75 OPEB Reserve	(4,054)	-	(4,054)	
Subtotal	25,864	(7,129)	18,735	
Refuse Fund				
Rate Stabilization	14,004	(93)	13,911	5,600 - 11,100
Landfill Corrective Action Reserve	681	-	681	
Geng Road Reserve	268	-	268	
GASB 68 Pension Reserve	(5,896)	-	(5,896)	
GASB 75 OPEB Reserve	(2,485)	-	(2,485)	
Subtotal	6,572	(93)	6,479	
Stormwater Management Fund				
Rate Stabilization	9,358	(4,118)	5,240	
GASB 68 Pension Reserve	(3,987)	-	(3,987)	
GASB 75 OPEB Reserve	(1,094)	-	(1,094)	
Subtotal	4,277	(4,118)	159	
Wastewater Treatment Fund				
Rate Stabilization	3,157	15,698	18,855	35,600 - 71,200
Emergency Plant Replacement	1,980	-	1,980	
Notes and loans	1,651	-	1,651	
GASB 68 Pension Reserve	(21,278)	-	(21,278)	
GASB 75 OPEB Reserve	(6,945)	-	(6,945)	

Enterprise Fund Reserves

Revenues	FY 2022 Projected Ending Balance	FY 2022 Changes	Projected FY 2023 Projected Ending Balance	FY 2023 Reserve Guideline Range
Subtotal	(21,435)	15,698	(5,737)	
Fiber Optics Fund				
Rate Stabilization	34,910	(57)	34,853	700 - 1,500
Emergency Plant Replacement	1,000	-	1,000	
GASB 68 Pension Reserve	(2,238)	-	(2,238)	
GASB 75 OPEB Reserve	(1)	-	(1)	
Subtotal	33,671	(57)	33,614	
Airport Fund				
Rate Stabilization	(13,310)	(628)	(13,938)	
GASB 68 Pension Reserve	(754)	-	(754)	
GASB 75 OPEB Reserve	(408)	-	(408)	
Subtotal	(14,472)	(628)	(15,100)	
TOTAL RESERVES	111,215	(35,183)	76,031	
Summary of Reserves				
Emergency Plant Replacement	2,980	-	2,980	
Hydro Stabilization	15,400	(15,000)	400	
Rate Stabilization	60,298	10,459	70,757	
Operations	95,961	(3,493)	92,468	
CIP Reserves	18,585	(1,117)	17,468	
Geng Road Reserve	268	-	268	
Electric Special Projects	46,665	(26,000)	20,665	
Low Carbon Fuel Standard	6,944	(1,616)	5,328	
Public Benefit	3,028	1,584	4,612	
Notes and loans	1,651	-	1,651	
Underground Loan	727	-	727	
Landfill Corrective Action Reserve	681	-	681	

ENTERPRISE FUNDS OVERVIEW

Enterprise Fund Reserves

Revenues	FY 2022 Projected Ending Balance	FY 2022 Changes	Projected FY 2023 Projected Ending Balance	FY 2023 Reserve Guideline Range
GASB 68 Pension Reserve	(105,668)	-	(105,668)	
GASB 75 OPEB Reserve	(36,305)	-	(36,305)	
TOTAL RESERVES	111,215	(35,183)	76,031	
Landfill Postclosure Care Liability	6,975	-	6,975	
TOTAL RESERVES AND FULLY-FUNDED LIABILITY	118,190	(35,183)	83,006	

Average Projected Residential Monthly Utility Bills

	Adjusted FY 2022 Bill	Adopted FY 2023 Bill	\$ Difference	% Difference
Electric	57.31	60.17	2.86	5.00%
Gas	65.62	68.24	2.62	4.00%
Water	90.42	94.04	3.62	4.00%
Wastewater	43.32	44.62	1.30	3.00%
Refuse	50.07	50.07	-	-
Storm Drain	15.34	15.98	0.64	4.20%
User Tax	10.67	11.34	0.68	6.35%
Total Monthly Bill	332.75	344.48	11.73	3.53%

FY 2023 Rates are effective July 1, 2022.

Adopted FY 2023 rate change is the system average change. Customers in each customer class will experience different rate impacts than the overall rate increase.



CITY OF
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INTERNAL SERVICE FUNDS





CITY OF
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INTERNAL SERVICE FUNDS

Overview

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

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) 2023 and will be allocated out to departments and funds in proportion to their share. In addition, the FY 2023 Proposed 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 2023, costs are projected to increase compared to the Fiscal Year 2022 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 OVERVIEW

RETIREE HEALTH BENEFITS FUND

This fund reflects costs for medical insurance provided to retired City employees. In addition, this fund includes payments for the unfunded liability for future medical benefits that will be provided to current and future retirees. 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 2023, \$5.0 million is allocated for vehicles and equipment that are due for replacement. The 2023-2027 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 2023, costs are projected to increase compared to the Fiscal Year 2022 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 Services	General Benefits Fund	Worker's Compens ation Fund	Liability Insurance Fund	Retiree Health Benefits Fund	Total
Revenues								
Charges for Services	—	104	—	—	—	—	—	104
Charges to Other Funds	9,822	14,650	1,580	—	—	5,243	—	31,294
Operating Transfers-In	80	1,743	—	—	—	5	2,826	4,654
Other Revenue	155	19	—	87,444	7,399	41	14,095	107,222
Return on Investments	164	343	—	275	341	121	33	1,276
Total	10,221	16,858	1,580	87,719	7,740	5,410	16,954	146,481
Expenses								
Allocated Charges	1,435	1,399	277	—	—	—	—	3,111
Contract Services	524	6,461	60	221	7	72	—	7,345
Facilities & Equipment	—	535	—	—	—	—	—	535
General Expense	71	438	302	—	650	6,749	—	8,210
Operating Transfers-Out	5	32	—	2,826	—	—	—	2,863
Rents & Leases	358	426	408	—	—	—	—	1,192
Salary & Benefits	2,333	8,295	244	84,233	7,129	—	16,983	119,217
Supplies & Material	1,398	85	175	—	—	—	—	1,658
Transfer to Infrastructure	540	—	—	—	—	—	—	540
Capital Improvement Program	5,423	5,321	—	—	—	—	—	10,744
Total	12,087	22,992	1,466	87,279	7,787	6,821	16,983	155,415

INTERNAL SERVICE FUNDS OVERVIEW

Internal Service Fund Reserves

	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Services	General Benefits Fund	Worker's Compensation Fund	Liability Insurance Fund	Retiree Health Benefits Fund	Total Internal Service Funds
Changes to Unrestricted Assets								
June 30, 2022 Projected Unrestricted Assets	9,645	21,801	125	5,897	1,504	3,681	2,694	45,347
FY 2023 Proposed Changes	(1,866)	(6,135)	114	439	(47)	(1,411)	(29)	(8,935)
June 30, 2023 Projected Unrestricted Assets	7,779	15,666	239	6,336	1,457	2,270	2,665	36,412



SPECIAL REVENUE FUNDS





CITY OF
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SPECIAL REVENUE FUNDS

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 2023, 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 2023 Proposed 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 2023, primarily reflecting anticipated receipts in the Park Impact and Parkland Dedication Funds. The FY 2023 Proposed Capital Budget includes transfers of \$5.2 million for projects such as improvements at Boulware Park (\$1.5 million) and Rinconada Park (\$2.1 million), rehabilitation of the Roth Building (\$650,000), installation of restrooms at parks (\$350,000), and renovations at dog parks

SPECIAL REVENUE FUNDS OVERVIEW

(\$150,000). These actions may be restated from prior years due to annual capital reappropriations. Further detail on planned expenses is available in the FY 2023 Proposed Capital Budget.

Annually, the Administrative Services Department issues a report of the activities in these funds, including the remaining balances within them. The 2021 annual report ending June 30, 2021, is included in CMR 13798 found here: www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220124/20220124pccsm-amended-linked-cq-added.pdf

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 January 2022 projected revenues at an estimated \$3.5 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 \$1.5 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 2023, \$3.2 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 2023 - 2027 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 2022-23 action plan is tentatively scheduled for City Council review June 20, 2022 (CMR 14143). The final application will be submitted to HUD by the deadline for final confirmation of allocations. Staff will bring forward budget adjustments to align with FY 2023 allocations as necessary. The CDBG action plan was not available at the time this document was developed.

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.

SPECIAL REVENUE FUNDS OVERVIEW

For FY 2023, \$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 2021 annual report ending June 30, 2021, is included in CMR 13798 found here: <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220124/20220124pccsm-amended-linked-cq-added.pdf>

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. 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.

The COVID-19 pandemic has 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. Parking enforcement resumed in October 2021 as usage continues to increase while the economy moves forward and mask mandates are lifted. Although public health orders have eased restrictions, parking demand has not recovered and remains below normal trends, resulting in decreased revenue estimates in FY 2023. City staff continue to monitor utilization and may bring forward further recommendations should conditions remain steady.

This FY 2023 Proposed 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. (\$200,000 ongoing);
- Provide the Residential Parking Permit Fund with a loan to bridge a temporary shortfall related to the impacts of the COVID-19 pandemic on demand (\$400,000 one-time)
- Decrease annual permit sales revenue estimates by approximately \$323,000 in University Avenue, \$120,000 in California Avenue, and \$372,000 in RPP Fund to reflect decreased demand (ongoing)

SPECIAL REVENUE FUNDS OVERVIEW

- Decrease daily permit sales revenue estimates by \$184,000 in University Avenue and \$176,000 in California Avenue, and citation revenue estimates by \$71,000 in the RPP Fund to reflect lower volume of parking activity (ongoing);

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 in response to the COVID-19 pandemic.

A more detailed presentation of the FY 2023 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 2023, \$275,000 in traffic mitigation and parking in-lieu fees are anticipated. These estimates remain steady with 2022 revenues and are based on historical tracking and Office of Transportation (OOT) staff projections. The FY 2023 - 2027 Capital Improvement Plan includes a transfer of \$5.5 million to the Downtown Parking Garage project and \$395,000 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 into 2022 the novel coronavirus (COVID-19) pandemic caused significant economic impacts to local businesses. Considering 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 11872 and 12167, respectively). The associated activities and fee collections were also on hold; therefore, the FY 2022 Adopted budget eliminated funding levels, and did not require a continued subsidy. The City Council approved the resumption of the business registry certificate (BRC) program for FY 2023 including associated fees (CMR 13901) to cover costs of administering the program. The BID program fees and activities remain suspended as approved by the City Council along with direction to staff to work with the Chamber of Commerce and PADBPA on the transfer of BID management. It is anticipated that the BID program will resume in FY 2024.

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 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 can be found in CMR 11987 and the report for 2020-2021 in CMR 13832.

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 \$1.2 million. There are no planned transfers in FY 2023 to the Capital Improvement Fund.

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 \$1.9 million. There are no planned transfers in FY 2023 to the Capital Improvement Fund.

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 2023 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 \$9.0 million. The FY 2023 Proposed Capital Improvement Budget includes a \$2.0 million transfer for the rehabilitation of the Roth Building.

SPECIAL REVENUE FUNDS OVERVIEW

Climate Change: Funds are to be used for projects and programs for a sustainable community, including programs identified in the City's Climate Action Plan. The projected beginning balance for this category is \$2.9 million. The FY 2023 Proposed Capital Improvement Budget includes a \$2.4 million transfer for bicycle and pedestrian plan improvements.

A more detailed presentation of the FY 2023 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 and State Rev. Funds	Special District Funds	Traffic Mitig. and Parking In-Lieu Funds	Stan. Univ. Medical Center Fund	Total
Revenues										
Charges for Services	275	673	—	—	—	—	—	276	—	1,224
From Other Agencies	—	—	—	—	3,504	—	—	—	—	3,504
Net Sales	—	—	—	—	—	—	730	—	—	730
Operating Transfers-In	170	—	—	—	—	—	838	—	—	1,008
Other Revenue	—	—	—	2,345	—	—	—	—	—	2,345
Other Taxes and Fines	—	—	—	—	—	—	85	—	—	85
Permits and Licenses	—	—	—	—	—	—	1,781	—	—	1,781
Rental Income	—	—	—	9	—	—	—	—	—	9
Return on Investments	26	143	1	182	7	10	57	182	275	884
Total	471	816	1	2,536	3,511	10	3,491	458	275	11,570
Expenses										
Allocated Charges	2	—	—	3	—	4	320	—	—	329
Contract Services	—	—	—	247	—	—	2,191	—	—	2,438
General Expense	1	—	—	53	—	—	249	—	—	303
Operating Transfers-Out	—	—	—	—	324	—	136	—	—	460
Rents & Leases	—	—	—	—	—	—	226	—	—	226
Salary & Benefits	235	—	—	69	—	82	1,639	—	—	2,025
Supplies & Material	—	—	—	—	—	—	121	—	—	121
Transfer to Infrastructure	—	5,240	—	—	3,180	—	—	5,936	4,400	18,756
Total	239	5,240	—	371	3,504	86	4,882	5,936	4,400	24,658

SPECIAL REVENUE FUNDS OVERVIEW

Consolidated Special Revenue Funds

Fund Summary (\$000)	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
REVENUES						
Gas Tax	2,895	2,793	2,993	3,504	511	17.1%
Federal CDBG	444	1,026	537	-	(537)	-100.0%
Housing In-Lieu	750	5,804	2,150	2,150	-	-%
Traffic Mitigation Fees	180	312	276	276	-	-%
Developer Impact Fees	1,522	1,403	673	673	-	-%
Parking Mitigation Fees	4,417	178	3,837	2,596	(1,241)	-32.3%
BID Assessment	24	5	-	-	-	-%
Interest Income	1,746	1,236	1,571	884	(687)	-43.7%
Other Revenue	985	756	615	479	(136)	-22.1%
Subtotal Revenue	12,962	13,514	12,652	10,562	(2,090)	-16.5%
Transfers In						
General Fund	559	489	484	921	437	90.3%
Technology Fund	26	27	24	27	3	12.5%
Utility Admin Fund	52	55	54	60	6	11.1%
Subtotal Operating Transfers In	637	570	562	1,008	446	79.4%
Total Source of Funds	13,600	14,084	13,214	11,570	(1,644)	-12.4%
EXPENDITURES						
General Expense	5,076	23,689	5,820	5,442	(378)	-6.5%
Subtotal Expenditures						
Transfers Out						
General Fund	506	394	547	460	(86)	-15.8%
Capital Improvement Fund	9,285	9,170	10,375	18,756	8,382	80.8%
General Benefits	18	-	-	-	-	-%
Subtotal Operating Transfers Out	9,809	9,564	10,921	19,216	8,295	76.0%
Total Use of Funds	14,886	33,253	16,741	24,658	7,917	47.3%
Net To (From) Reserves	(1,286)	(19,169)	(3,527)	(13,088)	(9,561)	271.1%

University Avenue Parking Permit Fund

	FY 2022 Adopted Budget	FY 2022 Adjusted Budget	FY 2023 Proposed Budget
Revenues			
Permit Sales	1,747,609	1,793,387	1,425,000
Day Passes	290,000	290,000	100,000
Ticket Machine	194,000	194,000	200,000
Transfer from Other Funds for City Share	392,522	392,522	438,300
Investment Income	77,500	77,500	39,000
Total Revenue	2,701,631	2,747,409	2,202,300
Expenditures			
Administration			
Positions	1.66	1.66	1.66
Salaries & Benefits	269,815	269,815	319,793
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	528,511	528,511	578,489
Maintenance			
Positions	3.87	3.87	3.87
Salaries & Benefits	573,390	573,390	641,503
Supplies	60,090	60,090	60,090
Twinkle/Tree Lights	30,000	30,000	30,000
Maintenance (garage, elevator, fire sprinkler, fire alarm)	98,794	98,794	98,794
Landscaping	21,107	21,107	21,635
Custodial (janitorial services)	292,913	292,913	292,913
Steam Cleaning/power washing, sweeping	121,181	121,181	124,681
Public Toilets	215,500	215,500	226,112
APGS Maintenance	168,000	168,000	168,000
Subtotal Maintenance	1,580,975	1,580,975	1,663,727
Police Patrol			
Positions	0.50	0.50	0.50
Salaries & Benefits	133,000	133,000	136,000
Subtotal Patrols	133,000	133,000	136,000
Other			
Valet Programs (Lots R, CC, CW, & S)	289,972	289,972	289,972

SPECIAL REVENUE FUNDS OVERVIEW

University Avenue Parking Permit Fund

	FY 2022 Adopted Budget	FY 2022 Adjusted Budget	FY 2023 Proposed Budget
Downtown Streets Team	118,744	118,744	118,744
Transportation Management Authority (TMA)	150,000	150,000	200,000
Utilities/Indirect costs	188,476	188,476	221,734
Transfer to CIP Fund	187,400	187,400	-
Subtotal Other	934,592	934,592	830,450
Total Operating Expenses	3,177,079	3,177,079	3,208,666
Income from Operations	(475,448)	(429,670)	(1,006,366)

California Avenue Parking Permit Fund

	FY 2022 Adopted Budget	FY 2022 Adjusted Budget	FY 2023 Proposed Budget
Revenues			
Permit Sales	475,540	475,540	300,000
Day Passes	145,000	145,000	25,000
Investment Income	12,800	12,800	10,800
Total Revenue	633,340	633,340	335,800
Expenditures			
Administration			
Positions	1.05	1.05	1.05
Salaries & Benefits	165,583	165,583	177,921
Miscellaneous Supplies	35,670	35,670	32,940
Contract Staffing	41,400	41,400	41,400
Parking Occupancy Services	17,545	17,545	17,545
Subtotal Administration	260,198	260,198	269,806
Maintenance			
Positions	0.43	0.43	0.43
Salaries & Benefits	76,935	76,935	81,552
Supplies	7,855	7,855	7,855
Contracts			
Garage Maintenance	104,736	104,736	104,736
Pressure Washing and Lot Sweeping (all garages and lots)	11,705	11,705	11,705
Landscaping	11,873	11,873	12,170
Custodial	61,400	61,400	61,400
Street Sweeping	71,000	71,000	73,800
APGS Maintenance	35,200	35,200	38,200
Subtotal Maintenance	380,704	380,704	391,418
Utilities/Indirect costs	43,660	43,660	48,369
Subtotal Other	43,660	43,660	48,369
Total Operating Expenses	684,561	684,561	709,593
Income from Operations	(51,221)	(51,221)	(373,793)

SPECIAL REVENUE FUNDS OVERVIEW

Stanford Development Agreement Fund

	FY 2022 Estimated	FY 2023 Proposed Budget	Change
SOURCE OF FUNDS			
Unrestricted - Community Health and Safety	2,413,283	1,183,183	(1,230,100)
Unrestricted - Stanford Hospital Expansion Cost Mitigation	2,349,832	1,864,687	(485,145)
Unrestricted - Intermodal Transit	1,261,292	1,273,996	12,704
Unrestricted - Quarry Road Improvements	-	-	-
Unrestricted - Neighborhoods and Communities and Affordable Housing	9,641,087	8,982,527	(658,560)
Unrestricted - Climate Change	2,905,643	2,934,909	29,266
Total Beginning Fund Balance	18,571,137	16,239,302	(2,331,835)
Revenue			
Interest - Community Health and Safety	19,900	20,058	158
Interest - Stanford Hospital Expansion Cost Mitigation	14,855	31,611	16,756
Interest - Intermodal Transit	12,704	21,598	8,894
Interest - Quarry Road Improvements	-	-	-
Interest - Neighborhoods and Communities and Affordable Housing	91,441	152,278	60,837
Interest - Climate Change	29,266	49,755	20,489
Total Revenue	168,166	275,300	107,134
TOTAL SOURCE OF FUNDS	18,739,303	16,514,602	(2,224,701)
USE OF FUNDS			
Transfers Out			
Community Health and Safety: Capital Improvement Fund	1,250,000	-	(1,250,000)
Stanford Hospital Expansion Cost Mitigation	500,000	-	(500,000)
Intermodal Transit: Capital Improvement Fund	-	-	-
Quarry Road Improvements: Capital Improvement Fund	-	-	-
Neighborhood and Communities and Affordable Housing: Capital Improvement Fund	750,000	2,000,000	1,250,000
Climate Change: Capital Improvement Fund	-	2,400,000	2,400,000
Total Transfers	2,500,000	4,400,000	1,900,000
Total Expenditures	2,500,000	4,400,000	1,900,000
Ending Fund Balance			
Unrestricted - Community Health and Safety	1,183,183	1,203,241	20,058
Unrestricted - Stanford Hospital Expansion Cost Mitigation	1,864,687	1,896,298	31,611
Unrestricted - Intermodal Transit	1,273,996	1,295,594	21,598
Unrestricted - Quarry Road Improvements	-	-	-
Unrestricted - Neighborhoods and Communities and Affordable Housing	8,982,527	7,134,805	(1,847,722)

Stanford Development Agreement Fund

	FY 2022 Estimated	FY 2023 Proposed Budget	Change
Unrestricted - Climate Change	2,934,909	584,664	(2,350,245)
Total Ending Fund Balance	16,239,302	12,114,602	(4,124,700)
TOTAL USE OF FUNDS	18,739,302	16,514,602	(2,224,700)



CITY OF
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DEBT SERVICE FUNDS





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DEBT SERVICE FUNDS

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:

- 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.

DEBT SERVICE FUNDS OVERVIEW

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

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

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

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

Also, the Chief Financial Officer or Director of Administrative Services, supported by Treasury Division, will periodically evaluate its existing debt and execute refinances when economically beneficial. A refinance 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 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 refinances 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 issue of debt.

LEGAL DEBT LIMIT

Based upon the assessed valuation of \$44.0 billion for the fiscal year ending June 30, 2022, the City is limited to general obligation indebtedness of \$1.7 billion per State law. As of June 30, 2022, the amount of debt applicable to the debt limit was \$55.1 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, 2022, for the above 2010 and 2013 bonds, \$40.6 million and \$14.6 million principal and \$20.3 million and \$26.8 million interest will be the remaining debt service on the bonds with final payment occurring in Fiscal Year 2041 and Fiscal Year 2042, respectively. However, these bonds are in the process of being refinanced in June 2022. The expectation is that the refinancing will result in savings, for the Palo Alto property owners, of \$6.3 million in net present value savings or 11.6 percent over the life of the bonds.

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 with true interest costs of 4.14 percent and 3.11 percent, respectively.

As of June 30, 2022, for the above 2018 COPs Series and 2002B refinanced bonds, \$8.2 million and \$0.2 million principal and \$5.3 million and \$2,000 interest will be the remaining debt service on the bonds with the final payment occurring in Fiscal Year 2048 and Fiscal Year 2023, 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 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. As of June 30, 2022, for the above tax-exempt and taxable bonds, \$26.8 million and \$8.9 million principal and \$18.4 million and \$9.4 million interest will be the remaining debt service on the bonds with the final payment occurring in Fiscal Year 2049 when the COPs mature.

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

DEBT SERVICE FUNDS OVERVIEW

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-store operational accessory structure.

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 due in Fiscal Year 2023. 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 \$3.5 million principal and \$0.3 million interest as the remaining debt service on the bonds as of June 30, 2022, 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 semi-annually.

The pledge of future net revenues of the above funds ends upon repayment of the \$23.1 million principal and \$10.2 million interest as the remaining debt service on the bonds as of June 30, 2022 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 \$5.4 million principal and \$0.4 million interest remaining debt service on the bonds as of June 30, 2022 with final payment occurring in Fiscal Year 2026.

2007 State Water Resources Loan

In October 2007, the City approved the \$9.0 million loan agreement with State Water Resources Control Board (SWRCB) to finance the City's Mountain View/Moffett Area Reclaimed Water Pipeline Project. Under the terms of the contract, the City agreed to repay \$9.0 million to the State in exchange for receiving \$7.5 million in proceeds to be used to fund the project. The 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 \$2.6 million principal and \$0.5 million in-substance interest as the remaining debt service on the bonds as of June 30, 2022 with final payment occurring in Fiscal Year 2029.

2009 State Water Resources Loan

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

The pledge of future net revenues of the above funds ends upon repayment of the \$4.4 million principal and \$0.2 million interest as the remaining debt service on the bonds as of June 30, 2022 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

DEBT SERVICE FUNDS OVERVIEW

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 of 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. The pledge of future net revenues of the above funds ends upon repayment of the \$23.2 million principal and \$6.3 million interest and service charge as the remaining debt service on the bonds as of June 30, 2022 with final payment occurring in Fiscal Year 2049.

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 that Palo Alto’s prudent financial management and fiscal strength are viewed favorably by credit agencies. The three 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Revenues						
Property Tax	4,515	4,329	4,399	4,397	(2)	-0.05%
Return on Investments	40	32	30	8	(22)	-73.33%
Subtotal Revenues	4,555	4,361	4,429	4,405	(24)	-0.54%
Operating Transfers In						
General Fund	530	530	530	529	(1)	-0.19%
Capital Projects Fund	2,335	2,380	2,380	3,838	1,458	61.26%
Subtotal Operating Transfers	2,865	2,910	2,910	4,367	1,457	50.07%
Total Source of Funds	7,420	7,271	7,339	8,772	1,433	19.53%
Expenses						
2010 & 2013 Library GO Bonds Interest	2,718	2,646	2,569	2,492	(77)	-3.00%
2010 & 2013 Library GO Bonds Principal	1,725	1,780	1,860	1,935	75	4.03%
2018A Golf and Refinancing COPS Interest	350	345	340	334	(6)	-1.76%
2018A Golf and Refinancing COPS Principal	180	185	190	195	5	2.63%
2019A/B California Avenue Parking Garage COPS Interest	1,958	1,748	1,735	1,710	(25)	-1.44%
2019A/B California Avenue Parking Garage COPS Principal	375	630	645	665	20	3.10%
2019A/B California Avenue Parking Garage COPS Issuance Expense	375	-	-	-	-	0.00%
2021 Public Safety Building COPS Interest	-	-	-	1,463	1,463	0.00%
Total Use of Funds	7,681	7,334	7,339	8,794	1,455	19.83%
Net to (from) Reserves	(261)	(63)	-	(22)	(22)	



CITY OF
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CITY DEPARTMENTS





CITY OF
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CITY ATTORNEY

Mission Statement



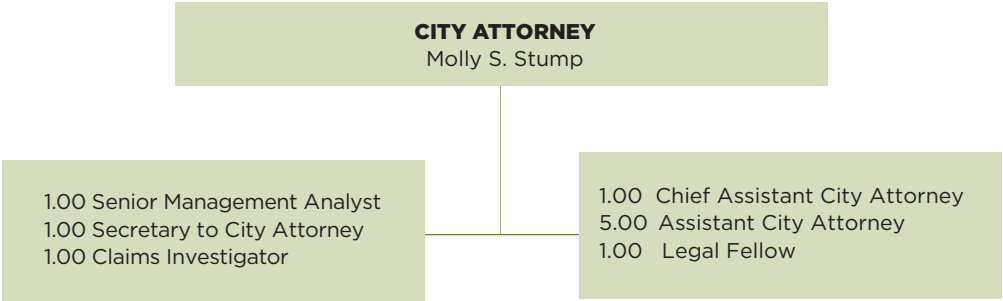
The Office of the City Attorney's mission is to serve Palo Alto and its policymakers by providing legal representation of the highest quality.

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 2023 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.

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.
- 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of claims resolved within 45 days of filing	98%	96%	98%	96%	96%
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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of surveyed who agree/strongly agree that the training provided is useful and relevant	98%	95%	96%	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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of claims handled	90	80	90	90	85

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration	\$637,082	\$551,627	\$718,211	\$758,210	\$39,999	5.6%
Consultation and Advisory	\$1,852,728	\$1,759,151	\$2,173,296	\$2,347,611	\$174,315	8.0%
Litigation and Dispute Resolution	\$931,380	\$822,368	\$946,596	\$973,082	\$26,486	2.8%
Official and Administration Duties	\$100,273	\$90,177	\$107,090	\$134,330	\$27,241	25.4%
Total	\$3,521,462	\$3,223,323	\$3,945,192	\$4,213,233	\$268,041	6.8%
Salary & Benefits						
Healthcare	\$118,241	\$120,986	\$189,800	\$172,647	\$(17,154)	(9.0)%
Other Benefits	\$85,638	\$83,737	\$82,860	\$83,196	\$336	0.4%
Pension	\$615,516	\$554,322	\$733,782	\$797,133	\$63,352	8.6%
Retiree Medical	\$119,027	\$113,677	\$115,536	\$143,370	\$27,834	24.1%
Salary	\$1,622,214	\$1,463,240	\$1,816,821	\$1,915,050	\$98,229	5.4%
Workers' Compensation	\$82,278	\$73,150	\$75,219	\$76,759	\$1,540	2.0%
Total Salary and Benefits	\$2,642,913	\$2,409,112	\$3,014,018	\$3,188,154	\$174,136	5.8%
Dollars by Category						
Allocated Charges	\$159,947	\$110,763	\$147,663	\$173,568	\$25,904	17.5%
Contract Services	\$672,745	\$691,859	\$725,250	\$749,650	\$24,400	3.4%
Facilities & Equipment	\$851	—	—	\$2,500	\$2,500	—%
General Expense	\$22,507	\$7,106	\$38,000	\$70,800	\$32,800	86.3%
Rents & Leases	\$1,345	\$1,229	\$1,330	\$2,130	\$800	60.2%
Supplies & Material	\$21,154	\$3,254	\$18,932	\$26,432	\$7,500	39.6%
Total Dollars by Expense Category	\$3,521,462	\$3,223,323	\$3,945,192	\$4,213,233	\$268,041	6.8%
Revenues						
Charges for Services	—	—	\$28,052	\$28,052	—	—%
Charges to Other Funds	\$1,012,894	\$1,073,891	\$1,377,272	\$1,548,326	\$171,054	12.4%
Other Revenue	\$12,000	\$6,000	\$10,789	\$10,789	—	—%
Total Revenues	\$1,024,894	\$1,079,891	\$1,416,114	\$1,587,167	\$171,054	12.1%
Positions by Division						
Administration	1.47	1.47	1.47	1.47	—	—%
Consultation and Advisory	6.46	6.46	6.46	6.46	—	—%
Litigation and Dispute Resolution	1.71	1.71	1.71	1.71	—	—%

CITY ATTORNEY

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Official and Administration Duties	0.36	0.36	0.36	0.36	—	— %
Total	10.00	10.00	10.00	10.00	—	— %

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Assistant City Attorney*	3.00	3.00	3.00	4.00	1.00	\$726,024
Chief Assistant City Attorney	1.00	1.00	1.00	1.00	—	\$261,206
City Attorney	1.00	1.00	1.00	1.00	—	\$322,837
Claims Investigator	1.00	1.00	1.00	1.00	—	\$90,168
Deputy City Attorney*	1.00	1.00	1.00	—	(1.00)	—
Legal Fellow	1.00	1.00	1.00	1.00	—	\$114,858
Secretary to City Attorney	1.00	1.00	1.00	1.00	—	\$82,534
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$125,653
Subtotal: Full-Time Equivalent Positions	10.00	10.00	10.00	10.00	—	\$1,723,280
Total Positions	10.00	10.00	10.00	10.00	—	\$1,723,280

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the City Attorney's Office, the FY 2022 Adopted Budget was amended to reclassify 2.00 Deputy City Attorney's to 2.00 Assistant City Attorney's (1.00 FTE is budgeted in the Utilities Department).

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	10.00	3,945,192	1,416,114	2,529,078
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	172,596	-	172,596
Integrated Information System for Legal Research	-	21,000	-	21,000
General Fund Cost Allocation Plan	-	-	171,054	(171,054)
Information Technology Allocated Charges	-	16,908	-	16,908
Liability Insurance Allocated Charges	-	8,897	-	8,897
Printing & Mailing Services Allocated Charges	-	100	-	100
Workers' Compensation Allocated Charges	-	1,540	-	1,540
Adjustments to Costs of Ongoing Activities	0.00	221,041	171,054	49,987
Total FY 2023 Base Budget	10.00	4,166,233	1,587,168	2,579,065
Budget Adjustments				
1. Restore Departmental Operating Expenses	-	47,000	-	47,000
Total Budget Adjustments	-	47,000	-	47,000
Total FY 2023 Proposed Budget	10.00	4,213,233	1,587,168	2,626,065

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Restore Departmental Operating Expenses	-	47,000	-	47,000

This action restores various non-salary expenditures that were reduced in prior years for travel, training and continued education (\$25,000), City memberships and books (\$8,500), office equipment and supplies (\$6,000), and other minor expenses for services including telephone and messenger, shredding, and computer software. (Ongoing costs: \$47,080, 2-year limited term)

Performance Results



This action will provide the department with the resources necessary to provide high-quality legal services.



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

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.

<https://www.cityofpaloalto.org/Departments/City-Auditor>

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, the adequacy of the system of internal controls, and compliance with City policies and procedures and regulatory requirements.

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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Audit Services	\$939,051	\$933,444	\$971,847	\$978,604	\$6,757	0.7%
Total	\$939,051	\$933,444	\$971,847	\$978,604	\$6,757	0.7%
Salary & Benefits						
Healthcare	\$17,501	\$5,927	—	—	—	—%
Other Benefits	\$13,891	\$9,908	—	—	—	—%
Pension	\$125,386	\$51,524	—	—	—	—%
Retiree Medical	\$46,189	\$44,482	\$45,210	—	\$(45,210)	(100.0)%
Salary	\$294,100	\$139,835	—	—	—	—%
Workers' Compensation	\$32,756	\$29,111	\$29,934	—	\$(29,934)	(100.0)%
Total Salary and Benefits	\$529,824	\$280,788	\$75,144	—	\$(75,144)	(100.0)%
Dollars by Category						
Allocated Charges	\$62,460	\$41,335	\$48,217	\$34,604	\$(13,613)	(28.2)%
Contract Services	\$341,802	\$611,322	\$848,486	\$944,000	\$95,514	11.3%
General Expense	\$4,873	—	—	—	—	—%
Supplies & Material	\$93	—	—	—	—	—%
Total Dollars by Expense Category	\$939,051	\$933,444	\$971,847	\$978,604	\$6,757	0.7%
Revenues						
Charges to Other Funds	\$259,273	\$288,351	\$947,497	\$441,638	\$(505,860)	(53.4)%
Total Revenues	\$259,273	\$288,351	\$947,497	\$441,638	\$(505,860)	(53.4)%
Positions by Division						
Audit Services	4.00	3.00	—	—	—	—%
Total	4.00	3.00	—	—	—	—%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
City Auditor	1.00	1.00	—	—	—	—
Performance Auditor II	2.00	—	—	—	—	—
Senior Performance Auditor	1.00	2.00	—	—	—	—

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Subtotal: Full-Time Equivalent Positions	4.00	3.00	—	—	—	—
Total Positions	4.00	3.00	—	—	—	—

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	0.00	971,847	947,497	24,350
One-Time Prior Year Budget Adjustments				
Auditor Services Contract Reduction	-	26,000	-	26,000
One-Time Prior Year Budget Adjustments	-	26,000	-	26,000
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	(45,210)	-	(45,210)
General Fund Cost Allocation Plan	-	-	(505,859)	505,859
Auditor Services Contract Increase	-	69,514	-	69,514
Information Technology Allocated Charges	-	3,770	-	3,770
Liability Insurance Allocated Charges	-	(17,483)	-	(17,483)
Printing & Mailing Services Allocated Charges	-	100	-	100
Workers' Compensation Allocated Charges	-	(29,934)	-	(29,934)
Adjustments to Costs of Ongoing Activities	-	(19,243)	(505,859)	486,616
Total FY 2023 Base Budget	0.00	978,604	441,638	536,966
Budget Adjustments				
None				
Total Budget Adjustments	-	-	-	-
Total FY 2023 Proposed Budget	0.00	978,604	441,638	536,966



CITY OF
**PALO
ALTO**

CITY CLERK

Mission Statement

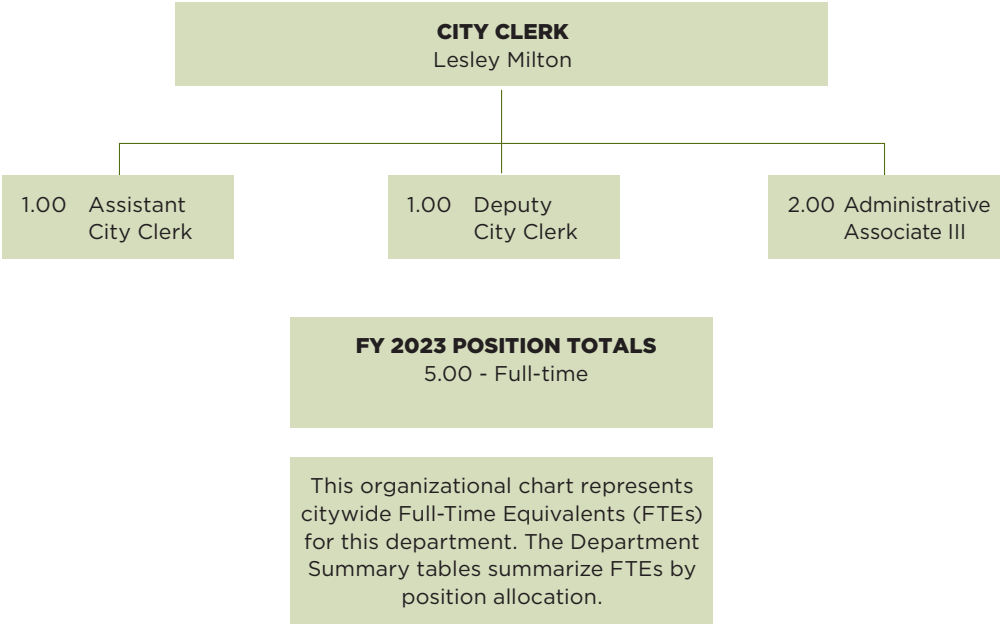


The mission of the City Clerk's Office is to provide prompt, high quality public service, connecting the public with the legislative process ensuring transparency, inclusiveness, and accessibility; building processes that guarantee preservation and access to Palo Alto's legislative history, including approved Council actions and all public records; and facilitating fair, and unbiased elections.

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; transcribing meeting minutes; recording of Ordinances and Resolutions; coordination of appeal hearings for Parking and Administrative citations; engaging in records management, elections, and board and commission recruitments; and processing of public records requests.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percentage of action minutes posted within one week after the Council meeting	98%	98%	98%	96%	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 2022 into FY 2023.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percentage of Council agenda packet materials posted Thursdays, 11 days prior to the Council meeting	98%	98%	98%	98%	98.5%
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.				

Key Performance Measures

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.				
Objective	Provide excellent customer service to the public.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percentage of public records requests responded to within the ten days required by law	98%	91%	98%	92%	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 adopted a new and more precise method of calculating response time. The City anticipates meeting the target in FY 2023.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of City Council Meeting Action Minutes posted annually	46	55	52	40	48
Number of weekly agenda packets produced annually	45	64	45	50	51
Number of public records requests received annually	546	575	600	630	660
Number of applications processed for open Board and Commission seats	44	54	40	58	52

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration	\$541,910	\$538,223	\$650,898	\$681,138	\$30,240	4.6%
Administrative Citations	\$40,782	\$39,828	\$60,198	\$60,204	\$5	0.0%
Council Support Services	\$376,896	\$346,281	\$416,296	\$474,928	\$58,631	14.1%
Election/Conflict of Interest	\$113,156	\$122,139	\$131,643	\$140,060	\$8,416	6.4%
Legislative Records Management	\$60,750	\$46,203	\$68,421	\$67,965	\$(457)	(0.7)%
Public Information	\$87	\$(120)	—	—	—	—%
Total	\$1,133,581	\$1,092,554	\$1,327,457	\$1,424,293	\$96,836	7.3%
Salary & Benefits						
Healthcare	\$46,377	\$56,012	\$80,872	\$82,866	\$1,994	2.5%
Other Benefits	\$18,211	\$22,925	\$26,151	\$25,156	\$(995)	(3.8)%
Overtime	\$4,501	\$4,808	\$7,420	\$7,643	\$223	3.0%
Pension	\$199,345	\$193,455	\$218,340	\$234,034	\$15,694	7.2%
Retiree Medical	\$41,748	\$39,540	\$40,186	\$43,388	\$3,202	8.0%
Salary	\$509,379	\$503,777	\$543,169	\$556,770	\$13,600	2.5%
Workers' Compensation	\$29,597	\$26,168	\$26,908	\$31,894	\$4,986	18.5%
Total Salary and Benefits	\$849,159	\$846,686	\$943,046	\$981,752	\$38,705	4.1%
Dollars by Category						
Allocated Charges	\$125,486	\$77,228	\$123,067	\$130,998	\$7,932	6.4%
Contract Services	\$101,083	\$114,887	\$196,961	\$242,961	\$46,000	23.4%
General Expense	\$56,042	\$53,483	\$61,390	\$65,589	\$4,199	6.8%
Supplies & Material	\$1,811	\$270	\$2,993	\$2,993	—	—%
Total Dollars by Expense Category	\$1,133,581	\$1,092,554	\$1,327,457	\$1,424,293	\$96,836	7.3%
Revenues						
Charges for Services	—	\$225	\$2,043	\$2,043	—	—%
Charges to Other Funds	\$318,524	\$344,234	\$709,754	\$670,321	\$(39,434)	(5.6)%
Other Revenue	\$418	\$63	\$3,143	\$3,143	—	—%
Total Revenues	\$318,942	\$344,522	\$714,940	\$675,507	\$(39,434)	(5.5)%
Positions by Division						
Administration	2.85	2.85	2.85	2.85	—	—%
Council Support Services	1.30	1.30	1.30	1.30	—	—%
Election/Conflict of Interest	0.55	0.55	0.55	0.55	—	—%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Legislative Records Management	0.30	0.30	0.30	0.30	—	—%
Total	5.00	5.00	5.00	5.00	—	—%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 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	—	\$92,435
City Clerk	1.00	1.00	1.00	1.00	—	\$175,011
Deputy City Clerk	1.00	1.00	1.00	1.00	—	\$92,435
Subtotal: Full-Time Equivalent Positions	5.00	5.00	5.00	5.00	—	\$527,946
Total Positions	5.00	5.00	5.00	5.00	—	\$527,946

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	5.00	1,327,458	714,941	612,517
One-Time Prior Year Budget Adjustments				
None	-			-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	33,719	-	33,719
Association Membership Fees	-	1,699	-	1,699
Transcription Services	-	19,000	-	19,000
General Fund Cost Allocation Plan	-	-	(39,434)	39,434
Information Technology Allocated Charges	-	3,042	-	3,042
Liability Insurance Allocated Charges	-	3,489	-	3,489
Printing & Mailing Services Allocated Charges	-	1,400	-	1,400
Workers' Compensation Allocated Charges	-	4,986	-	4,986
Adjustments to Costs of Ongoing Activities	-	67,335	(39,434)	106,769
Total FY 2023 Base Budget	5.00	1,394,793	675,507	719,286
Budget Adjustments				
1. Augment Staff Training and Development	-	4,500	-	4,500
2. Code Codification and Legal Notices Contracts	-	25,000	-	25,000
Total Budget Adjustments	-	29,500	-	29,500
Total FY 2023 Proposed Budget	5.00	1,424,293	675,507	748,786

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Staff Training and Development	-	4,500	-	4,500

This action increases the appropriation for staff training and development and related expenses. Due to high staff turnover, the need for additional training and continuing education is required for staff. The additional funding will allow staff to attend virtual and offsite training classes in topics such as the Brown Act, Public Records Act, and record management policies. The training is a necessary component of understanding and implementing those rules, regulations, and best practices. (Ongoing costs: \$6,500, 2-year limited term)

Performance Results



This action will allow the City to train a high-quality workforce.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
2. Code Codification and Legal Notices Contracts	-	25,000	-	25,000

This action increases the appropriation for contract services for Municipal Code Codification and legal noticing. Staff is in the process of procuring new contracts for both processes to ensure compliance with legal noticing of public hearings and codification of City Council adopted ordinances into the city's municipal code. The additional funding reflects an estimated cost of executing new agreements and final costs are pending completion of the purchasing process. (Ongoing costs: \$25,000)

Performance Results



This action will ensure that the City maintains legal compliance.



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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
City Council Operations	\$324,871	\$334,008	\$432,766	\$439,640	\$6,874	1.6%
Total	\$324,871	\$334,008	\$432,766	\$439,640	\$6,874	1.6%
Salary & Benefits						
Healthcare	\$59,324	\$80,479	\$113,805	\$90,868	\$(22,937)	(20.2)%
Other Benefits	\$7,947	\$8,342	\$6,069	\$4,560	\$(1,509)	(24.9)%
Pension	\$21,020	\$25,762	\$40,595	\$41,969	\$1,374	3.4%
Retiree Medical	\$50,631	\$48,601	\$49,396	\$65,082	\$15,686	31.8%
Salary	\$84,334	\$72,656	\$84,000	\$84,000	—	—%
Workers' Compensation	\$7,066	\$6,398	\$6,579	\$5,857	\$(722)	(11.0)%
Total Salary and Benefits	\$230,322	\$242,238	\$300,444	\$292,336	\$(8,107)	(2.7)%
Dollars by Category						
Allocated Charges	\$18,737	\$14,435	\$15,392	\$16,378	\$986	6.4%
Contract Services	\$49,214	\$74,528	\$108,000	\$108,000	—	—%
General Expense	\$25,485	\$1,227	\$6,000	\$19,995	\$13,995	233.3%
Supplies & Material	\$1,113	\$1,580	\$2,930	\$2,930	—	—%
Total Dollars by Expense Category	\$324,871	\$334,008	\$432,766	\$439,640	\$6,874	1.6%
Revenues						
Charges to Other Funds	\$111,210	\$109,897	\$218,670	\$190,709	\$(27,961)	(12.8)%
Total Revenues	\$111,210	\$109,897	\$218,670	\$190,709	\$(27,961)	(12.8)%
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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 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	432,766	218,669	214,097
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	(7,386)		(7,386)
General Fund Cost Allocation Plan	-		(27,960)	27,960
Information Technology Allocated Charges	-	797		797
Liability Insurance Allocated Charges	-	190		190
Workers' Compensation Allocated Charges	-	(722)		(722)
Adjustments to Costs of Ongoing Activities	-	(7,121)	(27,960)	20,839
Total FY 2023 Base Budget	7.00	425,645	190,709	234,936
Budget Adjustments				
1. In-Person Council Meeting Expense	-	13,995	-	13,995
Total Budget Adjustments	-	13,995	-	13,995
Total FY 2023 Proposed Budget	7.00	439,640	190,709	248,931

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. In-Person Council Meeting Expense	0.00	13,995	-	13,995

This action restores the funding for operational expenses related to in-person Council meetings which were reduced in FY 2021 due to pandemic-related budget reductions, and meetings held virtually. (Ongoing cost: \$13,995)

Performance Results



This will provide necessary resources to return to full in-person Council meetings.



CITY OF
**PALO
ALTO**

CITY MANAGER

Mission Statement

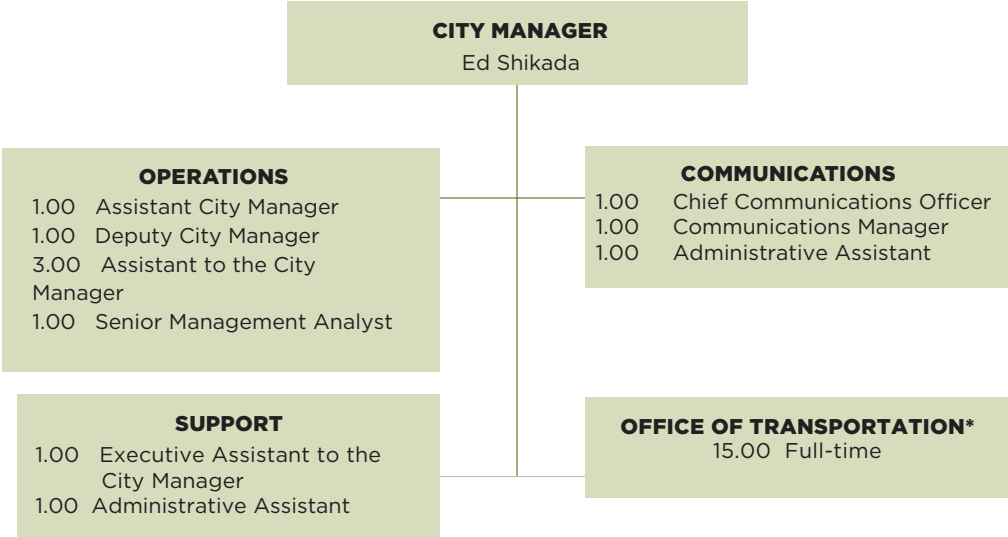


The City Manager's Office provides leadership and professional management to the City government organization and works with the City Council to develop and implement policies to maintain and enhance Palo Alto's quality of life.

Purpose

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

CITY MANAGER



FY 2023 POSITION TOTALS
27.00 - 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's 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.

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. The City Manager assigns staff to these organizations, accordingly. 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.

Goals and Objectives

Goal 1

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

OBJECTIVES:

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

Goal 2

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

OBJECTIVES:

- Provide data and analytics to support informed decision-making processes.
- Improve the efficiency of the City's infrastructure, facilities, and equipment to support environmental and fiscal sustainability.

- Facilitate a high level of citizen satisfaction with City services.

Goal 3

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

OBJECTIVES:

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

Goal 4

Promote and sustain citizen participation and engagement in public matters.

OBJECTIVES:

- Engage public and private partners to advance community initiatives.
- Expand outreach efforts and communications platforms to broaden 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of surveyed who rated the Overall Image/Reputation of the City as "Good" or "Excellent"	77%	N/A*	N/A*	N/A*	73%
Percent of surveyed who rated the Quality of City Services as "Good" or "Excellent"	73%	N/A*	N/A*	N/A*	53%
Percent of surveyed who rated the Value of Services for the Taxes Paid as "Good" or "Excellent"	53%	N/A*	N/A*	N/A*	77%

Key Performance Measures

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	* The National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of subscribers to City Manager's online newsletter	N/A**	6,900	N/A***	6,700	6,759
Number of unique visitors to the City of Palo Alto website	884,455	851,469	884,455	975,775	899,039
Percent of surveyed engaged in community issues by attending a local public meeting	26%	N/A*	N/A*	N/A*	26%
Percent of surveyed rating the City's public info services (non-Police) as "Good" or "Excellent"	51%	N/A*	N/A*	N/A*	51%
Percent of surveyed who rated the City's website as "Good" or "Excellent"	55%	N/A*	N/A*	N/A*	55%
Description	The City participates in the National Citizen Survey (NCS), which asks residents to rate their perception of local government media services. The NCS is a collaborative effort between National Research Center, Inc., and the International City/County Management Association. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinion about the quality of life in the community. The City tracks additional performance measures that indicate the volume of traffic to our communications resources (website) and the volume of people receiving our newsletter.				
Purpose	Robust levels of community awareness and participation demand communication systems that are timely, accurate, meaningful, and readily accessible.				

Key Performance Measures

Status

* The National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.

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 routine communications to citizens and the community 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 (now Uplift Local) 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Absolute value of sales tax revenue	\$30,600,000	\$29,100,000	\$28,200,000	\$31,500,000	32,600,000
Percent of surveyed who rated Employment Opportunities as "Good" or "Excellent"	47%	N/A*	N/A*	N/A*	47%
Percent of surveyed who rated Shopping Opportunities as "Good" or "Excellent"	77%	N/A*	N/A*	N/A*	77%
Percent of surveyed who rated Vibrant Downtown and Commercial Areas as "Good" or "Excellent"	72%	N/A*	N/A*	N/A*	72%
Year-over-year percentage increase in sales tax revenue	(16.16)%	(4.90)%	(3.09)%	11.70%	3.49%

Key Performance Measures

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 NCS is a collaborative effort between the National Research Center, Inc., and the International City/County Management Association. The NCS is an annual survey of approximately 500 jurisdictions in the United States whose residents evaluate local government services and give their opinion about the quality of life in the community. The City also looks to performance measures such as sales tax revenue and the year-over-year change as indicators of the strength of the local economy and its connection to the City and the services funded by sales 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 National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of City Council and City Council Committee meetings	75	93	81	83	82
Total Hours of City Council and City Council Committee meetings	295	443	277	336	338

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration and City Management	\$2,924,441	\$3,007,537	\$3,070,486	\$3,785,092	\$714,606	23.3%
Economic Development	\$343,340	\$234,614	\$25,195	\$25,198	\$3	0.0%
Public Communication	\$284,731	\$128,925	\$223,398	\$242,170	\$18,772	8.4%
Sustainability	\$793,618	\$3,484	—	—	—	—%
Total	\$4,346,129	\$3,374,559	\$3,319,079	\$4,052,460	\$733,381	22.1%
Salary & Benefits						
Healthcare	\$155,926	\$126,490	\$223,649	\$280,480	\$56,832	25.4%
Other Benefits	\$84,210	\$73,811	\$72,261	\$85,308	\$13,047	18.1%
Overtime	—	\$606	—	—	—	—%
Pension	\$581,466	\$550,314	\$689,335	\$767,817	\$78,482	11.4%
Retiree Medical	\$130,574	\$115,708	\$126,420	\$160,348	\$33,928	26.8%
Salary	\$1,698,435	\$1,631,049	\$1,624,980	\$2,119,245	\$494,265	30.4%
Workers' Compensation	\$93,051	\$77,996	\$86,217	\$72,884	\$(13,333)	(15.5)%
Total Salary and Benefits	\$2,743,662	\$2,575,974	\$2,822,861	\$3,486,082	\$663,221	23.5%
Dollars by Category						
Allocated Charges	\$254,282	\$162,770	\$167,850	\$175,110	\$7,260	4.3%
Contract Services	\$870,546	\$322,729	\$290,185	\$350,085	\$59,900	20.6%
General Expense	\$470,755	\$309,925	\$31,391	\$34,391	\$3,000	9.6%
Rents & Leases	\$45	\$41	\$154	\$154	—	—%
Supplies & Material	\$6,839	\$3,120	\$6,639	\$6,639	—	—%
Total Dollars by Expense Category	\$4,346,129	\$3,374,559	\$3,319,079	\$4,052,460	\$733,381	22.1%
Revenues						
Charges to Other Funds	\$1,073,382	\$1,070,065	\$1,556,076	\$1,313,273	\$(242,803)	(15.6)%
From Other Agencies	\$589,194	—	—	—	—	—%
Other Revenue	—	\$33,635	—	—	—	—%
Total Revenues	\$1,662,575	\$1,103,701	\$1,556,076	\$1,313,273	\$(242,803)	(15.6)%
Positions by Division						
Administration and City Management	9.10	9.10	8.10	11.10	3.00	37.0%
Public Communication	0.90	0.90	0.90	0.90	—	—%
Sustainability	0.75	—	—	—	—	—%
Total	10.75	10.00	9.00	12.00	3.00	33.3%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Administrative Assistant	2.00	2.00	2.00	2.00	—	\$171,662
Assistant City Manager	1.00	1.00	1.00	1.00	—	\$220,459
Assistant to the City Manager*	2.00	2.00	1.00	3.00	2.00	\$412,152
Chief Communications Officer	1.00	1.00	1.00	1.00	—	\$198,390
City Manager	1.00	1.00	1.00	1.00	—	\$366,704
Deputy City Manager	1.00	1.00	1.00	1.00	—	\$196,144
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	—	\$98,322
Management Analyst	0.75	—	—	—	—	—
Manager Communications	1.00	1.00	1.00	1.00	—	\$125,008
Senior Management Analyst	—	—	—	1.00	1.00	\$154,586
Subtotal: Full-Time Equivalent Positions	10.75	10.00	9.00	12.00	3.00	\$1,943,427
Total Positions	10.75	10.00	9.00	12.00	3.00	\$1,943,427

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the City Manager's Office, the FY 2022 Adopted Budget was amended to add 2.00 Assistant to the City Manager positions.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	9.00	3,319,079	1,556,076	1,763,003
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		75,608	-	75,608
Preliminary Q1 FY 2022 Financial Status Update (CMR 13439)	2.00	410,271	-	410,271
General Fund Cost Allocation Plan	-		(242,803)	242,803
National Citizen's Survey	-	29,900	-	29,900
Information Technology Department Allocated Charges	-	7,185	-	7,185
Liability Insurance Allocated Charges	-	(425)	-	(425)
Printing & Mailing Allocated Charges	-	500	-	500
Workers' Compensation Allocated Charges	-	(13,333)	-	(13,333)
Adjustments to Costs of Ongoing Activities	2.00	509,706	(242,803)	752,509
Total FY 2023 Base Budget	11.00	3,828,785	1,313,273	2,515,512
Budget Adjustments				
1. Neighbors Abroad Contract	-	30,000	-	30,000
2. Equity and Inclusion Official	1.00	193,675	-	193,675
Total Budget Adjustments	1.00	223,675	-	223,675
Total FY 2023 Proposed Budget	12.00	4,052,460	1,313,273	2,739,187

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Neighbors Abroad Contract	-	30,000	-	30,000

This action appropriates \$30,000 in funding to continue support of Neighbors Abroad, a Palo Alto based non-profit that works to foster a sense of connectedness with the City's eight international Sister Cities and a first-of-its-kind domestic Sibling City relationship with Bloomington, Indiana. Neighbors Abroad works with residents of Palo Alto and surrounding communities to promote connections and celebrate differences through a robust offering of year-round programs. The focus of Neighbors Abroad is on exchange programs, cultural enrichment, sustainability initiatives, and commerce. This \$30,000 reflects a contribution of the City to support Neighbors Abroad and help fund initiatives and overhead necessary for the programming of the group. (Ongoing costs: \$30,000, 2-year limited term).

Performance Results



This action will allow the City to maintain its high quality and diverse programs offerings to keeps residents engaged in the community and abroad.

2. Equity and Inclusion Official	1.00	193,675	-	193,675

This action adds 1.00 Senior Management Analyst to serve as the City's Equity and Inclusion Official. This position will help normalize, organize, and operationalize equity in and through City Services. The official will provide leadership, advice, and consultation to City departments on equity and inclusion principles and practices; provide strategic technical guidance and policy direction of the City's diversity, equity, and inclusion efforts; and, coordinate high-level citywide outreach and engagement strategies, actions, events, and communications. (Ongoing costs: \$199,345)

Performance Results



The Equity and Inclusion Official will serve an important role in helping the City continue its progress towards equity and inclusion.

OFFICE OF TRANSPORTATION

Mission Statement

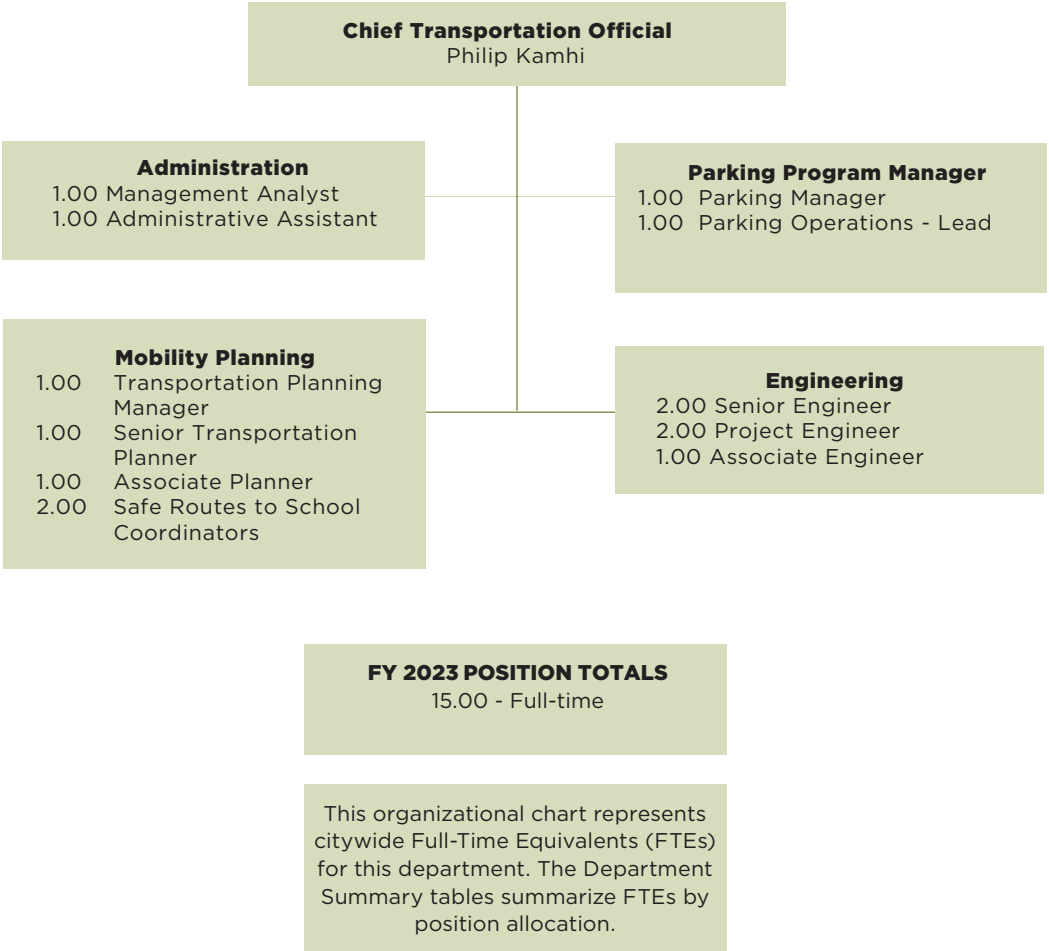


The Office of Transportation's mission is to preserve and enhance the quality of life for Palo Alto residents, visitors, and businesses by providing efficient and cost-effective transportation services for all modes of transportation.

Purpose

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) and provides transportation-focused development review services.

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. The Palo Alto Free Shuttle Program was discontinued due to the impacts from the ongoing COVID-19 pandemic and resulting financial and health-order constraints. Staff are preparing to launch an on-demand transit service with \$2.0 million in grant funds from VTA to pursue innovative opportunities.

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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of surveyed residents rating the amount of parking as good or excellent	57%	N/A*	N/A*	N/A*	38%
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	* The National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent surveyed residents rating the traffic flow on major streets as good or excellent	48%	N/A*	N/A*	N/A*	30%
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.				
Purpose	To obtain feedback from residents on the traffic flow on major streets to determine the perceived functionality of major streets.				
Status	* The National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

Key Performance Measures

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of Shuttle Riders	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	The Palo Alto Free Shuttle Program was discontinued in FY 2021 due to citywide financial reductions. Since the discontinuation of this service, the Office of Transportation has been awarded a \$2.0 million Innovative Transit grant from the Santa Clara Valley Transportation Authority to begin a new on-demand micro-transit service in Palo Alto. Service is tentatively scheduled to begin in the Fall/Winter 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of transportation inquiries to 311	279	125	195	170	200
Number of households in RPP district	8,816	8,816	8,816	8,816	8,816
Number of students reached through educational programs with Safe Routes to School	1,947	5,109	5,209	6,825	6,825
Number of development projects reviewed	156	308	300	160	185
Number of traffic signals maintained	101	101	101	101	101

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration	\$546,829	\$655,038	\$660,887	\$667,465	\$6,578	1.0%
Engineering and Planning	\$604,794	\$624,785	\$618,138	\$563,936	\$(54,201)	(8.8)%
Programs	\$900,441	\$656,016	\$468,065	\$479,298	\$11,233	2.4%
Total	\$2,052,064	\$1,935,840	\$1,747,089	\$1,710,700	\$(36,389)	(2.1)%
Salary & Benefits						
Healthcare	\$68,462	\$90,657	\$81,839	\$101,780	\$19,941	24.4%
Other Benefits	\$20,569	\$26,017	\$28,610	\$29,544	\$934	3.3%
Overtime	\$1,439	—	\$7,998	\$8,238	\$240	3.0%
Pension	\$264,762	\$340,779	\$334,724	\$316,393	\$(18,331)	(5.5)%
Retiree Medical	\$77,220	\$78,098	\$89,159	\$75,337	\$(13,822)	(15.5)%
Salary	\$662,149	\$832,683	\$721,229	\$741,805	\$20,575	2.9%
Workers' Compensation	\$24,355	\$28,398	\$32,800	\$37,378	\$4,578	14.0%
Total Salary and Benefits	\$1,118,955	\$1,396,632	\$1,296,359	\$1,310,474	\$14,115	1.1%
Dollars by Category						
Allocated Charges	\$152,710	\$177,833	\$204,334	\$88,051	\$(116,283)	(56.9)%
Contract Services	\$558,029	\$165,942	\$41,800	\$101,800	\$60,000	143.5%
Facilities & Equipment	\$945	\$3,705	\$5,000	\$5,000	—	—%
General Expense	\$218,077	\$188,904	\$189,346	\$195,125	\$5,779	3.1%
Supplies & Material	\$3,347	\$2,825	\$10,250	\$10,250	—	—%
Total Dollars by Expense Category	\$2,052,064	\$1,935,840	\$1,747,089	\$1,710,700	\$(36,389)	(2.1)%
Revenues						
Operating Transfers-In	\$128,000	\$128,000	\$128,000	\$128,000	—	—%
Other Revenue	\$12,000	\$9,028	\$60,000	\$60,000	—	—%
Permits and Licenses	\$37,919	\$2,420	\$13,332	\$13,332	—	—%
Total Revenues	\$177,919	\$139,448	\$201,332	\$201,332	—	—%
Positions by Division						
Administration	2.18	2.33	1.75	1.75	—	—%
Engineering and Planning	1.70	1.70	1.90	1.90	—	—%
Programs	2.80	2.80	1.55	1.55	—	—%
Total	6.68	6.83	5.20	5.20	—	—%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Administrative Assistant	0.50	0.50	0.60	0.60	—	\$52,416
Associate Engineer	0.30	0.30	0.35	0.35	—	\$43,658
Associate Planner	0.30	0.45	0.40	0.40	—	\$43,613
Chief Transportation Official	0.70	0.70	0.70	0.70	—	\$136,995
Coordinator Transportation Systems Management	1.25	1.25	0.65	0.65	—	\$72,440
Management Analyst	0.50	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	0.25	—	\$37,804
Senior Engineer*	0.20	0.20	0.20	0.55	0.35	\$90,814
Senior Planner	0.50	0.50	0.15	0.15	—	\$20,193
Traffic Engineering-Lead*	0.35	0.35	0.35	—	(0.35)	—
Transportation Planning Manager	1.15	1.15	1.00	1.00	—	\$161,668
Subtotal: Full-Time Equivalent Positions	6.20	6.35	5.20	5.20	—	\$721,573
Temporary/Hourly	0.48	0.48	—	—	—	—
Total Positions	6.68	6.83	5.20	5.20	—	\$721,573

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Office of Transportation, the FY 2022 Adopted Budget was amended to add 0.35 FTE Senior Engineer and reduce 0.35 FTE Traffic Engineering-Lead.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	5.20	1,747,089	201,332	1,545,757
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	14,466	-	14,466
Safe Routes to School Outreach Contract Services (CMR 13644)	-	60,000	-	60,000
Agency Memberships - National Association of City Transportation Officials (NACTO) and VTA Congestion Management Program (CMP)	-	5,429	-	5,429
Information Technology Allocated Charges	-	(1,535)	-	(1,535)
Liability Insurance Allocated Charges	-	(10,029)	-	(10,029)
Printing & Mailing Services Allocated Charges	-	100	-	100
Utilities Allocated Charges	-	(104,820)	-	(104,820)
Adjustments to Costs of Ongoing Activities	-	(36,390)	-	(36,390)
Total FY 2023 Base Budget	5.20	1,710,699	201,332	1,509,367
Budget Adjustments				
None	-	-	-	-
Total Budget Adjustments	-	-	-	-
Total FY 2023 Proposed Budget	5.20	1,710,699	201,332	1,509,367



CITY OF
**PALO
ALTO**

ADMINISTRATIVE SERVICES

Mission Statement

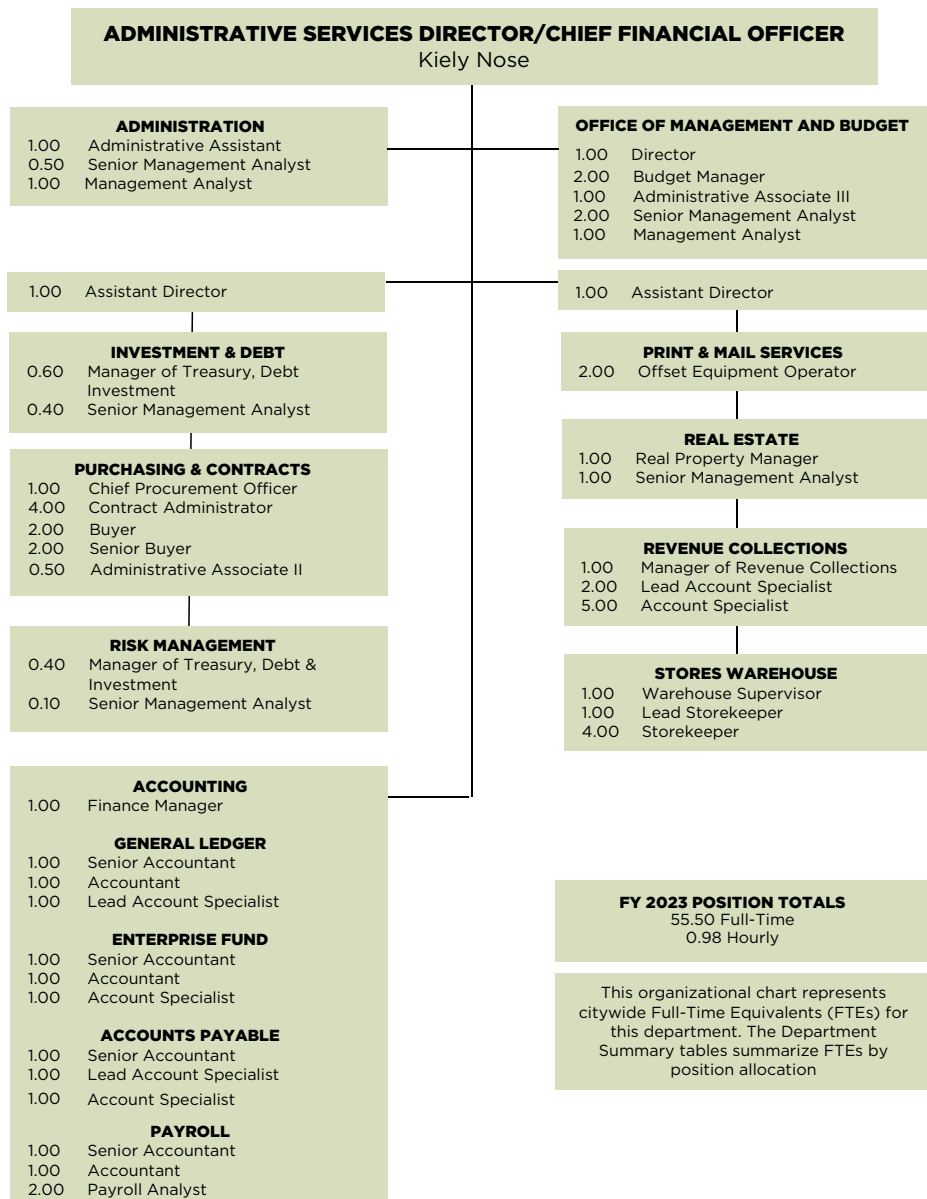


The Administrative Services Department strives to provide proactive financial and analytical support to City departments and decision-makers, and to safeguard and facilitate the optimal use of City resources.

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.

ADMINISTRATIVE SERVICES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Fund						
General Fund-Operating	\$8,281,244	\$7,618,435	\$8,923,130	\$9,670,132	\$747,002	8.4%
Printing & Mailing Services Fund	\$1,551,756	\$1,217,034	\$1,471,409	\$1,465,740	\$(5,668)	(0.4)%
Total	\$9,833,000	\$8,835,468	\$10,394,539	\$11,135,873	\$741,334	7.1%
Revenues						
Charges for Services	\$57,792	\$36,063	\$162,070	\$247,007	\$84,937	52.4%
Charges to Other Funds	\$3,912,994	\$3,730,067	\$5,465,885	\$5,546,563	\$80,678	1.5%
Other Revenue	\$147,906	\$145,158	\$171,400	\$171,400	\$0	—%
Return on Investments	\$(3,801)	\$(2,197)	—	\$100	\$100	—%
Sales Taxes	—	—	\$150,000	\$150,000	\$0	—%
Total	\$4,114,891	\$3,909,091	\$5,949,355	\$6,115,070	\$165,715	2.8%
Positions by Fund						
General Fund-Operating	40.61	41.61	38.13	40.13	2.00	5.2%
Printing & Mailing Services Fund	2.10	2.10	2.10	2.10	—	—%
Total	42.71	43.71	40.23	42.23	2.00	5.0%

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Annual percentage yield on investments	2.22%	1.72%	1.63%	1.70%	1.80%
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 rising interest rate environment, the City's adopted goal of 1.63% is being revised upward. In comparison, the State Investment Pool average yield for the first half of FY 2022 is 0.21%.				

Key Performance Measures

AVERAGE PROCESSING TIME FOR PURCHASE REQUISITIONS

Goal	Implement performance management programs to support and enhance communication, accountability, and positive outcomes.				
Objective	Continue developing and implementing Procurement and Inventory process improvements.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Average time from receipt of a Purchase Requisition to issuance of Purchase Order (Days)	25	26	24	25	25
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. The average days is for all procurements request submitted to Purchasing through a Purchase Requisition. All requests include solicitations, contracts, purchase orders, amendments, and encumbrances to current contracts. There are requests that take a longer time to complete due to the complexity. There are other requests that take a shorter time to complete. Examples of these type of request are to encumber funds to existing contracts and term extension amendments.				
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	Staff anticipates an increase in larger, more complex PRs in FY 2023 due to the volume of capital improvement projects planned over the next several years that may result in increased cycle times. Over the next year, the Purchasing Division will continue to work with City stakeholders to meet business needs in a timely manner and continue work to redesign the City's procurement process, policies and procedures to create efficiencies. Staff also plans to issue a request for proposals for an e-procurement solution that will assist with workflow processes.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of P-card (City credit card) transactions	15,916	12,185	12,360	11,430	13,400
Number of Purchase Orders and Purchase Requisitions processed	1,350	1,230	1,500	1,500	1,500
Total amount of cash and investments - as of June 30 (Millions)	\$528	\$585	\$545	\$570	\$562

ADMINISTRATIVE SERVICES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Accounting	\$2,604,543	\$2,296,582	\$2,688,144	\$2,798,053	\$109,909	4.1%
Administration	\$932,284	\$527,064	\$448,204	\$505,759	\$57,555	12.8%
Office of Management and Budget	\$1,123,082	\$1,291,641	\$1,542,844	\$1,613,709	\$70,864	4.6%
Purchasing	\$1,553,555	\$1,444,845	\$1,657,768	\$2,005,663	\$347,895	21.0%
Real Estate	\$517,840	\$578,168	\$710,340	\$751,986	\$41,646	5.9%
Treasury	\$1,549,940	\$1,480,135	\$1,875,829	\$1,994,963	\$119,134	6.4%
Total	\$8,281,244	\$7,618,435	\$8,923,130	\$9,670,132	\$747,002	8.4%
Salary & Benefits						
Healthcare	\$609,818	\$617,795	\$804,809	\$917,303	\$112,494	14.0%
Other Benefits	\$145,436	\$150,493	\$188,780	\$193,310	\$4,530	2.4%
Overtime	\$61,796	\$21,804	\$37,369	\$38,489	\$1,120	3.0%
Pension	\$1,550,317	\$1,534,584	\$1,835,426	\$1,989,724	\$154,298	8.4%
Retiree Medical	\$487,653	\$465,417	\$473,027	\$555,557	\$82,530	17.4%
Salary	\$3,975,820	\$3,896,744	\$4,362,141	\$4,644,896	\$282,755	6.5%
Workers' Compensation	\$229,290	\$206,001	\$211,826	\$222,810	\$10,984	5.2%
Total Salary and Benefits	\$7,060,131	\$6,892,837	\$7,913,379	\$8,562,089	\$648,710	8.2%
Dollars by Category						
Allocated Charges	\$515,462	\$328,993	\$430,529	\$490,370	\$59,842	13.9%
Contract Services	\$558,819	\$303,343	\$347,748	\$385,198	\$37,450	10.8%
Facilities & Equipment	—	—	\$4,200	\$4,200	—	—%
General Expense	\$111,872	\$77,912	\$180,521	\$181,521	\$1,000	0.6%
Rents & Leases	\$11,589	—	\$12,856	\$12,856	—	—%
Supplies & Material	\$23,371	\$15,350	\$33,898	\$33,898	—	—%
Total Dollars by Expense Category	\$8,281,244	\$7,618,435	\$8,923,130	\$9,670,132	\$747,002	8.4%
Revenues						
Charges for Services	\$57,792	\$36,063	\$162,070	\$247,007	\$84,937	52.4%
Charges to Other Funds	\$2,320,811	\$2,416,304	\$3,915,885	\$3,966,663	\$50,779	1.3%
Other Revenue	\$147,906	\$145,158	\$171,400	\$171,400	—	—%
Sales Taxes	—	—	\$150,000	\$150,000	—	—%
Total Revenues	\$2,526,509	\$2,597,526	\$4,399,355	\$4,535,070	\$135,716	3.1%
Positions by Division						
Accounting	13.52	13.52	12.52	12.52	—	—%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Administration	1.60	1.60	1.60	1.60	—	—%
Office of Management and Budget	6.02	7.02	6.02	6.02	—	—%
Purchasing	9.05	9.05	8.55	10.55	2.00	23.4%
Real Estate	2.32	2.32	2.32	2.32	—	—%
Treasury	8.10	8.10	7.12	7.12	—	—%
Total	40.61	41.61	38.13	40.13	2.00	5.2%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Account Specialist	4.63	4.63	4.13	4.13	—	\$323,257
Account Specialist-Lead	3.45	3.45	3.45	3.45	—	\$289,121
Accountant	3.00	3.00	2.00	2.00	—	\$211,869
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$79,830
Administrative Associate II	1.00	1.00	0.50	0.50	—	\$39,198
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	—	\$336,779
Buyer	1.00	1.00	2.00	2.00	—	\$208,832
Chief Procurement Officer	1.00	1.00	1.00	1.00	—	\$133,203
Contracts Administrator	2.70	2.70	1.70	2.70	1.00	\$305,193
Director Administrative Services/CFO	0.80	0.80	0.80	0.80	—	\$195,220
Director Office of Management and Budget	1.00	1.00	1.00	1.00	—	\$144,373
Management Analyst	2.00	2.00	2.00	2.00	—	\$222,394
Manager Budget	2.00	2.00	2.00	2.00	—	\$341,245
Manager Real Property	1.00	1.00	1.00	1.00	—	\$163,946
Manager Revenue Collections	0.62	0.62	0.62	0.62	—	\$99,738
Manager Treasury, Debt & Investments	0.60	0.60	0.60	0.60	—	\$95,821
Manager, Finance	1.00	1.00	1.00	1.00	—	\$159,994
Payroll Analyst	2.00	2.00	2.00	2.00	—	\$186,659

ADMINISTRATIVE SERVICES

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Performance Auditor II	—	1.00	—	—	—	—
Senior Accountant	3.00	3.00	3.00	3.00	—	\$368,306
Senior Buyer	1.00	1.00	1.00	1.00	—	\$109,637
Senior Management Analyst	2.30	2.30	2.30	2.30	—	\$268,572
Storekeeper	1.00	1.00	1.00	2.00	1.00	\$158,995
Storekeeper-Lead	0.20	0.20	0.20	0.20	—	\$17,019
Warehouse Supervisor	0.20	0.20	0.20	0.20	—	\$21,308
Subtotal: Full-Time Equivalent Positions	39.15	40.15	37.15	39.15	2.00	\$4,564,539
Temporary/Hourly	1.46	1.46	0.98	0.98	—	\$71,943
Total Positions	40.61	41.61	38.13	40.13	2.00	\$4,636,482

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	38.13	8,923,130	4,399,355	4,523,775
One-Time Prior Year Budget Adjustments				
Business Registry Fee Waiver	-	-	81,864	(81,864)
One-Time Prior Year Budget Adjustments	-	-	81,864	(81,864)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	350,447	-	350,447
Business Registry Fee	-	-	3,073	(3,073)
GASB 75 Annual Reporting	-	4,500	-	4,500
SB90 Compliance and Reporting	-	7,950	-	7,950
Grant Support	-	25,000	-	25,000
General Fund Cost Allocation Plan	-	-	50,779	(50,779)
Information Technology Allocated Charges	-	6,661	-	6,661
Printing & Mailing Services Allocated Charges	-	1,300	-	1,300
Vehicle Replacement & Maintenance Allocated Charges	-	16,606	-	16,606
Workers' Compensation Allocated Charges	-	35,275	-	35,275
Adjustments to Costs of Ongoing Activities	0.00	447,739	53,852	393,887
Total FY 2023 Base Budget	38.13	9,370,869	4,535,071	4,835,798
Budget Adjustments				
1. Purchasing Staffing (Limited Term)	1.00	115,026	-	115,026
2. Warehouse Staffing	1.00	109,237	-	109,237
3. Electronic Procurement Software	-	50,000	-	50,000
4. Grant Support Consultant Services	-	25,000	-	25,000
Total Budget Adjustments	2.00	299,263	-	299,263
Total FY 2023 Proposed Budget	40.13	9,670,132	4,535,070	5,135,061

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Purchasing Staffing (Limited Term)	1.00	115,026	-	115,026

This action adds 1.00 limited-term Contract Administrator position in the Purchasing Division to assist in the transition to a more comprehensive electronic procurement software solution. This position will serve as an additional temporary resource during the setup and implementation of the system to ensure that the City's internal procurement needs continue to be met in a timely manner. Additional information on the e-procurement software system is included in this document in a separate budget proposal. (Ongoing net cost: \$116,734, 2-yr limited term)

Performance Results



This action will ensure sufficient staffing levels to meet business needs during the transition to a new procurement system.

2. Warehouse Staffing	1.00	109,237	-	109,237

This action adds 1.00 Storekeeper position at the City warehouse to ensure adequate staffing levels and meet safety standards. This position was eliminated in the prior year and recommended for restoration to ensure a minimum of two staff on premise to assist with heavy lifting, equipment safety, and backfill for leave time. With this addition, staffing levels will increase from 4.0 to 5.0 Storekeepers (currently three in Warehouse and one in Wastewater Treatment). (Ongoing cost: \$116,232)

Performance Results



This action will ensure sufficient staffing levels to maintain safety standards.

3. Electronic Procurement Software	0.00	50,000	-	50,000

This action adds funding for the procurement of a new electronic procurement software to facilitate the integration of bid solicitation, contract management, and workflow tracking throughout the process into a single platform to enhance the City's procurement capabilities. This proposal augments other work underway throughout the organization to redesign the purchasing function in the City, including the addition of limited-term Contract Administrator position and the use of a consultant to help refine the City's purchasing process. The budgetary appropriations to support this action provide the marginal costs necessary beyond the costs of the City's existing system which only provides a platform for bid solicitation. (Ongoing cost: \$10,000, 2-yr limited term)

Performance Results



The use of a single integrated platform will facilitate a more streamlined purchasing process for external partners and internal stakeholders.

4. Grant Support Consultant Services	0.00	25,000	-	25,000

This action adds consultancy funding to standardize and enhance the City's process for identifying, applying, tracking, and reporting on grants. In FY 2022, one-time funding was allocated for this purpose; it is anticipated that some funds may remain available at the end of FY 2022 for use in FY 2023, therefore year one of this ongoing action is pro-rated). This action will position the City to seek grant dollars for eligible uses in order to enhance service delivery and increase service levels to the community. (Ongoing cost: \$60,000)

Performance Results



This will improve the City's ability to be awarded grant funding and adhere to corresponding reporting requirements.

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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Printing and Mailing	\$1,551,756	\$1,217,034	\$1,471,409	\$1,465,740	\$(5,668)	(0.4)%
Total	\$1,551,756	\$1,217,034	\$1,471,409	\$1,465,740	\$(5,668)	(0.4)%
Salary & Benefits						
Healthcare	\$19,507	\$14,313	\$51,594	\$41,902	\$(9,692)	(18.8)%
Other Benefits	\$3,682	\$3,244	\$4,114	\$4,045	\$(69)	(1.7)%
Overtime	\$638	\$604	—	—	—	—%
Pension	\$46,018	\$19,069	\$41,883	\$48,377	\$6,494	15.5%
Retiree Medical	\$15,103	\$14,004	\$14,233	\$2,819	\$(11,413)	(80.2)%
Salary	\$159,733	\$92,507	\$136,507	\$140,028	\$3,522	2.6%
Workers' Compensation	\$7,175	\$6,466	\$6,648	\$6,732	\$83	1.3%
Total Salary and Benefits	\$251,857	\$150,206	\$254,978	\$243,903	\$(11,075)	(4.3)%
Dollars by Category						
Allocated Charges	\$358,659	\$345,082	\$275,431	\$277,237	\$1,807	0.7%
Contract Services	\$29,504	\$15,820	\$60,000	\$60,000	—	—%
General Expense	\$242,972	\$220,259	\$301,600	\$301,600	—	—%
Operating Transfers-Out	\$13,774	—	\$400	—	\$(400)	(100.0)%
Rents & Leases	\$544,136	\$383,092	\$404,000	\$408,000	\$4,000	1.0%
Supplies & Material	\$110,854	\$102,574	\$175,000	\$175,000	—	—%
Total Dollars by Expense Category	\$1,551,756	\$1,217,034	\$1,471,409	\$1,465,740	\$(5,668)	(0.4)%
Revenues						
Charges to Other Funds	\$1,592,183	\$1,313,762	\$1,550,000	\$1,579,900	\$29,900	1.9%
Return on Investments	\$(3,801)	\$(2,197)	—	\$100	\$100	—%
Total Revenues	\$1,588,382	\$1,311,566	\$1,550,000	\$1,580,000	\$30,000	1.9%
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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Manager Revenue Collections	0.10	0.10	0.10	0.10	—	\$16,087
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	—	\$121,937
Temporary/Hourly	0.48	0.48	0.48	0.48	—	\$27,256
Total Positions	2.10	2.10	2.10	2.10	—	\$149,193

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	2.10	1,471,409	1,550,000	(78,591)
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	(11,075)	-	(11,075)
Capital Improvement Funding	-	(400)	-	(400)
Return on Investments	-	-	100	(100)
Rents & Leases Expenditure Alignment	-	4,000	-	4,000
General Fund Cost Allocation Plan	-	1,760	-	1,760
General Liability Insurance Allocated Charges	-	957	-	957
Information Technology Allocated Charges	-	(911)	-	(911)
Printing & Mailing Services Allocated Charges	-	-	29,900	(29,900)
Adjustments to Costs of Ongoing Activities	-	(5,669)	30,000	(35,669)
Total FY 2023 Base Budget	2.10	1,465,740	1,580,000	(114,260)
Budget Adjustments				
None	-	-	-	-
Total Budget Adjustments	-	-	-	-
Total FY 2023 Proposed Budget	2.10	1,465,740	1,580,000	(114,260)

COMMUNITY SERVICES

Mission Statement



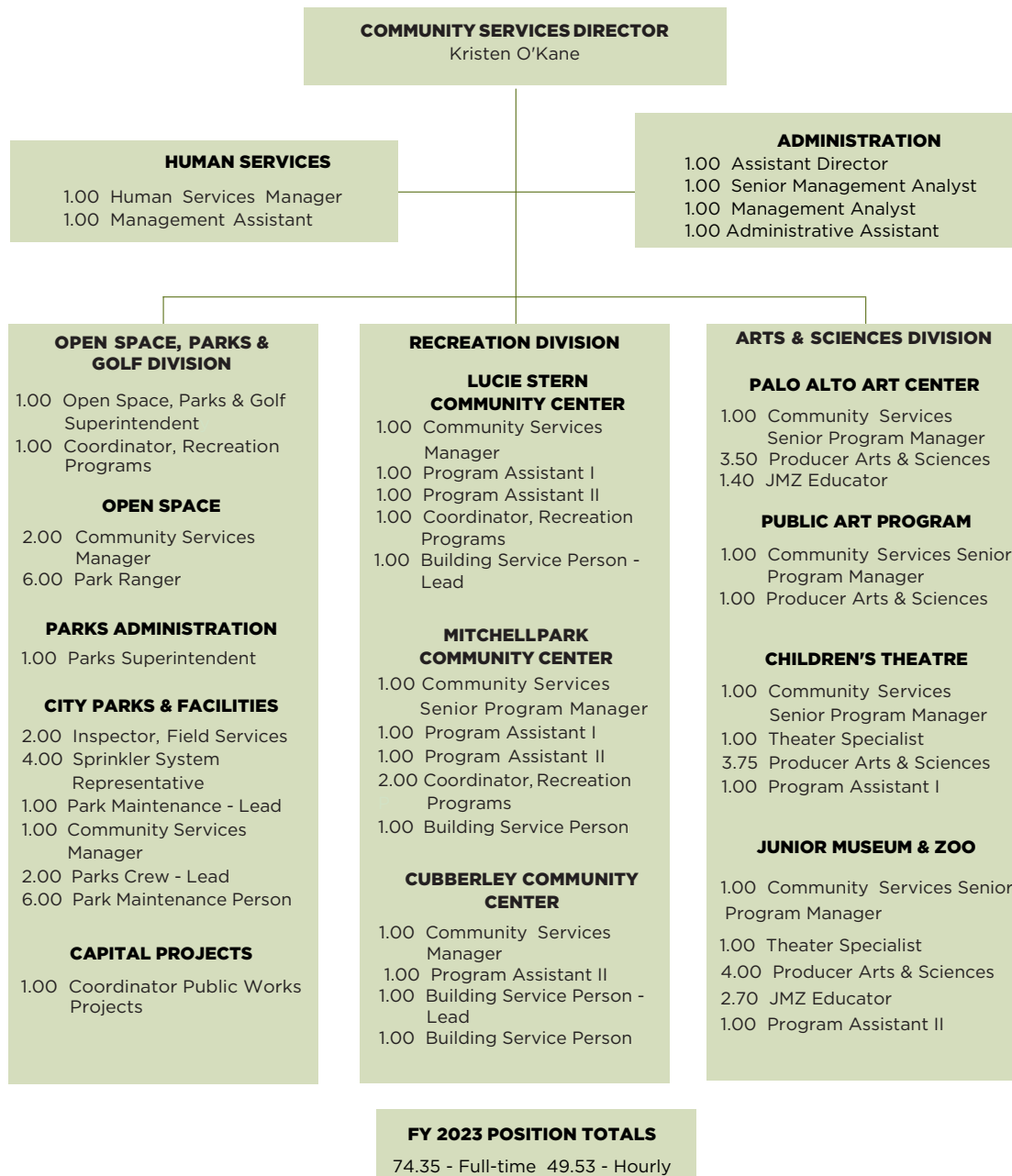
The Community Services Department's mission is to engage individuals and families in creating a strong and healthy community through parks, recreation, social services, arts, and sciences.

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. The Department works closely with the Parks and Recreation, Public Art, and Human Relations Commissions, and several nonprofit partners. Community Services provided important services during the pandemic and will continue to support community recovery by providing access to the many programs and events that the community enjoys.

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, a full-service golf complex, and junior golf programs through a partnership with First Tee Silicon Valley. 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 Meditation Program, and the Family Resources database. Serves as a key liaison to local social services organizations and child care providers.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of class registrations occurring online	81%	94%	80%	94%	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 through FY 2022 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of surveyed who rate the City's success in preserving natural areas as "Good" or "Excellent"	83%	N/A*	N/A*	N/A*	83%
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 not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

Key Performance Measures

COMMUNITY SERVICES DEPARTMENT PROGRAMS AND SERVICES

Goal	Provide high quality, relevant, and diverse services and programs to the public.				
Objective	Ensure programs are responsive to a broad range of needs within the community.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of surveyed who rate recreation programs/classes as "Good" or "Excellent"	83%	N/A*	N/A*	N/A*	83%
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 not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Total Enrollment in classes/camps in arts, sciences, recreation, and open space programs	9,118	7,001	10,000	11,500	12,000
Average Enrollment in classes/camps in arts, sciences, recreation, and open space programs	11	6	12	11	11

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration and Human Services	\$5,242,316	\$4,624,520	\$5,686,620	\$5,190,760	\$(495,859)	(8.7)%
Arts and Sciences	\$6,727,276	\$5,434,263	\$7,108,750	\$7,646,706	\$537,956	7.6%
Open Space, Parks and Golf	\$12,262,260	\$11,745,109	\$12,326,544	\$13,685,635	\$1,359,092	11.0%
Recreation and Cubberley	\$5,510,818	\$4,610,870	\$5,930,243	\$6,187,072	\$256,829	4.3%
Total	\$29,742,669	\$26,414,761	\$31,052,156	\$32,710,174	\$1,658,017	5.3%
Salary & Benefits						
Healthcare	\$1,615,225	\$1,467,820	\$1,667,671	\$1,764,333	\$96,662	5.8%
Other Benefits	\$242,784	\$257,714	\$310,631	\$298,274	\$(12,357)	(4.0)%
Overtime	\$153,407	\$48,967	\$112,774	\$116,154	\$3,380	3.0%
Pension	\$2,607,151	\$2,483,516	\$2,565,704	\$2,844,425	\$278,722	10.9%
Retiree Medical	\$937,111	\$892,942	\$907,543	\$938,505	\$30,963	3.4%
Salary	\$8,509,284	\$7,461,318	\$8,611,122	\$9,246,720	\$635,597	7.4%
Workers' Compensation	\$466,164	\$414,914	\$426,646	\$394,228	\$(32,418)	(7.6)%
Total Salary and Benefits	\$14,531,126	\$13,027,192	\$14,602,090	\$15,602,638	\$1,000,548	6.9%
Dollars by Category						
Allocated Charges	\$6,043,252	\$5,483,937	\$6,315,756	\$6,417,836	\$102,080	1.6%
Contract Services	\$7,625,863	\$6,679,116	\$8,275,815	\$8,778,161	\$502,346	6.1%
Facilities & Equipment	\$43,632	\$26,618	\$57,700	\$70,200	\$12,500	21.7%
General Expense	\$977,736	\$762,041	\$1,080,940	\$1,129,011	\$48,071	4.4%
Rents & Leases	\$11,389	\$8,561	\$12,570	\$12,570	—	—%
Supplies & Material	\$509,671	\$427,297	\$707,285	\$699,757	\$(7,528)	(1.1)%
Total Dollars by Expense Category	\$29,742,669	\$26,414,761	\$31,052,156	\$32,710,174	\$1,658,017	5.3%
Revenues						
Charges for Services	\$4,462,601	\$6,438,944	\$9,605,273	\$10,045,529	\$440,256	4.6%
Charges to Other Funds	\$197,455	\$202,581	\$230,234	\$239,674	\$9,440	4.1%
From Other Agencies	\$16,113	\$48,522	\$43,500	\$21,667	\$(21,833)	(50.2)%
Operating Transfers-In	—	—	\$50,000	—	\$(50,000)	(100.0)%
Other Revenue	\$754,990	\$816,184	\$773,086	\$816,086	\$43,000	5.6%
Other Taxes and Fines	\$3,958	\$3,330	\$1,026	\$1,026	—	—%
Rental Income	\$960,495	\$788,968	\$1,166,654	\$1,399,654	\$233,000	20.0%
Total Revenues	\$6,395,611	\$8,298,528	\$11,869,773	\$12,523,636	\$653,863	5.5%

COMMUNITY SERVICES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Positions by Division						
Administration and Human Services	10.85	6.79	5.49	5.49	—	—%
Arts and Sciences	44.75	52.98	44.64	48.41	3.77	8.4%
Open Space, Parks and Golf	30.59	29.59	29.59	30.59	1.00	3.4%
Recreation and Cubberley	42.85	41.35	34.16	35.16	1.00	2.9%
Total	129.04	130.71	113.88	119.65	5.77	5.1%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$79,830
Administrative Associate III	1.00	1.00	—	—	—	—
Assistant Director Community Services	2.00	2.00	1.00	1.00	—	\$200,179
Building Serviceperson	1.25	1.00	1.00	1.00	—	\$64,563
Building Serviceperson-Lead	0.60	0.60	0.60	0.60	—	\$41,471
Coordinator Recreation Programs	4.00	4.00	4.00	4.00	—	\$363,834
Director Community Services	1.00	1.00	1.00	1.00	—	\$229,174
Division Manager Open Space, Parks and Golf	1.00	—	—	—	—	—
Heavy Equipment Operator	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	4.10	0.85	\$333,530
Management Analyst	1.00	1.00	1.00	1.00	—	\$121,077
Management Assistant	1.00	1.00	1.00	1.00	—	\$85,488
Manager Community Services	5.00	5.00	5.00	5.00	—	\$525,803
Manager Community Services Senior Program	4.00	4.00	4.00	4.00	—	\$527,862
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	6.00	1.00	\$526,656

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	—	\$168,272
Producer Arts/Science Program	11.00	12.00	11.00	12.25	1.25	\$1,079,198
Program Assistant I	8.00	7.00	3.00	3.00	—	\$238,680
Program Assistant II	3.00	4.00	4.00	4.00	—	\$341,952
Project Manager	0.10	0.10	0.10	0.10	—	\$12,345
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$154,586
Sprinkler System Representative	4.00	4.00	4.00	4.00	—	\$314,579
Superintendent Community Services	2.00	2.00	2.00	2.00	—	\$272,813
Superintendent Recreation	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	75.37	67.02	70.12	3.10	\$6,903,948
Temporary/Hourly	53.42	55.34	46.86	49.53	2.67	\$2,589,052
Total Positions	129.04	130.71	113.88	119.65	5.77	\$9,493,000

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Community Services Department, the FY 2022 Adopted Budget was amended to add 0.75 Junior Museum & Zoo Educator.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	113.88	31,052,157	11,869,774	19,182,383
One-Time Prior Year Budget Adjustments				
Youth Community Services (YCS) Youth Connectedness Initiative (YCI)	-	(50,000)	-	(50,000)
Human Services Resource Allocation Process (HSRAP)	-	(200,000)	(50,000)	(150,000)
One-Time Prior Year Budget Adjustments	-	(250,000)	(50,000)	(200,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	584,614	-	584,614
FY 2022 Mid-Year Budget Review (CMR 13801)	0.73	328,429	130,428	198,001
Technical Staffing Correction	0.10	8,313	-	8,313
Arts Center Studios Contractor Expense Realignment	-	38,700	-	38,700
Golf Course Revenue and Expense Alignment (CMR 12343, approved by City Council on June 21, 2021)	-	169,949	258,000	(88,051)
Junior Museum and Zoo (JMZ) Alignment (CMR 11376) Year 2	-	-	233,826	(233,826)
Recreation Management System (CivicRec) Hardware Costs (FY20, 21, 22)	-	(4,920)	-	(4,920)
Human Services Contracts and Resource Allocation Program (consumer price index)	-	70,107	-	70,107
Institute of Museum and Library Services (IMLS) Grant for Interns	-	(43,500)	(43,500)	-
Pets in Need Operating Agreement Expense (CMR 9822)	-	13,796	-	13,796
Parks, Facilities and Open Space Supplies and Materials Expenses	-	2,772	-	2,772
Information Technology Allocated Charges	-	100,480	-	100,480
Landscape Maintenance Contract/Allocated Charges	-	57,591	9,440	48,151
Environmental Disposal Allocated Charges	-	507	-	507
Liability Insurance Allocated Charges	-	(94,121)	-	(94,121)
Printing & Mailing Services Allocated Charges	-	4,300	-	4,300
Refuse Sales Allocated Charges	-	30,298	-	30,298
Stormwater Management Allocated Charges	-	19,345	-	19,345
Utilities Allocated Charges	-	(99,076)	-	(99,076)
Vehicle Replacement & Maintenance Allocated Charges	-	140,293	-	140,293
Industrial Waste Discharge Fee Allocated Charges	-	54	-	54
Workers' Compensation Allocated Charges	-	(32,418)	-	(32,418)
Adjustments to Costs of Ongoing Activities	0.83	1,295,513	588,194	707,319

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Total FY 2023 Base Budget	114.71	32,097,670	12,407,969	19,689,702
Budget Adjustments				
1. Art Center Facilities Rental Revenue and Staffing Realignment	0.48	26,534	33,000	(6,466)
2. Public Art Maintenance Services Augmentation	-	6,000	-	6,000
3. Public Arts Staff Reclassification	-	9,533	-	9,533
4. Intern Staffing for Fine Arts Camps & Working Together Initiative	0.65	33,319	21,667	11,652
5. Electric Leaf Blower Replacement	-	12,500	-	12,500
6. Document Management Software Implementation	-	15,750	-	15,750
7. Twilight Concert Series Restoration	-	18,300	-	18,300
8. Golf Course Driving Range 2nd Floor Study	-	30,000	-	30,000
9. Ticketing and Membership Software Procurement	-	50,000	-	50,000
10. JMZ Staffing Augmentation	0.85	56,259	-	56,259
11. Children's Theatre Production Expenses and Staffing Restoration	0.96	121,643	61,000	60,643
12. Customer Service and Administrative Support Staffing Restoration	1.00	115,199	-	115,199
13. Open Space Staffing Increase	1.00	117,467	-	117,467
Total Budget Adjustments	4.94	612,504	115,667	496,837
Total FY 2023 Proposed Budget	119.65	32,710,174	12,523,636	20,186,539

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Art Center Facilities Rental Revenue and Staffing Realignment	0.48	26,534	33,000	(6,466)

This action adds one part-time Arts & Sciences Professional I (0.48 FTE), four part-time House Managers (0.50 FTE), and increases the visual arts facilities rental revenue by \$33,000 ongoing. These expenses will be offset by the elimination of two vacant positions including one part-time Art & Sciences Aide (0.30 FTE) and one part-time Arts & Sciences Professional I (0.20 FTE). This action will provide sufficient staff to accommodate revenue-generating facilities rentals on weekends and in the evenings, which are high-demand days and times. (Ongoing cost: \$28,328, 2-year limited term)

Performance Results



This action will align revenues and expenses as well as provide adequate staffing levels during peak times.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
2. Public Art Maintenance Services Augmentation	-	6,000	-	6,000

This action increases annual public art maintenance funds by \$6,000, or 20%, from \$30,000 to \$36,000. Public art maintenance funding is budgeted for regular preventative maintenance, inspections, and repairs of public artworks. The City of Palo Alto has a collection of more than 300 pieces in its collection valued at over \$2 million and several significant new artworks are coming online in FY 2023 including projects for the Junior Museum and Zoo (JMZ), Public Safety Building, and the Charleston-Arastradero Corridor. These new artworks will require an estimated \$6,000 of maintenance funding beginning in FY 2023. (Ongoing cost: \$6,000, 2-year limited term)

Performance Results



The regular maintenance and care of the artworks are critical to preventing these assets from deterioration and destruction.

3. Public Arts Staff Reclassification	-	9,533	-	9,533

This action reclassifies a position in the Public Arts division from 1.00 Program Assistant II to 1.00 Producer of Arts & Sciences. This position handles contract management, oversight of collection maintenance and care projects, managing contractors and specialized equipment, budget coordination, planning, coordination, and development of arts programming and special events. The Public Art Program staff oversees temporary, permanent, and private development projects throughout the City, as well as the Cubberley Artist Studio Program and associated programming, and are the liaisons to the Public Art Commission. The reclassification will more accurately reflect the position with its roles and responsibilities, which include overseeing diverse tasks in the implementation of the ordinances associated with Municipal Percent for Art and Private Percent for Art. In addition to the technical requirements of the role, this position requires significant subject matter expertise and specialized knowledge of best practices in the public art field. (Ongoing costs: \$15,567, 2-year limited term)

Performance Results



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

4. Intern Staffing for Fine Arts Camps & Working Together Initiative	0.65	33,319	21,667	11,652

This action adds five part-time Management Specialist internship positions (0.65 FTE) to continue the staffing of summer camp programs and \$8,136 in temporary salaries for four interns at the JMZ. Additionally, this request recognizes \$21,667 in grant revenue from the Institute of Museum and Library Science (IMLS) through October 2022. The IMLS grant has previously been used to offset the costs of internships in both programs; the department does not expect a renewal of this program and will sunset JMZ internships. The addition of authorized staffing for summer camps will ensure continued levels of support to instructors and a safe and positive environment for children and teens. Interns are responsible for performing various tasks to support camps, such as setting up, cleaning up, signing students in and out of camp, helping to mitigate behavioral issues, supporting student success, managing emergency response if there are injuries, and other duties. In addition, interns provide essential instructional support and maintain camp safety and security. This action extends the staffing levels necessary to provide valuable community programming and the opportunity to continue the Working Together Initiative, which engages diverse interns to provide experience in the arts and sciences, supporting the City's commitment to diversity, equity, and inclusion. (Ongoing cost: \$25,676, 2-year limited term)

Performance Results



This action results in increased opportunities for interns interested in careers in the arts and increases camp capacity.

5. Electric Leaf Blower Replacement	-	12,500	-	12,500

This one-time action replaces the remaining gas leaf blowers in the City. Palo Alto is a leader in the conversion from gas to electric for household appliances and other sustainability efforts. This action demonstrates Palo Alto's continued commitment to sustainability and is consistent with actions being taken in the Community Services Department to shift from gas-powered leaf blowers to electric leaf blowers. (Ongoing cost: \$0)

Performance Results



This action will reduce noise pollution and support citywide electrification efforts.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
6. Document Management Software Implementation	-	15,750	-	15,750

This action increases contract expenses by \$15,750 to augment the existing agreement with the software provider CivicRec; CivicRec currently serves as CSD's registration and business operations database system. This additional funding will allow CSD to streamline business operations needs with an enhanced document storage feature. The addition of a document upload and storage feature would allow the department to collect and store fee waiver applications, facilities rental agreements and emergency contact forms for children in camps, and other customer documents in CivicRec. Adding this feature would significantly reduce the administrative burden by streamlining processes, and simplifying the registration and fee reduction application processes for members of the community. (Ongoing cost: \$15,750 2 year limited-term)

Performance Results



This action aligns resources with operational requirements.

7. Twilight Concert Series Restoration	-	18,300	-	18,300

This action increases the Community Funded Concert expenses by \$18,300 to add an additional concert and to supplement the current budget per concert for a total of four concerts per Summer season. This would increase the total concert budget from \$30,000 to \$48,300 annually for an average cost of \$12,000 per event. Costs to put on a concert have increased roughly 20%, which are primarily driven by increases in performer fees and rental fees for portable hygiene stations. (Ongoing cost: \$18,300 2-year limited term)

Performance Results



This action results in increased opportunities and resources for community events.

8. Golf Course Driving Range 2nd Floor Study	-	30,000	-	30,000

This one-time action increases contract services expenses by \$30,000 for an assessment of the viability of constructing a 2nd deck or 2nd story for the golf course driving range as a potential operating revenue source. The additional funding would cover an assessment of site feasibility, engineering, marketing, construction costs, revenue potential, operating costs, use projection and demand, and cash flows. (Ongoing cost: \$0)

Performance Results



This action will assess whether constructing a 2nd deck to the driving range will improve the quality of the golf course and provide additional revenue.

9. Ticketing and Membership Software Procurement	-	50,000	-	50,000

This action increases contract services expenses by \$50,000 for a ticketing and membership system. With the reopening of the new JMZ resulting in a significant amount of new ticket and membership traffic and the resurgence of popularity of Children's Theater performances after pandemic shutdowns, a new ticket system is needed that has specialized features and enhanced membership features that will improve customer experience. The new software will be specifically tailored for ticket sales and memberships and reduce the amount of administrative staff time needed to monitor activities. (Ongoing \$50,000 2-year limited term)

Performance Results



This action will result in greater operational efficiency and improved customer experience at the Junior Museum & Zoo and Children's Theatre.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
10. JMZ Staffing Augmentation	0.85	56,259	-	56,259

This action will increase the hours of four existing part-time Zoological Assistant positions, bringing each to a total of 0.48 FTE (1,000 hours per year). As the newly remodeled JMZ has begun operations, it has become apparent that additional Zoological Assistant hours are necessary to maintain high levels of animal care and customer satisfaction. This will mitigate issues such as insufficient staff capacity for animal training, which can lead to regression in positive learned behaviors, requiring further staff time to re-train animals. This staff level is anticipated to be sufficient to cover current animal care duties as well as absorb the additional work associated with new animals planned to be added in the upcoming year such as adding three ring-tailed lemurs, two African crested porcupines, several slender-tailed meerkats, and ten birds between now and October. With the addition of new animals in the upcoming fiscal year, it's important to ensure that we have enough zoological assistants available to care for and train the animals. (Ongoing costs: 58,883 2-year limited term)

Performance Results



This action aligns staffing resources with department operations to improve the quality of animal care provided at the Junior Museum and Zoo.

11. Children's Theatre Production Expenses and Staffing Restoration	0.96	121,643	61,000	60,643

This action adds 0.25 FTE to an existing 0.75 FTE Producer Arts/Sciences position, two part-time Arts & Science Professional I positions (0.71 FTE), \$50,000 in operational expenses, and \$61,000 in revenue for Children's Theatre programming and productions. Significant community demand remains for Children's Theatre programming; in FY 2022 every production and nearly every class and camp was sold-out, with several maintaining waitlists. These resources are anticipated to support nine additional annual productions including Main Stage/Summer Hot Dog, Playhouse, and summer camp productions and are estimated to provide opportunities for approximately 4,800 additional participants compared to FY 2022 levels. Included in these expenses are increased hours for existing part-time positions, increasing the supplies materials budget, and additional contract dollars for production support such as choreographers and production designers. This represents an 8% increase over FY 2022 budgeted levels and a 90 percent restoration to pre-pandemic service levels. The Children's Theatre plans to propose a full restoration of services to pre-pandemic levels in the next budget cycle. (Ongoing net cost: \$64,093 2-year limited term)

Performance Results



This action restores the Children's Theatre programming in order to meet community interest for programs at the theatre.

12. Customer Service and Administrative Support Staffing Restoration	1.00	115,199	-	115,199

This action adds 1.00 Program Assistant II to meet Departmental needs, specifically for facilities rentals, registration activities, and to create parity among customer service staffing at the three City Community Centers. The Program Assistant II position will be the main contact for all Lucie Stern facility reservation requests. Essential duties include communicating rental guidelines and policies, ensuring all documentation is collected and signed, collecting payments by due dates, and managing internal coordination to ensure appropriate coverage. During non-business hours, this position will remain on-call during an event to resolve any issues or questions that arise. Additionally, other duties include reviewing Facility Attendant reports after each event to ensure rental contracts and policies were in compliance and conducting post-event surveys to gauge customer experience. This position will also monitor and analyze operational data such as renter details and revenue trends to maximize the value of the rentals program, as well as train custodians and facility attendants and perform safety checks of the facility. (Ongoing cost: \$122,636, 2-year limited term)

Performance Results



This action aligns staffing resources with department operations to improve customer satisfaction and the quality of service provided at Lucie Stern Community Center.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
13. Open Space Staffing Increase	1.00	117,467	-	117,467

This action adds 1.00 Park Ranger in the Baylands Nature Preserve, increasing rangers at the Baylands from three to four. This position will provide patrol, preserve maintenance, emergency medical response, customer service support, and other duties as needed. This Baylands consists of almost 2,000 acres, bounded on three sides by urban areas, and current staffing levels result in limited to no patrol coverage several days per week. Visitation to open spaces has increased over the years with drastic increases occurring during the peak of the COVID-19 pandemic. Even as public health measures ease and alternative recreational options become available, visitation to the Preserve has approximately doubled since 2018. Additional staffing is necessary to protect the ecological resources and visitors at the Preserve. With this additional ranger, the Baylands staffing will allow at least one ranger to be on patrol during all open hours. Rangers will still frequently work alone at this staffing level. The Community Services Department is reviewing staffing levels holistically and may bring forward future proposals to further increase or reorganize staffing to maximize coverage among all City open spaces. (Ongoing cost: \$125,075 2-year limited term)

Performance Results



This action aligns staffing resources with department operations to improve safety, customer satisfaction and quality of service provided in City open spaces.

CSD Golf Course Financials

	FY 2019 Actuals	FY 2020 Actuals*	FY 2021 Actuals*	FY 2022 Projected*	FY 2023 Proposed
REVENUES					
Tournament Fees	211,290	56,620	213,185	283,952	246,313
Green Fees	2,231,690	1,983,554	3,598,588	3,139,331	2,723,200
Driving Range	359,495	314,447	679,304	553,704	480,308
Cart/Club Rentals	362,810	275,071	362,787	361,082	313,219
Proshop Lease/Merchandise Sales	239,190	177,080	227,587	274,005	237,685
Restaurant Lease	-	40,000	74,000	48,000	48,000
Restaurant Utilities	-	-	18,000	18,000	18,000
Other Fee	15,180	5,500	9,571	25,275	21,925
Total Revenue	\$ 3,419,655	\$ 2,852,272	\$ 5,183,022	\$ 4,703,349	\$ 4,088,650
EXPENDITURES					
Operating Expenses					
Salaries & Benefits	120,590	177,029	128,576	132,776	138,616
Supplies and Materials	-	-	461	-	-
General Expense	1,015	44	357	49	1,440
Allocated Charges	245,770	303,694	394,760	318,392	325,274
Subtotal	\$ 367,375	\$ 480,768	\$ 524,154	\$ 451,217	\$ 465,330
Contract Services					
Golf Maintenance	2,522,515	2,540,690	2,648,333	2,735,532	2,809,707
Miscellaneous	-	182	-	-	-
Management Fees	108,000	111,240	114,577	118,014	121,554
Contract Contingency	-	-	-	-	29,313
Subtotal	\$ 2,630,515	\$ 2,652,112	\$ 2,762,910	\$ 2,853,546	\$ 2,960,574
Total Operating Expenses	\$ 2,997,890	\$ 3,132,879	\$ 3,287,064	\$ 3,304,763	\$ 3,425,904
Income From Operations	\$ 421,765	\$ (280,607)	\$ 1,895,958	\$ 1,398,586	\$ 662,746
Debt Expenses					
Debt Service (Refunded)	431,154	-	-	-	-
Debt Service (New)	338,886	369,771	373,733	372,557	371,331
Subtotal	\$ 770,040	\$ 369,771	\$ 373,733	\$ 372,557	\$ 371,331
Net Income (Loss)**	\$ (348,275)	\$ (650,378)	\$ 1,522,225	\$ 1,026,029	\$ 291,415

*The COVID-19 pandemic caused significant disruption to City and community activities, which may be reflected in FY 2020 through FY 2022 data.

**Income in excess of budget is shared between the City and the golf course operator OB Sports per the terms of the operating agreement approved by the City Council (CMR 11376).

CSD Human Service Contracts

Human Services Contracts	FY 2022 Adopted Budget	FY 2022 Agency Award	FY 2023 Base Budget	FY 2023 Agency Request	FY 2023 Proposed Budget
GENERAL HUMAN SERVICES CONTRACTS*					
Avenidas - Senior Services	521,065	521,065	542,950	542,950	542,950
PACCC - Child Care Subsidy and Outreach	527,888	527,888	550,059	550,059	550,059
Mediation Service Provider	70,954	70,954	73,934	73,934	73,934
Youth Community Sv. (YCS) - Youth Connectedness Initiative	50,000	50,000	-	-	-
General Human Service Contracts Subtotal	1,169,907	1,169,907	1,166,943	1,166,943	1,166,943
HUMAN SERVICES RESOURCE ALLOCATION PROCESS CONTRACTS**					
Abilities United	58,293	58,293	60,741	60,741	60,741
Adolescent Counseling Services (Outlet Program)	45,261	97,500	47,162	47,162	47,162
Counseling and Support Services for Youth (CASSY)	49,727	60,000	51,816	51,816	51,816
Downtown Streets Team	10,000	57,632	10,420	10,420	10,420
DreamCatchers	29,226	40,000	30,453	30,453	30,453
KARA	25,000	25,000	26,050	26,050	26,050
Karat School Project	5,000	30,000	5,210	5,210	5,210
LifeMoves (formerly InnVision Shelter Network)	84,039	84,039	87,569	87,569	87,569
La Comida de California	49,386	49,386	51,460	51,460	51,460
Ravenswood Family Health Network (formerly MayView Community Health Center)	46,799	50,000	48,765	48,765	48,765
Alta Housing (formerly Palo Alto Housing Corporation)	35,083	38,580	36,556	36,556	36,556
Peninsula HealthCare Connection Inc	7,000	40,000	7,294	7,294	7,294
Senior Adults Legal Assistance	17,165	18,000	17,886	17,886	17,886
The Health Trust	11,182	20,000	11,652	11,652	11,652
Vista Center for the Blind & Visually Impaired	42,599	45,736	44,388	44,388	44,388
Youth Community Sv. (YCS)	33,546	35,000	34,955	34,955	34,955
Two-Year Contractors Subtotal	549,306	749,166	572,377	572,377	572,377
FY 2022 HSRAP One-Time Funds***	200,000	199,860	-	-	-
TOTAL	1,919,213	1,919,073	1,739,320	1,739,320	1,739,320
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 11322).

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



CITY OF
**PALO
ALTO**

FIRE

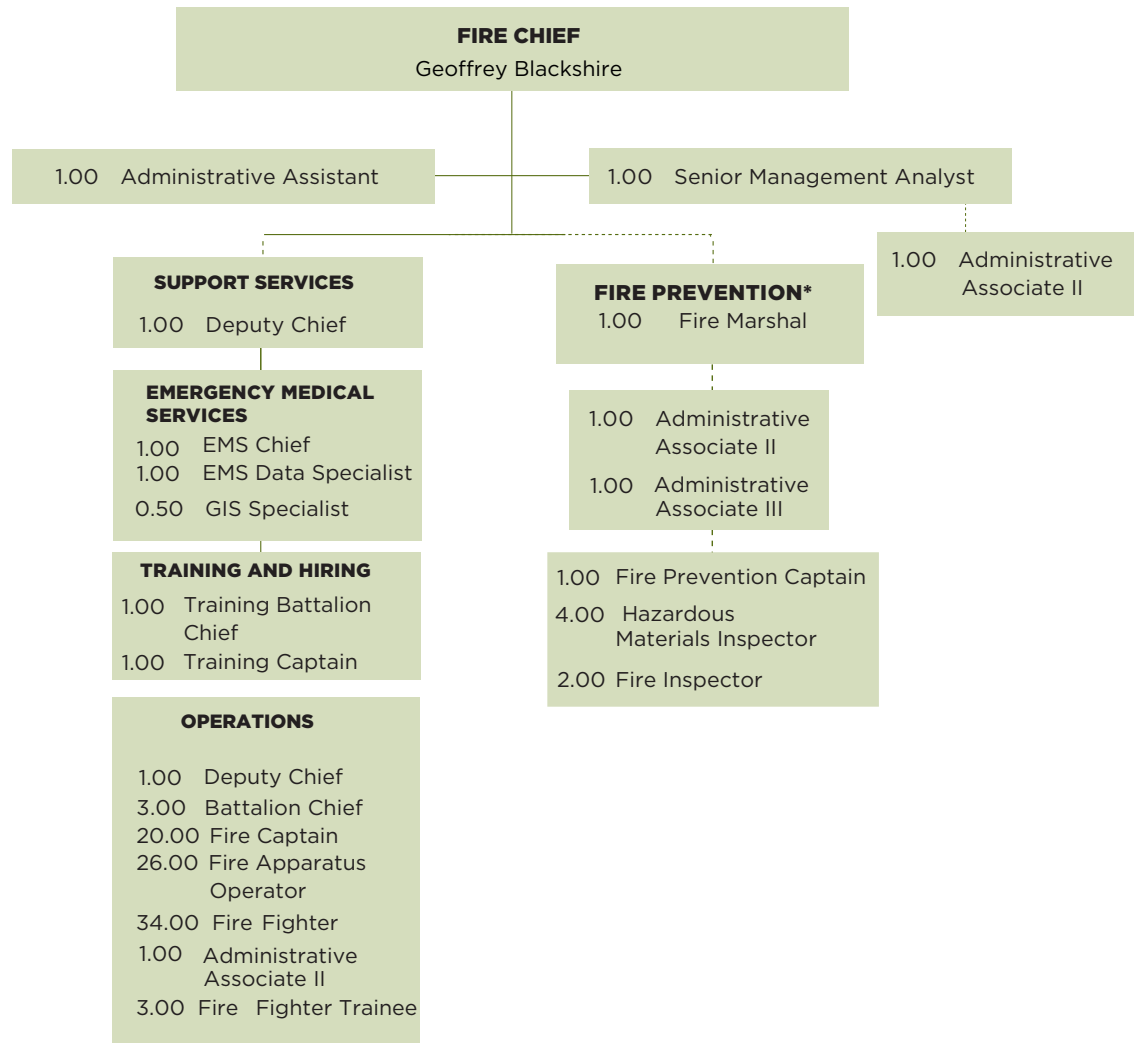
Mission Statement



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 2023 POSITION TOTALS

107.50 - 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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of responses to EMS calls within 8 minutes	92%	92%	93%	93%	93%
Percent of responses to fire emergencies within 8 minutes	87%	89%	90%	90%	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 recent years, the Department has been significantly impacted by the onset of the pandemic, as well as change in a service delivery model, both of which have negatively affected response times. Traffic and call volume declined significantly as a result but are steadily increasing and are expected to continue in FY 2023. Staffing level increases are expected to help decrease response times as call volume returns to pre-pandemic levels.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of fires contained to the room or area of origin	61%	52%	90%	90%	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	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 seventeen (17) 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 assistance provided, identifying areas needing improvement, and implementing mitigation methods.				
Objective	Maintain awareness of service quality from a customer perspective of assistance provided.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of surveyed residents rating ambulance/EMS services "good" or "excellent"	93%	N/A*	N/A*	N/A*	95%
Percent of surveyed residents rating fire prevention services "good" or "excellent"	82%	N/A*	N/A*	N/A*	85%
Percent of surveyed residents rating fire services "good" or "excellent"	94%	N/A*	N/A*	N/A*	95%
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 not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of fire calls for service	126	144	150	150	150
Number of medical/rescue calls for service	5,029	4,940	5,500	5,500	5,500
Number of all other calls for service	2,954	2,763	3,440	3,440	3,440
Total number of calls for service	8,111	7,209	9,000	9,000	9,000
Number of ambulance transports	3,488	3,119	3,800	3,800	3,800
Fire calls 90th percentile response time (Target: 8:00 Minutes)	9:25	8:28	8:46	8:46	8:46
Medical/rescue calls 90th percentile response time (Target: 8:00 Minutes)	5:53	6:10	6:06	6:06	6:06

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration	\$2,780,988	\$2,373,448	\$2,674,134	\$2,915,435	\$241,301	9.0%
Emergency Response	\$32,476,489	\$31,520,210	\$31,906,061	\$36,210,360	\$4,304,299	13.5%
Environmental Safety Mgt	\$447,585	\$311,571	\$609,894	\$691,422	\$81,528	13.4%
Records & Information Mgt	\$711	\$151	—	—	—	—%
Training and Personnel	\$896,892	\$874,800	\$486,791	\$917,840	\$431,049	88.5%
Total	\$36,602,665	\$35,080,180	\$35,676,879	\$40,735,056	\$5,058,177	14.2%
Salary & Benefits						
Healthcare	\$2,072,763	\$2,074,039	\$2,214,572	\$2,330,532	\$115,960	5.2%
Other Benefits	\$349,697	\$418,810	\$499,079	\$524,756	\$25,677	5.1%
Overtime	\$1,910,380	\$2,823,397	\$1,931,121	\$2,124,054	\$192,933	10.0%
Pension	\$9,025,053	\$9,342,468	\$9,382,123	\$10,349,030	\$966,908	10.3%
Retiree Medical	\$2,289,926	\$2,187,048	\$2,222,809	\$2,433,511	\$210,701	9.5%
Salary	\$14,539,674	\$13,648,378	\$13,760,867	\$16,084,238	\$2,323,372	16.9%
Workers' Compensation	\$1,491,242	\$1,330,314	\$1,367,930	\$1,725,643	\$357,713	26.1%
Total Salary and Benefits	\$31,678,735	\$31,824,454	\$31,378,501	\$35,571,764	\$4,193,263	13.4%
Dollars by Category						
Allocated Charges	\$3,212,805	\$2,213,422	\$2,738,655	\$3,614,005	\$875,349	32.0%
Contract Services	\$725,983	\$265,941	\$576,000	\$526,000	\$(50,000)	(8.7)%
Facilities & Equipment	\$332,379	\$209,463	\$216,723	\$255,088	\$38,365	17.7%
General Expense	\$312,625	\$275,443	\$393,600	\$394,800	\$1,200	0.3%
Supplies & Material	\$340,137	\$291,457	\$373,400	\$373,400	—	—%
Total Dollars by Expense Category	\$36,602,665	\$35,080,180	\$35,676,879	\$40,735,056	\$5,058,177	14.2%
Revenues						
Charges for Services	\$9,167,663	\$9,027,593	\$9,745,750	\$11,595,972	\$1,850,222	19.0%
Charges to Other Funds	\$162,610	\$162,610	\$162,610	\$162,610	—	—%
From Other Agencies	\$222,693	\$887,531	\$175,000	\$1,133,045	\$958,045	547.5%
Other Revenue	\$229,901	\$100,487	\$277,000	\$277,000	—	—%
Total Revenues	\$9,782,867	\$10,176,560	\$10,360,360	\$13,168,627	\$2,808,267	27.1%
Positions by Division						
Administration	5.68	5.68	5.20	5.20	—	—%
Emergency Response	89.57	89.57	83.37	91.57	8.20	9.8%
Environmental Safety Mgt	1.15	1.15	1.15	1.55	0.40	34.8%
Training and Personnel	2.00	2.00	0.60	2.00	1.40	233.3%
Total	98.40	98.40	90.32	100.32	10.00	11.1%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
40-Hour Captain**	—	—	—	0.20	0.20	\$32,897
40-Hour Training Battalion Chief	1.00	1.00	1.00	1.00	—	\$209,165
40-Hour Training Captain	1.00	1.00	1.00	1.00	—	\$164,486
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$82,222
Administrative Associate II	2.20	2.20	2.20	2.20	—	\$172,469
Administrative Associate III	—	—	—	0.20	0.20	\$16,806
Battalion Chief	3.00	3.00	3.00	3.00	—	\$607,759
Business Analyst	0.80	0.80	0.80	0.80	—	\$124,268
Deputy Chief/Fire Marshal	0.05	0.05	0.05	—	(0.05)	—
Deputy Director, Technical Services Division*	0.20	0.20	—	0.20	0.20	\$35,747
Deputy Fire Chief	2.00	2.00	1.00	2.00	1.00	\$410,925
Emergency Medical Service Director	1.00	1.00	1.00	1.00	—	\$182,437
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	20.00	20.00	—	\$3,179,496
Fire Chief	1.00	1.00	1.00	1.00	—	\$258,024
Fire Fighter*	34.00	34.00	29.00	34.00	5.00	\$4,592,340
Fire Fighter Trainee**	—	—	—	3.00	3.00	\$385,432
Fire Inspector	0.80	0.80	0.40	0.40	—	\$65,795
Fire Marshal**	—	—	—	0.05	0.05	\$10,877
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	\$65,198
Hazardous Materials Inspector	0.30	0.30	0.30	0.70	0.40	\$115,140
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$154,586
Subtotal: Full-Time Equivalent Positions	97.85	97.85	90.25	100.25	10.00	\$14,688,121
Temporary/Hourly	0.55	0.55	0.07	0.07	—	\$19,174
Total Positions	98.40	98.40	90.32	100.32	10.00	\$14,707,295

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Fire Department, the FY 2022 Adopted Budget was amended to add 0.20 FTE Deputy Director, Technical Services Division and 5.00 FTE Fire Fighter.

** The FY 2023 Proposed Budget includes new job classifications that require completion of a meet and confer process with the respective bargaining groups to negotiate terms for wages, hours, and other employment conditions. Proposals in this budget include estimated funding levels for financial planning purposes only and do not reflect the final negotiated terms of the proposed classifications.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	90.32	35,676,879	10,360,360	25,316,519
One-Time Prior Year Budget Adjustments				
Equity Hiring Initiative	-	(50,000)	-	(50,000)
One-Time Prior Year Budget Adjustments	0.00	(50,000)	-	(50,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	2,263,557	-	2,263,557
Stanford Emergency Fire Services Contract Revenue (realignment to FY 2022 expenses per contract terms)	-	-	1,018,972	(1,018,972)
FY 2022 Mid-Year Budget Review (CMR 13801)	0.20	50,686		50,686
Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643)	5.00	958,045	958,045	-
Paramedic Subscription Program Revenue (CMR 13469)	-	-	550,000	(550,000)
First Responder and Fee Revenue Estimate Increase (from \$750k)	-	-	281,250	(281,250)
Information Technology Allocated Charges	-	120,610	-	120,610
Liability Insurance Allocated Charges	-	43,331	-	43,331
Printing & Mailing Services Allocated Charges	-	100	-	100
Utilities Allocated Charges	-	18,667	-	18,667
Vehicle Replacement & Maintenance Allocated Charges	-	692,642	-	692,642
Adjustments to Costs of Ongoing Activities	5.20	4,147,638	2,808,267	1,339,371
Total FY 2023 Base Budget	95.52	39,774,517	13,168,627	26,605,890
Budget Adjustments				
1. Strategic Recruitment Plan	3.00	500,000	-	500,000
2. Support Services Deputy Chief	1.00	263,306	-	263,306
3. Fire Prevention Program	0.80	158,869	-	158,869
4. Medical Gurney Replacement	-	38,365	-	38,365
Total Budget Adjustments	4.80	960,540	-	960,540
Total FY 2023 Proposed Budget	100.32	40,735,057	13,168,627	27,551,377

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Strategic Recruitment Plan	3.00	500,000	-	500,000

This action adds 3.00 Fire Fighter Trainee positions to establish a proactive and continuous recruitment of Fire Fighters. Trainee positions will be used to recruit, train, and create a pipeline for immediate placement on shift when vacancies occur. The trainee program will better position the department for employee turnover and retirements, and hiring process which typically requires 12-18 months. When current firefighters separate, the Department utilizes current staff on overtime to fill vacancies. These trainee positions will allow the department to recruit and training firefighters in a hiring pipeline allowing the department to more quickly fill vacancies. (Ongoing Costs: \$520,000, 2-yr limited term)

Performance Results



This action will ensure that minimum staffing of paramedics is met to operate as a full Advanced Life Support (ALS).

2. Support Services Deputy Chief	1.00	263,306	-	263,306

This action restores 1.0 Deputy Chief position to manage recruitment, hiring, promotions, succession planning, and other administrative functions. This action will result in pre-pandemic staffing levels with two Deputy Chief positions reporting to the Fire Chief; one assigned to oversee operations and the other focused on support services. (Ongoing cost: \$271,290)

Performance Results



This action will ensure sufficient resources are available to meet operating needs.

3. Fire Prevention Program	0.80	158,869	-	158,869

This action adds \$770,000 in permit revenue and \$995,000 in salary and non-salary expenses to add staffing and resources in the Fire Prevention Division to meet the demand for hazardous materials (hazmat) facility inspections and ensure compliance with state mandates. The Palo Alto Fire Prevention Bureau (FPB) performs fire plan checks, reviews, permitting, and fielding fire safety inspections. This action adds 4.00 full-time positions to meet immediate business needs, including a reclassification of 1.00 Deputy Chief/Fire Marshal to a new Fire Marshal classification, 1.00 40-hr Prevention Captain, 2.00 Hazardous Materials Inspectors (restoration to pre-pandemic levels), and 1.00 Administrative Associate III. Additionally, this action adds one-time funding of \$100,000 for contract staffing and \$60,000 for software. The FPB is undergoing a strategic management analysis study to inform organizational structure and resource needs, including potential revisions to fees; current fees recover 70.1-100% of costs (high cost recovery level). Any further revisions resulting from this study will be brought forward in a subsequent process. The staffing in FPB is allocated to both the Fire Department and Planning and Development Services Department; therefore, actions appear in both department sections of the budget. (Ongoing cost: \$166,000)

Performance Results



This action will ensure sufficient staffing levels to meet operational demands and comply with regulatory requirements.

4. Medical Gurney Replacement	-	40,000	-	40,000

This one-time action adds funding for the replacement of two medical gurneys that have reached the end of their useful life and require replacement. The Department maintains a fleet of seven medical gurneys that are used to ensure patients are secured during transport; each medical gurney has a typical useful life of seven years. (Ongoing cost: \$0)

Performance Results



This action ensures that equipment meets State and Santa Clara County requirements as regulated by the FDA.

HUMAN RESOURCES

Mission Statement



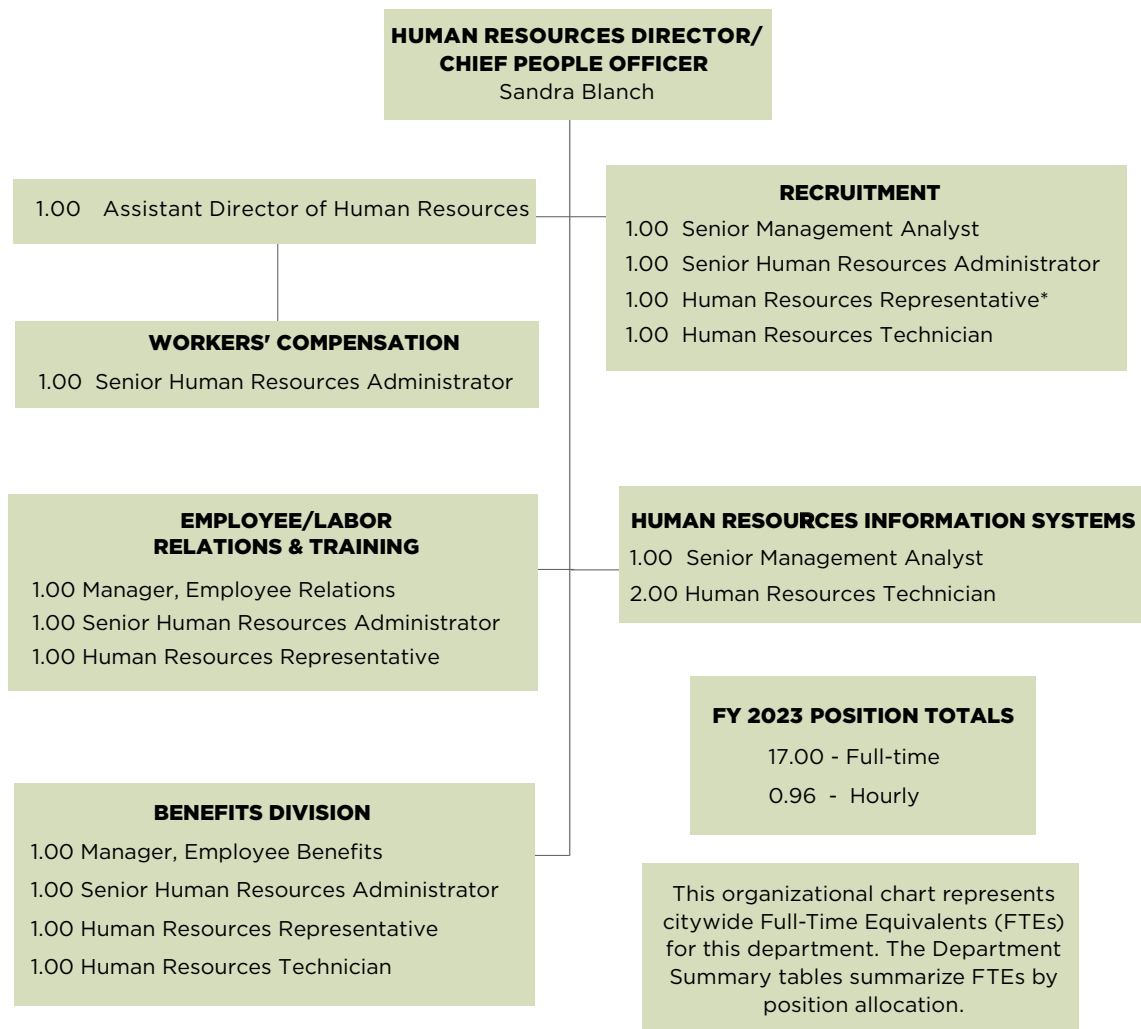
The Human Resources Department's mission is to recruit, develop, and retain a diverse, well-qualified, and professional workforce that reflects the high standards of the community we serve, and to lead City departments in positive employee relations, talent management, succession planning, and employee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

HUMAN RESOURCES



*This position is budgeted to the Utilities Department to provide dedicated support. 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.

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Fund						
General Fund-Operating	\$3,929,715	\$3,552,437	\$3,920,554	\$4,757,335	\$836,781	21.3%
Liability Insurance Fund	\$919,884	\$3,353,913	\$5,179,052	\$6,821,052	\$1,642,000	31.7%
Worker's Compensation Fund	\$7,498,636	\$6,935,564	\$7,130,938	\$7,786,884	\$655,946	9.2%
Total	\$12,348,235	\$13,841,914	\$16,230,544	\$19,365,271	\$3,134,727	19.3%
Revenues						
Charges to Other Funds	\$5,372,179	\$3,980,165	\$5,849,697	\$7,199,623	\$1,349,926	23.1%
Operating Transfers-In	\$5,000	\$5,000	\$5,000	\$5,000	—	—%
Other Revenue	\$7,514,835	\$6,751,489	\$6,805,040	\$7,440,040	\$635,000	9.3%
Return on Investments	\$642,193	\$593,849	\$642,900	\$461,700	\$(181,200)	(28.2)%
Total	\$13,534,206	\$11,330,504	\$13,302,637	\$15,106,363	\$1,803,726	13.6%
Positions by Fund						
General Fund-Operating	16.96	16.96	14.00	15.96	1.96	14.0%
Worker's Compensation Fund	1.48	1.48	1.48	1.48	—	—%
Total	18.44	18.44	15.48	17.44	1.96	12.7%

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:

- Enhance learning opportunities through a comprehensive employee training program.
- Increase employee communication through all media, including an enhanced HR department website.

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:

- Explore flexible benefit options.
- 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Attendance	97%	96%	95%	97%	N/A*
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	*This performance measure will be discontinued going forward. Tracking absenteeism was based on employee sick leave usage. Sick leave is a protected leave option for an employee to take paid time off for employees experiencing illness and necessary for recovery. Therefore, tracking sick leave usage would not represent an accurate method of measuring employee engagement and productivity rather tracking sick leave usage negatively portrays usage as a loss of engagement.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Recruitment - Days to fill a position	99	85	150	120	110
Description	This measure will provide the average number of days to fill a position from requisition approval until a hiring decision is made.				
Purpose	A strong recruitment strategy is the foundation of talent management and should be accomplished in a focused, timely manner to provide departments with quality candidates as expeditiously as possible. This measure aligns with the International City/County Management Association's (ICMA) human resource metrics and is a standard tool as defined in the Society of Human Resource Management.				
Status	The days to fill a position increased in FY 2022 compared to the previous fiscal year, however the estimated and actual days to fill improved and exceeded expectations. The Recruitment team is piloting an "Expedited Hiring Process" that is anticipated to further decrease the days to fill metric in coming cycles by decentralizing some recruitment tasks to HR liaisons within the requesting department.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Turnover - Involuntary Turnover	1%	1%	3%	1%	1%
Turnover - Retirement Turnover	3%	5%	5%	4%	5%
Turnover - Total Turnover	9%	11%	12%	11%	12%
Turnover - Voluntary Turnover	5%	4%	4%	6%	6%
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	The turnover rates in FY 2021 and FY 2022 were in line with expectations experiencing higher rates of retirements and voluntary turnover than the previous fiscal years. The trend is expected to continue through FY 2023 due to the fiercely competitive local job market.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Employee personnel transactions	4,000	4,750	3,000	3,600	4,300
Percentage of employees participating in Citywide training program	95%	100%	95%	100%	90%

HUMAN RESOURCES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration, Employee Org Development and HR Systems	\$1,348,717	\$1,095,860	\$1,227,986	\$1,510,865	\$282,879	23.0%
Benefits and Compensation	\$505,768	\$478,501	\$543,859	\$589,550	\$45,691	8.4%
Employee and Labor Relations	\$1,265,161	\$1,237,325	\$1,335,906	\$1,795,060	\$459,154	34.4%
Recruitment	\$507,865	\$443,305	\$488,523	\$504,687	\$16,164	3.3%
Risk Mgmt, Safety, Workers' Compensation	\$302,204	\$297,445	\$324,280	\$357,173	\$32,894	10.1%
Total	\$3,929,715	\$3,552,437	\$3,920,554	\$4,757,335	\$836,781	21.3%
Salary & Benefits						
Healthcare	\$270,413	\$293,332	\$280,421	\$332,953	\$52,532	18.7%
Other Benefits	\$84,370	\$83,171	\$98,031	\$104,047	\$6,015	6.1%
Overtime	\$6,605	\$247	—	—	—	—%
Pension	\$744,678	\$750,752	\$813,768	\$859,060	\$45,292	5.6%
Retiree Medical	\$196,305	\$187,814	\$190,885	\$181,098	\$(9,787)	(5.1)%
Salary	\$1,979,247	\$1,841,091	\$1,959,107	\$2,272,247	\$313,140	16.0%
Workers' Compensation	\$96,312	\$84,569	\$86,961	\$84,410	\$(2,551)	(2.9)%
Total Salary and Benefits	\$3,377,930	\$3,240,977	\$3,429,173	\$3,833,815	\$404,642	11.8%
Dollars by Category						
Allocated Charges	\$235,030	\$176,709	\$181,431	\$212,571	\$31,140	17.2%
Contract Services	\$237,081	\$67,304	\$205,309	\$605,309	\$400,000	194.8%
Facilities & Equipment	—	—	\$4,150	\$4,150	—	—%
General Expense	\$28,815	\$17,431	\$41,098	\$42,098	\$1,000	2.4%
Rents & Leases	\$43,000	\$43,000	\$43,000	\$43,000	—	—%
Supplies & Material	\$7,859	\$7,016	\$16,392	\$16,392	—	—%
Total Dollars by Expense Category	\$3,929,715	\$3,552,437	\$3,920,554	\$4,757,335	\$836,781	21.3%
Revenues						
Charges to Other Funds	\$1,095,179	\$1,088,165	\$1,869,697	\$1,956,623	\$86,926	4.6%
Total Revenues	\$1,095,179	\$1,088,165	\$1,869,697	\$1,956,623	\$86,926	4.6%
Positions by Division						
Administration, Employee Org Development and HR Systems	5.56	5.56	3.60	5.56	1.96	54.4%
Benefits and Compensation	2.20	2.20	2.15	2.15	—	—%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Employee and Labor Relations	5.00	5.00	4.75	4.75	—	—%
Recruitment	2.60	2.60	2.00	2.00	—	—%
Risk Mgmt, Safety, Workers' Compensation	1.60	1.60	1.50	1.50	—	—%
Total	16.96	16.96	14.00	15.96	1.96	14.0%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 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	—	\$241,717
Human Resources Representative	3.00	2.00	2.00	2.00	—	\$185,557
Human Resources Technician*	4.00	4.00	3.00	4.00	1.00	\$307,923
Manager Employee Benefits	1.00	1.00	1.00	1.00	—	\$154,461
Manager Employee Relations	1.00	1.00	1.00	1.00	—	\$167,939
Senior Human Resources Administrator	3.00	3.00	3.00	3.00	—	\$357,885
Senior Management Analyst	2.00	2.00	2.00	2.00	—	\$274,643
Subtotal: Full-Time Equivalent Positions	16.00	16.00	14.00	15.00	1.00	\$1,891,572
Temporary/Hourly*	0.96	0.96	—	0.96	0.96	\$145,476
Total Positions	16.96	16.96	14.00	15.96	1.96	\$2,037,049

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Human Resources Department, the FY 2022 Adopted Budget was amended to add 1.00 Human Resource Technician, and two part-time Management Specialists (0.96 FTE).

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	14.00	3,920,554	1,869,697	2,050,857
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	136,937	-	136,937
FY 2022 Mid-Year Budget Review (CMR 13801)	1.96	271,255	-	271,255
General Fund Cost Allocation Plan	-	-	86,926	(86,926)
Information Technology Allocated Charges	-	13,232	-	13,232
Liability Insurance Allocated Charges	-	17,608	-	17,608
Printing & Mailing Services Allocated Charges	-	300	-	300
Workers' Compensation Allocated Charges	-	(2,551)	-	(2,551)
Adjustments to Costs of Ongoing Activities	1.96	436,781	86,926	349,855
Total FY 2023 Base Budget	15.96	4,357,335	1,956,623	2,400,712
Budget Adjustments				
1. Augment Outside Negotiations Contracts (Legal Counsel and Employee Relations Support)	-	400,000	-	400,000
Total Budget Adjustments	0.00	400,000	-	400,000
Total FY 2023 Proposed Budget	15.96	4,757,335	1,956,623	2,800,712

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Augment Outside Negotiations Contracts (Legal Counsel and Employee Relations Support)	0.00	400,000		400,000

This one-time action increases outside legal counsel contract services pertaining to labor relations, employment matters, and strategic negotiations due to Memorandum of Agreements of all bargaining units across the City is set to expire on December 31, 2022. The additional funding will allow the department to contract with law firms that specialize in employment matters to aid negotiations, resolve any legal issues that may arise during the process, reduce the time required to finalize new labor agreements, and maintain positive labor relations. (Ongoing cost: \$0)

Performance Results



This action will continue the City's efforts to recruit and retain a high-quality workforce.

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 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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Annual number of claims related to City vehicle collision losses	6	7	8	5	6
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	Employee involved vehicle collision cases are expected to trend similarly in FY 2022 and increase slightly in FY 2023.				

DEFENSIVE DRIVING TRAINING

Goal	Reduce liability exposure to the City.				
Objective	Provide defensive driver training.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Attendance at defensive driver training	200	211	60	250	200
Description	This measure tracks the number of employees completing proactive and/or mandatory defensive driving class.				
Purpose	Providing supplemental training will increase knowledge and awareness about safe driving behavior in order to protect employee and public safety, in addition to preventing future claims against the City.				
Status	The FY 2021 actual training course attendees exceeded expectations and estimated to continue through FY 2022 and FY 2023. The increase in attendance can be attributed to new on-demand course included in the City's Learning Management Systems.				

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
General Liabilities Insurance Program	\$919,884	\$3,353,913	\$5,179,052	\$6,821,052	\$1,642,000	31.7%
Total	\$919,884	\$3,353,913	\$5,179,052	\$6,821,052	\$1,642,000	31.7%
Contract Services	\$49,769	\$50,755	\$71,820	\$71,820	—	—%
General Expense	\$870,115	\$3,303,158	\$5,107,232	\$6,749,232	\$1,642,000	32.2%
Revenues						
Charges to Other Funds	\$4,277,000	\$2,892,000	\$3,980,000	\$5,243,000	\$1,263,000	31.7%
Operating Transfers-In	\$5,000	\$5,000	\$5,000	\$5,000	—	—%
Other Revenue	\$25,144	\$11,050	\$41,040	\$41,040	—	—%
Return on Investments	\$160,038	\$152,217	\$168,200	\$121,200	\$(47,000)	(27.9)%
Total Revenues	\$4,467,182	\$3,060,267	\$4,194,240	\$5,410,240	\$1,216,000	29.0%

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	0.00	5,179,052	4,194,240	984,812
One-Time Prior Year Budget Adjustments				
None				
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Charges to Other Funds	-	-	1,263,000	(1,263,000)
Return on Investments	-	-	(47,000)	47,000
General Liability Insurance Claims	-	44,000	-	44,000
Property Loss Insurance		303,000	-	303,000
Umbrella Excess Liability Insurance Adjustment (46% increase)	-	1,295,000	-	1,295,000
Adjustments to Costs of Ongoing Activities	-	1,642,000	1,216,000	426,000
Total FY 2023 Base Budget	-	6,821,052	5,410,240	1,410,812
Budget Adjustments				
1. None	-	-	-	-
Total Budget Adjustments	-	-	-	-
Total FY 2023 Proposed Budget	-	6,821,052	5,410,240	1,410,812

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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Total dollar amount of claims paid	2,956,124	3,780,000	3,830,000	5,434,000	3,500,000
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 FY 2022 estimated claims costs includes three catastrophic claims paid out in the amount of approx. \$1 million. The increased expenses are funded from the previous year's balance when the incident occurred. It is expected that the claims expenses will return to normal levels in FY 2023.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of Workers' Compensation Claims Filed	102	83	100	90	90
Description	This measure tracks the total employee workers' compensation claim volume filed each fiscal year.				
Purpose	Effective workplace safety and injury prevention program lessen the use of public funds for work-related injuries and illness. In addition to claim costs, the expense of paying overtime or hiring additional staff is mitigated.				
Status	The City experienced high levels of claims in FY 2021 and FY 2022 in part due to pandemic related cases.				

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Workers' Compensation Program	\$7,498,636	\$6,935,564	\$7,130,938	\$7,786,884	\$655,946	9.2%
Total	\$7,498,636	\$6,935,564	\$7,130,938	\$7,786,884	\$655,946	9.2%
Salary & Benefits						
Healthcare	\$10,115	\$10,387	\$11,564	\$11,556	\$(8)	(0.1)%
Other Benefits	\$246,876	\$86,737	\$251,594	\$251,719	\$124	0.0%
Overtime	—	\$313	—	—	—	—%
Pension	\$56,813	\$50,728	\$56,440	\$63,079	\$6,639	11.8%
Salary	\$160,338	\$178,959	\$167,462	\$176,351	\$8,889	5.3%
Workers' Compensation	\$6,525,576	\$6,153,583	\$5,986,340	\$6,626,642	\$640,302	10.7%
Total Salary and Benefits	\$6,999,717	\$6,480,708	\$6,473,401	\$7,129,347	\$655,946	10.1%
Dollars by Category						
Contract Services	\$6,750	\$9,089	\$7,079	\$7,079	—	—%
General Expense	\$486,966	\$445,767	\$650,458	\$650,458	—	—%
Operating Transfers-Out	\$5,203	—	—	—	—	—%
Total Dollars by Expense Category	\$7,498,636	\$6,935,564	\$7,130,938	\$7,786,884	\$655,946	9.2%
Revenues						
Other Revenue	\$7,489,691	\$6,740,439	\$6,764,000	\$7,399,000	\$635,000	9.4%
Return on Investments	\$482,154	\$441,633	\$474,700	\$340,500	\$(134,200)	(28.3)%
Total Revenues	\$7,971,845	\$7,182,072	\$7,238,700	\$7,739,500	\$500,800	6.9%
Positions by Division						
Workers' Compensation Program	1.48	1.48	1.48	1.48	—	—%
Total	1.48	1.48	1.48	1.48	—	—%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Senior Human Resources Administrator	1.00	1.00	1.00	1.00	—	\$131,394
Subtotal: Full-Time Equivalent Positions	1.00	1.00	1.00	1.00	—	\$131,394

HUMAN RESOURCES

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Temporary/Hourly	0.48	0.48	0.48	0.48	—	\$29,752
Total Positions	1.48	1.48	1.48	1.48	—	\$161,146

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	1.48	7,130,937	7,238,700	(107,763)
One-Time Prior Year Budget Adjustments				
Workers' Compensation Program Temporary Staffing	(0.48)	(30,347)	-	0
One-Time Prior Year Budget Adjustments	(0.48)	(30,347)	-	0
Adjustments to Costs of Ongoing Activities				
Salary and Benefit Adjustments	-	(14,703)	-	(14,703)
Charges to Other Funds	-	-	635,000	(635,000)
Return on Investments	-	-	(134,200)	134,200
Workers' Compensation Insurance Claims Adjustments (11% increase)	-	640,302	-	640,302
Adjustments to Costs of Ongoing Activities	-	625,599	500,800	124,799
Total FY 2023 Base Budget	1.00	7,726,189	7,739,500	17,036
Budget Adjustments				
1. Workers' Compensation Program Ongoing Staffing	0.48	30,347	-	30,347
Total Budget Adjustments	0.48	30,347	-	30,347
Total FY 2023 Proposed Budget	1.48	7,786,884	7,739,500	47,383

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Workers' Compensation Program Ongoing Staffing	0.48	30,347	0	30,347

This action adds a part-time Management Specialist (0.48 FTE) position to assist with the 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 are projected to increase, which results in an increased need for 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. (Ongoing cost: \$30,347 2-year limited term)

Performance Results



This action provides resources necessary to support higher claims rates and ensure accuracy in the workers compensation reporting process.

Workers' Compensation Fund	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Estimate	FY 2023 Proposed
Claims Paid	\$6,414,278	\$6,074,800	\$5,322,423	\$6,503,302
Change in Estimated Self-Insurance Liability	\$0	\$0	\$0	\$0
CSAC Excess Insurance Premium	\$486,966	\$445,767	\$649,458	\$649,458
Actuarial Services	\$6,750	\$6,750	\$7,079	\$7,079
TPA Administrator Fees	\$241,109	\$81,977	\$424,636	\$246,240
State Self-Insurance Fees	\$111,297	\$78,784	\$123,340	\$123,340
In-House Administration	\$233,033	\$245,148	\$240,821	\$257,465
Workers' Compensation Fund Subtotal	\$7,493,433	\$6,933,226	\$6,767,757	\$7,786,884



CITY OF
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INFORMATION TECHNOLOGY

Mission Statement



The Information Technology Department's mission is to partner with City departments by providing technology leadership to deliver secure, reliable, and cost-effective solutions aligned with Council priorities and City initiatives.

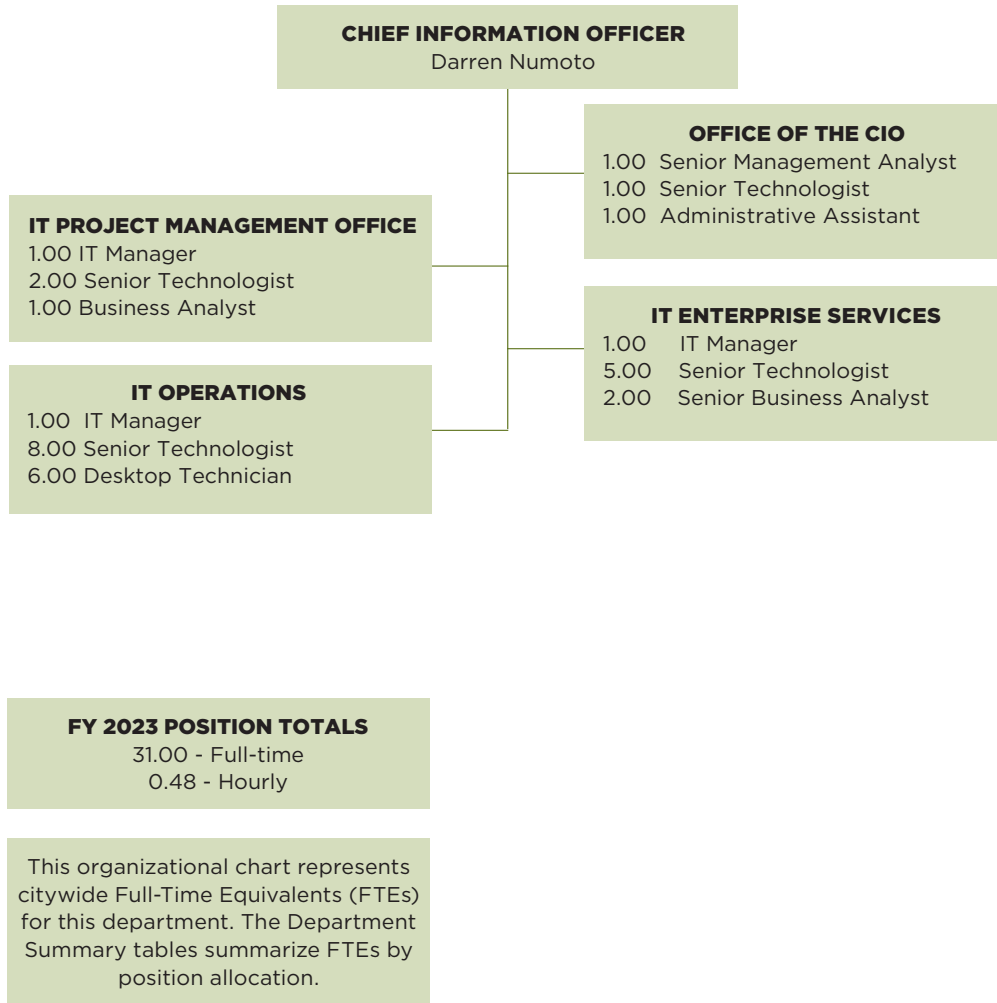
Purpose

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 maintains 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 IT 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. 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. Maintain a core set of large enterprise systems such as the Enterprise Resource Planning (ERP) both technical and business support, Utility Billing and Customer Information System (CIS), Customer Relationship Management (CRM), Business Intelligence and Warehouse systems (BI/BW) for

INFORMATION TECHNOLOGY

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.

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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
1. Percent of service desk requests resolved at time of call	33%	32%	32%	31%	31%
2. Percent of service desk requests resolved within 4 hours	22%	21%	24%	21%	23%
3. Percent of service desk requests resolved within 8 hours	5%	4%	6%	5%	5%
4. Percent of service desk requests resolved within 5 days	25%	22%	26%	23%	25%
5. Percent of service desk requests resolved beyond 5 days	15%	21%	12%	20%	15%
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	The onset of the COVID-19 pandemic resulted in an immediate shift to a highly technological environment with many employees working from home. The department experienced minor fluctuations in help desk work order resolution times during this time, in part due to the implementation of a self-service and cloud automation tool to address lower level Tier 1 requests. The implementation of this tool will result in availability of technology staff to work on more complex work orders, and may result in higher first call resolution times.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of survey respondents rating the services provided by the IT Department as excellent	97%	97%	95%	96%	98%
Description	This measure identifies the overall level of satisfaction internal customers have with telephone, network, application, and desktop support services.				

Key Performance Measures

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of closed help desk requests	9,956	9,304	9,521	8,657	8,860
Number of datasets published on open data platforms	96	96	97	97	98

INFORMATION TECHNOLOGY

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
CIP Technology Fund	\$1,834,808	\$1,623,981	\$4,873,512	\$5,321,400	\$447,888	9.2%
Enterprise Systems	\$3,350,603	\$3,446,132	\$3,706,960	\$4,841,710	\$1,134,749	30.6%
Office of the CIO	\$2,873,555	\$2,572,529	\$2,956,674	\$2,584,014	\$(372,660)	(12.6)%
Operations	\$7,957,949	\$7,231,073	\$7,998,279	\$8,745,366	\$747,087	9.3%
Project Services	\$2,010,725	\$2,023,118	\$1,533,212	\$1,499,982	\$(33,230)	(2.2)%
Total	\$18,027,640	\$16,896,832	\$21,068,637	\$22,992,471	\$1,923,834	9.1%
Salary & Benefits						
Healthcare	\$744,242	\$734,386	\$693,201	\$768,023	\$74,822	10.8%
Other Benefits	\$173,631	\$173,547	\$186,970	\$191,086	\$4,116	2.2%
Overtime	\$7,038	\$1,731	\$20,595	\$21,213	\$618	3.0%
Pension	\$2,042,453	\$1,770,072	\$1,864,864	\$1,958,984	\$94,120	5.0%
Retiree Medical	\$358,037	\$340,207	\$345,770	\$345,843	\$73	0.0%
Salary	\$4,806,798	\$4,570,932	\$4,443,891	\$4,800,724	\$356,834	8.0%
Workers' Compensation	\$184,509	\$164,797	\$169,457	\$209,302	\$39,845	23.5%
Total Salary and Benefits	\$8,316,708	\$7,755,673	\$7,724,748	\$8,295,176	\$570,428	7.4%
Dollars by Category						
Contract Services	\$4,213,448	\$4,857,513	\$5,452,085	\$6,461,010	\$1,008,925	18.5%
Supplies & Material	\$43,419	\$28,835	\$85,000	\$85,000	—	—%
General Expense	\$392,639	\$381,634	\$436,179	\$438,179	\$2,000	0.5%
Rents & Leases	\$395,789	\$401,220	\$409,000	\$426,000	\$17,000	4.2%
Facilities & Equipment	\$874,671	\$254,094	\$561,769	\$534,910	\$(26,860)	(4.8)%
Allocated Charges	\$1,736,049	\$1,562,734	\$1,590,574	\$1,399,206	\$(191,367)	(12.0)%
Operating Transfers-Out	\$220,109	\$31,150	\$28,770	\$31,590	\$2,820	9.8%
Capital Improvement Program	\$1,834,808	\$1,623,981	\$4,780,512	\$5,321,400	\$540,888	11.3%
Total Dollars by Expense Category	\$18,027,640	\$16,896,832	\$21,068,637	\$22,992,471	\$1,923,834	9.1%
Revenues						
Charges for Services	—	—	—	\$104,000	\$104,000	—%
Charges to Other Funds	\$14,409,229	\$12,321,660	\$13,847,234	\$14,649,515	\$802,282	5.8%
Operating Transfers-In	\$1,625,946	\$1,340,005	\$1,371,295	\$1,742,672	\$371,378	27.1%
Other Revenue	\$48,486	\$27,461	\$18,173	\$18,646	\$473	2.6%
Return on Investments	\$556,293	\$404,826	\$549,200	\$343,100	\$(206,100)	(37.5)%
Total Revenues	\$16,639,954	\$14,093,952	\$15,785,902	\$16,857,934	\$1,072,032	6.8%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Positions by Division						
Enterprise Systems	9.00	9.00	8.00	9.00	1.00	12.5%
Office of the CIO	5.10	5.10	3.10	3.10	0.00	0.0%
Operations	14.48	14.48	13.48	14.48	1.00	7.4%
Project Services	8.00	8.00	5.00	5.00	0.00	0.0%
Total	36.58	36.58	29.58	31.58	2.00	6.8%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 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	—	\$21,771
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	—	\$210,018
Manager Information Technology	3.00	3.00	3.00	3.00	—	\$485,139
Manager Information Technology Security	1.00	1.00	—	—	—	—
Principal Business Analyst	1.00	1.00	—	—	—	—
Senior Business Analyst	2.00	2.00	2.00	2.00	—	\$278,699
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$151,674
Senior Technologist*	18.00	18.00	14.00	16.00	2.00	\$2,364,773
Technologist	1.00	1.00	—	—	—	—
Subtotal: Full-Time Equivalent Positions	36.10	36.10	29.10	31.10	2.00	\$4,321,839
Temporary/Hourly	0.48	0.48	0.48	0.48	—	\$44,688
Total Positions	36.58	36.58	29.58	31.58	2.00	\$4,366,527

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Information Technology Department, the FY 2022 Adopted Budget was amended to add 2.00 Senior Technologist positions.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	29.58	21,068,637	15,785,902	5,282,735
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	407,689	-	407,689
Charges to Other Funds-Information Technology Services	-	-	802,282	(802,282)
Transfer from Other Funds	-	-	340,300	(340,300)
Transfer from the General Fund-Technology Surcharge	-	-	31,078	(31,078)
City Employee Parking Permit	-	2,820	-	2,820
Rents and Leases	-	17,000	-	17,000
FY 2022 Mid-Year Budget Review (CMR 13801)	2.00	164,739	-	164,739
Return on Investments & Other Revenue	-	-	(205,627)	205,627
Capital Improvement Funding	-	540,888	104,000	436,888
Contract Adjustments & Equipment Cost Changes	-	553,570	-	553,570
General Fund Cost Allocation Plan	-	(215,748)	-	(215,748)
General Liability Insurance Allocated Charges	-	15,106	-	15,106
Printing & Mailing Services Allocated Charges	-	100	-	100
Utilities Allocated Charges	-	3,758	-	3,758
Vehicle Replacement & Maintenance Allocated Charges	-	5,417	-	5,417
Adjustments to Costs of Ongoing Activities	2.00	1,495,339	1,072,033	423,306
Total FY 2023 Base Budget	31.58	22,563,976	16,857,935	5,706,041
Budget Adjustments				
1. Geographic Information System Modernization	-	350,000	-	350,000
2. Supplemental Pension Trust Fund Contributions	-	78,496	-	78,496
Total Budget Adjustments	-	428,496	-	428,496
Total FY 2023 Proposed Budget	31.58	22,992,472	16,857,935	6,134,537

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Geographic Information System Modernization	0.00	350,000	-	350,000

This action adds ongoing funding to the IT Enterprise Division for Citywide geographic information system (GIS) modernization projects. In FY 2022, a Senior Technologist position was added and funds were used to build up a new GIS platform and develop new features that will allow for departmental usage. These funds will allow for additional migration work that needs to be completed before the IT Department can fully retire the prior (legacy) GIS. (Ongoing costs: \$350,000)

Performance Results



This action will allow for the decentralization of GIS mapping functions and processes across multiple operating departments.

2. Supplemental Pension Trust Fund Contributions	0.00	78,496	-	78,496

This one-time action transfers \$78,496 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.



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LIBRARY

Mission Statement



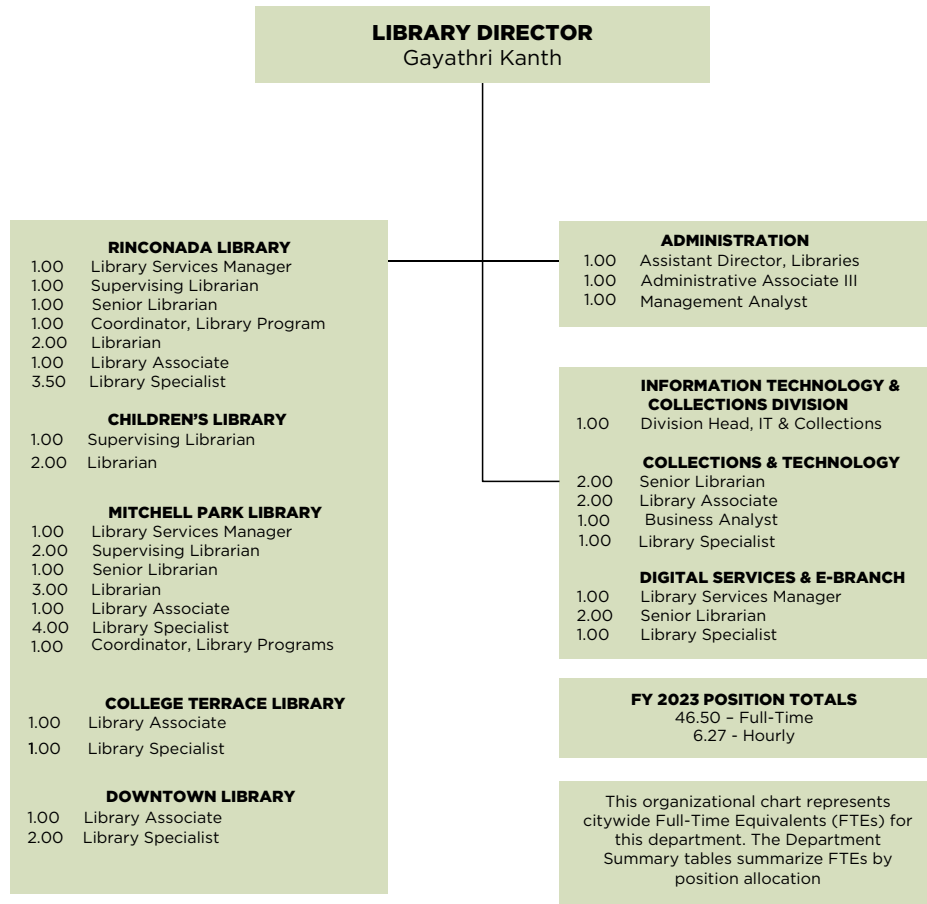
The Palo Alto City Library connects our diverse community through knowledge, resources and opportunities. We nurture innovation, discovery, and delight.

Purpose



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.

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.

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, and 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.
- 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of teens	4,937	875	3,749	1,800	2,000
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 2023.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Library facilities (buildings, computer equipment, accessibility)	94%	N/A*	N/A*	N/A*	95%
Public Library Services	92%	N/A*	N/A*	N/A*	94%
Recommend Palo Alto's Libraries to Friends	91%	N/A*	N/A*	N/A*	89%
Variety of Library Materials	88%	N/A*	N/A*	N/A*	88%
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 not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated*	FY 2023 Proposed Budget
Meeting Room Reservations	10,290	256	9,765	2,573	6,689
Visits to library branches	663,761	97,523	706,747	406,103	467,018
Virtual visits to the library	711,141	701,568	684,163	620,617	713,709
Checkouts of library materials	1,194,673	842,787	1,212,657	1,058,295	1,212,039
Annual turnover rate of library collections	3.57	1.61	3.50	2.70	3.20

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration	\$1,441,806	\$1,135,582	\$901,894	\$956,490	\$54,596	6.1%
Collection and Technical Services	\$2,837,328	\$2,589,592	\$2,693,716	\$2,869,013	\$175,298	6.5%
Public Services	\$5,708,647	\$4,802,729	\$5,307,225	\$6,321,967	\$1,014,742	19.1%
Total	\$9,987,782	\$8,527,903	\$8,902,834	\$10,147,470	\$1,244,636	14.0%
Salary & Benefits						
Healthcare	\$830,064	\$718,313	\$844,665	\$1,024,192	\$179,528	21.3%
Other Benefits	\$124,377	\$130,445	\$145,468	\$146,554	\$1,086	0.7%
Overtime	\$10,643	\$1,555	\$76,220	\$78,506	\$2,286	3.0%
Pension	\$1,460,018	\$1,413,466	\$1,472,686	\$1,649,407	\$176,721	12.0%
Retiree Medical	\$457,451	\$434,938	\$442,050	\$483,872	\$41,822	9.5%
Salary	\$4,392,685	\$3,696,497	\$3,679,552	\$4,424,210	\$744,658	20.2%
Workers' Compensation	\$199,748	\$178,232	\$183,272	\$170,225	\$(13,047)	(7.1)%
Total Salary and Benefits	\$7,474,987	\$6,573,447	\$6,843,913	\$7,976,967	\$1,133,054	16.6%
Dollars by Category						
Allocated Charges	\$1,329,434	\$1,084,808	\$1,151,975	\$1,165,857	\$13,882	1.2%
Contract Services	\$389,726	\$273,032	\$293,185	\$293,185	—	—%
Facilities & Equipment	\$1,346	\$18,021	\$9,900	\$9,900	—	—%
General Expense	\$57,994	\$14,616	\$58,380	\$81,080	\$22,700	38.9%
Supplies & Material	\$734,295	\$563,978	\$545,481	\$620,481	\$75,000	13.7%
Total Dollars by Expense Category	\$9,987,782	\$8,527,903	\$8,902,834	\$10,147,470	\$1,244,636	14.0%
Revenues						
Charges for Services	\$13,778	\$657	\$25,461	\$25,461	—	—%
From Other Agencies	\$17,160	\$33,630	—	—	—	—%
Other Revenue	\$26,307	\$23,843	\$51,400	\$51,400	—	—%
Other Taxes and Fines	\$52,447	\$21,961	\$39,255	\$39,255	—	—%
Rental Income	\$2,544	\$605	—	—	—	—%
Total Revenues	\$112,236	\$80,696	\$116,116	\$116,116	—	—%
Positions by Division						
Administration	0.40	0.40	0.20	0.40	0.20	100.0%
Collection and Technical Services	13.55	13.59	11.61	11.71	0.10	0.9%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Public Services	47.33	47.29	33.06	40.66	7.60	23.0%
Total	61.28	61.28	44.87	52.77	7.90	17.6%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Administrative Associate III	1.00	1.00	—	1.00	1.00	\$84,032
Assistant Director Library Services	1.00	1.00	—	1.00	1.00	\$166,109
Business Analyst	1.00	1.00	1.00	1.00	—	\$155,334
Coordinator Library Programs	1.00	1.00	1.00	2.00	1.00	\$193,814
Director Libraries	1.00	1.00	1.00	1.00	—	\$214,240
Division Head Library Services	1.00	1.00	1.00	1.00	—	\$161,824
Librarian	6.00	6.00	6.00	7.00	1.00	\$571,480
Library Associate	7.00	7.00	6.00	6.00	—	\$440,170
Library Specialist	11.50	11.50	10.50	12.50	2.00	\$867,620
Management Analyst	1.00	1.00	1.00	1.00	—	\$104,000
Manager Library Services	3.00	3.00	3.00	3.00	—	\$372,237
Senior Librarian	8.00	8.00	6.00	6.00	—	\$556,234
Supervising Librarian	4.00	4.00	4.00	4.00	—	\$416,083
Subtotal: Full-Time Equivalent Positions	46.50	46.50	40.50	46.50	6.00	\$4,303,177
Temporary/Hourly	14.78	14.78	4.37	6.27	1.90	\$274,963
Total Positions	61.28	61.28	44.87	52.77	7.90	\$4,578,140

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	44.87	8,902,834	116,116	8,786,718
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	245,659	-	245,659
Collection Development Mid-Year Restoration	-	75,000	-	75,000
General Liability Insurance Allocated Charges	-	5,938	-	5,938
Information Technology Allocated Charges	-	12,876	-	12,876
Printing & Mailing Allocated Charges	-	700	-	700
Stormwater Management Allocated Charges	-	100	-	100
Utilities Allocated Charges	-	(6,689)	-	(6,689)
Vehicle Replacement & Maintenance Charges	-	957	-	957
Adjustments to Costs of Ongoing Activities	-	334,541	-	334,541
Total FY 2023 Base Budget	44.87	9,237,375	116,116	9,121,259
Budget Adjustments				
1. Library Hours Restoration	7.90	888,395	-	888,395
2. Library Training and Professional Development	-	21,700	-	21,700
Total Budget Adjustments	7.90	910,095	-	910,095
Total FY 2023 Proposed Budget	52.77	10,147,470	116,116	10,031,354

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Library Hours Restoration	7.90	888,395	-	888,395

This action adds 1.00 Assistant Director, 1.00 Coordinator Library Programs, 1.00 Administrative Associate III, 1.00 Librarian, 2.00 Library Specialists, and six part-time positions in the Library Clerk and Library Page classifications (1.90 FTE) to restore library hours at all branches. The additional staffing will increase the smaller branches (Children's, Downtown, and College Terrace) open days to four days a week and the larger branches (Mitchell Park and Rinconada) open days to six days a week. Additional staffing will enable special programming and events such as New American programs, Summer Reading Program, re:Maker Fair, Palo Alto Reads author programs and the Celebrate Culture series (celebrating events such as Día de los Muertos, Diwali, Lunar New Year, Native American Heritage Month, etc), that are well-loved by the community. Also, additional staffing will enable the library to provide technical literacy to the community by remaining a tech hub with its Vintage Media Lab, robots, virtual reality and virtual programming equipment. This additional staff will be able to reconnect and collaborate with various community organizations and city departments. The Library has experienced significant operating changes since the onset of the pandemic and is currently undergoing an organizational study to inform an optimal staffing structure. Any staffing revisions resulting from this study will be brought forward in a subsequent budget process. (Ongoing cost: \$937,000, 2-yr limited term)

Performance Results



This action restores staffing to meet community interest in increased library services.

2. Library Professional Development	0.00	21,700	-	21,700

This action restores the departments travel and training budget to attend conferences and other professional development opportunities which was reduced in FY 2021 due to pandemic-related budget reductions. This will allow for additional advances in customer service, equity, diversity and inclusion, pandemic health and safety, and other topics addressed by the American Library Association. (Ongoing cost: \$22,000, 2-yr limited term)

Performance Results



This action provides resources to ensure a trained and skilled workforce.

OFFICE OF EMERGENCY SERVICES

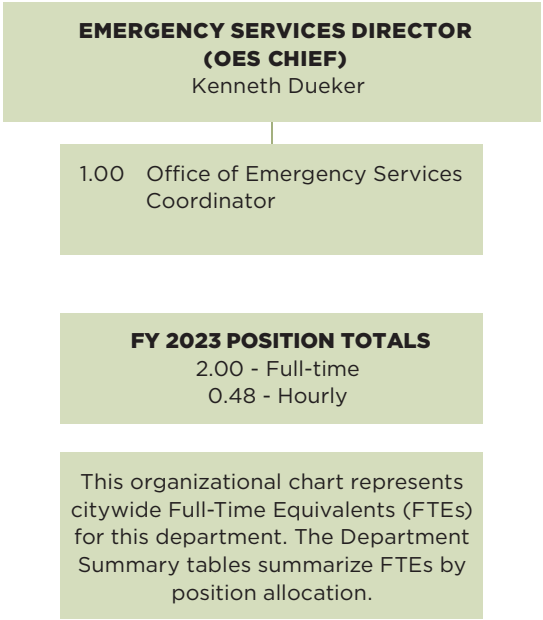
Mission Statement



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.

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	To detect and facilitate public safety response to unsafe conditions at the four at-grade rail crossings in Palo Alto.				
Objective	Coordinate development of new technologies for emergency management.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of annual reported incidents within the CalTrain right-of-way	110	57	50	70	70
Description	This measure provides the number of incidents reported to OES via the Intrusion Detection System (IDS) which is monitored and operated by a third party under contract.				
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	In the current year, the Department expects an increase to 70 incidents. This level is anticipated to remain constant in FY 2023.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of Office of Emergency Services resources that are able to respond effectively to hazards	98%	100%	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 2020 Actuals	FY 2021 Actuals*	FY 2022 Adopted Budget	FY 2022 Estimated*	FY 2023 Proposed Budget
Number of presentations, training sessions, and exercises	160	56	150	60	75
Number of deployments of the Emergency Operations Center, Mobile EOC, and Incident Command Post	207	53	35	30	50

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Emergency Services	\$1,263,205	\$1,282,115	\$1,237,172	\$1,339,643	\$102,471	8.3%
Total	\$1,263,205	\$1,282,115	\$1,237,172	\$1,339,643	\$102,471	8.3%
Salary & Benefits						
Healthcare	\$38,382	\$32,372	\$28,988	\$28,949	\$(39)	(0.1)%
Other Benefits	\$14,506	\$14,026	\$16,432	\$15,514	\$(918)	(5.6)%
Overtime	\$20,149	\$1,240	—	—	—	—%
Pension	\$144,554	\$127,942	\$142,348	\$152,414	\$10,066	7.1%
Retiree Medical	\$51,339	\$50,986	\$51,819	\$44,260	\$(7,559)	(14.6)%
Salary	\$408,179	\$351,359	\$380,805	\$394,711	\$13,906	3.7%
Workers' Compensation	\$30,339	\$27,947	\$28,737	\$25,528	\$(3,210)	(11.2)%
Total Salary and Benefits	\$707,449	\$605,871	\$649,129	\$661,376	\$12,246	1.9%
Dollars by Category						
Allocated Charges	\$138,682	\$112,381	\$110,912	\$201,137	\$90,225	81.3%
Contract Services	\$281,460	\$331,399	\$315,508	\$315,508	—	—%
Facilities & Equipment	\$62,940	\$186,188	\$77,000	\$77,000	—	—%
General Expense	\$29,547	\$8,243	\$30,700	\$30,700	—	—%
Supplies & Material	\$43,128	\$38,034	\$53,922	\$53,922	—	—%
Total Dollars by Expense Category	\$1,263,205	\$1,282,115	\$1,237,172	\$1,339,643	\$102,471	7.6%
Revenues						
Charges to Other Funds	\$95,589	\$95,589	\$95,589	\$95,589	—	—%
From Other Agencies	—	\$216,461	—	—	—	—%
Other Revenue	—	\$5,611	—	—	—	—%
Total Revenues	\$95,589	\$317,661	\$95,589	\$95,589	—	—%
Positions by Division						
Emergency Services	3.48	3.48	2.48	2.48	—	—%
Total	3.48	3.48	2.48	2.48	—	—%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Director Office of Emergency Services	1.00	1.00	1.00	1.00	—	\$184,933
Office of Emergency Services Coordinator	1.00	1.00	1.00	1.00	—	\$142,189
Program Assistant II	1.00	1.00	—	—	—	—
Subtotal: Full-Time Equivalent Positions	3.00	3.00	2.00	2.00	—	\$327,122
Temporary/Hourly	0.48	0.48	0.48	0.48	—	\$35,942
Total Positions	3.48	3.48	2.48	2.48	—	\$363,064

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	2.48	1,237,172	95,589	1,141,583
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	12,246	-	12,246
General Liability Insurance Allocated Charges	-	209	-	209
Information Technology Allocated Charges	-	(2,437)	-	(2,437)
Printing & Mailing Services Allocated Charges	-	100	-	100
Utilities Allocated Charges	-	84,492	-	84,492
Vehicle Replacement & Maintenance Allocated Charges	-	7,860	-	7,860
Adjustments to Costs of Ongoing Activities	-	102,470	-	102,470
Total FY 2023 Base Budget	2.48	1,339,642	95,589	1,244,053
Budget Adjustments				
None	-	-	-	-
Total Budget Adjustments	-	-	-	-
Total FY 2023 Proposed Budget	2.48	1,339,642	95,589	1,244,053

PLANNING AND DEVELOPMENT SERVICES

Mission Statement



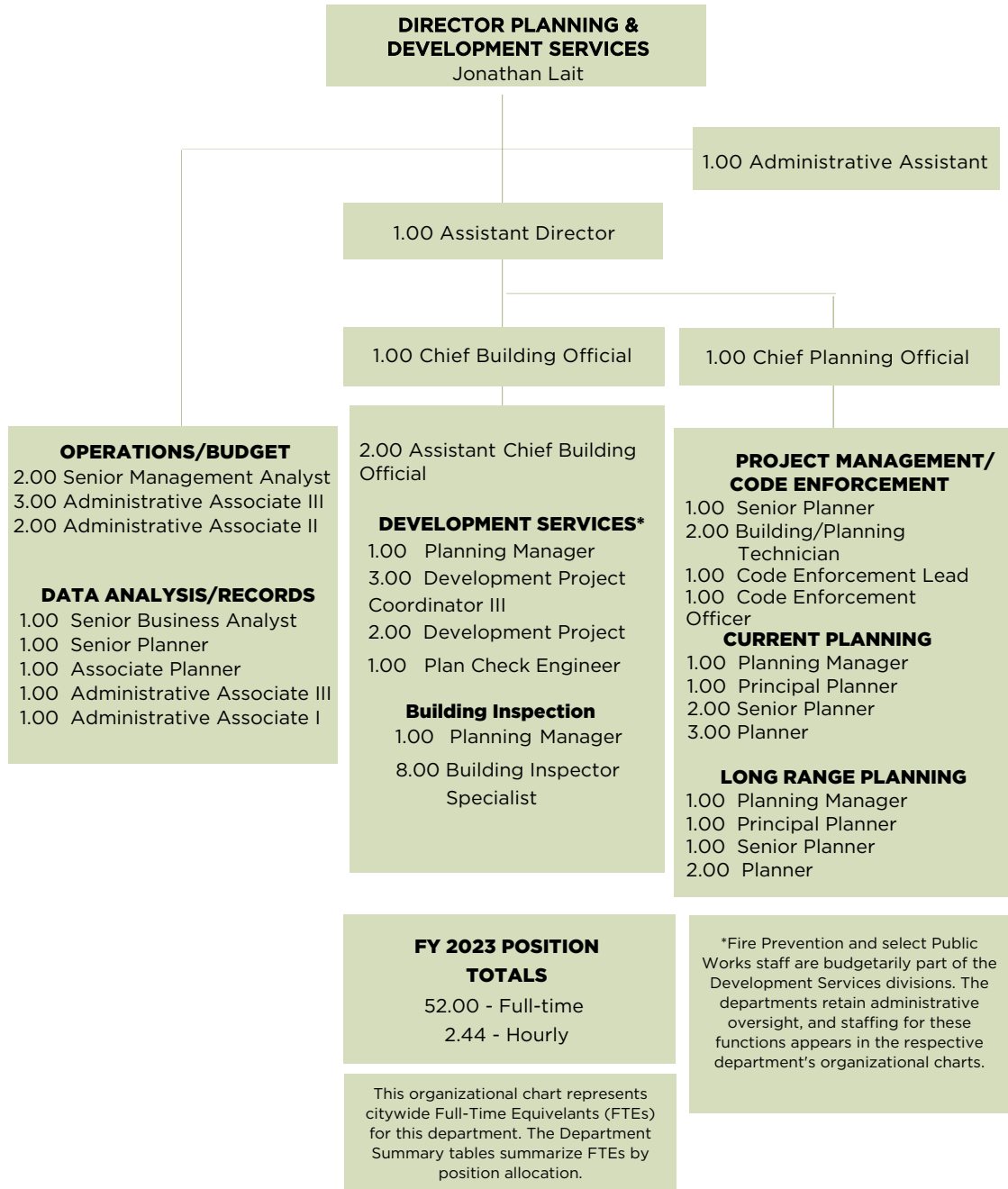
The mission of the Planning and Development Services Department is to provide effective implementation of land use development, planning, housing and environmental policies, and efficient processing of building permit applications that maintain and enhance the City as a safe, vital, and attractive community.



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.

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.

PLANNING AND DEVELOPMENT SERVICES

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of surveyed residents rating the quality of code enforcement as "good" or "excellent"	52%	N/A*	N/A*	N/A*	60%
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.				

Key Performance Measures

Status	* The National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed 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.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of permits initiated within a given period where all department reviews are completed	83%	85%	80%	75%	80%

Key Performance Measures

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	The department strives to meet industry best practices for on-time plan reviews of 80% and estimates meeting that goal in the current year.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of permits that are reviewed and approved by all necessary departments over-the-counter.	60%	67%	60%	72%	70%
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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of planning and Architectural Review Board applications completed (including staff level)	262	248	290	195	220
Average number of days for Planning to first review building permit applications	24	22	20	15	20
Average number of days from Individual Review application to approval	89	135	80	150	90
Number of building permit applications	3,189	3,583	3,300	3,670	3,600
Number of building permits issued	2,476	2,828	2,800	2,980	2,900
Number of fire permit inspections	1,396	1,144	1,500	1,410	1,400
Number of building inspections	18,557	18,582	20,000	18,200	20,000
Number of Public Records Requests*	172	193	200	200	200
Number of Code Enforcement Complaints Received*	767	601	800	870	800
Average Initial Response Time to Public Records Requests (Days)*	7	6	5	5	5

*These are new measures as of FY 2022. Prior year actuals have been restated

PLANNING AND DEVELOPMENT SERVICES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration	\$4,813,512	\$4,261,376	\$4,382,668	\$5,157,913	\$775,245	17.7%
Building	\$4,982,317	\$4,412,199	\$5,034,691	\$6,180,776	\$1,146,084	22.8%
Fire	\$2,532,421	\$2,124,145	\$2,241,162	\$2,688,901	\$447,739	20.0%
Green Building	\$368,872	\$188,971	\$187,730	\$304,000	\$116,270	61.9%
Planning	\$574,210	\$596,648	\$644,412	\$669,123	\$24,711	3.8%
Planning and Counter Support	\$5,109,443	\$3,517,617	\$4,154,219	\$6,228,771	\$2,074,552	49.9%
Public Works	\$1,216,679	\$975,433	\$1,028,359	\$1,118,604	\$90,245	8.8%
Total	\$19,597,454	\$16,076,389	\$17,673,240	\$22,348,087	\$4,674,847	26.5%
Salary & Benefits						
Healthcare	\$903,289	\$907,936	\$1,082,387	\$1,453,156	\$370,769	34.3%
Other Benefits	\$183,818	\$207,277	\$244,845	\$267,449	\$22,425	9.2%
Overtime	\$128,555	\$39,310	\$103,009	\$106,099	\$3,090	3.0%
Pension	\$2,750,828	\$2,616,307	\$2,827,498	\$3,289,087	\$461,590	16.3%
Retiree Medical	\$665,363	\$631,148	\$631,684	\$498,142	\$(133,543)	(21.1)%
Salary	\$6,332,134	\$6,124,442	\$6,636,122	\$8,253,351	\$1,617,229	24.4%
Workers' Compensation	\$326,532	\$282,444	\$286,831	\$316,362	\$29,531	10.3%
Total Salary and Benefits	\$11,290,518	\$10,808,865	\$11,812,376	\$14,183,468	\$2,371,092	20.1%
Dollars by Category						
Allocated Charges	\$2,044,115	\$1,473,721	\$1,393,400	\$2,083,534	\$690,135	49.5%
Contract Services	\$4,455,687	\$2,304,898	\$2,916,648	\$3,598,679	\$682,031	23.4%
Facilities & Equipment	\$6,666	\$490	\$15,650	\$15,650	—	—%
General Expense	\$515,616	\$463,617	\$509,534	\$1,311,584	\$802,050	157.4%
Operating Transfers-Out	\$288	—	—	\$40,000	\$40,000	—%
Rents & Leases	\$1,241,381	\$1,011,921	\$984,663	\$1,014,203	\$29,540	3.0%
Supplies & Material	\$43,183	\$12,878	\$40,969	\$100,969	\$60,000	146.5%
Total Dollars by Expense Category	\$19,597,454	\$16,076,389	\$17,673,240	\$22,348,087	\$4,674,847	26.5%
Revenues						
Charges for Services	\$8,247,427	\$7,528,252	\$8,234,718	\$8,575,625	\$340,906	4.1%
Charges to Other Funds	\$327,945	\$246,683	\$22,364	\$22,364	—	—%
From Other Agencies	\$274,977	\$18,589	—	\$800,000	\$800,000	—%
Other Revenue	\$9,512	\$149,494	\$3,413	\$3,413	—	—%
Other Taxes and Fines	\$32,310	\$249,638	\$25,773	\$25,773	—	—%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Permits and Licenses	\$7,133,743	\$7,021,999	\$7,548,178	\$8,906,522	\$1,358,343	18.0%
Total Revenues	\$16,025,914	\$15,214,654	\$15,834,447	\$18,333,696	\$2,499,249	15.8%
Positions by Division						
Administration	13.44	13.74	11.26	13.26	2.00	17.8%
Building	15.60	17.60	17.20	21.20	4.00	23.3%
Fire	6.88	6.88	4.80	8.00	3.20	66.7%
Planning	4.50	4.25	3.30	3.30	—	—%
Planning and Counter Support	19.45	17.25	14.60	16.08	1.48	10.1%
Public Works	5.50	4.80	4.80	4.80	—	—%
Total	65.37	64.52	55.96	66.64	10.68	19.1%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
40-Hour Captain**	—	—	—	0.80	0.80	\$131,589
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$92,706
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*	4.00	4.00	3.00	4.80	1.80	\$403,354
Assistant Chief Building Official	1.00	1.00	1.00	2.00	1.00	\$282,742
Assistant Director PCE	1.00	1.00	1.00	1.00	—	\$195,229
Associate Engineer	0.22	0.20	—	—	—	—
Associate Planner	3.15	3.00	3.25	1.25	(2.00)	\$136,292
Building Inspector Specialist	4.00	6.00	6.00	8.00	2.00	\$940,160
Building/Planning Technician	3.00	3.00	2.00	2.00	—	\$176,842
Chief Building Official	1.00	1.00	1.00	1.00	—	\$195,208
Chief Planning Official	1.00	1.00	1.00	1.00	—	\$172,786
Code Enforcement Officer*	2.00	2.00	—	1.00	1.00	\$139,377
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)	—
Development Project Coordinator II	2.00	2.00	2.00	2.00	—	\$192,150

PLANNING AND DEVELOPMENT SERVICES

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Development Project Coordinator III	3.00	3.00	3.00	3.00	—	\$317,928
Director Planning/Community Environment	1.00	1.00	1.00	1.00	—	\$252,886
Engineer	0.64	0.52	0.52	0.52	—	\$73,062
Engineering Technician III	1.78	1.50	1.50	1.50	—	\$147,826
Fire Inspector	3.20	3.20	1.60	1.60	—	\$263,178
Fire Marshal	—	—	—	0.80	0.80	\$174,038
Hazardous Materials Inspector	1.60	1.60	1.60	3.20	1.60	\$526,356
Industrial Waste Inspector	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	—	\$61,298
Management Analyst	0.01	—	—	—	—	—
Manager Environmental Control Program	0.10	—	—	—	—	—
Manager Planning	5.00	4.00	4.00	4.00	—	\$589,555
Manager Urban Forestry	0.04	—	—	—	—	—
Planner	4.00	4.00	4.00	5.00	1.00	\$582,608
Plans Check Engineer	—	—	—	1.00	1.00	\$136,469
Principal Management Analyst	1.00	—	—	—	—	—
Principal Planner	2.00	2.00	1.00	2.00	1.00	\$272,376
Program Assistant	1.00	1.00	—	—	—	—
Project Engineer	0.13	0.10	—	—	—	—
Senior Business Analyst	1.00	1.00	1.00	1.00	—	\$158,746
Senior Engineer*	0.46	0.40	0.40	0.45	0.05	\$80,250
Senior Industrial Waste Investigator	0.01	—	—	—	—	—
Senior Management Analyst	2.00	2.00	2.00	2.00	—	\$297,731
Senior Planner	3.60	3.60	3.65	4.65	1.00	\$625,972
Supervisor Inspection and Surveying	0.27	0.25	0.25	0.25	—	\$34,684
Traffic Engineering-Lead*	0.10	0.10	0.05	—	(0.05)	(\$7,956)
Transportation Planning Manager	—	—	0.05	0.05	—	\$7,606

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Subtotal: Full-Time Equivalent Positions	62.45	61.60	54.00	64.20	10.20	\$8,162,204
Temporary/Hourly	2.92	2.92	1.96	2.44	0.48	\$54,969
Total Positions	65.37	64.52	55.96	66.64	10.68	\$8,217,173

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Planning and Development Services Department, the FY 2022 Adopted Budget was amended to add 1.00 Administrative Associate III and 1.00 Code Enforcement Officer, and reclassify 1.00 Traffic Engineering Lead to 1.00 Senior Engineer (0.05 FTE in PDS).

** The FY 2023 Proposed Budget includes new job classifications that require completion of a meet and confer process with the respective bargaining groups to negotiate terms for wages, hours, and other employment conditions. Proposals in this budget include estimated funding levels for financial planning purposes only and do not reflect the final negotiated terms of the proposed classifications.

PLANNING AND DEVELOPMENT SERVICES

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	55.96	17,673,239	15,834,447	1,838,792
One-Time Prior Year Budget Adjustments				
Development Services Inspection and Plan Check	-	(587,969)	-	(587,969)
One-Time Prior Year Budget Adjustments	0.00	(587,969)	-	(5897,969)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	613,165	-	613,165
FY 2022 Mid-Year Budget Review (CMR 13801)	1.00	131,422	-	131,422
Preliminary Q1 FY 2022 Financial Status Update (CMR 13439)	1.00	110,146	110,146	-
Rent and Lease Expenditure (285 Hamilton, 526 Bryant St)	-	29,540	-	29,540
Information Technology Allocated Charges	-	350,261	-	350,261
Liability Insurance Allocated Charges	-	84,290	-	84,290
Printing & Mailing Services Allocated Charges	-	6,600	-	6,600
Utilities Allocated Charges	-	96,468	-	96,468
Vehicle Replacement & Maintenance Allocated Charges	-	107,516	-	107,516
Workers' Compensation Allocated Charges	-	29,531	-	29,531
Adjustments to Costs of Ongoing Activities	2.00	1,558,939	110,146	1,448,793
Total FY 2023 Base Budget	57.96	18,644,209	15,944,593	3,287,585
Budget Adjustments				
1. Planning and Development Services Online Data Enhancements	1.00	138,610	138,610	-
2. Citywide GIS Update	-	45,000	45,000	-
3. Current Planning Reorganization	-	-	-	-
4. Fire Prevention Program	3.20	795,691	770,000	25,691
5. Code Enforcement Staffing (one-year limited term)	0.48	54,969	-	54,969
6. Development Services Operational Improvements	1.00	370,906	265,906	105,000
7. Downtown Housing Plan Grant Recognition and General Fund Support	-	950,000	800,000	150,000
8. Long Range and Current Planning Consultant Support	-	390,000	130,000	260,000
9. Building Inspection Staffing Increase	3.00	533,701	239,587	294,114
10. Planning and Development Services Initiatives and Projects	-	425,000	-	425,000
Total Budget Adjustments	8.68	3,703,878	2,389,103	1,314,775
Total FY 2023 Proposed Budget	66.64	22,348,087	18,333,696	4,014,391

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Planning and Development Services Online Data Enhancements	1.00	138,610	138,610	-

This action adds 1.00 Associate Planner to the Data team due to increasing demand for technical support to address daily business operations including, but not limited to, Online Permitting for Development Services, Online Parcel Reports, and an online appointment booking system for Development Services. Currently, the team has a technical staff of 2.00 FTE, and over the last two years, the importance and necessity of a fully staffed and trained Data group became evident as over 90% of PDS business operations are now online compared to pre-pandemic conditions. Delivering more services online requires additional staff with a technical skillset to maintain and enhance the system/software, serve as technical support for internal staff and business customers navigating the City's Online Permitting Services, and assist in developing processes and systems that can transform services traditionally delivered in-person to online. The additional staff will also allow for depth in technical expertise and allow for succession planning as PDS continues to rely heavily on technology to deliver its services. (Ongoing cost: \$0)

Performance Results



This action ensures that appropriate staffing levels are available to support the transition of services online.

2. Citywide GIS Update	-	45,000	45,000	-

This action appropriates funding to update the City's Geographic Information System (GIS) pertaining to parcel maps. Parcel maps constantly change due to development activity and require regular updates to encompass those changes to ensure the City provides accurate parcel maps. (Ongoing net cost: \$0)

Performance Results



This action will improve the accuracy of data the City provides to the public.

3. Current Planning Reorganization	-	-	-	-

This action reclassifies six positions: 1.00 Senior Planner to 1.00 Principal Planner, 2.00 Planners to 2.00 Senior Planners, and 3.00 Associate Planners to 3.00 Planners. This action will give the Department the ability to reduce staff turnover by creating promotional opportunities and aid in succession planning. This request does not imply that promotions will be automatic; these positions will be continued to be underfilled in order to create a path to retain experienced professionals for career advancement in this series when staff meets the criteria for advancement, and the Department leadership is ready to promote. (Ongoing cost: \$32,550, 2-year limited term)

Performance Results



This realignment of staff will better position the department for succession planning and reduce future staff attrition.

4. Fire Prevention Program	3.20	795,691	770,000	25,691

This action adds \$770,000 in permit revenue and \$995,000 in salary and non-salary expenses to add staffing and resources in the Fire Prevention Division to meet the demand for hazmat facility inspections and ensure compliance with state mandates. The Palo Alto Fire Prevention Bureau (FPB) performs fire plan checks, reviews, permitting, and fielding fire safety inspections. This action adds 4.00 full-time positions to meet immediate business needs, including a reclassification of 1.00 Deputy Chief/Fire Marshal to a new Fire Marshal classification, 1.00 40-hr Prevention Captain, 2.00 Hazardous Materials Inspectors (restoration to pre-pandemic levels), and 1.00 Administrative Associate III. Additionally, this action adds one-time funding of \$100,000 for contract staffing and \$60,000 for software. The FPB is undergoing a strategic management analysis study to inform organizational structure and resource needs, including potential revisions to fees; current fees recover 70.1-100% of costs (high cost recovery level). Any further revisions resulting from this study will be brought forward in a subsequent process. The staffing in FPB is allocated to both the Fire Department and Planning and Development Services Department; therefore, actions appear in both department sections of the budget. (Ongoing saving: \$103,862)

Performance Results



This action will ensure sufficient staffing levels to meet operational demands and comply with regulatory requirements.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
5. Code Enforcement Staffing (one year limited term)	0.48	54,969	-	54,969

This one-time action extends funding for a part-time Staff Specialist in the Project Management/Code Enforcement division for one year. The additional staffing will assist the Department to address code enforcement complaints from residents. (Ongoing cost: \$0)

Performance Results



The continued additional staffing will allow to City to improve response times to code enforcement violations.

6. Development Services Operational Improvements	1.00	370,906	265,906	105,000

This net-neutral action adds 1.00 Plan Review Engineer, provides funding for a consultant to conduct building inspections, and provides funding for a study for workflow process improvements at the Development Center. Over the past two years, plan review consultant firms have reported a decrease in the availability of providing dedicated plan review experts. The addition of a staff Plan Review Engineer will allow the department to provide a guaranteed level of plan review service at the Development Center, and allow the department to have increased expertise in quality controlling plan reviews. The addition of a modest consultant budget for the Building Inspection services will allow the Department to augment staff levels to address peak inspection requests and reduce wait times. In addition, a workflow process improvement study will streamline the application process for plan checks and increase efficiency in application processing for customers serviced at the Development Center. These costs are fully offset by permit revenues and \$105,000 from the Development Services reserves for prior year works in progress. Actions in this report bring funding levels of this reserve from \$2.3 million to \$1.9 million (Ongoing net cost: \$0)

Performance Results



The additional staffing, funding for a consultant, and conducting a study will improve service levels and response times.

7. Downtown Housing Plan Grant Recognition and General Fund Support	-	950,000	800,000	150,000

This action recognizes the award of \$800,000 from the Metropolitan Transportation Commission and appropriates \$600,000 (\$150,000 in FY2023) of City funding for the next four fiscal years of project management and analytical consultant support for the City to prepare a Downtown Housing Plan. The Housing Plan will focus on housing production in the Downtown, including affordable housing, and will implement policies from the City's Comprehensive Plan. Community engagement will be key to the success of the planning effort, as will technical, design, and planning work by qualified consultants funded by the grant. (Ongoing costs: \$150,000, 4-year limited term)

Performance Results



This action will result in the production of the Downtown Housing Plan and ensure that appropriate City resources are available to support the project.

8. Long Range and Current Planning Consultant Support	-	390,000	130,000	260,000

This action increases the budget for on-call consultants for the Current Planning Division (\$130,000); additionally, a one-time action will increase the budget for the long-range planning consultants (\$260,000). As part of pandemic-related budget cuts, the Current Planning reduced the on-call consultant budget by more than 60% in FY 2021. The current request partially restores some of those cuts due to increased demand for planning applications. Long Range Planning Division has a significant list of items on their work plan, and the additional funding will allow the division flexibility to use on-call consultants to respond to Council requests for updating policies and studies as they are requested throughout the year. (Ongoing net cost: \$0)

Performance Results



The additional resources will improve the average turnaround time of reviewing planning applications and allow the City to be to commence several of its study issues pertaining to long-range planning.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
9. Building Inspection Staffing Increase	3.00	533,701	239,587	294,114

This net-neutral action adds 1.00 Assistant Chief Building Official and 2.00 Building Inspector Specialists, and associated vehicle expenses. The Assistant Chief Building Official will focus on improving the permit process, establish interdepartmental workflows, and problem solve complex policy and operational issues as they arise. The Building Inspector Specialists will reduce inspection wait times. The Building Inspection program is currently staffed with 6.0 FTE and during peak times, wait time for inspections can increase to greater than two weeks. When there are absences, depending on workload demands, that wait time can increase up to four weeks to schedule an inspection. The department strives to maintain a one-week response time and this action will support achieving that goal. This action also adds two vehicles to the City's fleet for the Building Inspector Specialists to be able to execute job duties. These costs are fully offset by permit revenues and \$294,114 from the Development Services reserve for prior year works in progress. Actions in this report bring funding levels of this reserve from \$2.3 million to \$1.9 million (Ongoing net cost: \$0)

Performance Results



This action will improve Planning Development Services workflow and reduce building inspection wait times.

10. Planning and Development Services Initiatives and Projects	-	425,000	-	425,000

This one-time action adds \$425,000 to contract services to augment staff expertise and address department initiatives and projects which include: North Ventura Coordinated Area Plan (NVCAP), Housing Element Financial Feasibility Studies, Historic Resource Evaluations, and Seismic Ordinance Update. Planning and Development Services staff rely on subject matter experts for studies related to special projects. The approval of this funding will allow the department to: complete the drafting, planning and adoption of NVCAP in FY2023; complete a financial feasibility studies for the Housing Element based on adjusted development standards; prepare an updated historic analysis for approximately 160 properties for possible inclusion in the City's local historic inventory; and lastly, initiate an update to the Seismic Ordinance. (Ongoing Cost: \$0)

Performance Results



This action allows Planning and Development Services to make progress on and complete Council directed initiatives.



CITY OF
**PALO
ALTO**

POLICE

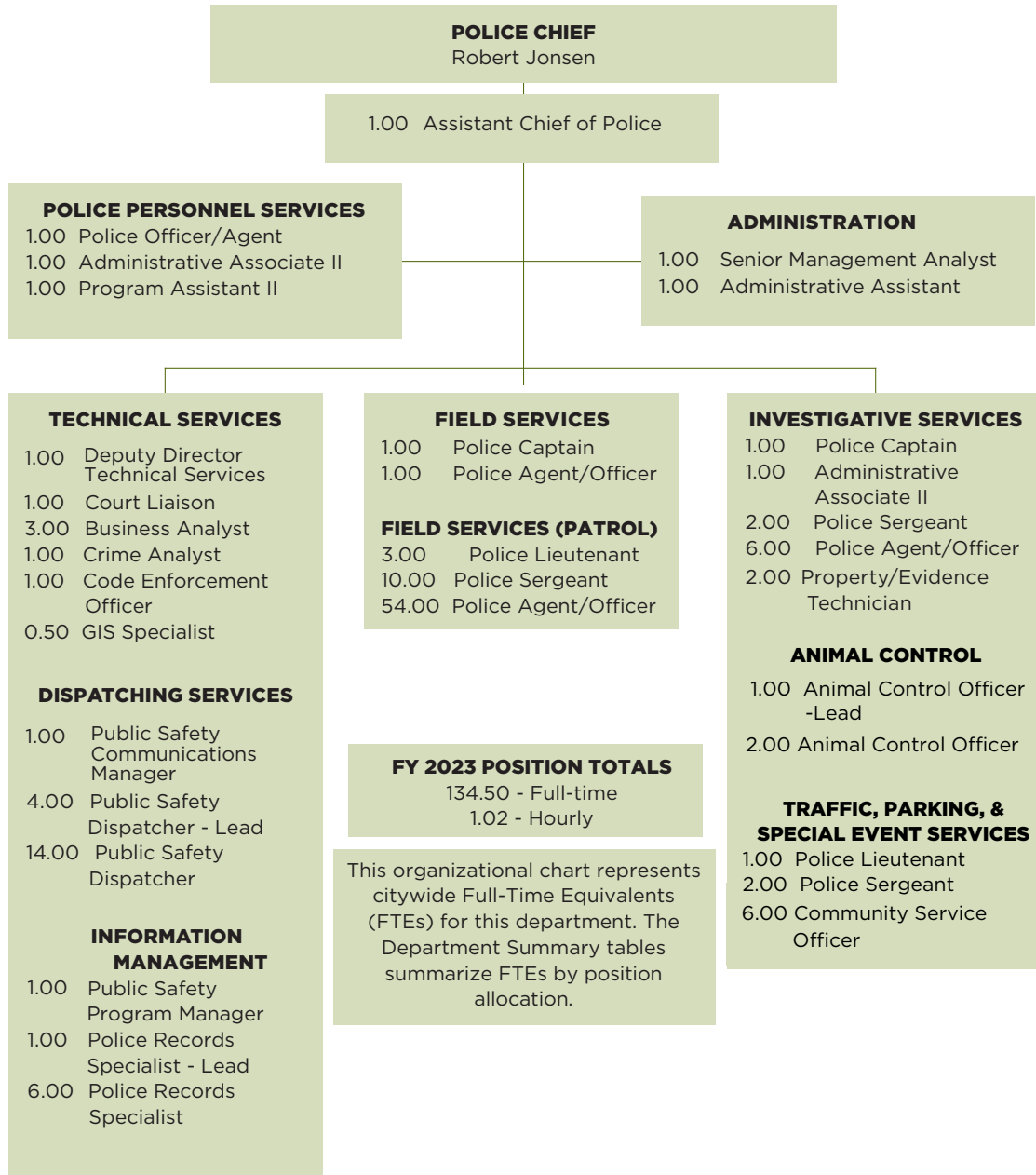
Mission Statement



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.

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.
- Update the Computer Aided Dispatch platform and continue providing Racial and Identity Profiling Advisory (RIPA) data
- 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 Guidebook 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.
- With Santa Clara County Behavioral Health Services enhance the Psychiatric Evaluation Response Team (PERT) services.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of Palo Alto live animal calls responded to within 45 minutes	93%	96%	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. Year over year, the Division continues to meet the goal, and expects that to remain the case.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Animal Control Services	80%	N/A*	N/A*	N/A*	80%
Crime Prevention Services	67%	N/A*	N/A*	N/A*	80%
Overall Police Services	78%	N/A*	N/A*	N/A*	90%
Traffic Enforcement Services	65%	N/A*	N/A*	N/A*	60%
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 not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of emergency calls responded to within 6 minutes	60%	67%	90%	67%	90%
Percent of urgent calls responded to within 10 minutes	70%	78%	90%	78%	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 improved year over year (60% to 67%). The percentage of urgent calls responded to within 10 minutes improved year over year (70% to 78%). 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of police calls for service	48,394	39,703	54,000	45,000	54,000
Number of Part I crimes	2,002	1,994	1,600	1,900	1,600
Number of Part II crimes	1,953	1,723	2,600	1,700	2,600
Average response time for emergency calls (Goal: within 6 minutes)	6:15	5:36	6:00	6:00	6:00
Average response time for urgent calls (Goal: within 10 minutes)	9:07	8:11	8:00	8:00	8:00
Total number of Palo Alto animal control calls	2,966	2,322	2,400	2,400	2,400
Number of regional animal control calls (Los Altos and Los Altos Hills)	798	743	425	600	425

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Administration	\$1,665,692	\$1,187,696	\$1,142,140	\$1,161,247	\$19,107	1.7%
Animal Control	\$1,062,105	\$610,733	\$582,438	\$606,828	\$24,390	4.2%
Field Services	\$22,841,368	\$21,977,738	\$23,798,847	\$25,654,900	\$1,856,053	7.8%
Investigations and Crime Prevention Services	\$5,458,542	\$5,143,832	\$5,026,011	\$5,480,460	\$454,449	9.0%
Parking Services	\$1,652,700	\$1,445,797	\$1,488,739	\$1,414,690	\$(74,049)	(5.0)%
Police Personnel Selection	\$1,467,418	\$837,012	\$932,904	\$1,021,468	\$88,564	9.5%
Technical Services	\$9,800,218	\$8,643,463	\$8,948,716	\$10,563,513	\$1,614,797	18.0%
Traffic Services	\$1,042,166	\$937,139	\$1,195,625	\$1,236,269	\$40,644	3.4%
Total	\$44,990,208	\$40,783,410	\$43,115,420	\$47,139,374	\$4,023,954	9.3%
Salary & Benefits						
Healthcare	\$2,756,681	\$2,698,177	\$2,898,262	\$3,199,563	\$301,302	10.4%
Other Benefits	\$1,048,970	\$990,542	\$717,483	\$677,028	\$(40,455)	(5.6)%
Overtime	\$2,566,590	\$1,430,719	\$944,186	\$972,512	\$28,326	3.0%
Pension	\$10,431,311	\$10,626,470	\$11,474,249	\$12,282,844	\$808,595	7.0%
Retiree Medical	\$2,652,514	\$2,532,285	\$2,573,691	\$2,751,447	\$177,756	6.9%
Salary	\$18,251,016	\$16,571,520	\$17,426,011	\$19,102,202	\$1,676,191	9.6%
Workers' Compensation	\$1,567,537	\$1,388,033	\$1,427,281	\$1,586,927	\$159,646	11.2%
Total Salary and Benefits	\$39,274,620	\$36,237,744	\$37,461,163	\$40,572,524	\$3,111,361	8.3%
Dollars by Category						
Allocated Charges	\$3,875,114	\$2,921,250	\$3,451,379	\$4,222,781	\$771,402	22.4%
Contract Services	\$1,081,309	\$1,135,771	\$1,487,588	\$1,506,200	\$18,612	1.3%
Facilities & Equipment	\$13,649	\$18,776	\$34,500	\$34,500	—	—%
General Expense	\$401,953	\$216,790	\$369,850	\$434,999	\$65,150	17.6%
Rents & Leases	\$4,494	\$4,620	\$4,960	\$4,960	—	—%
Supplies & Material	\$339,070	\$248,459	\$305,981	\$363,411	\$57,430	18.8%
Total Dollars by Expense Category	\$44,990,208	\$40,783,410	\$43,115,420	\$47,139,374	\$4,023,954	9.3%
Revenues						
Charges for Services	\$1,321,658	\$1,398,899	\$1,019,795	\$1,203,989	\$184,194	18.1%
Charges to Other Funds	\$481,000	\$641,850	\$641,850	\$641,850	—	—%
From Other Agencies	\$318,896	\$40,568	\$82,900	\$(12,104)	\$(95,004)	(114.6)%
Operating Transfers-In	—	—	\$575,000	—	\$(575,000)	(100.0)%
Other Revenue	\$179,433	\$175,901	\$176,300	\$176,300	—	—%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Other Taxes and Fines	\$1,028,657	\$311,360	\$1,368,358	\$1,718,358	\$350,000	25.6%
Permits and Licenses	\$143,060	\$102,292	\$151,998	\$151,998	—	—%
Total Revenues	\$3,472,703	\$2,670,870	\$4,016,201	\$3,880,391	\$(135,810)	(3.4)%
Positions by Division						
Administration	5.30	5.30	4.30	4.30	—	—%
Animal Control	4.00	4.48	3.00	3.00	—	—%
Field Services	73.55	73.55	64.15	67.15	3.00	4.7%
Investigations and Crime Prevention Services	16.38	16.38	14.30	15.30	1.00	7.0%
Parking Services	8.75	8.75	5.88	5.88	—	—%
Police Personnel Selection	4.34	4.22	3.00	3.00	—	—%
Technical Services	37.00	37.00	29.12	33.92	4.80	16.5%
Traffic Services	2.62	2.62	1.60	1.60	—	—%
Total	151.94	152.30	125.35	134.15	8.80	7.0%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Administrative Assistant	1.00	1.00	1.00	1.00	—	\$74,963
Administrative Associate II	3.00	3.00	2.00	2.00	—	\$156,790
Animal Control Officer	3.00	3.00	2.00	2.00	—	\$148,470
Animal Control Officer-Lead	1.00	1.00	1.00	1.00	—	\$79,435
Assistant Police Chief	1.00	1.00	1.00	1.00	—	\$253,573
Business Analyst	1.20	1.20	1.20	2.20	1.00	\$341,736
Code Enforcement Officer	1.00	1.00	1.00	1.00	—	\$105,747
Communications Manager	1.00	1.00	—	—	—	—
Communications Technician	1.00	1.00	—	—	—	—
Community Service Officer	7.50	7.50	5.63	5.63	—	\$454,832
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	—	0.80	0.80	\$142,987
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	\$65,198

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Police Agent	19.00	19.00	19.00	19.00	—	\$3,009,219
Police Captain	2.00	2.00	2.00	2.00	—	\$490,526
Police Chief	1.00	1.00	1.00	1.00	—	\$286,874
Police Lieutenant	5.00	5.00	4.00	4.00	—	\$894,317
Police Officer	50.00	50.00	39.00	43.00	4.00	\$6,103,621
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	—	1.00	1.00	\$136,677
Public Safety Dispatcher	16.00	16.00	12.00	14.00	2.00	\$1,634,561
Public Safety Dispatcher-Lead	4.00	4.00	4.00	4.00	—	\$534,061
Public Safety Program Manager	2.00	2.00	1.00	1.00	—	\$132,080
Senior Management Analyst	1.00	1.00	1.00	1.00	—	\$127,338
Subtotal: Full-Time Equivalent Positions	149.00	149.00	124.33	133.13	8.80	\$18,674,997
Temporary/Hourly	2.94	3.30	1.02	1.02	—	\$123,351
Total Positions	151.94	152.30	125.35	134.15	8.80	\$18,798,348

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Police Department, the FY 2022 Adopted Budget was amended to add 0.80 FTE Deputy Director, Technical Services Division and 1.00 Public Safety Communications Manager.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	125.35	43,115,420	4,016,201	39,099,219
One-Time Prior Year Budget Adjustments				
Animal Control Operations Reimbursed by Donations	-	-	(575,000)	575,000
One-Time Prior Year Budget Adjustments	-	-	(575,000)	575,000
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	1,427,775	-	1,427,775
Parking Enforcement Revenue Alignments	-	-	350,000	(350,000)
Stanford Emergency Communication Services Revenue	-	-	108,938	(108,938)
Dispatcher Testing Services	-	4,600	-	4,600
Crossing Guard Services	-	7,318	-	7,318
SVRIA Radio Subscription Fees - Citywide & Stanford	-	11,294	-	11,294
Uniforms and Equipment	-	57,430	8,000	49,430
Preliminary Q1 FY 2022 Financial Status Update (CMR 13439)	1.00	204,255	-	204,255
FY 2022 Mid-Year Budget Review (CMR 13801)	0.80	202,743	(103,004)	305,747
Information Technology Allocated Charges	-	396,962	-	396,962
Liability Insurance Allocated Charges	-	173,523	-	173,523
Printing & Mailing Services Allocated Charges	-	2,400	-	2,400
Utilities Allocated Charges	-	(57,331)	-	(57,331)
Vehicle Replacement & Maintenance Allocated Charges	-	255,847	-	255,847
Workers' Compensation Allocated Charges	-	159,016	-	159,016
Adjustments to Costs of Ongoing Activities	1.80	2,845,832	363,934	2,481,898
Total FY 2023 Base Budget	127.15	45,961,252	3,805,135	42,156,117
Budget Adjustments				
1. Special Problems Detail	2.00	350,902	-	350,902
2. Dispatch Services Restorations	2.00	239,960	45,707	194,253
3. Psychiatric Emergency Response Team	1.00	175,451	-	175,451
4. Investigative Unit Restorations	1.00	168,126	-	168,126
5. Technical Services Staffing	1.00	184,683	29,549	155,134
6. Training and Professional Development	-	59,000	-	59,000
Total Budget Adjustments	7.00	1,178,122	75,256	1,102,866
Total FY 2023 Proposed Budget	134.15	47,139,374	3,880,391	43,258,983

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Special Problems Detail	2.00	350,902	-	\$350,902

This action adds 2.00 Police Officer positions to focus on the health and safety of downtown and commercial cores and conduct outreach to the unhoused population that inhabit vehicles, streets, and/or parking facilities. As part of the FY 2022 Preliminary Q1 Report (CMR 13439), overtime funding of \$300,000 was added to the Police Department's budget on a one-time basis to fund these services. This action will allow the Department to focus on these services and add the Special Problems Detail as an ongoing unit. (Ongoing Cost: \$372,000, 2-yr limited term)

Performance Results



This will result in improved community health and safety through dedicated response to the City's unhoused population.

2. Dispatch Service Restorations	2.00	239,960	45,707	\$194,253

This action adds 2.00 Public Safety Dispatcher positions to the Communication Center in anticipation of a return to pre-pandemic call volume and will result in a total of 18.00 Public Safety Dispatcher positions (including Lead positions) to staff the call center. Prior to the onset of the COVID-19 pandemic, the call center had 20.00 dispatcher positions. A full restoration of call center staffing is not recommended at this time as the Department is seeking a balanced approach to reinvest resources to provide core public safety services to the community. Position costs will be offset 16% by Stanford University communication services revenue based on the Communications Contract between the City and Stanford University. (Ongoing Net Cost: \$240,000, 2-yr limited term)

Performance Results



This will reduce mandatory overtime shifts for public safety dispatchers with increased coverage and improve recruiting and retention efforts, priorities of the Department.

3. Psychiatric Emergency Response Team	1.00	175,451	-	\$175,451

This action adds 1.00 Police Officer position to serve as the City's Psychiatric Emergency Response Team Officer (PERT). The PERT initiative is a FY 2022 partnership with the County of Santa Clara which consists of a two-person team working out of the Patrol Division (sworn police officer and County-provided licensed clinician) to respond and follow-up to calls for service with a nexus to mental health. Historically, mental health calls have been attended to by Police Officers who are trained in law enforcement but lack the sophisticated knowledge to address some of the mental health issues they service. The City's PERT team is currently able to cover approximately 24% of a 24/7 operating period, though PERT also provides training and identifies solutions for Police Officers to use when PERT is off duty. Additional teams are expected to be created as resources are identified. (Ongoing Cost: \$186,000, 2-yr limited term)

Performance Results



This will improve quality of community health and safety by reducing incarceration for those experiencing a mental health crisis. Having a trained mental health professional servicing the community will enable staff to address the primary mental health issue and law enforcement becomes the secondary concern ideally diverting people from the criminal justice system to the health system.

4. Investigative Unit Restorations	1.00	168,126	-	\$168,126

This action adds 1.00 Police Officer position to the Investigations Division, restoring one of the six Officer positions reduced and shifted out of this division in the FY 2021 Budget to address economic impacts from the COVID-19 pandemic and maintain patrol staffing levels citywide. These reductions to Investigations have impacted the ability to follow-up on criminal investigations, conduct surveillance and undercover crime suppression operations, participate in region-wide investigative meetings, and collaborate with other local police agencies. The additional detective position will improve case follow-up and solvability of property crimes which should result in apprehension and prosecution of criminal cases and further deter crime around the City. (Ongoing Cost: \$178,000, 2-yr limited term)

Performance Results



This will improve the quality of community health and safety with an increase of resources to investigate and follow-up on property crimes.

5. Technical Services Staffing	1.00	184,683	29,549	\$155,134

Budget Adjustments

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

This action adds 1.00 Business Analyst position to restore services related to the Communications Center radio infrastructure, on-call computer aided dispatch (CAD) support, technical system maintenance and technology deployment, and data gathering and analysis. This will restore the team to pre-pandemic levels from 2.00 Business Analyst positions to 3.00 (previously 2.00 Business Analyst and 1.00 Communications Technician position). The higher level position will be able to address not only radios but other technology maintenance projects. Position costs will be offset 16% by Stanford University communication services revenue based on the Communications Contract between the City and Stanford University. (Ongoing Cost: \$197,000, 2-yr limited term)

Performance Results



This will improve the quality of community health and safety through maintained communication infrastructure.

6. Training and Professional Development	0.00	59,000	-	\$59,000

This action restores professional development funding to pre-pandemic levels in the amount of \$112,000 for staff to attend trainings, seminars, and conferences. Due to reductions made as part of the FY 2021 budget to address reduced major tax revenue citywide as a result of the COVID-19 pandemic, trainings were deferred. This will allow for catch-up on some training and additional advances in areas such as de-escalation, mental health related calls for service, and non-lethal alternatives for suspect apprehension. (Ongoing Cost: \$59,000)

Performance Results



Will allow staff to keep abreast of current trends and trainings to maintain and improve the quality of interactions with the public.



CITY OF
**PALO
ALTO**

PUBLIC WORKS

Mission Statement



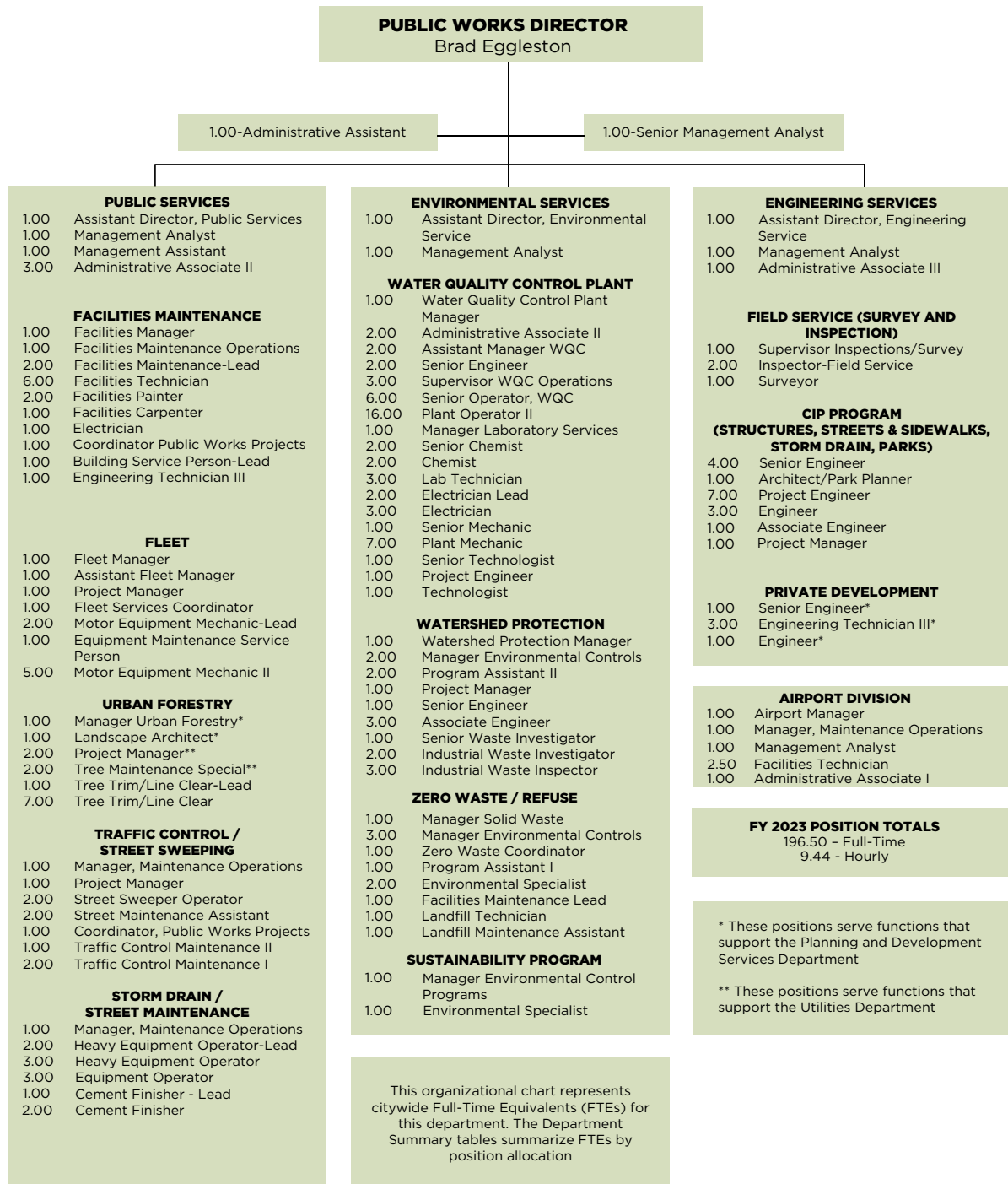
To preserve and enhance the quality of life for Palo Alto residents and visitors by providing efficient, safe, and cost effective services in partnership with our citizens while maintaining City assets and being environmental stewards of the community.

Purpose

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

visitors 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 Watershed Protection Program, which provides stormwater permit compliance, residential and commercial watershed protection policies and public education, and regulatory and pretreatment services to industrial and commercial dischargers; leads implementation of sustainability programs; 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.

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Fund						
Airport Enterprise Fund	\$8,759,607	\$7,606,858	\$3,791,159	\$4,475,924	\$684,765	18.1%
General Fund-Operating	\$17,249,284	\$17,215,076	\$18,785,478	\$19,937,325	\$1,151,847	6.1%
Refuse Fund	\$36,639,518	\$28,784,672	\$31,338,300	\$33,857,632	\$2,519,332	8.0%
Stormwater Management Fund	\$4,726,049	\$6,958,401	\$11,689,477	\$13,091,454	\$1,401,977	12.0%
Vehicle Replacement & Maintenance Fund	\$7,482,281	\$8,643,406	\$11,357,006	\$12,086,647	\$729,641	6.4%
Wastewater Treatment Fund	\$29,407,887	\$29,204,995	\$58,970,818	\$216,436,874	\$157,466,056	267.0%
Total	\$104,264,625	\$98,413,407	\$135,932,238	\$299,885,856	\$163,953,617	120.6%
Revenues						
Charges for Services	\$130,807	\$152,301	\$162,440	\$162,440	\$0	0.0%
Charges to Other Funds	\$13,075,627	\$10,630,976	\$9,983,586	\$12,422,860	\$2,439,275	24.4%
From Other Agencies	\$5,481,440	\$5,618,560	\$1,236,700	\$1,729,000	\$492,300	39.8%
Net Sales	\$67,261,640	\$66,641,486	\$70,869,210	\$73,535,298	\$2,666,088	3.8%
Operating Transfers-In	\$196,107	\$201,162	\$196,107	\$276,100	\$79,993	40.8%
Other Revenue	\$4,160,904	\$4,682,752	\$35,995,170	\$201,623,120	\$165,627,950	460.1%
Other Taxes and Fines	\$37,400	\$5,000	\$6,500	\$6,500	\$0	0.0%
Permits and Licenses	\$722,814	\$762,672	\$692,096	\$692,096	\$0	0.0%
Rental Income	\$612,655	\$648,519	\$759,990	\$910,760	\$150,770	19.8%
Return on Investments	\$1,303,466	\$1,101,678	\$1,200,100	\$896,700	\$(303,400)	(25.3)%
Total	\$92,982,859	\$90,445,106	\$121,101,899	\$292,254,874	\$171,152,975	141.3%
Positions by Fund						
Airport Enterprise Fund	5.94	5.94	6.42	7.94	1.52	23.7%
General Fund-Operating	50.45	51.65	49.19	49.10	-0.9	-0.2%
Refuse Fund	15.93	15.93	15.93	16.03	0.10	0.6%
Stormwater Management Fund	13.55	13.55	13.55	13.63	0.08	0.6%
Vehicle Replacement & Maintenance Fund	16.01	16.01	14.01	14.01	—	—%
Wastewater Treatment Fund	71.26	71.39	71.39	71.87	0.48	0.7%
Total	173.14	174.47	170.49	172.58	2.09	1.2%

*This table does not reflect positions in the Capital Improvement Fund nor the Cubberley Property Infrastructure Fund.

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.
- Facilities staff will assist consultants with the Facilities Assessment CIP to ensure infrastructure evaluation accuracy that provides for ongoing and timely improvements of City assets.
- Address the increasing critical work backlog created by COVID-19, staffing shortages, and extended material lead times with the use of staff overtime and contractor labor.

Goal 3

Preserve the public's health and safety and oversee the City's environmental sustainability efforts 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.

PUBLIC WORKS

- Develop and coordinate interdepartmental sustainability efforts, including updating and implementing the Sustainability/Climate Action Plan to achieve goals relating to water, the natural environment, zero waste, and greenhouse gas emissions.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of citizens rating the quality of sidewalk maintenance as "good" or "excellent"	63%	N/A*	N/A*	N/A*	65%
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 National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of citizens rating the quality of street repair as "good" or "excellent"	55%	N/A*	N/A*	N/A*	56%
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 National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of citizens rating street tree maintenance "good" or "excellent"	75%	N/A*	N/A*	N/A*	75%
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 National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Pavement Condition Score	84	83	83	83	83
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.				

Key Performance Measures

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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of potholes repaired within 15 days of notification	90%	79%	80%	80%	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 2023 percentages will stay at 80% due to a previous reduction in workforce impacting timeliness of job completion. Increased inspection of adjacent areas to increase cost effectiveness and increase PCI scores has resulted in additional work. Since implementation of Palo Alto 311, the number of notifications related to potholes continue to be significant and impact response times.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Square feet of sidewalk replaced or permanently repaired	48,847	11,218	44,706	47,400	57,400
Number of lane miles resurfaced	7	20	27	17	20
Percent of lane miles resurfaced	1.55%	4.30%	5.63%	3.70%	4.20%
Total square footage of facilities maintained	1,815,298	1,903,251	1,902,975	1,905,743	1,905,743
Cost per square foot for custodial services	\$1.82	\$2.02	\$1.75	\$2.25	\$2.30
Cost per square footage for maintenance services	\$2.11	\$2.45	\$2.50	\$2.65	\$2.65
Number of facilities work order requests completed	4,771	6,004	5,000	6,200	6,200

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of trees trimmed annually	3,004	4,453	3,007	3,500	4,531
Total of trees maintained by the City	36,193	36,037	36,200	36,200	36,300
Number of tree related electrical service disruptions	7	9	10	11	11
Number of publicly available electric vehicle chargers in garages and city facilities	81	124	118	124	126

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
General Fund Administration	\$1,609,317	\$1,243,087	\$1,512,797	\$1,339,767	\$(173,030)	(11.4)%
General Fund Engineering Services	\$1,029,660	\$1,183,389	\$1,268,637	\$1,354,501	\$85,865	6.8%
General Fund Public Services: Streets	\$3,395,192	\$2,906,573	\$3,878,572	\$4,162,408	\$283,835	7.3%
General Fund Public Services: Structures and Grounds	\$7,287,619	\$7,530,817	\$7,930,449	\$8,096,824	\$166,375	2.1%
General Fund Public Services: Trees	\$3,927,496	\$4,002,812	\$3,904,779	\$4,720,592	\$815,813	20.9%
Sustainability	—	\$348,397	\$290,244	\$263,233	\$(27,011)	(9.3)%
Total	\$17,249,284	\$17,215,076	\$18,785,478	\$19,937,325	\$1,151,847	6.1%
Salary & Benefits						
Healthcare	\$991,951	\$1,012,458	\$1,214,668	\$1,188,576	\$(26,093)	(2.1)%
Other Benefits	\$138,113	\$159,200	\$179,575	\$173,429	\$(6,146)	(3.4)%
Overtime	\$207,027	\$206,923	\$176,729	\$182,031	\$5,302	3.0%
Pension	\$1,866,976	\$1,895,033	\$2,042,591	\$2,131,534	\$88,943	4.4%
Retiree Medical	\$850,603	\$841,487	\$846,426	\$931,903	\$85,477	10.1%
Salary	\$4,628,661	\$4,458,250	\$5,011,345	\$5,122,768	\$111,422	2.2%
Workers' Compensation	\$267,484	\$244,817	\$245,724	\$209,006	\$(36,718)	(14.9)%
Total Salary and Benefits	\$8,950,815	\$8,818,167	\$9,717,059	\$9,939,247	\$222,187	2.3%
Dollars by Category						
Allocated Charges	\$3,603,602	\$3,043,322	\$3,636,827	\$3,774,416	\$137,589	3.8%
Contract Services	\$3,958,999	\$4,205,692	\$4,401,226	\$5,161,366	\$760,140	17.3%
Facilities & Equipment	—	\$589	\$2,146	\$2,146	—	—%
General Expense	\$73,791	\$45,961	\$137,159	\$136,739	\$(420)	(0.3)%
Rents & Leases	\$30,000	\$512,924	\$30,000	\$30,000	—	—%
Supplies & Material	\$632,077	\$588,420	\$861,061	\$893,411	\$32,350	3.8%
Total Dollars by Expense Category	\$17,249,284	\$17,215,076	\$18,785,478	\$19,937,325	\$1,151,847	6.1%
Revenues						
Charges for Services	\$35,058	\$46,313	\$47,320	\$47,320	—	—%
Charges to Other Funds	\$3,642,698	\$3,920,429	\$2,349,562	\$2,371,821	\$22,259	0.9%
Operating Transfers-In	\$196,107	\$96,107	\$196,107	\$196,100	\$(7)	(0.0)%
Other Revenue	\$98,412	\$55,795	\$6,000	\$6,000	—	—%
Permits and Licenses	\$722,814	\$762,672	\$692,096	\$692,096	—	—%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Total Revenues	\$4,695,088	\$4,881,316	\$3,291,085	\$3,313,337	\$22,252	0.7%
Positions by Division						
General Fund Administration	3.05	3.05	2.54	2.54	—	—%
General Fund Engineering Services	3.38	3.79	3.69	3.69	—	—%
General Fund Public Services: Streets	15.74	15.74	14.74	14.74	—	—%
General Fund Public Services: Structures and Grounds	15.33	15.33	14.68	14.68	—	—%
General Fund Public Services: Trees	12.95	12.99	12.79	12.79	—	—%
Sustainability	—	0.75	0.75	0.66	-0.09	-12.0%
Total	50.45	51.65	49.19	49.10	-0.09	-0.2%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Administrative Assistant	1.00	1.00	0.50	0.50	—	\$43,909
Administrative Associate I	0.10	0.10	—	—	—	—
Administrative Associate II	2.65	2.65	2.65	2.65	—	\$207,747
Administrative Associate III	0.01	0.01	—	—	—	—
Assistant Director Public Works	0.73	0.73	0.73	0.73	—	\$135,113
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	—	\$228,114
Electrician	0.80	0.80	0.80	0.80	—	\$89,507
Engineer	0.36	0.48	0.48	0.48	—	\$67,442
Engineering Technician III	1.47	1.75	1.75	1.75	—	\$172,463
Environmental Specialist*	—	—	—	0.33	0.33	\$38,246
Equipment Operator	2.46	2.46	2.46	2.46	—	\$215,264
Facilities Carpenter	1.00	1.00	1.00	1.00	—	\$98,821

PUBLIC WORKS

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
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	2.10	2.10	—	\$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	—	\$75,691
Management Analyst*	0.70	1.45	1.45	0.70	-0.75	\$88,928
Manager Environmental Control Program*	—	—	—	0.33	0.33	\$43,559
Manager Facilities	0.90	0.90	0.90	0.90	—	\$141,317
Manager Maintenance Operations	1.20	1.20	1.20	1.20	—	\$171,278
Manager Urban Forestry	0.96	1.00	1.00	1.00	—	\$135,990
Manager Watershed Protection	0.05	0.05	0.05	0.05	—	\$8,060
Project Manager	2.65	2.65	2.00	2.00	—	\$225,326
Senior Engineer	0.59	0.60	0.60	0.60	—	\$107,977
Senior Management Analyst	1.11	1.11	1.11	1.11	—	\$146,676
Supervisor Inspection and Surveying	0.10	0.10	0.10	0.10	—	\$13,874
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	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
Subtotal: Full-Time Equivalent Positions	49.41	50.61	48.35	48.26	-0.09	\$5,085,305
Temporary/Hourly	1.04	1.04	0.84	0.84	—	\$51,505
Total Positions	50.45	51.65	49.19	49.10	-0.09	\$5,136,810

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Public Works Department, the FY 2022 Adopted Budget was amended to add an Environmental Specialist (0.66 FTE) and a Manager Environmental Control Program (0.66 FTE), partially offset by elimination of a Management Analyst (0.75 FTE).

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	49.19	18,785,478	3,291,085	15,494,393
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				-
Salary and Benefits Adjustments	-	273,040	-	273,040
FY 2022 Mid-Year Budget Review (CMR 13801): Sustainability and Climate Action Plan (S/CAP) Staffing	(0.09)	(14,554)	-	(14,554)
San Francisquito Creek Joint Powers Authority (SFCJPA) Membership	-	18,000	-	18,000
Foothills Fire Management	-	54,800	-	54,800
Urban Forestry Tree Trimming Services	-	687,340	-	687,340
General Fund Cost Allocation Plan	-	-	(127,460)	127,460
Information Technology Allocated Charges	-	(181,845)	-	(181,845)
Liability Insurance Allocated Charges	-	104,452	-	104,452
Printing & Mailing Services Allocated Charges	-	1,000	-	1,000
Public Works Administration Allocated Charges	-	-	149,712	(149,712)
Stormwater Management Allocated Charges	-	300	-	300
Utilities Allocated Charges	-	(14,769)	-	(14,769)
Vehicle Replacement & Maintenance Allocated Charges	-	228,451	-	228,451
Workers' Compensation Allocated Charges	-	(36,718)	-	(36,718)
Adjustments to Costs of Ongoing Activities	(0.09)	1,119,497	22,252	1,097,245
Total FY 2023 Base Budget	49.10	19,904,975	3,313,337	16,591,638
Budget Adjustments				
1. Electric Leaf Blower Replacement	-	32,350	-	32,350
Total Budget Adjustments	0.00	32,350	-	32,350
Total FY 2023 Proposed Budget	49.10	19,937,325	3,313,337	16,623,988

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Electric Leaf Blower Replacement	-	32,350	-	32,350.00

This one-time action replaces the remaining gas leaf blowers in the City. Palo Alto is a leader in the conversion from gas to electric for household appliances and other sustainability efforts. This action demonstrates Palo Alto's continued commitment to sustainability and is consistent with actions being taken in the Community Services Department to shift from gas powered leaf blowers to electric leaf blowers. (Ongoing costs: \$0)

Performance Results



This action will reduce noise pollution and support citywide electrification efforts.

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.

Goals and Objectives

Goal 1

Operate a safe, viable and sustainable 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.
- Create a Sustainable Airport Comprehensive Plan.

Goal 2

Provide high quality, cost-effective oversight of the airport's capital improvement program (CIP).

Objectives:

- Continue management of FAA-sponsored CIP projects at the airport.
- Submit grant applications to the FAA for multi-phase projects that ensure efficiency and airfield safety.
- Maintain grant funding eligibility by submitting a Five-Year Airport CIP work plan to the FAA annually.

Goal 3

Manage a financially sustainable and self-sufficient airport enterprise fund.

Objectives:

- Adopt and implement an Airport Business Plan to guide future development and ensure fund stability.
- Control expenses and generate sufficient revenues to accommodate the needs of the Palo Alto Airport, including loan repayment to the General Fund.
- Continue to research and apply for applicable grants, including but not limited to Zero Emissions Vehicle & Bipartisan Infrastructure Law funding.

Key Performance Measures

AIRCRAFT OPERATIONS

Goal	Operate a safe and viable airport.				
Objective	Provide a safe, aesthetically pleasing, and profitable airport.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of Aircraft Operations	121,428	139,777	150,000	170,000	160,000
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 149,000 in FY 2018, 152,479 in FY 2019, 139,777 in FY 2020, 139,777 in FY 2021 and estimated to be 170,000 in FY 2022. Operations are affected by construction, weather, and training schools in the area. Operations were affected in FY 2020 and 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percentage of Tie-downs Leased	66%	64%	70%	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 are responsible for maintaining 102.4 acres of airport facilities, infrastructure and equipment; and managing over 250 tenants and 353 leased tie-down spaces. In FY 2019 the percentage of leased rentable tie-downs was 64%, in FY 2020 it increased to 66%, in FY 2021 it was 64%, and an increase in FY 2023 is expected at 70%. The increase is attributable to the Airport Apron Reconstruction project coming to completion, which the project caused some airport tenants to temporarily move to other airports during construction. Due to apron shift as result of FAA standards and construction, not all tie-downs are available for rent at this time, but 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 2023 proposed target of 70%.

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Airport Administration	\$1,028,652	\$850,688	\$1,149,101	\$1,205,410	\$56,309	4.9%
Airport Operations	\$874,437	\$705,375	\$1,203,695	\$1,527,470	\$323,775	26.9%
CIP Airport Fund	\$6,856,518	\$6,050,795	\$1,438,363	\$1,743,044	\$304,681	21.2%
Total	\$8,759,607	\$7,606,858	\$3,791,159	\$4,475,924	\$684,765	18.1%
Salary & Benefits						
Healthcare	\$75,420	\$70,485	\$150,313	\$192,703	\$42,390	28.2%
Other Benefits	\$19,836	\$21,979	\$26,061	\$28,796	\$2,735	10.5%
Overtime	\$65,243	\$49,227	—	—	—	—%
Pension	\$210,054	\$174,511	\$236,861	\$275,419	\$38,558	16.3%
Retiree Medical	\$45,310	\$42,835	\$43,535	\$45,110	\$1,575	3.6%
Salary	\$566,446	\$587,005	\$702,813	\$846,607	\$143,794	20.5%
Workers' Compensation	\$28,097	\$24,919	\$25,623	\$27,556	\$1,933	7.5%
Total Salary and Benefits	\$1,010,405	\$970,961	\$1,185,206	\$1,416,191	\$230,985	19.5%
Dollars by Category						
Contract Services	\$88,382	\$31,179	\$214,900	\$361,900	\$147,000	68.4%
Supplies & Material	\$33,635	\$12,307	\$56,472	\$56,472	—	—%
General Expense	\$112,010	\$142,088	\$36,480	\$36,480	—	—%
Rents & Leases	\$6,735	\$50	\$11,630	\$11,630	—	—%
Allocated Charges	\$714,749	\$574,817	\$736,897	\$747,472	\$10,576	1.4%
Operating Transfers-Out	\$30,559	—	\$272,500	\$273,100	\$600	0.2%
Capital Improvement Program	\$6,763,131	\$5,875,456	\$1,277,074	\$1,572,678	\$295,604	23.1%
Total Dollars by Expense Category	\$8,759,607	\$7,606,858	\$3,791,159	\$4,475,924	\$684,765	18.1%
Revenues						
From Other Agencies	\$5,481,440	\$5,618,560	\$623,700	\$1,116,000	\$492,300	78.9%
Net Sales	\$595,601	\$705,560	\$635,320	\$683,180	\$47,860	7.5%
Other Revenue	\$1,152,921	\$1,230,942	\$1,115,900	\$1,138,220	\$22,320	2.0%
Rental Income	\$612,655	\$648,519	\$759,990	\$910,760	\$150,770	19.8%
Return on Investments	\$(47,092)	\$(17,302)	\$2,500	—	\$(2,500)	(100.0)%
Total Revenues	\$7,795,525	\$8,186,277	\$3,137,410	\$3,848,160	\$710,750	22.7%
Positions by Division						
Airport Administration	2.48	2.48	2.48	3.00	0.52	21.0%
Airport Operations	2.71	2.71	3.19	4.19	1.00	31.3%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
CIP Airport Fund	0.75	0.75	0.75	0.75	0.00	0.0%
Total	5.94	5.94	6.42	7.94	1.52	23.7%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Administrative Associate I	—	—	—	1.00	1.00	\$72,176
Facilities Technician	1.50	1.50	1.50	2.50	1.00	\$247,052
Management Analyst	1.00	1.00	1.00	1.00	—	\$115,586
Manager Airport	1.00	1.00	1.00	1.00	—	\$180,149
Manager Maintenance Operations	1.00	1.00	1.00	1.00	—	\$120,578
Subtotal: Full-Time Equivalent Positions	4.50	4.50	4.50	6.50	2.00	\$735,540
Temporary/Hourly	1.44	1.44	1.92	1.44	(0.48)	\$85,343
Total Positions	5.94	5.94	6.42	7.94	1.52	\$820,883

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	6.42	3,791,159	3,137,410	653,749
One-Time Prior Year Budget Adjustments				
None	0.00	-	-	-
One-Time Prior Year Budget Adjustments	0.00	0	0	0
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	27,391	-	27,391
Capital Improvement Program and FAA Grant Funding	-	292,265	492,300	(200,035)
Rental Income	-	-	150,770	(150,770)
Revenue Adjustments (2% CPI increases for Tie-Down Fees, Parking, and Fuel)	-	-	70,180	(70,180)
Loan Repayment to GF		(500)	-	(500)
Industrial Waste Discharge Fee Allocated Charges	-	27	-	27
Transfers to Technology Fund (Citywide Technology CIP)		600		600
Return on Investments	-	-	(2,500)	2,500
Airport Management Software Ongoing Maintenance		12,000	-	12,000
General Fund Cost Allocation Plan	-	(56,404)	-	(56,404)
Information Technology Allocated Charges	-	11,777	-	11,777
Liability Insurance Allocated Charges	-	23,034	-	23,034
Printing & Mailing Services Allocated Charges	-	100	-	100
Public Works Administration Allocated Charges	-	14,971	-	14,971
Utilities Allocated Charges	-	20,099	-	20,099
Vehicle Replacement & Maintenance Allocated Charges	-	810	-	810
Workers' Compensation Allocated Charges	-	1,933	-	1,933
Adjustments to Costs of Ongoing Activities	-	348,103	710,750	(362,647)
Total FY 2023 Base Budget	6.42	4,139,262	3,848,160	291,102
Budget Adjustments				
1. Supplemental Pension Trust Fund Contributions		5,859	-	5,859
2. Airport Fee Study	-	25,000	-	25,000
3. Disenfranchised Business Enterprise (DBE) Plan and Update	-	35,000	-	35,000
4. Airport Operations Administrative Staffing	0.52	67,329	-	67,329
5. Airport Operations On-Call Contract Services	-	75,000	-	75,000
6. Airport Operations Staffing Augmentation	1.00	128,473	-	128,473

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Total Budget Adjustments	1.52	336,661	-	336,661
Total FY 2023 Proposed Budget	7.94	4,475,923	3,848,160	627,763

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Supplemental Pension Trust Fund Contributions	0	5,859	-	5,859

This one-time action transfers \$5,859 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

2. Airport Fee Study	0.00	25,000	-	25,000

This one-time action will provide funding for a study to examine airport rates for both rentals and lease rentals. The study will be performed by a consultant and update fees and charges at the Airport, such as parking fees, hangar rental fees, and tie-down fees for FY 2024 -2028. This study is required every five years per the Airport's lease and license agreements; that five-year requirement also aligns with the FAA's requirement to perform a study every five years. (Ongoing costs: \$0)

Performance Results



This action will ensure that the City is appropriately charging fees for rentals and lease rentals at the airport.

3. Disenfranchised Business Enterprise (DBE) Plan and Update	0.00	35,000	-	35,000

This one-time action will provide funding for a DBE Plan update to be conducted by a consultant for the Airport. A DBE Plan is required to receive federal funding from the FAA for expenses such as capital improvement projects. The Airport's DBE Plan was last updated in 2015, and federal requirements have changed since then. The Plan must therefore be updated in order for the Airport to continue to apply for FAA grants. The City, overall, will also be working on it's own DBE Plan to receive federal funding, and the Airport's DBE Plan will be used to inform the City's plan once complete. (Ongoing costs: \$0)

Performance Results



The study will bring the Airport's DBE in compliance with all federal requirements, and allow the Airport to continue to apply for FAA Grants.

4. Airport Operations Administrative Staffing	0.52	67,329	-	67,329

This action adds 1.00 Administrative Associate position to support the Airport's operations and billing, partially offset by the elimination of 0.48 Administrative Specialist position. After examining the breadth and scope of administrative work required by the Airport, including managing more than 400 accounts and supporting collections on past due accounts, the workload warrants a full-time position. This workload will be ongoing and necessary to implement, support, and maintain new software being used at the airport for streamlined billing and management. (Ongoing costs: \$73,169)

Performance Results



The additional staffing will allow Airport to more effectively manage all 400+ accounts and support collections on past due accounts.

5. Airport Operations On-Call Contract Services	0.00	75,000	-	75,000

This ongoing action will provide funding for the Airport for on-call contract services. In FY 2021, the Airport entered into three contracts with consulting firms for various services including design/engineering, planning, environmental, and other consulting services (CMR11654). These funds will be used to ensure the Airport remains in compliance with Federal Aviation Regulations and Grant Assurances. Examples of services are review and expertise for sea level rise and levee project reviews. These funds are also used to ensure that Airport can capitalize on grants applications. (Ongoing costs: \$75,000)

Performance Results



Budget Adjustments

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

This allows the Airport the ability to be in compliance with federal regulations, have the ability to apply for grants in a timely manner, and perform other various studies as required.

6. Airport Operations Staffing Augmentation	1.00	128,473	-	128,473

This action adds 1.00 Facilities Technician position to the Airport to provide sufficient capacity to sustainably cover necessary operational shifts on an ongoing basis. Operations staff has previously operated by relying on overtime and drawing on management staff to cover operational tasks. As a result, operations is beginning to fall behind on tasks, including vital safety tasks stipulated by FAA regulations. Additionally, there are some maintenance tasks that require multiple operations staff working together to complete such as large hangar door repairs/replacement, which have also had to be delayed. With this position, staff will also be better able to complete maintenance tasks at vacant hangars, thereby facilitating faster turnover of rental space for those hangars than the current 3-4 month delay. (Ongoing costs: \$136,898)

Performance Results



The additional staffing will allow the airport to perform vital safety tasks and reduce delays in the turnover of hangar rental space.



CITY OF
**PALO
ALTO**

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.

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.

PUBLIC WORKS

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of households participating in the Household Hazardous Waste program	4,519	6,124	5,600	5,724	5,800
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 20.8% in FY 2021, the highest participation rate to date for the program. By comparison, the County of Santa Clara Household Hazardous Waste Program had a participation rate of 6.5%. The State did not generate data for FY 2021 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 (95%) 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percentage of commercial accounts with compost service	100%	100%	N/A	N/A	N/A

Key Performance Measures

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.
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 (95%) to landfills by 2030.				
Objective	Promote recycling, composting, and reuse through educational programs and outreach in order to increase public participation.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of households with mini-can garbage service	44%	47%	45%	48%	48%
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. Staff updated methodology in FY 2021 on accounts with default residential service resulting in a more accurate and higher tally of mini-can service.				

PERCENTAGE OF WASTE DIVERTED FROM LANDFILLS

Goal	Minimize waste generation and maximize recycling and reuse programs to achieve zero waste (95%) to landfills by 2030.
Objective	Promote recycling, composting, and reuse through educational programs and outreach to increase public participation.

Key Performance Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percentage of waste diverted from landfills	81%	84%	83%	84%	85%
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.				
Purpose	Track waste generation and verify the City is meeting its zero waste goals.				
Status	The City's waste diversion percentage increased to 81% in FY 2020 to 84% in FY 2021 and is estimated to increase slightly in FY 2023. *This diversion number is based on the State's calculation for calendar year 2020 when there was a 21% increase in the amount of waste landfilled.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Tons of materials recycled or composted	51,852	46,168	52,000	49,500	52,000
Number of inspections performed annually on recycling and compost sorting compliance	141	86	150	80	95
Number of complete deconstruction of structures	N/A	16	50	50	60

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Refuse Administration	\$3,633,539	\$2,325,202	\$1,706,440	\$1,648,555	\$(57,885)	(3.4)%
Refuse Collection, Hauling and Disposal: Operations	\$28,038,412	\$22,697,116	\$24,014,866	\$26,327,846	\$2,312,980	9.6%
Refuse Solid Waste: Operations	\$3,604,428	\$2,402,109	\$3,903,569	\$4,064,859	\$161,290	4.1%
Refuse Street Sweeping	\$1,363,138	\$1,360,245	\$1,713,425	\$1,816,372	\$102,947	6.0%
Total	\$36,639,518	\$28,784,672	\$31,338,300	\$33,857,632	\$2,519,332	8.0%
Salary & Benefits						
Healthcare	\$265,382	\$276,808	\$301,602	\$285,663	\$(15,938)	(5.3)%
Other Benefits	\$47,582	\$52,865	\$64,766	\$66,422	\$1,656	2.6%
Overtime	\$24,041	\$21,788	\$46,307	\$47,696	\$1,389	3.0%
Pension	\$662,968	\$632,178	\$675,223	\$740,197	\$64,974	9.6%
Retiree Medical	\$225,661	\$214,998	\$218,513	\$209,574	\$(8,940)	(4.1)%
Salary	\$1,502,617	\$1,693,763	\$1,781,841	\$1,867,126	\$85,285	4.8%
Workers' Compensation	\$81,673	\$72,883	\$74,944	\$70,525	\$(4,418)	(5.9)%
Total Salary and Benefits	\$2,809,924	\$2,965,282	\$3,163,196	\$3,287,204	\$124,008	3.9%
Dollars by Category						
Utility Purchase	\$23,044,324	\$17,473,805	\$18,970,000	\$19,770,000	\$800,000	4.2%
Contract Services	\$6,111,207	\$5,146,950	\$6,738,108	\$8,264,882	\$1,526,774	22.7%
Supplies & Material	\$71,876	\$73,654	\$142,805	\$142,805	—	—%
General Expense	\$20,345	\$22,200	\$112,375	\$112,425	\$50	0.0%
Rents & Leases	\$2,155,520	\$987,436	\$133,780	\$137,780	\$4,000	3.0%
Debt Service	\$195,864	\$196,509	—	—	—	—%
Facilities & Equipment	—	—	\$3,000	\$3,000	—	—%
Allocated Charges	\$2,113,998	\$1,888,461	\$2,027,486	\$2,069,986	\$42,500	2.1%
Transfer to Infrastructure	—	\$10,250	\$27,000	\$27,000	—	—%
Operating Transfers-Out	\$116,460	\$20,125	\$20,550	\$42,550	\$22,000	107.1%
Total Dollars by Expense Category	\$36,639,518	\$28,784,672	\$31,338,300	\$33,857,632	\$2,519,332	8.0%
Revenues						
Charges for Services	\$46,578	\$34,902	\$34,000	\$34,000	—	—%
Charges to Other Funds	\$167,062	\$160,552	\$162,072	\$162,579	\$507	0.3%
Net Sales	\$30,140,299	\$28,398,387	\$30,822,895	\$30,853,193	\$30,298	0.1%
Other Revenue	\$2,319,266	\$2,202,320	\$2,311,000	\$2,311,000	—	—%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Other Taxes and Fines	\$37,400	\$3,800	—	—	—	—%
Return on Investments	\$631,031	\$474,445	\$489,100	\$403,900	\$(85,200)	(17.4)%
Total Revenues	\$33,341,636	\$31,274,406	\$33,819,067	\$33,764,673	\$(54,395)	(0.2)%
Positions by Division						
Refuse Administration	0.43	0.43	0.43	0.43	0.00	0.0%
Refuse Collection, Hauling and Disposal: Operations	1.00	1.00	1.00	1.00	0.00	0.0%
Refuse Solid Waste: Operations	11.82	11.82	11.82	11.92	0.10	0.8%
Refuse Street Sweeping	2.68	2.68	2.68	2.68	0.00	0.0%
Total	15.93	15.93	15.93	16.03	0.10	0.6%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Account Specialist	0.10	0.10	—	—	—	—
Accountant	0.10	0.10	0.20	0.20	—	\$19,706
Assistant Director Public Works	0.35	0.35	0.35	0.35	—	\$67,215
Deputy Chief/Fire Marshal	0.03	0.03	0.03	—	(0.03)	—
Environmental Specialist*	2.00	2.00	2.00	2.05	0.05	\$237,590
Facilities Maintenance Lead	1.00	1.00	1.00	1.00	—	\$107,453
Fire Marshal	—	—	—	0.03	0.03	\$6,526
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	—	\$52,645
Manager Environmental Control Program*	3.00	3.00	3.00	3.05	0.05	\$419,417
Manager Maintenance Operations	0.46	0.46	0.46	0.46	—	\$63,340
Manager Solid Waste	1.00	1.00	1.00	1.00	—	\$165,922
Program Assistant I	1.00	1.00	1.00	1.00	—	\$79,560
Project Manager	0.20	0.20	0.20	0.20	—	\$21,486
Senior Accountant	0.10	0.10	0.10	0.10	—	\$11,848

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Senior Management Analyst	0.08	0.08	0.08	0.08	—	\$10,313
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	14.60	0.10	\$1,691,160
Temporary/Hourly	1.43	1.43	1.43	1.43	—	\$69,305
Total Positions	15.93	15.93	15.93	16.03	0.10	\$1,760,465

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Public Works Department, the FY 2022 Adopted Budget was amended to add an Environmental Specialist (0.66 FTE) and a Manager Environmental Control Program (0.66 FTE), partially offset by elimination of a Management Analyst (0.75 FTE).

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	15.93	31,338,300	33,819,067	(2,480,767)
One-Time Prior Year Budget Adjustments	-	-	-	-
None	-	-	-	-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	94,187	-	94,187
Charges to Other Funds	-	-	30,806	(30,806)
Rents and Leases	-	4,000	-	4,000
FY 2022 Mid-Year Budget Review (CMR 13801): Sustainability and Climate Action Plan (S/CAP) Oversight Staffing	0.10	17,077	-	17,077
Transfer to Technology Fund (TE-19001 Council Chambers Project)	-	22,000	-	22,000
Street Sweeping Contract (Year 3 of 5 Year - Contract CMR #11012)	-	36,774	-	36,774
Return on Investments	-	-	(85,200)	85,200
General Fund Cost Allocation Plan	-	(125,357)	-	(125,357)
Grounds Maintenance Allocated Charges	-	4,033	-	4,033
Industrial Waste Discharge Fee Allocated Charges	-	160	-	160
Information Technology Allocated Charges	-	6,590	-	6,590
Liability Insurance Allocated Charges	-	46,145	-	46,145
Printing & Mailing Services Allocated Charges	-	1,800	-	1,800
Public Works Administration Allocated Charges	-	29,942	-	29,942
Utilities Allocated Charges	-	807,000	-	807,000
Vehicle Replacement & Maintenance Allocated Charges	-	72,187	-	72,187
Workers' Compensation Allocated Charges	-	(4,418)	-	(4,418)
Adjustments to Costs of Ongoing Activities	0.10	1,012,119	(54,394)	1,066,513
Total FY 2023 Base Budget	16.03	32,350,419	33,764,673	(1,414,254)
Budget Adjustments				
1. Electric Vehicle Charging Stations and Installation	-	390,000	-	390,000
2. Energy Procurement for Organic Waste	-	400,000	-	400,000
3. Domestic Mixed Paper Processing	-	700,000	-	700,000
4. Supplemental Pension Trust Fund Contributions	-	17,213	-	17,213

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Total Budget Adjustments		1,507,213	-	1,507,213
Total FY 2023 Proposed Budget	16.03	33,857,632	33,764,673	92,959

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Electric Vehicle Charging Stations and Installation	0.00	390,000	-	390,000

This one-time action adds \$390,000 to support the City's efforts to reduce greenhouse gas emissions. The additional funding in FY 2023 will be used for the removal of two (2) existing electric vehicle charging stations from the portion of Area C at the Los Altos Treatment Plant (LATP) site that will be used for the City's Project Homekey interim housing shelter, the purchase of seven (7) new electric vehicle charging stations, and the installation of all nine (9) charging stations at an appropriate alternate location within Area C of the LATP site. The City of Palo Alto previously committed to purchasing more electric vehicles for GreenWaste, the City's contracted refuse hauler, and the addition of more charging stations supports the growing fleet of electric vehicles. (Ongoing costs: \$0)

Performance Results



This action supports the City's greenhouse gas reduction goals.

2. Energy Procurement for Organic Waste	0.00	400,000	-	400,000

This ongoing action adds \$400,000 for the procurement of energy as a product from organic waste processing facilities to comply with new state law. Per SB1383, jurisdictions are required to procure an annual amount of recovered organic waste products from a formula based on population size. Procurement efforts of compost, mulch, energy products such as electricity, or a combination of those categories are required to begin by the end of 2022. The City of Palo Alto currently sends compostables to Zero Waste Energy Development (ZWED) which then converts the organic materials into biogas used to generate electricity. This electricity could be procured to meet the City of Palo Alto's targets. Staff anticipates partnering with nearby jurisdictions, including the City of Santa Clara and the Northern California Power Agency, to procure the entirety of ZWED's electricity output and allocating out the costs for such purchase among the agencies to ensure they each buy enough output to meet their stated target. (Ongoing costs: \$400,000)

Performance Results



This action supports the City's greenhouse gas reduction goals.

3. Domestic Mixed Paper Processing	0.00	700,000	-	700,000

This ongoing action adds \$700,000 to support domestic mixed paper processing efforts, consistent with previous City Council direction (CMR 11632). The City's vendor, GreenWaste of Palo Alto (GWPA), currently uses international markets for mixed paper recycling. The anticipated costs of domestic processing are higher than they are in international markets but using domestic processing, which has higher standards, would ensure that environmental and social consequences are understood, transparent, and comply with federal, state, and local regulations. (Ongoing costs: \$700,000)

Performance Results



This action supports the City's greenhouse gas reduction goals.

4. Supplemental Pension Trust Fund Contributions	0.00	17,213	-	17,213

This one-time action transfers \$17,213 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

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, cleanup, operation, maintenance, regulatory compliance, and 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, nature-based approaches to managing flooding and water quality impacts (i.e., green stormwater infrastructure), 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.

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 through programmatic efforts and evaluate requirements and resources needed for the new permit, which will be effective July 1, 2022.
- Conduct regular inspections of commercial facilities, industrial facilities, and construction sites as well as responding appropriately to illicit discharges to ensure compliance with stormwater discharge regulations.
- Update ordinance requirements to comply with new permit requirements.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of respondents rating the quality of storm drainage as good or excellent	83%	N/A*	N/A*	N/A*	85%
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 not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

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.

Key Performance Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of 2005 Ballot Measure capital projects completed - as of June 30*	7	N/A	N/A	N/A	N/A
Number of 2017 Ballot Measure capital projects completed - as of June 30	—	1	1	1	2
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.				
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. Construction of the next three projects is scheduled to be phased over FY 2023 through FY 2025 with the Corporation Way System Upgrades and Pump Station (SD-21000) project anticipated to be completed in FY 2023. In addition, ongoing and routine rehabilitation and replacement projects are scheduled for 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of inspections in compliance with stormwater regulations	93%	95%	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, stormwater treatment measures, and recycled water user sites and investigates reported illicit discharges to ensure compliance with the City's stormwater regulations. Staff's recurring goal is to attain 90% compliance each year. Staff anticipates attaining a compliance rate of at least 90% in FY 2022 and FY 2023.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of inspections performed annually (Stormwater Management)	602	450	650	600	600

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
CIP Stormwater Management Fund	\$394,235	\$3,053,839	\$5,913,476	\$6,849,648	\$936,172	15.8%
Stormwater Environmental Compliance	\$1,154,195	\$1,129,745	\$1,304,934	\$1,366,902	\$61,969	4.7%
Stormwater Management Administration	\$1,240,961	\$1,356,654	\$2,061,152	\$2,166,503	\$105,350	5.1%
Stormwater Operations and Maintenance	\$1,737,331	\$1,168,178	\$1,691,094	\$1,979,918	\$288,824	17.1%
Stormwater Systems Improvement Flood Control	\$199,327	\$249,986	\$718,821	\$728,484	\$9,663	1.3%
Total	\$4,726,049	\$6,958,401	\$11,689,477	\$13,091,454	\$1,401,977	12.0%
Salary & Benefits						
Healthcare	\$239,998	\$214,285	\$287,939	\$323,909	\$35,970	12.5%
Other Benefits	\$38,839	\$38,794	\$53,058	\$58,788	\$5,729	10.8%
Overtime	\$38,204	\$40,326	\$54,773	\$56,416	\$1,643	3.0%
Pension	\$658,347	\$561,271	\$636,197	\$697,738	\$61,542	9.7%
Retiree Medical	\$149,256	\$146,627	\$149,025	\$124,053	\$(24,972)	(16.8)%
Salary	\$1,451,855	\$1,349,236	\$1,648,375	\$1,702,139	\$53,764	3.3%
Workers' Compensation	\$69,962	\$63,741	\$65,543	\$66,138	\$595	0.9%
Total Salary and Benefits	\$2,646,461	\$2,414,280	\$2,894,910	\$3,029,181	\$134,272	4.6%
Dollars by Category						
Contract Services	\$421,328	\$399,788	\$915,379	\$915,379	—	—%
Supplies & Material	\$94,990	\$69,821	\$93,726	\$93,726	—	—%
General Expense	\$15,372	\$28,463	\$149,760	\$149,800	\$40	0.0%
Rents & Leases	\$44,312	\$18,875	\$25,156	\$26,156	\$1,000	4.0%
Debt Service	\$216,656	\$172,222	\$949,300	\$949,300	—	—%
Facilities & Equipment	—	—	\$7,621	\$7,621	—	—%
Allocated Charges	\$1,037,080	\$891,820	\$1,246,661	\$1,591,418	\$344,756	27.7%
Transfer to Infrastructure	—	\$149,600	—	—	—	—%
Operating Transfers-Out	\$92,377	\$4,550	\$5,880	\$14,920	\$9,040	153.7%
Capital Improvement Program	\$157,472	\$2,808,983	\$5,401,084	\$6,313,954	\$912,869	16.9%
Total Dollars by Expense Category	\$4,726,049	\$6,958,401	\$11,689,477	\$13,091,454	\$1,401,977	12.0%
Revenues						
Charges for Services	\$49,170	\$71,085	\$81,120	\$81,120	—	—%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Charges to Other Funds	\$1,941	\$3,315	—	—	—	—%
From Other Agencies	—	—	\$613,000	\$613,000	—	—%
Net Sales	\$7,494,114	\$7,734,575	\$7,838,411	\$8,167,000	\$328,589	4.2%
Other Revenue	\$663	\$199	—	—	—	—%
Other Taxes and Fines	—	\$1,100	\$2,500	\$2,500	—	—%
Return on Investments	\$159,138	\$145,709	\$153,400	\$109,500	\$(43,900)	(28.6)%
Total Revenues	\$7,705,026	\$7,955,983	\$8,688,431	\$8,973,120	\$284,689	3.3%
Positions by Division						
CIP Stormwater Management Fund	2.37	2.37	2.37	2.37	0.00	0.0%
Stormwater Environmental Compliance	4.59	4.59	4.59	4.67	0.08	1.7%
Stormwater Management Administration	0.80	0.80	0.80	0.80	0.00	0.0%
Stormwater Operations and Maintenance	5.00	5.00	5.00	5.00	0.00	0.0%
Stormwater Systems Improvement Flood Control	0.79	0.79	0.79	0.79	0.00	0.0%
Total	13.55	13.55	13.55	13.63	0.08	0.6%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Account Specialist	0.10	0.10	—	—	—	—
Accountant	0.05	0.05	0.15	0.15	—	\$14,888
Administrative Associate I	0.10	0.10	—	—	—	—
Administrative Associate II	0.15	0.15	0.15	0.15	—	\$11,759
Administrative Associate III	0.10	0.10	0.20	0.20	—	\$16,806
Assistant Director Public Works	0.30	0.30	0.30	0.30	—	\$58,631
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
Engineering Technician III	0.25	0.25	0.25	0.25	—	\$24,638

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Environmental Specialist*	—	—	—	0.04	0.04	\$4,636
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	—	\$36,130
Manager Environmental Control Program*	0.70	0.70	0.70	0.74	0.04	\$98,327
Manager Maintenance Operations	0.50	0.50	0.50	0.50	—	\$69,326
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	—	\$67,225
Senior Accountant	0.10	0.10	0.10	0.10	—	\$11,848
Senior Engineer	0.76	0.76	0.76	0.76	—	\$122,828
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	13.43	0.08	\$1,647,765
Temporary/Hourly	0.20	0.20	0.20	0.20	—	\$8,320
Total Positions	13.55	13.55	13.55	13.63	0.08	\$1,656,085

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Public Works Department, the FY 2022 Adopted Budget was amended to add an Environmental Specialist (.66 FTE) and a Manager Environmental Control Program (.66 FTE), partially offset by elimination of a Management Analyst (.75 FTE).

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	13.55	11,689,477	8,688,431	3,001,046
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	0.00	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	103,447	-	103,447
Stormwater Rate Adjustment (4.2% CPI increase)	-	-	308,344	(308,344)
Rents & Leases Expenditures	-	1,000	-	1,000
Transfers to Technology Fund (Citywide Technology CIP)	-	9,040	-	9,040
FY 2022 Mid-Year Budget Review (CMR 13801): Sustainability and Climate Action Plan (S/CAP) Staffing	0.08	13,661	-	13,661
Return on Investments	-	-	(43,900)	43,900
Capital Improvement Program	-	904,782	-	904,782
General Fund Cost Allocation Plan	-	178	-	178
Information Technology Allocated Charges	-	60,040	-	60,040
Liability Insurance Allocated Charges	-	49,753	-	49,753
Printing & Mailing Services Allocated Charges	-	300	-	300
Public Works Administration Allocated Charges	-	22,457	-	22,457
Stormwater Management Allocated Charges	-	-	20,245	(20,245)
Utilities Allocated Charges	-	121,051	-	121,051
Vehicle Replacement & Maintenance Allocated Charges	-	99,064	-	99,064
Workers' Compensation Allocated Charges	-	595	-	595
Adjustments to Costs of Ongoing Activities	0.08	1,385,368	284,689	1,100,679
Total FY 2023 Base Budget	13.63	13,074,845	8,973,120	4,101,724
Budget Adjustments				
1. Supplemental Pension Trust Fund Contributions	-	16,609	-	16,609
Total Budget Adjustments	-	16,609	-	16,609
Total FY 2023 Proposed Budget	13.63	13,091,454	8,973,120	4,118,334

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Supplemental Pension Trust Fund Contributions	-	16,609	-	16,609

This one-time action transfers \$16,609 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.



CITY OF
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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.

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.

PUBLIC WORKS

- 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of alternative fuel consumed by non-emergency vehicles	47%	48%	50%	49%	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 372,466 gallons of fuel in FY 2021 among unleaded, diesel, and natural gas. It used 178,960 gallons of compressed natural gas, which equates to 48% of alternative fuel use.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of vehicles and equipment that are alternatively fueled or electric	49	51	54	55	55
Number of vehicle repair and preventative maintenance work orders	3,586	3,053	3,300	3,000	3,000
Total number of vehicles and equipment in the City's fleet	556	542	550	541	539

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
Vehicle Operations and Maintenance	\$5,549,346	\$5,061,022	\$6,526,395	\$6,663,465	\$137,069	2.1%
Vehicle Replacement and Additions	\$1,932,934	\$3,582,384	\$4,830,611	\$5,423,183	\$592,572	12.3%
Total	\$7,482,281	\$8,643,406	\$11,357,006	\$12,086,647	\$729,641	6.4%
Salary & Benefits						
Healthcare	\$297,688	\$258,126	\$328,808	\$328,619	\$(189)	(0.1)%
Other Benefits	\$46,299	\$45,737	\$58,330	\$57,105	\$(1,225)	(2.1)%
Overtime	\$8,581	\$3,794	\$62,731	\$64,613	\$1,882	3.0%
Pension	\$599,482	\$484,703	\$571,479	\$626,645	\$55,165	9.7%
Retiree Medical	\$152,810	\$145,803	\$148,187	\$155,066	\$6,878	4.6%
Salary	\$1,391,267	\$1,186,454	\$1,451,369	\$1,508,645	\$57,276	3.9%
Workers' Compensation	\$77,631	\$69,325	\$71,285	\$58,284	\$(13,001)	(18.2)%
Total Salary and Benefits	\$2,573,757	\$2,193,942	\$2,692,189	\$2,798,977	\$106,787	4.0%
Dollars by Category						
Contract Services	\$369,382	\$403,249	\$460,210	\$524,147	\$63,937	13.9%
Supplies & Material	\$1,055,767	\$911,270	\$1,398,559	\$1,397,814	\$(745)	(0.1)%
General Expense	\$163,572	\$75,953	\$70,630	\$70,630	—	—%
Rents & Leases	\$202,354	\$336,049	\$343,591	\$357,591	\$14,000	4.1%
Facilities & Equipment	\$1,572	\$4,553	—	—	—	—%
Allocated Charges	\$1,337,215	\$1,140,608	\$1,354,673	\$1,435,111	\$80,438	5.9%
Transfer to Infrastructure	—	\$205,000	\$540,000	\$540,000	—	—%
Operating Transfers-Out	\$244,080	\$120,569	\$106,060	\$5,200	\$(100,860)	(95.1)%
Capital Improvement Program	\$1,534,581	\$3,252,213	\$4,391,094	\$4,957,178	\$566,084	12.9%
Total Dollars by Expense Category	\$7,482,281	\$8,643,406	\$11,357,006	\$12,086,647	\$729,641	6.4%
Revenues						
Charges to Other Funds	\$9,212,514	\$6,493,123	\$7,406,865	\$9,821,704	\$2,414,839	32.6%
Operating Transfers-In	—	\$105,055	—	\$80,000	\$80,000	—%
Other Revenue	\$355,426	\$518,228	\$155,000	\$155,000	—	—%
Return on Investments	\$244,636	\$208,392	\$239,100	\$164,200	\$(74,900)	(31.3)%
Total Revenues	\$9,812,575	\$7,324,798	\$7,800,965	\$10,220,904	\$2,419,939	31.0%
Positions by Division						

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Vehicle Operations and Maintenance	13.61	13.61	11.71	11.71	0.00	0.0%
Vehicle Replacement and Additions	2.40	2.40	2.30	2.30	0.00	0.0%
Total	16.01	16.01	14.01	14.01	0.00	0.0%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Assistant Director Public Works	0.25	0.25	0.25	0.25	—	\$43,966
Assistant Fleet Manager	1.00	1.00	1.00	1.00	—	\$116,272
Equipment Maintenance Service Person	2.00	2.00	1.00	1.00	—	\$70,845
Fleet Services Coordinator	1.00	1.00	1.00	1.00	—	\$90,459
Management Analyst	0.20	0.20	0.20	0.20	—	\$25,929
Management Assistant	1.00	1.00	1.00	1.00	—	\$91,312
Manager Fleet	1.00	1.00	1.00	1.00	—	\$134,784
Motor Equipment Mechanic II	6.00	5.00	5.00	5.00	—	\$502,008
Motor Equipment Mechanic II (Freeze)	—	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	—	\$110,781
Senior Management Analyst	0.08	0.08	0.08	0.08	—	\$10,313
Subtotal: Full-Time Equivalent Positions	15.53	15.53	13.53	13.53	—	\$1,411,492
Temporary/Hourly	0.48	0.48	0.48	0.48	—	\$21,935
Total Positions	16.01	16.01	14.01	14.01	—	\$1,433,427

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	14.01	11,357,007	7,800,965	3,556,042
One-Time Prior Year Budget Adjustments				
None				
One-Time Prior Year Budget Adjustments	0.00	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	94,068	-	94,068
Transfer to Electric Fund (Year 5 of 5 year lease for Altec Cranes)	-	(102,560)	-	(102,560)
Return on Investments	-	-	(74,900)	74,900
Transfer to Technology Fund (TE-19001- Council Chambers Upgrade)	-	1,700	-	1,700
Rents & Leases Expenditure	-	14,000	-	14,000
GPS Service for City Vehicles	-	26,362	-	26,362
Standby Generator Maintenance	-	36,830	-	36,830
Capitol Improvements Program	-	480,268	-	480,268
General Fund Cost Allocation Plan	-	(750)	-	(750)
Industrial Waste Discharge Fee Allocated Charges	-	27	-	27
Information Technology Allocated Charges	-	(27,088)	-	(27,088)
Liability Insurance Allocated Charges	-	25,351	-	25,351
Public Works Administration Allocated Charges	-	52,399	-	52,399
Utilities Allocated Charges	-	36,315	-	36,315
Vehicle Replacement & Maintenance Allocated Charges	-	-	2,414,839	(2,414,839)
Workers' Compensation Allocated Charges	-	(13,001)	-	(13,001)
Adjustments to Costs of Ongoing Activities	0.00	623,921	2,339,939	(1,716,018)
Total FY 2023 Base Budget	14.01	11,980,928	10,140,904	1,840,024
Budget Adjustments				
1. Building Inspection Staffing Increase		80,000	80,000	-
2. Supplemental Pension Trust Fund Contributions		25,719	-	25,719
Total Budget Adjustments	-	105,719	80,000	25,719
Total FY 2023 Proposed Budget	14.01	12,086,647	10,220,904	1,865,743

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Building Inspection Staffing Increase	-	80,000	80,000	-

This ongoing action adds 1.00 Assistant Chief Building Official and 2.00 Building Inspector Specialists, and associated vehicle expenses. The Assistant Chief Building Official will focus on improving the permit process, establish interdepartmental workflows, and problem solve complex policy and operational issues as they arise. The Building Inspector Specialists will reduce inspection wait times. The Building Inspection program is currently staffed with 6.0 FTE and during peak times, wait time for inspections can increase to greater than two weeks. When there are absences, depending on workload demands, that wait time can increase up to four weeks to schedule an inspection. The department strives to maintain a one-week response time and this action will support achieving that goal. This action also adds two vehicles to the City's fleet for the Building Inspector Specialists to be able to execute job duties. (Ongoing cost: \$0)

Performance Results



This action will improve Planning Development Services workflow and reduce building inspection wait times.

2. Supplemental Pension Trust Fund Contributions	-	25,719	-	25,719

This one-time action transfers \$25,719 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

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.

Goals and Objectives

Goal 1

Protect the environment and the public's health.

Objectives:

- Conduct regular inspections of commercial permittees to ensure compliance with all regulations.
- Complete new capital improvement projects to ensure the RWQCP's reliability.
- Conduct ongoing operation and maintenance.

Goal 2

Operate high quality, cost-effective, and visually neutral facilities.

Objectives:

- Mitigate cost increases through effective maintenance of equipment and analysis of potential operational efficiencies.
- Follow the Palo Alto Baylands Nature Preserve Design Guidelines and the Architectural Review Board's 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.

PUBLIC WORKS

- 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed 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 2022 and FY 2023.				

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Fish toxicity test (percent survival)	99%	99%	99%	100%	99%
Description	Percent of acute fish toxicity bioassay tests passed.				
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 2021, 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 2022 and FY 2023.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Millions of gallons of recycled water delivered	247	233	250	225	250
Number of inspections performed annually (Wastewater Treatment)	331	123	150	125	125
Millions of gallons processed by the Palo Alto Regional Water Quality Control Plant	6,294	5,529	7,000	6,000	6,800

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
CIP Wastewater Treatment Fund	\$4,107,974	\$5,218,869	\$30,710,440	\$186,624,074	\$155,913,633	507.7%
Wastewater Treatment Administration	\$1,208,682	\$719,500	\$5,051,674	\$5,130,425	\$78,750	1.6%
Wastewater Treatment Environmental Compliance	\$4,313,410	\$4,050,812	\$3,871,489	\$4,051,991	\$180,502	4.7%
Wastewater Treatment Systems Improvement Operations	\$19,777,820	\$19,215,814	\$19,337,214	\$20,630,384	\$1,293,170	6.7%
Total	\$29,407,887	\$29,204,995	\$58,970,818	\$216,436,874	\$157,466,056	267.0%
Salary & Benefits						
Healthcare	\$1,277,821	\$1,326,577	\$1,560,955	\$1,633,977	\$73,022	4.7%
Other Benefits	\$200,373	\$229,402	\$260,944	\$266,583	\$5,638	2.2%
Overtime	\$282,281	\$273,067	\$343,659	\$353,969	\$10,310	3.0%
Pension	\$3,166,374	\$2,930,603	\$3,132,167	\$3,468,489	\$336,322	10.7%
Retiree Medical	\$878,658	\$836,103	\$849,775	\$673,831	\$(175,944)	(20.7)%
Salary	\$7,308,421	\$7,299,877	\$8,292,200	\$8,647,160	\$354,960	4.3%
Workers' Compensation	\$374,431	\$332,894	\$342,307	\$332,969	\$(9,338)	(2.7)%
Total Salary and Benefits	\$13,488,360	\$13,228,524	\$14,782,006	\$15,376,977	\$594,971	4.0%
Dollars by Category						
Contract Services	\$3,176,868	\$2,622,131	\$3,573,758	\$3,484,228	\$(89,530)	(2.5)%
Supplies & Material	\$1,928,772	\$1,628,903	\$2,094,393	\$2,094,393	—	—%
General Expense	\$348,965	\$459,088	\$493,429	\$640,669	\$147,240	29.8%
Rents & Leases	\$4,487	\$498	—	\$334,785	\$334,785	—%
Debt Service	\$756,422	\$701,034	\$1,468,851	\$1,468,851	—	—%
Facilities & Equipment	—	—	\$7,500	\$7,500	—	—%
Allocated Charges	\$5,342,667	\$5,527,678	\$6,200,606	\$6,770,245	\$569,640	9.2%
Operating Transfers-Out	\$432,038	—	\$14,000	\$26,900	\$12,900	92.1%
Capital Improvement Program	\$3,929,308	\$5,037,138	\$30,336,275	\$186,232,325	\$155,896,050	513.9%
Total Dollars by Expense Category	\$29,407,887	\$29,204,995	\$58,970,818	\$216,436,874	\$157,466,056	267.0%
Revenues						
Charges to Other Funds	\$51,412	\$53,558	\$65,086	\$66,756	\$1,671	2.6%
Net Sales	\$29,031,626	\$29,802,965	\$31,572,584	\$33,831,924	\$2,259,340	7.2%
Other Revenue	\$234,217	\$675,368	\$32,407,270	\$198,012,900	\$165,605,630	511.0%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Other Taxes and Fines	—	—	\$4,000	\$4,000	—	—%
Return on Investments	\$315,754	\$290,435	\$316,000	\$219,100	\$(96,900)	(30.7)%
Total Revenues	\$29,633,009	\$30,822,326	\$64,364,940	\$232,134,680	\$167,769,741	260.7%
Positions by Division						
CIP Wastewater Treatment Fund	1.30	1.30	1.30	1.30	0.00	0.0%
Wastewater Treatment Administration	0.59	0.59	0.59	0.59	0.00	0.0%
Wastewater Treatment Environmental Compliance	13.21	13.34	13.34	13.34	0.00	0.0%
Wastewater Treatment Systems Improvement Operations	56.16	56.16	56.16	56.64	0.48	0.9%
Total	71.26	71.39	71.39	71.87	0.48	0.7%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Account Specialist	0.10	0.10	—	—	—	—
Accountant	0.25	0.25	0.35	0.35	—	\$34,161
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	—	\$129,035
Assistant Manager WQCP	2.00	2.00	2.00	2.00	—	\$306,966
Associate Engineer	1.80	1.81	1.81	1.81	—	\$225,775
Chemist	3.00	3.00	2.00	2.00	—	\$211,744
Deputy Chief/Fire Marshal	0.04	0.04	0.04	—	(0.04)	—
Electrician	2.90	2.90	2.90	2.90	—	\$324,461
Electrician-Lead	1.00	1.00	1.00	1.00	—	\$119,808
Environmental Specialist*	—	—	—	0.24	0.24	\$27,815
Fire Marshal	—	—	—	0.04	0.04	\$8,702
Hazardous Materials Inspector	0.02	0.02	0.02	0.02	—	\$3,290
Industrial Waste Inspector	2.59	2.60	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

PUBLIC WORKS

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Management Analyst*	0.57	0.57	0.57	0.57	—	\$68,540
Manager Environmental Control Program*	1.20	1.30	1.30	1.54	0.24	\$203,708
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	—	\$76,665
Senior Accountant	0.10	0.10	0.10	0.10	—	\$11,848
Senior Buyer	1.00	1.00	1.00	1.00	—	\$109,637
Senior Chemist	1.00	1.00	2.00	2.00	—	\$235,206
Senior Engineer	3.00	3.00	3.00	3.00	—	\$489,445
Senior Industrial Waste Investigator	0.89	0.90	0.90	0.90	—	\$112,264
Senior Management Analyst	0.13	0.13	0.13	0.13	—	\$16,948
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	—	\$389,230
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	68.97	68.97	69.45	0.48	\$8,101,725
Temporary/Hourly	2.42	2.42	2.42	2.42	—	\$219,053
Total Positions	71.26	71.39	71.39	71.87	0.48	\$8,320,778

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Public Works Department, the FY 2022 Adopted Budget was amended to add an Environmental Specialist (.66 FTE) and a Manager Environmental Control Program (.66 FTE), partially offset by elimination of a Management Analyst (.75 FTE).

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	71.39	58,970,818	64,364,940	(5,394,122)
One-Time Prior Year Budget Adjustments				
None				-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	441,035	-	441,035
Tributary Agency Partner Contribution	-	-	2,259,340	(2,259,340)
Valley Water Reimbursement	-	-	210,500	(210,500)
Recycled Water Operations	-	(93,000)	-	(93,000)
Transfer to Technology Fund (Citywide Technology CIP)	-	12,900	-	12,900
FY 2022 Mid-Year Budget Review (CMR 13801): Sustainability and Climate Action Plan (S/CAP) Staffing	0.48	81,731	-	81,731
Return on Investments	-	-	(96,900)	96,900
Memberships and Permit Fees	-	147,000	-	147,000
Rents and Leases	-	338,255	-	338,255
Capital Improvements Program	-	155,891,647	165,395,130	(9,503,483)
General Fund Cost Allocation Plan	-	(9,175)	-	(9,175)
Grounds Maintenance Allocated Charges	-	2,327	-	2,327
Industrial Waste Discharge Fee Allocated Charges	-	-	1,671	(1,671)
Information Technology Allocated Charges	-	41,863	-	41,863
Liability Insurance Allocated Charges	-	233,614	-	233,614
Printing & Mailing Services Allocated Charges	-	600	-	600
Public Works Administration Allocated Charges	-	29,942	-	29,942
Stormwater Management Allocated Charges	-	300	-	300
Utilities Allocated Charges	-	224,108	-	224,108
Vehicle Replacement & Maintenance Allocated Charges	-	50,463	-	50,463
Workers' Compensation Allocated Charges	-	(9,338)	-	(9,338)
Adjustments to Costs of Ongoing Activities	0.48	157,384,273	167,769,741	(10,385,468)
Total FY 2023 Base Budget	71.87	216,355,091	232,134,681	(15,779,590)
Budget Adjustments				
1. Supplemental Pension Trust Fund Contributions	-	81,783	-	81,783
Total Budget Adjustments	-	81,783	-	81,783
Total FY 2023 Proposed Budget	71.87	216,436,874	232,134,681	(15,697,807)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Supplemental Pension Trust Fund Contributions	-	81,783	-	81,783

This one-time action transfers \$81,783 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

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

UTILITIES DIRECTOR Dean Batchelor

ELECTRIC ENGINEERING & OPERATIONS

2.00 Administrative Associate II
1.00 Assistant Director Utilities
Electric and Fiber
1.00 Business Analyst
3.00 Coordinator Utilities Projects
3.00 Electrician Assistant I
1.00 Electric Equipment Technician
1.00 Electric Heavy Equipment Operator
8.00 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
2.00 Metering Technician
1.00 Metering Technician-Lead
2.00 Overhead/Underground Troubleshooter
2.00 Utilities System Analyst
5.00 Senior Electrical Engineer
4.00 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
6.00 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 Management Analyst
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

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

RESOURCE MANAGEMENT

1.00 Assistant Director, Resource Management
1.00 Administrative Associate II
1.00 Associate Sustainability Program Administrator
1.00 Business Analyst
3.00 Key Account Representative
2.00 Manager Utilities Program Services
5.00 Sustainability Program Administrator
5.00 Resource Planner
6.00 Senior Resource Planner

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 Heavy Equipment Operator
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
4.00 Utilities Install/Rep-Lead
3.00 Utilities Install/Rep-Welding
3.00 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

FY 2023 POSITION TOTALS

252.50 - Full-time
10.68 - 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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Palo Alto's average residential monthly utility bill above/below the median of neighboring cities	(10)%	(15)%	(10)%	(18)%	(10)%
Description	This compares the average residential monthly utility bill which includes electricity, gas, water, and wastewater services to the nearby communities (Menlo Park, Mountain View, Santa Clara, Hayward, Redwood City).				
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 for Palo Alto at the end of calendar year 2021 was lower compared to nearby communities (Menlo Park \$370, Mountain View \$297, Santa Clara \$216, Hayward \$289, Redwood City \$357). Palo Alto's monthly average residential utility bill was \$245, and for all the communities combined the average was \$306. 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.				

Key Performance Measures

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent rating services (electric, gas, wastewater, and water) "Good" or Excellent"	83%	N/A*	N/A*	N/A*	85%
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. Historically, Utilities has met its target of 83 percent and anticipates continuing at these levels and anticipates to exceed this target in FY 2023. * The National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Total cost of Capital Improvement Program annually (Millions)*	\$24.01	\$19.17	\$46.07	\$48.20	\$43.50

*In FY 2022 the methodology for calculating this workload measure was standardized, resulting in the restatement of FY 2020 Actual and FY 2022 Adopted figures

UTILITIES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Fund						
Electric Fund	\$160,455,124	\$174,685,053	\$202,328,763	\$211,665,093	\$9,336,331	4.6%
Fiber Optics Fund	\$3,066,203	\$2,603,336	\$3,304,292	\$4,491,748	\$1,187,456	35.9%
Gas Fund	\$36,041,196	\$36,585,098	\$46,494,749	\$58,554,450	\$12,059,701	25.9%
Wastewater Collection Fund	\$22,293,857	\$21,194,855	\$25,117,005	\$23,535,314	\$(1,581,691)	(6.3)%
Water Fund	\$46,791,689	\$44,659,829	\$59,611,712	\$59,361,956	\$(249,756)	(0.4)%
Total	\$268,648,070	\$279,728,171	\$336,856,522	\$357,608,562	\$20,752,040	6.2%
Revenues						
Charges for Services	\$1,139,896	\$116,007	\$260,000	\$260,000	—	—%
Charges to Other Funds	\$723,458	\$492,946	\$426,267	\$432,666	\$6,399	1.5%
From Other Agencies	\$473,073	\$462,441	\$576,632	\$576,632	—	—%
Net Sales	\$269,781,464	\$267,405,717	\$268,498,293	\$293,658,779	\$25,160,486	9.4%
Operating Transfers-In	\$3,130,514	\$3,139,265	\$2,613,966	\$2,626,166	\$12,200	0.5%
Other Revenue	\$10,383,895	\$8,624,274	\$10,487,250	\$10,514,600	\$27,350	0.3%
Rental Income	\$20,000	—	—	—	—	—%
Return on Investments	\$4,858,696	\$4,034,991	\$4,585,900	\$3,497,600	\$(1,088,300)	(23.7)%
Total	\$290,510,997	\$284,275,641	\$287,448,308	\$311,566,443	\$24,118,135	8.4%
Positions by Fund						
Electric Fund	110.95	111.34	113.58	120.82	7.23	6.4%
Fiber Optics Fund	7.50	7.10	6.90	6.55	(0.35)	(5.1)%
Gas Fund	53.83	53.83	53.57	54.56	0.99	1.8%
Utilities Administration Fund	19.46	19.46	19.46	20.46	1.00	5.2%
Wastewater Collection Fund	29.16	28.50	27.50	28.67	1.17	4.3%
Water Fund	46.94	47.61	46.83	48.04	1.21	2.6%
Total	267.84	267.84	267.84	279.10	11.26	4.2%

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.

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.

UTILITIES

Objectives:

- Achieve cumulative 10-year energy efficiency savings of 4.4 percent of the electric load by 2031.
- 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of retail electric sales volume provided by renewable supply resources under long-term PPAs	37%	37%	44%	44%	36%
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 2021 accordingly, which caused the City's RPS levels to drop to a new norm (compared to 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 (2021-2024), which ensures that the City is still in compliance with the state RPS requirements.				

Key Performance Measures

ENVIRONMENTAL SUSTAINABILITY - SOLAR

Goal	Support environmental sustainability and promote efficient use of resources.				
Objective	Increase the penetration of local solar installations.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Cumulative installed capacity of photovoltaic (PV) systems measured in megawatts (MW)	16	16	17	16	16
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	California Senate Bill 1 (SB1) became effective in 2006 and required all California electric utilities to achieve a Statewide goal of adding 3,000 MW of new PV systems over ten years. The City of Palo Alto's portion of this statewide goal was to achieve 6.5MW cumulative installed capacity of PV systems by FY 2016. The City exceeded this goal in FY 2016 and installed 7.70 MW of PV systems. Considering economic impacts of the Covid-19 pandemic including supply chain challenges, staff anticipates limited or modest growth of PV installations in FY 2022 and FY 2023.				

SYSTEM RELIABILITY

Goal	Provide safe and efficient delivery of electric services to customers.				
Objective	Provide exceptional system reliability.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Average duration of customer outages in minutes as reported using industry guidelines	65	104	60	100	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.				

Key Performance Measures

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. The Electric Utility had 21 sustained outages, 16 were storm related and 5 non-storm. The non-storm outages were attributed to equipment failure throughout the distribution system. The FY 2022 average is projected to increase to 100 if trends remain similar to FY 2021.

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of Customer Accounts (Electric)*	30,049	29,825	29,800	29,863	29,810
Number of momentary outages	1	—	1	—	—
Percent of residents surveyed who rate the quality of the Electric Utility as "Good" or "Excellent"%	77%	N/A**	N/A**	N/A**	78%
Total Number of Outages	32	21	28	24	28

*In FY 2022 the methodology for calculating this workload measure was standardized, resulting in the restatement of FY 2020 Actual and FY 2022 Adopted figures.

**The National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
CIP Electric Fund	\$13,250,146	\$12,730,911	\$31,769,499	\$26,137,000	\$(5,632,499)	(17.7)%
Electric Administration	\$25,609,423	\$26,519,329	\$29,069,053	\$30,114,642	\$1,045,590	3.6%
Electric Customer Service	\$2,759,969	\$2,973,002	\$3,015,078	\$3,396,038	\$380,959	12.6%
Electric Demand Side Management	\$2,760,278	\$2,675,171	\$7,105,699	\$8,140,088	\$1,034,389	14.6%
Electric Engineering (Operating)	\$2,055,894	\$2,408,524	\$2,602,207	\$3,126,966	\$524,759	20.2%
Electric Operations and Maintenance	\$13,453,944	\$17,249,799	\$18,106,326	\$22,948,841	\$4,842,515	26.7%
Electric Resource Management	\$100,565,471	\$110,128,318	\$110,660,900	\$117,801,519	\$7,140,618	6.5%
Total	\$160,455,124	\$174,685,053	\$202,328,763	\$211,665,093	\$9,336,331	4.6%
Salary & Benefits						
Healthcare	\$1,820,588	\$1,832,842	\$2,613,352	\$2,929,001	\$315,649	12.1%
Other Benefits	\$364,169	\$426,329	\$482,383	\$538,660	\$56,277	11.7%
Overtime	\$922,569	\$744,541	\$545,202	\$561,556	\$16,354	3.0%
Pension	\$5,309,308	\$4,900,301	\$5,783,964	\$6,730,076	\$946,112	16.4%
Retiree Medical	\$1,601,840	\$1,532,993	\$1,558,060	\$1,497,089	\$(60,971)	(3.9)%
Salary	\$12,323,907	\$13,071,569	\$15,336,687	\$16,822,479	\$1,485,792	9.7%
Workers' Compensation	\$592,660	\$530,073	\$545,061	\$648,789	\$103,728	19.0%
Total Salary and Benefits	\$22,935,042	\$23,038,647	\$26,864,709	\$29,727,650	\$2,862,941	10.7%
Dollars by Category						
Utility Purchase	\$90,791,122	\$98,460,911	\$96,512,497	\$101,743,548	\$5,231,051	5.4%
Contract Services	\$2,844,281	\$6,978,190	\$8,053,741	\$12,821,262	\$4,767,521	59.2%
Supplies & Material	\$752,739	\$729,546	\$911,207	\$911,207	—	—%
General Expense	\$1,337,087	\$1,338,777	\$5,113,267	\$5,262,937	\$149,670	2.9%
Rents & Leases	\$6,074,342	\$6,301,099	\$6,490,030	\$6,642,470	\$152,440	2.3%
Debt Service	\$7,074,261	\$7,745,552	\$8,071,519	\$9,003,300	\$931,781	11.5%
Facilities & Equipment	\$19,138	—	\$16,000	\$16,000	—	—%
Allocated Charges	\$4,725,823	\$5,897,372	\$10,597,643	\$10,643,886	\$46,243	0.4%
Transfer to Infrastructure	—	\$165,080	—	\$780,000	\$780,000	—%
Operating Transfers-Out	\$772,326	\$141,758	—	—	—	—%
Equity Transfer	\$13,134,000	\$13,638,000	\$14,298,000	\$14,635,000	\$337,000	2.4%
Capital Improvement Program	\$9,994,964	\$10,250,120	\$25,400,150	\$19,477,833	\$(5,922,316)	(23.3)%

UTILITIES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Total Dollars by Expense Category	\$160,455,124	\$174,685,053	\$202,328,763	\$211,665,093	\$9,336,331	4.6%
Revenues						
Charges for Services	\$1,028,157	\$112,197	\$220,000	\$220,000	—	—%
Charges to Other Funds	\$257,370	\$142,329	\$188,523	\$188,523	—	—%
Net Sales	\$160,169,216	\$156,125,186	\$157,063,270	\$172,681,248	\$15,617,978	9.9%
Operating Transfers-In	\$2,582,378	\$2,582,005	\$2,291,326	\$2,293,766	\$2,440	0.1%
Other Revenue	\$7,894,326	\$6,248,107	\$8,918,000	\$8,918,000	—	—%
Rental Income	\$20,000	—	—	—	—	—%
Return on Investments	\$2,336,327	\$1,990,185	\$2,083,800	\$1,563,800	\$(520,000)	(25.0)%
Total Revenues	\$174,287,773	\$167,200,009	\$170,764,919	\$185,865,337	\$15,100,418	8.8%
Positions by Division						
CIP Electric Fund	31.90	24.35	25.61	25.53	(0.08)	(0.31)%
Electric Customer Service	11.90	11.90	11.90	13.51	1.61	13.5%
Electric Demand Side Management	5.59	5.59	5.64	7.14	1.50	26.6%
Electric Engineering (Operating)	4.98	6.67	6.67	8.92	1.50	22.5%
Electric Operations and Maintenance	48.10	54.35	54.59	55.56	1.89	3.5%
Electric Resource Management	8.48	8.48	9.17	10.16	0.99	10.8%
Total	110.95	111.34	113.58	120.82	7.24	6.4%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Account Specialist	0.31	0.31	0.31	0.31	—	\$24,264
Administrative Associate II	3.30	3.30	3.30	3.30	—	\$258,704
Assistant Director Administrative Services	0.20	0.20	0.20	0.20	—	\$37,556
Assistant Director Utilities Customer Support Services	0.40	0.40	0.40	0.40	—	\$83,616
Assistant Director Utilities Engineering	0.40	0.40	0.40	0.40	—	\$86,969

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Assistant Director Utilities Operations	0.60	0.60	0.60	0.60	—	\$140,400
Assistant Director Utilities/Resource Management	0.50	0.50	0.55	0.55	—	\$118,335
Associate Sustainability Program Administrator**	—	—	—	0.80	0.80	\$83,549
Business Analyst	1.60	1.60	2.10	2.10	—	\$326,202
Contracts Administrator	0.10	0.10	0.10	0.10	—	\$11,559
Coordinator Utilities Projects*	1.55	1.55	1.55	3.55	2.00	\$405,972
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	1.00	(1.00)	\$108,659
Electric Project Engineer*	3.25	3.65	3.65	6.75	3.10	\$1,074,060
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	—	\$111,277
Engineering Technician III	1.40	1.40	1.40	1.40	—	\$137,971
Environmental Specialist*	—	—	—	0.17	0.17	\$19,703
Heavy Equipment Operator	2.00	—	—	—	—	—
Inspector, Field Services	0.25	0.25	—	—	—	—
Inspector, WGW Utilities Field Svc	—	—	0.25	—	(0.25)	—
Lineperson/Cable Specialist	11.00	10.00	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	—	\$53,635
Manager Electric Operations	1.00	1.00	1.00	1.00	—	\$204,048

UTILITIES

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Manager Environmental Control Program*	—	—	—	0.17	0.17	\$22,439
Manager Treasury, Debt & Investments	0.30	0.30	0.30	0.30	—	\$47,911
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	—	\$21,849
Manager Utilities Program Services	0.40	0.40	0.40	1.40	1.00	\$208,341
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	2.00	(1.00)	\$272,771
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*	1.00	1.00	1.00	—	(1.00)	—
Principal Business Analyst	0.34	0.34	0.34	0.34	—	\$62,064
Program Assistant II	0.60	0.60	0.50	—	(0.50)	—
Project Manager	0.75	0.75	0.75	0.75	—	\$84,256
Resource Planner	2.85	2.85	2.80	2.80	—	\$401,914
SCADA Technologist	1.00	1.01	1.01	—	(1.01)	—
Senior Business Analyst	1.02	1.02	1.02	1.02	—	\$161,921
Senior Electrical Engineer	3.95	3.95	4.95	4.95	—	\$963,015
Senior Engineer*	—	—	—	1.00	1.00	\$151,674
Senior Management Analyst	0.10	0.10	0.10	0.10	—	\$11,101
Senior Resource Planner	3.36	3.36	3.45	3.95	0.50	\$724,002
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	1.25	0.25	\$174,512
Substation Electrician	5.50	5.50	5.50	5.50	—	\$782,839
Substation Electrician-Lead	2.00	2.00	2.00	2.00	—	\$304,595
Supervising Electric Project Engineer	1.00	1.00	—	—	—	—

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Sustainability Programs Administrator	—	—	2.95	3.80	0.85	\$440,885
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	\$88,150
Utilities Compliance Technician	2.00	3.00	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	3.23	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	2.70	2.70	—	—	—	—
Utilities Safety Officer	0.55	0.55	0.55	0.55	—	\$63,492
Utilities Supervisor	5.00	5.00	6.50	6.50	—	\$1,140,797
Utilities System Analyst**	—	—	—	1.01	1.01	\$156,888
Utilities System Operator	5.00	5.00	5.00	6.00	1.00	\$1,057,680
Utility Engineering Estimator - Lead	1.00	1.00	1.00	1.00	—	\$141,336
Subtotal: Full-Time Equivalent Positions	107.52	107.91	110.15	117.24	7.09	\$16,812,933
Temporary/Hourly	3.43	3.43	3.43	3.58	0.15	\$353,573
Total Positions	110.95	113.34	113.58	120.82	7.24	\$17,166,506

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Electric Fund of the Utilities Department, the FY 2022 Adopted Budget was amended to add 1.00 Coordinator Utilities Projects, 3.00 Electric Project Engineer, 0.17 FTE Environmental Specialist, 0.17 FTE Manager Environmental Control Program, 1.00 Manager Utilities Program Services, and 1.00 Senior Engineer and to eliminate 1.00 Metering Technician and 1.00 Power Engineer.

**The FY 2023 Proposed Budget includes new job classifications that require completion of a meet and confer process with the respective bargaining groups to negotiate terms for wages, hours, and other employment conditions. Proposals in this budget include estimated funding levels for financial planning purposes only and do not reflect the final negotiated terms of the proposed classifications.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	113.58	202,328,763	170,764,919	31,563,844
One-time Prior Year Budget Adjustments				
None			-	-
One-time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		1,838,510	-	1,838,510
FY 2022 Mid-Year Budget Review (CMR 13801)	4.34	2,585,042	-	2,585,042
Electric Customer Sales Revenue (5% Rate Change)		-	12,757,978	(12,757,978)
Capital Improvement Program		(5,922,316)	-	(5,922,316)
Surplus Energy Revenue		-	2,571,000	(2,571,000)
Transfer from the General Fund (Traffic Signal and Streetlight Electric Costs)		-	105,000	(105,000)
Altec Lease Expiration (CMR 6736)		(102,560)	(102,560)	-
Technical Staffing Correction		15,174	-	15,174
Low Carbon Fuel Standards (LCFS) Program		531,000	416,000	115,000
Automated Metering Infrastructure (AMI) Software		224,422	-	224,422
Rents & Leases Expenditure Alignment		255,000	-	255,000
Transfer to Capital Improvement Fund (PF-23000 Electric Charger Infrastructure Installation)		280,000	-	280,000
Equity Transfer to the General Fund		337,000	-	337,000
Transfer to Capital Improvement Fund (PF-01003 Building Systems Improvements)		500,000	-	500,000
Return on Investments		-	(520,000)	520,000
Contract Services (Overhead Line Maintenance)		1,050,000		1,050,000
Electric Commodity Purchase Adjustments		6,162,832	(127,000)	6,289,832
General Fund Cost Allocation Plan		(25,908)	-	(25,908)
Grounds Maintenance Allocated Charges		659	-	659
Liability Insurance Allocated Charges		157,231	-	157,231
Printing & Mailing Allocated Charges		3,200	-	3,200
Utilities Administration Allocated Charges		(401,253)	-	(401,253)
Public Works Allocated Charges		100	-	100
Vehicle Replacement & Maintenance Allocated Charges		234,315	-	234,315
Workers' Compensation Allocated Charges		103,728	-	103,728
Adjustments to Costs of Ongoing Activities	4.34	7,826,176	15,100,418	(7,274,242)

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Total FY 2023 Base Budget	117.92	210,154,938	185,865,336	24,289,602
Budget Proposals				
1. Electric Operations Technologist Staff Reclassification	-	3,315	-	3,315
2. Fiber Project Support Augmentation	0.10	18,845	-	18,845
3. Meter Reading Transition (AMI)	0.15	50,968	-	50,968
4. Electric Operations Dispatch Staff Reclassification	-	67,288	-	67,288
5. Utilities Administration Staff Augmentation	-	77,899	-	77,899
6. Utilities Program Services (UPS) Staffing Reallocation	0.65	83,302	-	83,302
7. Supplemental Pension Trust Fund Contributions	-	142,893	-	142,893
8. Electric Operations Administrative Staffing Augmentation	1.00	143,919	-	143,919
9. Resource Management Division Staffing Updates for Electrification (S/CAP)	1.00	215,225	-	215,225
10. Building Electrification Program Support Increase	-	706,500	-	706,500
Budget Changes	2.90	1,510,155	-	1,510,155
Total FY 2023 Proposed Budget	120.82	211,665,093	185,865,336	25,799,757

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Electric Operations Technologist Staff Reclassification	0.00	3,315	-	3,315

This action reclassifies 2.00 SCADA Technologist into 2.00 Utilities System Analyst. This reclassification will align job description, title, and compensation with work among various utilities systems such as Supervisory Control and Data Acquisition (SCADA), Relay, and eventually Advanced Metering Infrastructure (AMI). As technology advances in utility markets, internal operations and systems need to be updated as well. New technologies are more complex in operation and require additional knowledge in areas such as logic control and automation. For example, as the AMI project replaces traditional meters with smart meters, a higher level of technical expertise will be required to complete new system integrations, configurations, and ongoing maintenance. This classification will be responsible for performing work involving an extremely high degree of complexity, including installation, troubleshooting, repairing, calibrating, and maintaining components of protective relay systems by utilizing microprocessor relays for our Substations. The level of work and responsibility that this position will perform is necessary to keep up with the department's priorities to maintain and implement new mechanisms, materials, equipment, and technology to ensure a safe, reliable, and efficient distribution system. This action enables the classification to take on added system responsibilities as they are implemented. (Ongoing cost: \$3,383)

Performance Results



This action will align the job classification to include increased responsibilities.

2. Fiber Project Support Augmentation	0.10	18,845	-	18,845

This action adds 1.00 Electric Project Engineer to support the increasing demand for Fiber projects. This new position will be allocated 0.10 FTE to the Electric Fund and 0.90 FTE to the Fiber Fund. The Utilities Electric Engineering group, which includes staff funded in the Electric and Fiber funds, is experiencing increasing public demand for telecommunications services and infrastructure. As demand grows, in addition to supporting the City's own Dark Fiber business, Utilities also responds to telecommunication installation requests from third parties to attach communication equipment and lines to wood utility poles and streetlights. These requests require engineering to help review, investigate, and scope the feasibility of the requests and installations often involve fiber and electric work, which both require specialized engineering support. This position will also increase capacity to absorb upcoming work in major projects such as improving reliability and capacity of the Dark Fiber network through capital improvement projects, supporting new technologies (for example smart grid, distributed photovoltaic systems and improved energy management systems), and upcoming major projects (such as SLAC intertie, Smart Grid implementation, normal/emergency switching plan development, and distribution system design improvements), which place greater demands on engineering staff. This position will also allow the capacity to comply with additional regulatory requirements which are being implemented and require additional design time for engineering projects to ensure compliance. (Ongoing cost: \$20,130)

Performance Results



This action will increase engineering capacity for dark fiber work in the commercial and industrial sector.

3. Meter Reading Transition (AMI)	0.15	50,968	-	50,968

This action adds net 2.56 FTE to support meter reading during the transition to the Automated Metering Infrastructure (AMI) system. Staffing adjustments include elimination of 0.96 FTE Administrative Specialist I - H and 0.48 FTE General Laborer - H and addition of 1.00 Administrative Specialist II and 3.00 FTE General Laborer - H in the Meter Reading work group. The Customer Service Call Center team responds to customer inquiries, technical and detailed billing questions, investigations into high bills, and utility web portal assistance and support. As AMI rolls out, staff anticipates the complexity of calls related to new or updated meters, billing, and the web portal will require the additional support of a full-time Administrative Specialist II. This role will perform the complex tasks required when investigating high bills or supporting meter exchanges. This add/drop will align administrative support with the anticipated work. Consumption meters tracking electric, gas, and water usage must be read between 28 to 32 days. If the meters are not read, customers can not be billed for their Utility or any of the flat charges. The AMI project will upgrade City meters so they can provide near-real time data on energy and water consumption and voltage information. During the implementation of AMI, meters will be exchanged to smart meters, or smart modules will be added to existing meters. During the transition, staff supporting the metering function will shift with changing needs and the General Laborer - H classification provides the scope of work and flexibility necessary to support this transition period. Utilities will absorb the cost of these part-time positions working full-time, making them eligible for retirement benefits, within existing budgeted levels. (Ongoing cost: \$49,827)

Budget Adjustments

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

Performance Results



This action will provide sufficient staffing levels with complementary work functions during the transition phase of the AMI project.

4. Electric Operations Dispatch Staff Reclassification	0.00	67,288	-	67,288

This action reclassifies 1.00 Electric Heavy Equipment Operator into a 1.00 Utilities System Operator. This position will support the Utility Control/Dispatch Center, which is a function of the Electric Operations Division. The Dispatch Center services the public and other customers for day-to-day operations, customer connections, service interruptions, and emergencies. As the primary point of contact in this function, the Utilities System Operator receives, troubleshoots, prioritizes and dispatches appropriate personnel and equipment for all calls related to City utilities, and for coordinating safe efficient field operations related to outage and service restoration activities. This position monitors the utility transmission and distribution systems and provides coverage to ensure 24/7 responses for all calls related to utilities, specifically calls which occur after hours. The 24/7 Utility Control/Dispatch Center is experiencing high demand, and service needs are expected to continue to rise as the City's electrification efforts ramp up. (Ongoing cost: \$72,291)

Performance Results



This action will increase capacity in utilities systems operations to monitor electric grid work and respond to utility-related emergency calls.

5. Utilities Administration Staff Augmentation	0.00	77,899	-	77,899

This action adds 1.00 Management Analyst to the Utilities Administration division. This position will manage the growing work associated with the administration and operations of significant programs, infrastructure improvement, procurement, recruitment, and legal assignments. As new programs and initiatives are implemented, they generate additional support work such as procurement contracting, recruiting, or legal review and assistance. Historically, those tasks would be coordinated among various staff across multiple divisions (Administration, Customer Support, Engineering, Operations, Resource Management) with the respective internal service departments. However, this work can no longer be absorbed within existing capacity in the Utilities Department. Given the departments limited administrative capacity and the increasing complexity of these tasks, a centralized approach with dedicated resources is recommended. The Management Analyst will serve as Utilities primary liaison with Procurement, Human Resources, and the City Attorneys Office to provide consultative and advisory support to internal Utilities divisions. This position is intended to streamline internal processes such contract bid issuances, contract awards, employee recruitment, onboarding new employees, and legal review of contracts, staff reports and other documentation. This position will also support budget coordination to better facilitate interdepartmental work. This ongoing support will increase capacity in other divisions to work on upcoming UAC and Council priorities such as AMI, electrification, S/CAP and fiber expansion. Expenses in the Utilities Administration Fund are allocated to the other Utility Funds proportionately. (Ongoing cost: \$80,236)

Performance Results



This action will increase capacity and provide strategic support in the administration of new and old programs, infrastructure improvement, procurement, recruitment, and legal assignments.

6. Utilities Program Services (UPS) Staffing Reallocation	0.65	83,302	-	83,302

This action reallocates Utilities Program Services (UPS) staffing and corresponding expenses across the Water, Gas, and Electric funds to align with current operations. Although total staffing levels remain unchanged, this adjustment results in staffing allocation and corresponding expense increases in the Electric Fund (0.65 FTE, \$83,302) and decreases in both the Water Fund (0.20 FTE, \$23,040) and the Gas Fund (0.45 FTE, \$60,262). The UPS group manages implementation and oversight of energy efficiency programs, with funding allocated among various funds based on where the programs are planned. The FTE distribution is being reallocated to align with upcoming assignments, which will focus on low-income residential customer and electric vehicle programs. (Ongoing cost: \$88,660)

Performance Results



This action will align staffing with anticipated work, focusing on low-income residential customer and electric vehicle programs.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
7. Supplemental Pension Trust Fund Contributions	0.00	142,893	-	142,893

This one-time action transfers \$142,893 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

8. Electric Operations Administrative Staffing Augmentation	1.00	143,919	-	143,919

This action eliminates 1.00 Streetlight, Traffic Signal & Fiber Technician from the Fiber Fund and adds 1.00 Coordinator Utilities Projects in the Electric Fund. The new Coordinator Utilities Projects will increase efficiency by managing and coordinating with the numerous outside consultants, service providers, and contractors needed to complete maintenance, system improvement projects, customer service connections, and training to support operational excellence. Providing effective coordination between in-house and outsourced work requires the skill set, oversight, and supportive role of a Coordinator Utilities Projects. Upcoming and current projects such as AMI smart grid integration, wildfire mitigation for Foothills Nature Preserve, GIS/Esri upgrade, electrification and activities related to the S/CAP all increase the level and nature of support necessary to align roles and responsibilities, coordinate complex tasks, and achieve the City's goals. (Ongoing cost: \$153,500)

Performance Results



This action will provide additional project management support, increasing the effectiveness of coordinating in-house and outsourced tasks.

9. Resource Management Division Staffing Updates for Electrification (S/CAP)	1.00	215,225	-	215,225

This action adds net 1.50 FTE in the Utilities Resource Management Division (RMD) to support progress towards the City's Sustainability and Climate Action Plan (S/CAP) goals. This will result in net staffing increases of 1.00 FTE in the Electric Fund, 0.10 FTE in the Gas Fund, and 0.40 FTE in the Water Fund. Position changes include the addition of 0.50 FTE Senior Resource Planner, 1.00 Sustainability Programs Administrator, and a reclassification from 1.00 Program Assistant II to a new Associate Sustainability Program Administrator classification. RMD manages existing energy efficiency programs, which have been implemented widely. With the success of traditional energy efficiency programs, increased interest from the community and Council prompted policies, such as the S/CAP, which require RMD to expand into other areas including electric vehicles (EV) and building electrification (BE). This action addresses the considerable administrative and operational work necessary to support EV and BE progress. The 1.00 Sustainability Programs Administrator will support expansion of electrification efforts such as programs encouraging homeowners and businesses to adopted electric appliances and the expansion of EV programs into workplace charging and programs targeting low income customers. This position would also support the addition of on-bill financing to various programs and support the pursuit of regional partnerships for promoting EVs and alternative transportation. The 1.00 Associate Sustainability Programs Administrator, a new classification subject to confirmation through labor negotiations, will perform entry-level work related to sales and marketing, allowing other staff to focus on program management. Reclassifying the Program Assistant II to provide this lower classification in the Sustainability Program Administrator job family aligns assignments and specialized programmatic knowledge to the appropriate classification. The department will continue developing strategies to increase efficiency to absorb the work formerly performed by the Program Assistant II. The additional 0.50 FTE Senior Resource Planner adds 0.25 FTE each to two 0.75 FTE Senior Resource Planners, bringing both to 1.00. The additional capacity will provide RMD with the flexibility to take on more responsibility as S/CAP plan design and implementation begins. These positions will research and analyze water and gas supply, investigating extensively into alternative water supplies as water conservation efforts increase and droughts become the norm. Offsets and carbon sequestration are also being considered to offset gas system emissions, solutions which would require additional staff for ongoing supply portfolio management. (Ongoing cost: \$224,990)

Performance Results



Budget Adjustments

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

This action will increase staffing levels and support City Council's initiative to accelerate S/CAP and corresponding programs.

10. Building Electrification Program Support Increase	0.00	706,500	-	706,500

This action increases funding for building electrification (BE) by approximately \$2.8 million to ramp up existing customer programs, implement new programs, and pave the way for the City's Sustainability and Climate Action Plan (S/CAP) initiatives. BE means replacing gas or propane-burning appliances with clean and efficient electric appliances to reduce greenhouse gas (GHG) emissions. The City's planned efforts to increase BE include ramping up existing programs and developing new programs to encourage public participation and conducting necessary studies to support these efforts. Customer programs for BE include offering commercial incentives for water heating, space heating, cooking, and other custom measures; and expanding offerings for residential customers to include space heating and cooking. In addition to customer programs, there are start-up expenses associated with work on the S/CAP Three-Year Work Plan (draft) and adoption of various City policies to meet the City's greenhouse gas reduction goal. These goals include energy reach code to mandate all-electric new construction projects, Building Emissions Performance Standard to cap GHG emissions for buildings over 25,000 square feet, and the various studies to support scaling BE. (Ongoing cost: \$706,500)

Performance Results



This action will support increasing building electrification efforts in new and existing programs.



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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of commercial fiber connections	179	168	182	166	170
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. FY 2022 accounts decreased slightly as some accounts were disconnected due to the pandemic. Note: FY 2020 actuals have been updated from 201 to 179 to account for post-closing adjustments.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of Customer Accounts (Fiber)*	53	48	88	45	45
Number of Wholesale re-sellers	15	14	15	14	14

*In FY 2022 the methodology for calculating this workload measure was standardized, resulting in the restatement of FY 2020 Actual and FY 2022 Adopted figures.

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
CIP Fiber Optics Fund	\$585,453	\$397,274	\$434,947	\$2,015,853	\$1,580,906	363.5%
Fiber Optics Administration	\$243,174	\$162,742	\$861,088	\$845,118	\$(15,970)	(1.9)%
Fiber Optics Customer Service	\$711,980	\$794,269	\$1,285,945	\$1,085,364	\$(200,581)	(15.6)%
Fiber Optics Operations and Maintenance	\$1,525,597	\$1,249,050	\$722,312	\$545,413	\$(176,899)	(24.5)%
Total	\$3,066,203	\$2,603,336	\$3,304,292	\$4,491,748	\$1,187,456	35.9%
Salary & Benefits						
Healthcare	\$151,002	\$115,781	\$163,883	\$162,894	\$(988)	(0.6)%
Other Benefits	\$28,769	\$25,846	\$33,711	\$33,845	\$135	0.4%
Overtime	\$36,669	\$41,834	\$26,865	\$27,671	\$806	3.0%
Pension	\$398,554	\$273,871	\$345,445	\$368,275	\$22,831	6.6%
Salary	\$988,766	\$745,681	\$977,380	\$985,614	\$8,234	0.8%
Workers' Compensation	\$41,272	\$37,165	\$38,216	\$39,024	\$808	2.1%
Total Salary and Benefits	\$1,645,032	\$1,240,179	\$1,585,499	\$1,617,325	\$31,826	2.0%
Dollars by Category						
Contract Services	\$113,338	\$247,312	\$470,646	\$242,646	\$(228,000)	(48.4)%
Supplies & Material	\$9,169	\$7,128	\$9,000	\$9,000	—	—%
General Expense	\$2,789	\$2,045	\$12,000	\$12,000	—	—%
Rents & Leases	\$80,821	\$51,992	\$54,539	\$56,539	\$2,000	3.7%
Facilities & Equipment	\$1,275	—	—	—	—	—%
Allocated Charges	\$537,896	\$558,678	\$724,778	\$716,161	\$(8,617)	(1.2)%
Transfer to Infrastructure	—	\$9,883	—	—	—	—%
Operating Transfers-Out	\$162,353	\$107,670	\$102,176	\$102,176	—	—%
Capital Improvement Program	\$513,530	\$378,449	\$345,655	\$1,735,902	\$1,390,247	402.2%
Total Dollars by Expense Category	\$3,066,203	\$2,603,336	\$3,304,292	\$4,491,748	\$1,187,456	35.9%
Revenues						
Charges for Services	\$24,038	\$577	—	—	—	—%
Charges to Other Funds	\$65,000	—	—	—	—	—%
Net Sales	\$4,483,752	\$3,940,489	\$4,368,722	\$3,712,306	\$(656,416)	(15.0)%
Other Revenue	\$235	\$484	\$200,000	\$200,000	—	—%
Return on Investments	\$714,944	\$607,697	\$646,700	\$522,200	\$(124,500)	(19.3)%
Total Revenues	\$5,287,969	\$4,549,248	\$5,215,422	\$4,434,506	\$(780,916)	(15.0)%

UTILITIES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Positions by Division						
CIP Fiber Optics Fund	0.79	0.39	0.39	1.29	0.90	230.8%
Fiber Optics Customer Service	3.58	3.58	3.38	3.38	0.00	0.0%
Fiber Optics Operations and Maintenance	3.13	3.13	3.13	1.88	(1.25)	(39.9)%
Total	7.50	7.10	6.90	6.55	(0.35)	(5.1)%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 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	—	\$41,808
Assistant Director Utilities Engineering	0.05	0.05	0.05	0.05	—	\$10,871
Business Analyst	0.30	0.30	0.10	0.10	—	\$15,533
Electric Project Engineer	0.45	0.05	0.05	0.95	0.90	\$151,164
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	—	\$58,265
Manager Utilities Program Services	0.20	0.20	0.20	0.20	—	\$31,246
Manager Utilities Telecommunications	1.00	1.00	1.00	1.00	—	\$154,357
Senior Electrical Engineer	0.05	0.05	0.05	0.05	—	\$9,926
Street Light, Traffic Signal & Fiber Technician	2.00	2.00	2.00	1.00	(1.00)	\$130,437
Street Light, Traffic Signal & Fiber-Lead	1.00	1.00	1.00	0.75	(0.25)	\$104,707
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	6.38	6.18	5.83	(0.35)	\$842,876
Temporary/Hourly	0.72	0.72	0.72	0.72	—	\$75,259
Total Positions	7.50	7.10	6.90	6.55	(0.35)	\$918,135

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	6.90	3,304,292	5,215,422	(1,911,130)
One-Time Prior Year Budget Adjustments				
None				-
One-Time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		65,623	-	65,623
Other Contract Expenses		(228,000)	-	(228,000)
Technical Staffing Correction	(0.25)	(52,374)	-	(52,374)
Rents & Leases Expenditure Alignment		2,000	-	2,000
Fiber Optics Revenue		-	(780,916)	780,916
Capital Improvement Program		1,390,247	-	1,390,247
General Fund Cost Allocation Plan		42,837	-	42,837
Liability Insurance Allocated Charges		9,352	-	9,352
Utilities Administration Allocated Charges		(79,717)	-	(79,717)
Workers' Compensation Allocated Charges		808	-	808
Adjustments to Costs of Ongoing Activities	(0.25)	1,150,777	(780,916)	1,931,693
Total FY 2023 Base Budget	6.65	4,455,069	4,434,506	20,563
Budget Proposals				
1. Electric Operations Administrative Staffing Augmentation	(1.00)	(159,921)	-	(159,921)
2. Supplemental Pension Trust Fund Contributions	-	8,086	-	8,086
3. Utilities Administration Staff Augmentation	-	18,910	-	18,910
4. Fiber Project Support Augmentation	0.90	169,603	-	169,603
Budget Changes	(0.10)	36,679	-	36,679
Total FY 2023 Proposed Budget	6.55	4,491,748	4,434,506	57,242

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Electric Operations Administrative Staffing Augmentation	(1.00)	(159,921)	-	(159,921)

This action eliminates 1.00 Streetlight, Traffic Signal & Fiber Technician from the Fiber Fund and adds 1.00 Coordinator Utilities Projects in the Electric Fund. The new Coordinator Utilities Projects will increase efficiency by managing and coordinating with the numerous outside consultants, service providers, and contractors needed to complete maintenance, system improvement projects, customer service connections, and training to support operational excellence. Providing effective coordination between in-house and outsourced work requires the skill set, oversight, and supportive role of a Coordinator Utilities Projects. Upcoming and current projects such as AMI smart grid integration, wildfire mitigation for Foothills Nature Preserve, GIS/Esri upgrade, electrification and activities related to the S/CAP all increase the level and nature of support necessary to align roles and responsibilities, coordinate complex tasks, and achieve the City's goals. (Ongoing cost: \$181,198)

Performance Results



This action will provide additional project management support, increasing the effectiveness of coordinating in-house and outsourced tasks.

2. Supplemental Pension Trust Fund Contributions	0.00	8,086	0	8,086

This one-time action transfers \$8,086 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

3. Utilities Administration Staff Augmentation	0.00	18,910	-	18,910

This action adds 1.00 Management Analyst to the Utilities Administration division. This position will manage the growing work associated with the administration and operations of significant programs, infrastructure improvement, procurement, recruitment, and legal assignments. As new programs and initiatives are implemented, they generate additional support work such as procurement contracting, recruiting, or legal review and assistance. Historically, those tasks would be coordinated among various staff across multiple divisions (Administration, Customer Support, Engineering, Operations, Resource Management) with the respective internal service departments. However, this work can no longer be absorbed within existing capacity in the Utilities Department. Given the departments limited administrative capacity and the increasing complexity of these tasks, a centralized approach with dedicated resources is recommended. The Management Analyst will serve as Utilities primary liaison with Procurement, Human Resources, and the City Attorneys Office to provide consultative and advisory support to internal Utilities divisions. This position is intended to streamline internal processes such contract bid issuances, contract awards, employee recruitment, onboarding new employees, and legal review of contracts, staff reports and other documentation. This position will also support budget coordination to better facilitate interdepartmental work. This ongoing support will increase capacity in other divisions to work on upcoming UAC and Council priorities such as AMI, electrification, S/CAP and fiber expansion. Expenses in the Utilities Administration Fund are allocated to the other Utility Funds proportionately. (Ongoing cost: \$19,475)

Performance Results



This action will increase capacity and provide strategic support in the administration of new and old programs, infrastructure improvement, procurement, recruitment, and legal assignments.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
4. Fiber Project Support Augmentation	0.90	169,603	-	169,603

This action adds 1.00 Electric Project Engineer to support the increasing demand for Fiber projects. This position will be allocated 0.10 FTE to the Electric Fund and 0.90 FTE to the Fiber Fund. The Utilities Electric Engineering group, which includes staff funded in the Electric and Fiber funds, is experiencing increasing public demand for telecommunications services and infrastructure. As demand grows, in addition to supporting the City's own Dark Fiber business, Utilities also responds to telecommunication installation requests from third parties to attach communication equipment and lines to wood utility poles and streetlights. These requests require engineering to help review, investigate, and scope the feasibility of the requests and installations often involve fiber and electric work, which both require specialized engineering support. This position will also increase capacity to absorb upcoming work in major projects such as improving reliability and capacity of the Dark Fiber network through capital improvement projects, supporting new technologies (for example smart grid, distributed photovoltaic systems and improved energy management systems), and upcoming major projects (such as SLAC intertie, Smart Grid implementation, normal/emergency switching plan development, and distribution system design improvements), which place greater demands on engineering staff. This position will also allow the capacity to comply with additional regulatory requirements which are being implemented and require additional design time for engineering projects to ensure compliance. (Ongoing savings: \$170,691)

Performance Results



This action will increase engineering capacity for dark fiber work in the commercial and industrial sector.



CITY OF
**PALO
ALTO**

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.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed 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.				

Key Performance Measures

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.				
	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Natural gas savings achieved annually through efficiency programs (therms)	61,203	50,163	283,000	37,000	47,000
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, which was still being reflected in the FY 2022 Adopted amount of 327,000. However, savings are much lower as we move to a new metric. Instead of new gas efficiency savings goals, the City is moving towards prioritizing building electrification and will be evaluating programs based on the cost of avoided greenhouse gas (GHG) emissions. The City is no longer incentivizing switching from old gas equipment to new gas equipment as it moves towards building electrification. From FY2022 onwards, the therms savings target assumes incentivizing purchases of new gas equipment is no longer applicable. Since GHG emissions are directly tied to natural gas use, the most cost effective means to reduce natural gas consumption will be prioritized. The decline in gas efficiency savings stems from several factors: declining gas load, discontinuation of home energy reports, and suspension in the Residential, Small Business, and Commercial and Industrial programs due to restricted on-site visits that resulted from COVID-19. Adoption of building electrification will increase over time and lead to more therms savings.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of Customer Accounts (Gas)*	23,973	23,794	23,393	23,781	23,741
Number of gas leaks repaired	116	106	75	120	120

*In FY 2022 the methodology for calculating this workload measure was standardized, resulting in the restatement of FY 2020 Actual and FY 2022 Adopted figures.

UTILITIES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
CIP Gas Fund	\$4,792,591	\$3,542,679	\$4,646,504	\$10,480,135	\$5,833,631	125.5%
Gas Administration	\$11,259,621	\$10,623,826	\$13,421,182	\$12,779,809	\$(641,373)	(4.8)%
Gas Customer Service	\$1,873,711	\$1,904,615	\$2,081,145	\$2,299,512	\$218,367	10.5%
Gas Demand Side Management	\$550,164	\$417,254	\$1,534,524	\$3,598,344	\$2,063,819	134.5%
Gas Engineering (Operating)	\$666,285	\$570,710	\$619,617	\$776,022	\$156,405	25.2%
Gas Operations and Maintenance	\$5,333,536	\$6,225,365	\$6,886,078	\$7,486,702	\$600,624	8.7%
Gas Resource Management	\$11,565,288	\$13,300,650	\$17,305,699	\$21,133,926	\$3,828,227	22.1%
Total	\$36,041,196	\$36,585,098	\$46,494,749	\$58,554,450	\$12,059,701	25.9%
Salary & Benefits						
Healthcare	\$932,202	\$959,774	\$1,162,457	\$1,188,299	\$25,841	2.2%
Other Benefits	\$148,073	\$181,959	\$209,052	\$220,014	\$10,962	5.2%
Overtime	\$211,699	\$228,088	\$208,604	\$214,863	\$6,259	3.0%
Pension	\$2,304,625	\$2,209,378	\$2,311,216	\$2,619,031	\$307,816	13.3%
Retiree Medical	\$687,645	\$663,940	\$674,796	\$657,854	\$(16,942)	(2.5)%
Salary	\$4,336,114	\$4,678,528	\$6,098,027	\$6,655,680	\$557,653	9.1%
Workers' Compensation	\$251,034	\$224,327	\$230,670	\$257,386	\$26,716	11.6%
Total Salary and Benefits	\$8,871,393	\$9,145,994	\$10,894,823	\$11,813,128	\$918,305	8.4%
Dollars by Category						
Utility Purchase	\$11,102,378	\$12,749,972	\$16,407,111	\$20,112,737	\$3,705,626	22.6%
Contract Services	\$785,800	\$441,691	\$1,386,313	\$1,903,282	\$516,969	37.3%
Supplies & Material	\$304,614	\$372,628	\$495,316	\$495,316	—	—%
General Expense	\$296,353	\$379,307	\$897,991	\$2,546,161	\$1,648,170	183.5%
Rents & Leases	\$785,958	\$616,234	\$619,916	\$639,916	\$20,000	3.2%
Debt Service	\$155,636	\$135,722	\$802,615	\$802,615	—	—%
Facilities & Equipment	\$8,924	\$35	\$1,840	\$1,840	—	—%
Allocated Charges	\$2,774,599	\$3,020,755	\$5,256,073	\$5,114,639	\$(141,434)	(2.7)%
Transfer to Infrastructure	—	\$68,911	—	—	—	—%
Operating Transfers-Out	\$741,394	\$453,269	\$161,320	\$166,200	\$4,880	3.0%
Equity Transfer	\$6,942,000	\$6,847,000	\$7,429,000	\$7,165,000	\$(264,000)	(3.6)%
Capital Improvement Program	\$3,272,147	\$2,353,580	\$2,142,432	\$7,793,617	\$5,651,185	263.8%
Total Dollars by Expense Category	\$36,041,196	\$36,585,098	\$46,494,749	\$58,554,450	\$12,059,701	25.9%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Revenues						
Charges for Services	\$23,685	\$959	\$20,000	\$20,000	—	—%
Charges to Other Funds	\$126,522	\$159,803	\$108,167	\$108,167	—	—%
Net Sales	\$36,343,849	\$38,675,012	\$40,741,500	\$45,835,893	\$5,094,393	12.5%
Other Revenue	\$931,433	\$865,754	\$913,000	\$913,000	—	—%
Return on Investments	\$578,171	\$479,407	\$621,800	\$475,400	\$(146,400)	(23.5)%
Total Revenues	\$38,003,661	\$40,180,935	\$42,404,467	\$47,352,460	\$4,947,993	11.7%
Positions by Division						
CIP Gas Fund	15.80	11.73	11.73	11.93	0.20	1.7%
Gas Customer Service	9.03	9.03	9.03	10.11	1.08	12.0%
Gas Demand Side Management	1.54	1.29	1.28	0.94	(0.35)	(27.1)%
Gas Engineering (Operating)	1.40	1.85	1.85	1.85	—	—%
Gas Operations and Maintenance	24.30	27.92	27.68	27.40	(0.28)	(1.0)%
Gas Resource Management	1.76	1.76	2.00	2.34	0.34	17.0%
Total	53.83	53.83	53.57	54.56	0.99	1.8%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Account Specialist	0.23	0.23	0.23	0.23	—	\$18,002
Administrative Associate II	0.60	0.60	0.60	0.60	—	\$47,037
Assistant Director Administrative Services	0.05	0.05	0.05	0.05	—	\$9,389
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	\$41,808
Assistant Director Utilities Engineering	0.20	0.20	0.20	0.20	—	\$43,484
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	\$35,100
Assistant Director Utilities/ Resource Management	0.25	0.25	0.20	0.20	—	\$43,031
Associate Sustainability Program Administrator**	—	—	—	0.20	0.20	\$20,887

UTILITIES

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Business Analyst	1.15	1.15	1.05	1.05	—	\$163,101
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	—	\$11,559
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	—	\$30,348
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	\$68,537
Engineering Technician III	0.70	0.70	0.70	0.70	—	\$68,985
Environmental Specialist*	—	—	—	0.17	0.17	\$19,703
Gas and Water Meter Measurement and Control Technician	3.20	3.40	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	—	—	—	—	—
Heavy Equipment Operator - Install/Repair	0.65	0.65	0.65	0.65	—	\$68,635
Inspector, Field Services	1.42	2.05	—	—	—	—
Inspector, WGW Utilities Field Svc	—	—	2.05	2.13	0.08	\$249,210
Maintenance Mechanic-Welding	1.00	1.00	1.00	1.00	—	\$106,538
Manager Customer Service	0.33	0.33	0.33	0.33	—	\$53,635
Manager Environmental Control Program*	—	—	—	0.17	0.17	\$22,439
Manager Treasury, Debt & Investments	0.10	0.10	0.10	0.10	—	\$15,970
Manager Utilities Compliance	0.25	0.25	0.25	0.25	—	\$49,218

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Manager Utilities Credit & Collection	0.15	0.15	0.15	0.15	—	\$21,849
Manager Utilities Operations WGW	0.20	0.20	0.20	0.20	—	\$35,402
Manager Utilities Program Services	0.20	0.20	0.20	0.20	—	\$31,246
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	—	(0.30)	—
Project Engineer	1.00	1.00	1.00	1.00	—	\$151,216
Resource Planner	0.45	0.45	0.70	0.70	—	\$100,479
Restoration Lead	0.43	0.43	0.43	0.43	—	\$48,530
SCADA Technologist	0.20	0.10	0.10	(0.49)	(0.59)	\$(74,728)
Senior Business Analyst	0.99	0.99	0.99	0.99	—	\$157,158
Senior Engineer	2.70	2.35	2.35	2.35	—	\$413,126
Senior Mechanic	0.33	0.33	0.33	0.33	—	\$37,388
Senior Resource Planner	0.56	0.56	0.65	0.65	—	\$119,912
Senior Utilities Field Service Representative	0.41	0.41	0.41	0.41	—	\$47,509
Substation Electrician	0.10	0.25	0.25	0.25	—	\$35,584
Sustainability Programs Administrator	—	—	0.65	0.40	(0.25)	\$46,409
Utilities Engineer Estimator	0.85	0.73	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	0.77	0.77	0.77	—	\$90,859
Utilities Install Repair-Welding Certified	1.95	1.43	1.43	1.43	—	\$141,077
Utilities Install/Repair	3.85	4.56	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	1.93	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

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Utilities Marketing Program Administrator	0.90	0.90	—	—	—	—
Utilities Safety Officer	0.20	0.20	0.20	0.20	—	\$23,088
Utilities Supervisor	2.37	2.37	2.12	2.12	—	\$331,881
Utilities System Analyst**	—	—	—	0.59	0.59	\$91,647
Water System Operator II	0.66	0.66	0.66	0.66	—	\$65,345
WGW Heavy Equipment Operator	—	2.50	2.50	2.50	—	\$263,484
Subtotal: Full-Time Equivalent Positions	51.64	51.64	51.38	51.45	0.07	\$6,154,651
Temporary/Hourly	2.19	2.19	2.19	3.11	0.92	\$270,597
Total Positions	53.83	53.83	53.57	54.56	0.99	\$6,425,248

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In the Electric Fund of the Utilities Department, the FY 2022 Adopted Budget was amended to add 0.17 FTE Environmental Specialist and 0.17 FTE Manager Environmental Control Program.

** The FY 2023 Proposed Budget includes new job classifications that require completion of a meet and confer process with the respective bargaining groups to negotiate terms for wages, hours, and other employment conditions. Proposals in this budget include estimated funding levels for financial planning purposes only and do not reflect the final negotiated terms of the proposed classifications.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	53.57	46,494,749	42,404,467	4,090,282
One-time Prior Year Budget Adjustments				
None				-
One-time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		710,422	-	710,422
Gas Customer Sales Revenue Adjustments (3% Rate Increase)		-	5,094,393	(5,094,393)
Equity Transfer to the General Fund		(264,000)	-	(264,000)
Other General Expenses		170	-	170
Transfer to Water Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data)		4,880	-	4,880
Technical Staffing Correction	0.08	11,904	-	11,904
Rents & Leases Expenditure Alignment		20,000	-	20,000
Automated Metering Infrastructure (AMI) Software		56,969	-	56,969
FY 2022 Mid-Year Budget Review (CMR 13801)	0.34	58,063	-	58,063
Return on Investments		-	(146,400)	146,400
Gas Commodity Purchase Adjustments		3,705,626		3,705,626
Capital Improvement Program		5,651,185	-	5,651,185
General Fund Cost Allocation Plan		(91,187)	-	(91,187)
Liability Insurance Allocated Charges		58,584	-	58,584
Grounds Maintenance Allocated Charges		122	-	122
Printing & Mailing Allocated Charges		1,200	-	1,200
Utilities Administration Allocated Charges		(347,387)	-	(347,387)
Vehicle Replacement & Maintenance Allocated Charges		200,899	-	200,899
Workers' Compensation Allocated Charges		26,716	-	26,716
Adjustments to Costs of Ongoing Activities	0.42	9,804,165	4,947,993	4,856,172
Total FY 2023 Base Budget	53.99	56,298,913	47,352,459	8,946,454
Budget Adjustments				
1. Utilities Program Services (UPS) Staffing Reallocation	(0.45)	(60,262)	-	(60,262)
2. Wastewater Collection Operating Staffing Adjustment	(0.16)	(13,480)	-	(13,480)
3. Electric Operations Technologist Staff Reclassification	-	1,937	-	1,937
4. Resource Management Division Staffing Updates for Electrification (S/CAP)	0.10	18,324	-	18,324

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
5. Utilities Administration Staff Augmentation	-	36,336	-	36,336
6. Supplemental Pension Trust Fund Contributions	-	56,434	-	56,434
7. Meter Reading Transition (AMI)	1.08	108,248	-	108,248
8. Building Electrification Program Support Increase	-	2,108,000	-	2,108,000
Total Budget Adjustments	0.57	2,255,536	-	2,255,536
Total FY 2023 Proposed Budget	54.56	58,554,450	47,352,459	11,201,991

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Utilities Program Services (UPS) Staffing Reallocation	(0.45)	(60,262)	-	(60,262)

This action reallocates Utilities Program Services (UPS) staffing and corresponding expenses across the Water, Gas, and Electric funds to align with current operations. Although total staffing levels remain unchanged, this adjustment results in staffing allocation and corresponding expense increases in the Electric Fund (0.65 FTE, \$83,302) and decreases in both the Water Fund (0.20 FTE, \$23,040) and the Gas Fund (0.45 FTE, \$60,262). The UPS group manages implementation and oversight of energy efficiency programs, with funding allocated among various funds based on where the programs are planned. The FTE distribution is being reallocated to align with upcoming assignments, which will focus on low-income residential customer and electric vehicle programs. (Ongoing savings: \$64,130)

Performance Results



This action will align staffing with anticipated work, focusing on low-income residential customer and electric vehicle programs.

2. Wastewater Collection Operating Staffing Adjustment	(0.16)	(13,480)	-	(13,480)

This action adds 1.00 Equipment Operator and eliminates 0.48 FTE Journey Level Laborer for a net increase of 0.52 FTE in the Wastewater Collection Operations division. This action also reallocates this position to be funded fully by the Wastewater Collection Fund to align with anticipated workload. An Equipment Operator is needed to operate key equipment such as small rollers, asphalt patch trucks, asphalt compaction equipment, and wood grinders, for wastewater maintenance work. Wastewater maintenance work includes sewer back-up response, CCTV monitoring of sewer laterals, and use of high-pressure lateral hose cleaning equipment on an assigned route. With the Equipment Operator working full-time, there would be more consistent coverage to help the City meet goals set in the Sanitary Sewer Maintenance Plan (SSMP), such as maintaining 800 laterals annually, which is the appropriate service level to reduce future blockages and overflows. The Journey Laborer traditionally complemented the workforce, providing coverage on a temporary basis. This staffing level is no longer sufficient to meet current demand and additional capacity is required to manage workload while allowing flexibility to respond to unanticipated needs. Replacing the part-time Journey Level Laborer position with a full-time Equipment Operator will increase coverage for work on operating equipment and overall capacity in this workgroup. Transitioning to a full-time classification is also anticipated to reduce turnover, supporting retention efforts. (Ongoing savings: \$13,720)

Performance Results



This action will increase capacity to maintain local and state regulatory requirements.

3. Electric Operations Technologist Staff Reclassification	0.00	1,937	-	1,937

This action reclassifies 2.00 SCADA Technologist into 2.00 Utilities System Analyst. This reclassification will align job description, title, and compensation with work among various utilities systems such as Supervisory Control and Data Acquisition (SCADA), Relay, and eventually Advanced Metering Infrastructure (AMI). As technology advances in utility markets, internal operations and systems need to be updated as well. New technologies are more complex in operation and require additional knowledge in areas such as logic control and automation. For example, as the AMI project replaces traditional meters with smart meters, a higher level of technical expertise will be required to complete new system integrations, configurations, and ongoing maintenance. This classification will be responsible for performing work involving an extremely high degree of complexity, including installation, troubleshooting, repairing, calibrating, and maintaining components of protective relay systems by utilizing microprocessor relays for our Substations. The level of work and responsibility that this position will perform is necessary to keep up with the department's priorities to maintain and implement new mechanisms, materials, equipment, and technology to ensure a safe, reliable, and efficient distribution system. This action enables the classification to take on added system responsibilities as they are implemented. (Ongoing cost: \$1,976)

Performance Results



This action will align the job classification to include increased responsibilities.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
4. Resource Management Division Staffing Updates for Electrification (S/CAP)	0.10	18,324	-	18,324

This action adds net 1.50 FTE in the Utilities Resource Management Division (RMD) to support progress towards the City's Sustainability and Climate Action Plan (S/CAP) goals. This will result in net staffing increases of 1.00 FTE in the Electric Fund, 0.10 FTE in the Gas Fund, and 0.40 FTE in the Water Fund. Position changes include the addition of 0.50 FTE Senior Resource Planner, 1.00 Sustainability Programs Administrator, and 1.00 Associate Sustainability Program Administrator, and the elimination of 1.00 Program Assistant II. RMD manages existing energy efficiency programs, which have been implemented widely. With the success of traditional energy efficiency programs, increased interest from the community and Council prompted policies, such as the S/CAP, which require RMD to expand into other areas including electric vehicles (EV) and building electrification (BE). This action addresses the considerable administrative and operational work necessary to support EV and BE progress. The 1.00 Sustainability Programs Administrator will support expansion of electrification efforts such as programs encouraging homeowners and businesses to adopt electric appliances and the expansion of EV programs into workplace charging and programs targeting low income customers. This position would also support the addition of on-bill financing to various programs and support the pursuit of regional partnerships for promoting EVs and alternative transportation. The 1.00 Associate Sustainability Programs Administrator, a new classification subject to confirmation through labor negotiations, will perform entry-level work related to sales and marketing, allowing other staff to focus on program management. Reclassifying the Program Assistant II to provide this lower classification in the Sustainability Program Administrator job family aligns assignments and specialized programmatic knowledge to the appropriate classification. The department will continue developing strategies to increase efficiency to absorb the work formerly performed by the Program Assistant II. The additional 0.50 FTE Senior Resource Planner adds 0.25 FTE each to two 0.75 FTE Senior Resource Planners, bringing both to 1.00. The additional capacity will provide RMD with the flexibility to take on more responsibility as S/CAP plan design and implementation begins. These positions will research and analyze water and gas supply, investigating extensively into alternative water supplies as water conservation efforts increase and droughts become the norm. Offsets and carbon sequestration are also being considered to offset gas system emissions, solutions which would require additional staff for ongoing supply portfolio management. (Ongoing cost: \$19,574)

Performance Results



This action will increase staffing levels and support City Council's initiative to accelerate S/CAP and corresponding programs.

5. Utilities Administration Staff Augmentation	0.00	36,336	-	36,336

This action adds 1.00 Management Analyst to the Utilities Administration division. This position will manage the growing work associated with the administration and operations of significant programs, infrastructure improvement, procurement, recruitment, and legal assignments. As new programs and initiatives are implemented, they generate additional support work such as procurement contracting, recruiting, or legal review and assistance. Historically, those tasks would be coordinated among various staff across multiple divisions (Administration, Customer Support, Engineering, Operations, Resource Management) with the respective internal service departments. However, this work can no longer be absorbed within existing capacity in the Utilities Department. Given the departments limited administrative capacity and the increasing complexity of these tasks, a centralized approach with dedicated resources is recommended. The Management Analyst will serve as Utilities primary liaison with Procurement, Human Resources, and the City Attorneys Office to provide consultative and advisory support to internal Utilities divisions. This position is intended to streamline internal processes such contract bid issuances, contract awards, employee recruitment, onboarding new employees, and legal review of contracts, staff reports and other documentation. This position will also support budget coordination to better facilitate interdepartmental work. This ongoing support will increase capacity in other divisions to work on upcoming UAC and Council priorities such as AML, electrification, S/CAP and fiber expansion. Expenses in the Utilities Administration Fund are allocated to the other Utility Funds proportionately. (Ongoing cost: \$37,426)

Performance Results



This action will increase capacity and provide strategic support in the administration of new and old programs, infrastructure improvement, procurement, recruitment, and legal assignments.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
6. Supplemental Pension Trust Fund Contributions	0.00	56,434	-	56,434

This one-time action transfers \$56,434 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

7. Meter Reading Transition (AMI)	1.08	108,248	-	108,248

This action adds net 2.56 FTE to support meter reading during the transition to the Automated Metering Infrastructure (AMI) system. Staffing adjustments include elimination of 0.96 FTE Administrative Specialist I - H and 0.48 FTE General Laborer - H and addition of 1.00 Administrative Specialist II and 3.00 FTE General Laborer - H in the Meter Reading work group. The Customer Service Call Center team responds to customer inquiries, technical and detailed billing questions, investigations into high bills, and utility web portal assistance and support. As AMI rolls out, staff anticipates the complexity of calls related to new or updated meters, billing, and the web portal will require the additional support of a full-time Administrative Specialist II. This role will perform the complex tasks required when investigating high bills or supporting meter exchanges. This add/drop will align administrative support with the anticipated work. Consumption meters tracking electric, gas, and water usage must be read between 28 to 32 days. If the meters are not read, customers can not be billed for their Utility or any of the flat charges. The AMI project will upgrade City meters so they can provide near-real time data on energy and water consumption and voltage information. During the implementation of AMI, meters will be exchanged to smart meters, or smart modules will be added to existing meters. During the transition, staff supporting the metering function will shift with changing needs and the General Laborer - H classification provides the scope of work and flexibility necessary to support this transition period. Utilities will absorb the cost of these part-time positions working full-time, making them eligible for retirement benefits, within existing budgeted levels. (Ongoing cost: \$110,965)

Performance Results



This action will provide sufficient staffing levels with complementary work functions during the transition phase of the AMI project.

8. Building Electrification Program Support Increase	0.00	2,108,000	-	2,108,000

This action increases funding for building electrification (BE) by approximately \$2.8 million to ramp up existing customer programs, implement new programs, and pave the way for the City's Sustainability and Climate Action Plan (S/CAP) initiatives. BE means replacing gas or propane-burning appliances with clean and efficient electric appliances to reduce greenhouse gas (GHG) emissions. The City's planned efforts to increase BE include ramping up existing programs and developing new programs to encourage public participation and conducting necessary studies to support these efforts. Customer programs for BE include offering commercial incentives for water heating, space heating, cooking, and other custom measures; and expanding offerings for residential customers to include space heating and cooking. In addition to customer programs, there are start-up expenses associated with work on the S/CAP Three-Year Work Plan (draft) and adoption of various City policies to meet the City's greenhouse gas reduction goal. These goals include energy reach code to mandate all-electric new construction projects, Building Emissions Performance Standard to cap GHG emissions for buildings over 25,000 square feet, and the various studies to support scaling BE. (Ongoing cost: \$2,108,000)

Performance Results



This action will support increasing building electrification efforts in new and existing programs.



CITY OF
**PALO
ALTO**

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.

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% 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.

UTILITIES

- 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percentage of sewer laterals inspected annually	19%	19%	20%	17%	17%
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 a sewer main cleaning, the number of blockages and overflows has decreased. The division is on target to complete inspection of 17 percent, or 3,075, laterals of 18,093 in the City.				

Workload Measures

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Number of Customer Accounts (Wastewater)*	22,582	22,414	22,700	22,393	22,382
Number of miles of sewer lines cleaned/treated in a fiscal year	130	156	145	75	90
Percent of sewage spill responses within two hours%	98%	90%	100%	93%	100%
Percent of surveyed residents rating the quality of the Sewer Service as good/excellent%	87%	N/A**	N/A**	N/A**	88%
Number of sewage overflows	60	41	40	55	55
Percent of miles of sewer lines replaced%	0.9%	0.8%	0.4%	0.4%	0.5%

*In FY 2022 the methodology for calculating this workload measure was standardized, resulting in the restatement of FY 2020 Actual and FY 2022 Adopted figures.

**The National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.

UTILITIES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
CIP Wastewater Collection Fund	\$5,420,422	\$3,976,443	\$6,050,850	\$3,585,607	\$(2,465,242)	(40.7)%
Wastewater Collection Administration	\$2,467,711	\$2,482,780	\$2,960,436	\$2,633,741	\$(326,695)	(11.0)%
Wastewater Collection Customer Service	\$366,154	\$429,768	\$440,686	\$478,870	\$38,185	8.7%
Wastewater Collection Engineering (Operating)	\$339,430	\$350,832	\$421,617	\$555,549	\$133,932	31.8%
Wastewater Collection Operations and Maintenance	\$13,700,140	\$13,955,032	\$15,243,417	\$16,281,547	\$1,038,130	6.8%
Total	\$22,293,857	\$21,194,855	\$25,117,005	\$23,535,314	\$(1,581,691)	(6.3)%
Salary & Benefits						
Healthcare	\$526,938	\$462,540	\$641,342	\$687,099	\$45,757	7.1%
Other Benefits	\$76,320	\$84,099	\$98,493	\$100,080	\$1,587	1.6%
Overtime	\$162,719	\$134,615	\$163,071	\$167,963	\$4,892	3.0%
Pension	\$1,253,764	\$1,035,025	\$1,192,789	\$1,315,550	\$122,761	10.3%
Retiree Medical	\$267,418	\$256,185	\$260,374	\$260,322	\$(52)	(0.0)%
Salary	\$3,011,194	\$3,012,727	\$3,016,057	\$3,317,427	\$301,370	10.0%
Workers' Compensation	\$140,115	\$125,383	\$128,928	\$128,588	\$(340)	(0.3)%
Total Salary and Benefits	\$5,438,468	\$5,110,575	\$5,501,055	\$5,977,030	\$475,974	8.7%
Dollars by Category						
Utility Purchase	\$10,233,626	\$10,541,634	\$11,153,615	\$11,850,759	\$697,144	6.3%
Contract Services	\$186,469	\$164,304	\$248,986	\$248,986	—	—%
Supplies & Material	\$285,517	\$275,597	\$380,618	\$380,618	—	—%
General Expense	\$86,744	\$108,519	\$169,400	\$181,400	\$12,000	7.1%
Rents & Leases	\$435,982	\$358,803	\$356,790	\$367,790	\$11,000	3.1%
Debt Service	\$28,580	\$23,352	\$129,001	\$129,001	—	—%
Facilities & Equipment	\$5,099	—	\$3,000	\$3,000	—	—%
Allocated Charges	\$880,704	\$1,038,045	\$3,050,597	\$2,859,803	\$(190,794)	(6.3)%
Transfer to Infrastructure	—	\$40,727	—	—	—	—%
Operating Transfers-Out	\$467,350	\$301,268	\$161,320	\$166,200	\$4,880	3.0%
Capital Improvement Program	\$4,245,316	\$3,232,032	\$3,962,623	\$1,370,727	\$(2,591,896)	(65.4)%
Total Dollars by Expense Category	\$22,293,857	\$21,194,855	\$25,117,005	\$23,535,314	\$(1,581,691)	(6.3)%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Revenues						
Charges for Services	\$18,985	\$722	\$10,000	\$10,000	—	—%
Charges to Other Funds	\$44,871	\$33,238	\$34,069	\$34,069	—	—%
Net Sales	\$21,185,380	\$20,572,515	\$20,615,857	\$21,345,816	\$729,959	3.5%
Other Revenue	\$190,542	\$263,547	\$152,000	\$152,000	—	—%
Return on Investments	\$210,940	\$152,987	\$244,400	\$138,800	\$(105,600)	(43.2)%
Total Revenues	\$21,650,718	\$21,023,009	\$21,056,326	\$21,680,685	\$624,359	3.0%
Positions by Division						
CIP Wastewater Collection Fund	12.52	9.82	9.45	9.65	0.20	2.1%
Wastewater Collection Customer Service	2.22	2.22	2.22	2.47	0.25	11.3%
Wastewater Collection Engineering (Operating)	1.40	1.40	1.40	1.40	0.00	0.0%
Wastewater Collection Operations and Maintenance	13.02	15.06	14.43	15.15	0.72	5.0%
Total	29.16	28.50	27.50	28.67	1.17	4.3%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 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 Operations	0.10	0.10	0.10	0.10	—	\$23,400
Business Analyst	0.75	0.75	0.75	0.75	—	\$116,501
Cement Finisher	0.76	0.76	0.76	0.76	—	\$72,258
Contracts Administrator	0.05	0.05	0.05	0.05	—	\$5,779
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
Customer Service Specialist-Lead	0.25	0.25	0.25	0.25	—	\$22,838

UTILITIES

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Engineer	1.00	1.00	1.00	1.00	—	\$140,504
Engineering Manager - Electric	0.15	0.15	0.15	0.15	—	\$30,348
Engineering Manager - WGW	0.34	0.34	0.34	0.34	—	\$70,614
Engineering Technician III	0.45	0.45	0.45	0.45	—	\$44,348
Equipment Operator	—	—	—	1.00	1.00	\$87,506
Heavy Equipment Operator	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	0.96	—	—	—	—
Inspector, WGW Utilities Field Svc	—	—	0.96	1.04	0.08	\$121,680
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	—	\$21,849
Manager Utilities Operations WGW	0.30	0.30	0.30	0.30	—	\$53,102
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	0.91	0.91	0.91	—	\$155,060
Senior Mechanic	0.33	0.33	0.33	0.33	—	\$37,388
Utilities Engineer Estimator	0.47	0.56	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	0.58	0.58	1.58	1.00	\$186,437
Utilities Install Repair-Welding Certified	0.36	0.63	0.63	0.63	—	\$67,816
Utilities Install/Repair	4.25	4.00	4.00	4.00	—	\$422,656
Utilities Install/Repair-Lead	2.00	2.00	2.00	1.00	(1.00)	\$115,294
Utilities Locator	0.39	0.39	0.39	0.39	—	\$40,730
Utilities Safety Officer	0.10	0.10	0.10	0.10	—	\$11,544
Utilities Supervisor	1.72	1.72	0.72	0.72	—	\$102,735
WGW Heavy Equipment Operator	—	0.23	0.23	0.23	—	\$24,241

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Subtotal: Full-Time Equivalent Positions	28.40	27.74	26.74	27.82	1.08	\$3,249,180
Temporary/Hourly	0.76	0.76	0.76	0.85	0.09	\$55,681
Total Positions	29.16	28.50	27.50	28.67	1.17	\$3,304,861

UTILITIES

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	27.50	25,117,005	21,056,326	4,060,679
One-time Prior Year Budget Adjustments				
None			-	-
One-time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		325,392	-	325,392
Capital Improvement Program		(2,591,896)	-	(2,591,896)
Other Revenue		-	724,595	(724,595)
Wastewater Collection Customer Sales Revenue		-	5,363	(5,363)
Transfer to Water Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data)		4,880	-	4,880
Rents & Leases Expenditure Alignment		11,000	-	11,000
Technical Staffing Correction	0.08	-	-	-
Utility Payment Processing		12,000	-	12,000
Return on Investments		-	(105,600)	105,600
General Fund Cost Allocation Plan		(97,590)	-	(97,590)
Liability Insurance Allocated Charges		19,513	-	19,513
Printing & Mailing Allocated Charges		300	-	300
Utilities Administration Allocated Charges		(249,303)	-	(249,303)
Vehicle Replacement & Maintenance Allocated Charges		131,917	-	131,917
Wastewater Treatment Allocated Charges		697,144	-	697,144
Workers' Compensation Allocated Charges		(340)	-	(340)
Adjustments to Costs of Ongoing Activities	0.08	(1,736,984)	624,358	(2,361,342)
Total FY 2023 Base Budget	27.58	23,380,022	21,680,685	1,699,337
Budget Proposals				
1. Staffing Adjustment for Additional Welder Support	-	3,138	-	3,138
2. Utilities Administration Staff Augmentation	-	4,370	-	4,370
3. Meter Reading Transition (AMI)	0.25	15,730	-	15,730
4. Supplemental Pension Trust Fund Contributions	-	28,309	-	28,309
5. Wastewater Collection Operating Staffing Adjustment	0.84	103,746	-	103,746
Budget Changes	1.09	155,293	-	155,293
Total FY 2023 Proposed Budget	28.67	23,535,314	21,680,685	1,854,630

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Staffing Adjustment for Additional Welder Support	0.00	3,138	-	3,138

This action will reclassify 1.00 Installer Repairer Lead (IR) to 1.00 Installer Repairer Lead Welder position. All welders must have a special certification renewed regularly and IR Welders provide direction to a work crew in the welding program. Lead welders are expected to operate at a higher level of independence and leadership in the welding program. The City of Palo Alto's gas infrastructure has approximately 56 miles of steel gas main requiring continuous maintenance and for the last three years there have been over 100 grade three gas leaks, many of which are on steel. Welding on live gas lines is a dangerous task which requires a thorough evaluation on all surrounding factors which vary from job to job. In an effort to abide by Pipeline and Hazardous Materials Safety Administration (PHMSA) regulations including the Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2020 (PIPES Act of 2020), which mandates operators address the elimination of hazardous leaks and minimize releases of natural gas from pipeline facilities, IR welders are needed among construction crews when addressing known leaks and working on steel pipeline repairs/replacements and more complex situations benefit more from a lead welder. Shifting IR lead FTE to a welder-certified IR lead will align the staffing expertise with the anticipated work in the welding program. (Ongoing cost: \$3,202)

Performance Results



This action will align the expertise in the workforce with anticipated work in the welding program.

2. Utilities Administration Staff Augmentation	0.00	4,370	-	4,370

This action adds 1.00 Management Analyst to the Utilities Administration division. This position will manage the growing work associated with the administration and operations of significant programs, infrastructure improvement, procurement, recruitment, and legal assignments. As new programs and initiatives are implemented, they generate additional support work such as procurement contracting, recruiting, or legal review and assistance. Historically, those tasks would be coordinated among various staff across multiple divisions (Administration, Customer Support, Engineering, Operations, Resource Management) with the respective internal service departments. However, this work can no longer be absorbed within existing capacity in the Utilities Department. Given the departments limited administrative capacity and the increasing complexity of these tasks, a centralized approach with dedicated resources is recommended. The Management Analyst will serve as Utilities primary liaison with Procurement, Human Resources, and the City Attorneys Office to provide consultative and advisory support to internal Utilities divisions. This position is intended to streamline internal processes such contract bid issuances, contract awards, employee recruitment, onboarding new employees, and legal review of contracts, staff reports and other documentation. This position will also support budget coordination to better facilitate interdepartmental work. This ongoing support will increase capacity in other divisions to work on upcoming UAC and Council priorities such as AML, electrification, S/CAP and fiber expansion. Expenses in the Utilities Administration Fund are allocated to the other Utility Funds proportionately. (Ongoing cost: \$4,500)

Performance Results



This action will increase capacity and provide strategic support in the administration of new and old programs, infrastructure improvement, procurement, recruitment, and legal assignments.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
3. Meter Reading Transition (AMI)	0.25	15,730	-	15,730

This action adds net 2.56 FTE to support meter reading during the transition to the Automated Metering Infrastructure (AMI) system. Staffing adjustments include elimination of 0.96 FTE Administrative Specialist I - H and 0.48 FTE General Laborer - H and addition of 1.00 Administrative Specialist II and 3.00 FTE General Laborer - H in the Meter Reading work group. The Customer Service Call Center team responds to customer inquiries, technical and detailed billing questions, investigations into high bills, and utility web portal assistance and support. As AMI rolls out, staff anticipates the complexity of calls related to new or updated meters, billing, and the web portal will require the additional support of a full-time Administrative Specialist II. This role will perform the complex tasks required when investigating high bills or supporting meter exchanges. This add/drop will align administrative support with the anticipated work. Consumption meters tracking electric, gas, and water usage must be read between 28 to 32 days. If the meters are not read, customers can not be billed for their Utility or any of the flat charges. The AMI project will upgrade City meters so they can provide near-real time data on energy and water consumption and voltage information. During the implementation of AMI, meters will be exchanged to smart meters, or smart modules will be added to existing meters. During the transition, staff supporting the metering function will shift with changing needs and the General Laborer - H classification provides the scope of work and flexibility necessary to support this transition period. Utilities will absorb the cost of these part-time positions working full-time, making them eligible for retirement benefits, within existing budgeted levels. (Ongoing cost: \$16,749)

Performance Results



This action will provide sufficient staffing levels with complementary work functions during the transition phase of the AMI project.

4. Supplemental Pension Trust Fund Contributions	0.00	28,309	-	28,309

This one-time action transfers \$28,309 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

5. Wastewater Collection Operating Staffing Adjustment	0.84	103,746	-	103,746

This action adds 1.00 Equipment Operator and eliminates 0.48 FTE Journey Level Laborer for a net increase of 0.52 FTE in the Wastewater Collection Operations division. This action also reallocates this position to be funded fully by the Wastewater Collection Fund to align with anticipated workload. An Equipment Operator is needed to operate key equipment such as small rollers, asphalt patch trucks, asphalt compaction equipment, and wood grinders, for wastewater maintenance work. Wastewater maintenance work includes sewer back-up response, CCTV monitoring of sewer laterals, and use of high-pressure lateral hose cleaning equipment on an assigned route. With the Equipment Operator working full-time, there would be more consistent coverage to help the City meet goals set in the Sanitary Sewer Maintenance Plan (SSMP), such as maintaining 800 laterals annually, which is the appropriate service level to reduce future blockages and overflows. The Journey Laborer traditionally complemented the workforce, providing coverage on a temporary basis. This staffing level is no longer sufficient to meet current demand and additional capacity is required to manage workload while allowing flexibility to respond to unanticipated needs. Replacing the part-time Journey Level Laborer position with a full-time Equipment Operator will increase coverage for work on operating equipment and overall capacity in this workgroup. Transitioning to a full-time classification is also anticipated to reduce turnover, supporting retention efforts. (Ongoing cost: \$111,082)

Performance Results



This action will increase capacity to maintain local and state regulatory requirements.

WATER FUND

Description

From 1895 until 1928, the City's water supply came from deep wells. When the groundwater supply started to decline, water was purchased from the San Francisco Regional Water System to supplement the local water system. Since 1962, when Palo Alto's wells were discontinued as the primary water system, 100 percent of the water has come from the Regional Water System: 85 percent derived from snow melt flowing into the Hetch Hetchy Reservoir and the balance from runoff stored in San Francisco Bay Area reservoirs. The Water Fund focuses on increasing infrastructure reliability and responsiveness to meet the City's water supply needs during an emergency; maintaining high-quality and reliable sources of water; updating water efficiency goals; and implementing water efficiency programs and services. Additionally, the engineering division is implementing a seismic upgrade to the existing reservoirs, wells and receiving stations to increase supply reliability during catastrophic emergencies.

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.

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- 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of customer-owned water backflow prevention devices in compliance	93%	89%	90%	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 4,506 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Annual savings achieved through water efficiency programs as a percentage of total sales	0.45%	0.16%	0.91%	0.50%	0.70%
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.				

Key Performance Measures

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 long-term goal to exceed the Making Conservation a California Way of Life requirements by 5%. Previously, this measure supported the ten-year goal to reduce expected water use by 20 percent by 2020.
Status	Savings associated with the City's Green Building Ordinance (GBO) are not included in FY 2021 savings values or FY 2022 and FY 2023 estimates. These numbers reflect savings resulting from customer-facing programs. Reporting of GBO water savings data was discontinued in FY 2021. While they are not reflected in this report, GBO water savings still occur, although they were likely impacted from sheltering in place during the pandemic and worsening drought.

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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2022 Estimated	FY 2023 Proposed Budget
Percent of miles of water mains replaced%	0.4%	0.0%	1.0%	0.8%	0.7%
Number of Customer Accounts (Water)*	20,592	20,642	20,200	20,650	20,696
Percent of surveyed rating the quality of the Drinking Water (Water) as "Good" or "Excellent"%	88%	N/A**	N/A**	N/A**	87%

*In FY 2022 the methodology for calculating this workload measure was standardized, resulting in the restatement of FY 2020 Actual and FY 2022 Adopted figures.

**The National Citizen's Survey was not completed for FY 2021 or FY 2022, because it was transitioned from the City Auditor's Office to the Office of the City Manager as part of the FY 2021 Adopted Budget, and the FY 2022 Adopted Budget adjusted the frequency of the survey to every other year, starting in FY 2023. The FY 2023 budgeted data is an estimate from the Department based on current service delivery trends.

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Division						
CIP Water Fund	\$6,737,917	\$3,448,884	\$15,449,140	\$13,728,329	\$(1,720,811)	(11.1)%
Water Administration	\$7,701,071	\$7,842,628	\$9,353,964	\$9,137,472	\$(216,492)	(2.3)%
Water Customer Service	\$1,996,917	\$2,053,820	\$2,518,286	\$2,822,249	\$303,963	12.1%
Water Engineering (Operating)	\$401,902	\$662,832	\$715,936	\$884,637	\$168,701	23.6%
Water Operations and Maintenance	\$7,021,482	\$7,500,849	\$8,926,266	\$9,691,599	\$765,333	8.6%
Water Resource Management	\$22,932,401	\$23,150,817	\$22,648,120	\$23,097,671	\$449,551	2.0%
Total	\$46,791,689	\$44,659,829	\$59,611,712	\$59,361,956	\$(249,756)	(0.4)%
Salary & Benefits						
Healthcare	\$885,291	\$923,209	\$1,066,252	\$1,076,788	\$10,536	1.0%
Other Benefits	\$150,011	\$187,252	\$198,432	\$206,899	\$8,467	4.3%
Overtime	\$207,966	\$207,620	\$296,937	\$305,845	\$8,908	3.0%
Pension	\$2,168,421	\$2,108,930	\$2,150,868	\$2,410,591	\$259,724	12.1%
Retiree Medical	\$440,662	\$419,287	\$426,143	\$477,414	\$51,271	12.0%
Salary	\$5,914,670	\$6,526,738	\$5,634,221	\$6,178,585	\$544,364	9.7%
Workers' Compensation	\$242,883	\$217,469	\$223,618	\$237,210	\$13,592	6.1%
Total Salary and Benefits	\$10,009,904	\$10,590,504	\$9,996,471	\$10,893,332	\$896,862	9.0%
Dollars by Category						
Utility Purchase	\$21,773,295	\$21,935,250	\$21,408,998	\$21,847,793	\$438,795	2.0%
Contract Services	\$461,907	\$264,045	\$799,502	\$863,376	\$63,874	8.0%
Supplies & Material	\$425,477	\$389,442	\$618,482	\$618,482	—	—%
General Expense	\$516,693	\$490,352	\$694,777	\$753,322	\$58,545	8.4%
Rents & Leases	\$2,078,726	\$2,502,141	\$3,440,789	\$3,535,789	\$95,000	2.8%
Debt Service	\$1,562,095	\$1,492,496	\$3,222,606	\$3,222,606	—	—%
Facilities & Equipment	\$8,074	—	\$1,150	\$1,150	—	—%
Allocated Charges	\$3,494,775	\$3,773,735	\$5,205,476	\$5,226,385	\$20,910	0.4%
Transfer to Infrastructure	—	\$84,398	—	—	—	—%
Operating Transfers-Out	\$474,953	\$183,247	—	—	—	—%
Capital Improvement Program	\$5,985,790	\$2,954,220	\$14,223,462	\$12,399,721	\$(1,823,741)	(12.8)%
Total Dollars by Expense Category	\$46,791,689	\$44,659,829	\$59,611,712	\$59,361,956	\$(249,756)	(0.4)%
Revenues						
Charges for Services	\$45,031	\$1,551	\$10,000	\$10,000	—	—%
Charges to Other Funds	\$229,696	\$157,576	\$95,508	\$101,907	\$6,399	6.7%

UTILITIES

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
From Other Agencies	\$473,073	\$462,441	\$576,632	\$576,632	—	—%
Net Sales	\$47,599,266	\$48,092,515	\$45,708,943	\$50,083,516	\$4,374,573	9.6%
Operating Transfers-In	\$548,136	\$557,260	\$322,640	\$332,400	\$9,760	3.0%
Other Revenue	\$1,367,359	\$1,246,381	\$304,250	\$331,600	\$27,350	9.0%
Return on Investments	\$1,018,314	\$804,716	\$989,200	\$797,400	\$(191,800)	(19.4)%
Total Revenues	\$51,280,875	\$51,322,440	\$48,007,173	\$52,233,456	\$4,226,282	8.8%
Positions by Division						
CIP Water Fund	8.03	5.34	5.34	5.54	0.20	3.7%
Water Customer Service	9.58	9.58	9.38	10.86	1.48	15.8%
Water Engineering (Operating)	1.35	2.33	2.33	2.33	—	—%
Water Operations and Maintenance	24.85	27.23	26.99	26.72	(0.27)	(1.0)%
Water Resource Management	3.12	3.12	2.79	2.59	(0.20)	(7.2)%
Total	46.94	47.61	46.83	48.04	1.21	2.6%

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Account Specialist	0.23	0.23	0.23	0.23	—	\$18,002
Administrative Associate II	0.50	0.50	0.50	0.50	—	\$39,198
Assistant Director Utilities Customer Support Services	0.20	0.20	0.20	0.20	—	\$41,808
Assistant Director Utilities Engineering	0.20	0.20	0.20	0.20	—	\$43,484
Assistant Director Utilities Operations	0.15	0.15	0.15	0.15	—	\$35,100
Assistant Director Utilities/ Resource Management	0.25	0.25	0.15	0.15	—	\$32,273
Business Analyst	1.20	1.20	1.00	1.00	—	\$155,334
Cement Finisher	0.56	0.56	0.56	0.56	—	\$53,243
Contracts Administrator	0.10	0.10	0.10	0.10	—	\$11,559
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

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Customer Service Specialist-Lead	0.59	0.59	0.59	0.59	—	\$53,899
Electric Project Engineer	0.30	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	—	\$30,348
Engineering Manager - WGW	0.33	0.33	0.33	0.33	—	\$68,537
Engineering Technician III	0.45	0.45	0.45	0.45	—	\$44,348
Gas and Water Meter Measurement and Control Technician	0.80	0.60	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	—	—	—	—	—
Heavy Equipment Operator - Install/Repair	0.20	0.20	0.20	0.20	—	\$21,086
Inspector, Field Services	1.65	1.74	—	—	—	—
Inspector, WGW Utilities Field Svc	—	—	1.74	1.83	0.09	\$214,110
Maintenance Mechanic-Welding	0.80	0.80	0.80	0.80	—	\$85,230
Manager Customer Service	0.34	0.34	0.34	0.34	—	\$55,261
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	—	\$21,849
Manager Utilities Operations WGW	0.50	0.50	0.50	0.50	—	\$88,504
Manager Utilities Program Services	0.20	0.20	0.20	0.20	—	\$31,246
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
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	0.15	0.15	0.20	—	(0.20)	—
Project Engineer	2.00	2.00	2.00	2.00	—	\$302,432
Resource Planner	0.70	0.70	0.60	0.60	—	\$86,124
Restoration Lead	0.31	0.31	0.31	0.31	—	\$34,987
SCADA Technologist	0.80	0.89	0.89	0.49	(0.40)	\$74,728

UTILITIES

Staffing

Job Classification	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Salary
Senior Business Analyst	0.99	0.99	0.99	0.99	—	\$157,158
Senior Engineer	1.00	1.74	1.74	1.74	—	\$289,252
Senior Mechanic	0.34	0.34	0.34	0.34	—	\$38,521
Senior Resource Planner	1.78	1.78	1.60	1.60	—	\$301,771
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	0.25	0.25	0.25	—	\$35,584
Sustainability Programs Administrator	—	—	0.40	0.80	0.40	\$92,818
Utilities Engineer Estimator	0.43	0.48	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	0.65	0.65	0.65	—	\$76,699
Utilities Install Repair-Welding Certified	0.69	0.94	0.94	0.94	—	\$96,201
Utilities Install/Repair	1.90	1.44	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	1.07	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	—	—	—	—
Utilities Safety Officer	0.15	0.15	0.15	0.15	—	\$17,316
Utilities Supervisor	2.91	2.91	2.66	2.66	—	\$426,087
Utilities System Analyst**	—	—	—	0.40	0.40	\$62,134
Water System Operator II	3.34	3.34	3.34	3.34	—	\$330,687
WGW Heavy Equipment Operator	—	1.97	1.97	1.97	—	\$207,625
Subtotal: Full-Time Equivalent Positions	44.89	45.56	44.78	45.07	0.29	\$5,606,497
Temporary/Hourly	2.05	2.05	2.05	2.97	0.92	\$299,985
Total Positions	46.94	47.61	46.83	48.04	1.21	\$5,906,482

** The FY 2023 Proposed Budget includes new job classifications that require completion of a meet and confer process with the respective bargaining groups to negotiate terms for wages, hours, and other employment conditions. Proposals in this budget include estimated funding levels for financial planning purposes only and do not reflect the final negotiated terms of the proposed classifications.

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	46.83	59,611,712	48,007,173	11,604,539
One-time Prior Year Budget Adjustments				
None			-	-
One-time Prior Year Budget Adjustments	-	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments		687,051	-	687,051
Water Customer Sales Revenue (4% Rate Increase)		-	4,374,573	(4,374,573)
Capital Improvement Program		(1,823,741)	27,350	(1,851,091)
Transfer From Wastewater and Gas Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data)		-	9,760	(9,760)
Technical Staffing Correction	0.09	13,392	-	13,392
Credit Card Fees		58,545	-	58,545
Automated Metering Infrastructure (AMI) License and Software Subscription		63,874	-	63,874
Rents & Leases Expenditure Alignment		95,000	-	95,000
Return on Investments		-	(191,800)	191,800
Water Commodity Purchase		438,795	-	438,795
General Fund Cost Allocation Plan		(56,805)	-	(56,805)
Grounds Maintenance Allocated Charges		148	-	148
Liability Insurance Allocated Charges		55,379	-	55,379
Printing & Mailing Allocated Charges		400	-	400
Utilities Administration Allocated Charges		(178,000)	6,399	(184,399)
Vehicle Replacement & Maintenance Allocated Charges		168,119	-	168,119
Workers' Compensation Allocated Charges		13,592	-	13,592
Adjustments to Costs of Ongoing Activities	0.09	(464,251)	4,226,282	(4,690,534)
Total FY 2023 Base Budget	46.92	59,147,461	52,233,456	6,914,005
Budget Proposals				
1. Utilities Program Services (UPS) Staffing Reallocation	(0.20)	(23,040)	-	(23,040)
2. Wastewater Collection Operating Staffing Adjustment	(0.16)	(13,480)	-	(13,480)
3. Electric Operations Technologist Staff Reclassification	-	1,313	-	1,313
4. Utilities Administration Staff Augmentation	-	31,668	-	31,668
5. Supplemental Pension Trust Fund Contributions	-	51,571	-	51,571
6. Resource Management Division Staffing Updates for Electrification (S/CAP)	0.40	58,215	-	58,215

UTILITIES

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
7. Meter Reading Transition (AMI)	1.08	108,248	-	108,248
Budget Changes	1.12	214,495	-	214,495
Total FY 2023 Proposed Budget	48.04	59,361,956	52,233,456	7,128,500

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Utilities Program Services (UPS) Staffing Reallocation	(0.20)	(23,040)	-	(23,040)

This action reallocates Utilities Program Services (UPS) staffing and corresponding expenses across the Water, Gas, and Electric funds to align with current operations. Although total staffing levels remain unchanged, this adjustment results in staffing allocation and corresponding expense increases in the Electric Fund (0.65 FTE, \$83,302) and decreases in both the Water Fund (0.20 FTE, \$23,040) and the Gas Fund (0.45 FTE, \$60,262). The UPS group manages implementation and oversight of energy efficiency programs, with funding allocated among various funds based on where the programs are planned. The FTE distribution is being reallocated to align with upcoming assignments, which will focus on low-income residential customer and electric vehicle programs. (Ongoing savings: \$24,530)

Performance Results



This action will align staffing with anticipated work, focusing on low-income residential customer and electric vehicle programs.

2. Wastewater Collection Operating Staffing Adjustment	(0.16)	(13,480)	-	(13,480)

This action adds 1.00 Equipment Operator and eliminates 0.48 FTE Journey Level Laborer for a net increase of 0.52 FTE in the Wastewater Collection Operations division. This action also reallocates this position to be funded fully by the Wastewater Collection Fund to align with anticipated workload. An Equipment Operator is needed to operate key equipment such as small rollers, asphalt patch trucks, asphalt compaction equipment, and wood grinders, for wastewater maintenance work. Wastewater maintenance work includes sewer back-up response, CCTV monitoring of sewer laterals, and use of high-pressure lateral hose cleaning equipment on an assigned route. With the Equipment Operator working full-time, there would be more consistent coverage to help the City meet goals set in the Sanitary Sewer Maintenance Plan (SSMP), such as maintaining 800 laterals annually, which is the appropriate service level to reduce future blockages and overflows. The Journey Laborer traditionally complemented the workforce, providing coverage on a temporary basis. This staffing level is no longer sufficient to meet current demand and additional capacity is required to manage workload while allowing flexibility to respond to unanticipated needs. Replacing the part-time Journey Level Laborer position with a full-time Equipment Operator will increase coverage for work on operating equipment and overall capacity in this workgroup. Transitioning to a full-time classification is also anticipated to reduce turnover, supporting retention efforts. (Ongoing savings: \$13,720)

Performance Results



This action will increase capacity to maintain local and state regulatory requirements.

3. Electric Operations Technologist Staff Reclassification	0.00	1,313	-	1,313

This action reclassifies 2.00 SCADA Technologist into 2.00 Utilities System Analyst. This reclassification will align job description, title, and compensation with work among various utilities systems such as Supervisory Control and Data Acquisition (SCADA), Relay, and eventually Advanced Metering Infrastructure (AMI). As technology advances in utility markets, internal operations and systems need to be updated as well. New technologies are more complex in operation and require additional knowledge in areas such as logic control and automation. For example, as the AMI project replaces traditional meters with smart meters, a higher level of technical expertise will be required to complete new system integrations, configurations, and ongoing maintenance. This classification will be responsible for performing work involving an extremely high degree of complexity, including installation, troubleshooting, repairing, calibrating, and maintaining components of protective relay systems by utilizing microprocessor relays for our Substations. The level of work and responsibility that this position will perform is necessary to keep up with the department's priorities to maintain and implement new mechanisms, materials, equipment, and technology to ensure a safe, reliable, and efficient distribution system. This action enables the classification to take on added system responsibilities as they are implemented. (Ongoing cost: \$1,340)

Performance Results



This action will align the job classification to include increased responsibilities.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
4. Utilities Administration Staff Augmentation	0.00	31,668	-	31,668

This action adds 1.00 Management Analyst to the Utilities Administration division. This position will manage the growing work associated with the administration and operations of significant programs, infrastructure improvement, procurement, recruitment, and legal assignments. As new programs and initiatives are implemented, they generate additional support work such as procurement contracting, recruiting, or legal review and assistance. Historically, those tasks would be coordinated among various staff across multiple divisions (Administration, Customer Support, Engineering, Operations, Resource Management) with the respective internal service departments. However, this work can no longer be absorbed within existing capacity in the Utilities Department. Given the departments limited administrative capacity and the increasing complexity of these tasks, a centralized approach with dedicated resources is recommended. The Management Analyst will serve as Utilities primary liaison with Procurement, Human Resources, and the City Attorneys Office to provide consultative and advisory support to internal Utilities divisions. This position is intended to streamline internal processes such contract bid issuances, contract awards, employee recruitment, onboarding new employees, and legal review of contracts, staff reports and other documentation. This position will also support budget coordination to better facilitate interdepartmental work. This ongoing support will increase capacity in other divisions to work on upcoming UAC and Council priorities such as AML, electrification, S/CAP and fiber expansion. Expenses in the Utilities Administration Fund are allocated to the other Utility Funds proportionately. (Ongoing cost: \$32,620)

Performance Results



This action will increase capacity and provide strategic support in the administration of new and old programs, infrastructure improvement, procurement, recruitment, and legal assignments.

5. Supplemental Pension Trust Fund Contributions	0.00	51,571	-	51,571

This one-time action transfers \$51,571 to the General Benefits Fund for a supplemental contribution to the City's Section 115 Pension Trust Fund. In FY 2022, the City Council approved an additional \$1.0 million contribution to the pension trust from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Citywide, this action adds a \$550,000 contribution from all other funds to the pension trust, consistent with funding levels from the General Fund, resulting in total principal contributions of \$41.9 million since its establishment in FY 2017. (Ongoing costs: \$0)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
6. Resource Management Division Staffing Updates for Electrification (S/CAP)	0.40	58,215	-	58,215

This action adds net 1.50 FTE in the Utilities Resource Management Division (RMD) to support progress towards the City's Sustainability and Climate Action Plan (S/CAP) goals. This will result in net staffing increases of 1.00 FTE in the Electric Fund, 0.10 FTE in the Gas Fund, and 0.40 FTE in the Water Fund. Position changes include the addition of 0.50 FTE Senior Resource Planner, 1.00 Sustainability Programs Administrator, and a reclassification from 1.00 Program Assistant II to a new Associate Sustainability Program Administrator classification. RMD manages existing energy efficiency programs, which have been implemented widely. With the success of traditional energy efficiency programs, increased interest from the community and Council prompted policies, such as the S/CAP, which require RMD to expand into other areas including electric vehicles (EV) and building electrification (BE). This action addresses the considerable administrative and operational work necessary to support EV and BE progress. The 1.00 Sustainability Programs Administrator will support expansion of electrification efforts such as programs encouraging homeowners and businesses to adopted electric appliances and the expansion of EV programs into workplace charging and programs targeting low income customers. This position would also support the addition of on-bill financing to various programs and support the pursuit of regional partnerships for promoting EVs and alternative transportation. The 1.00 Associate Sustainability Programs Administrator, a new classification subject to confirmation through labor negotiations, will perform entry-level work related to sales and marketing, allowing other staff to focus on program management. Reclassifying the Program Assistant II to provide this lower classification in the Sustainability Program Administrator job family aligns assignments and specialized programmatic knowledge to the appropriate classification. The department will continue developing strategies to increase efficiency to absorb the work formerly performed by the Program Assistant II. The additional 0.50 FTE Senior Resource Planner adds 0.25 FTE each to two 0.75 FTE Senior Resource Planners, bringing both to 1.00. The additional capacity will provide RMD with the flexibility to take on more responsibility as S/CAP plan design and implementation begins. These positions will research and analyze water and gas supply, investigating extensively into alternative water supplies as water conservation efforts increase and droughts become the norm. Offsets and carbon sequestration are also being considered to offset gas system emissions, solutions which would require additional staff for ongoing supply portfolio management. (Ongoing cost: \$62,100)

Performance Results



This action will increase staffing levels and support City Council's initiative to accelerate S/CAP and corresponding programs.

7. Meter Reading Transition (AMI)	1.08	108,248	-	108,248

This action adds net 2.56 FTE to support meter reading during the transition to the Automated Metering Infrastructure (AMI) system. Staffing adjustments include elimination of 0.96 FTE Administrative Specialist I - H and 0.48 FTE General Laborer - H and addition of 1.00 Administrative Specialist II and 3.00 FTE General Laborer - H in the Meter Reading work group. The Customer Service Call Center team responds to customer inquiries, technical and detailed billing questions, investigations into high bills, and utility web portal assistance and support. As AMI rolls out, staff anticipates the complexity of calls related to new or updated meters, billing, and the web portal will require the additional support of a full-time Administrative Specialist II. This role will perform the complex tasks required when investigating high bills or supporting meter exchanges. This add/drop will align administrative support with the anticipated work. Consumption meters tracking electric, gas, and water usage must be read between 28 to 32 days. If the meters are not read, customers can not be billed for their Utility or any of the flat charges. The AMI project will upgrade City meters so they can provide near-real time data on energy and water consumption and voltage information. During the implementation of AMI, meters will be exchanged to smart meters, or smart modules will be added to existing meters. During the transition, staff supporting the metering function will shift with changing needs and the FTE General Laborer - H classification provides the scope of work and flexibility necessary to support this transition period. Utilities will absorb the cost of these part-time positions working full-time, making them eligible for retirement benefits, within existing budgeted levels. (Ongoing cost: \$110,965)

Performance Results



This action will provide sufficient staffing levels with complementary work functions during the transition phase of the AMI project.



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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 2022 Budget have been removed in FY 2023, including reserves related to COVID-19 recovery, unforeseen emergent issues, and work plans for some Council initiatives. Prior year labor assumptions for a zero percent wage increase have been restored in this proposed budget. It should be noted that the City will be engaging in active contract negotiations with its bargaining units in FY 2023; all labor agreements expire in December 2022.

This FY 2023 Budget includes several reserves to proactively plan for anticipated costs that will materialize in this coming year and beyond. This budget includes a continued investment in the Utilities Transfer Litigation reserve to set aside funds for dispute resolution. Additionally, reserves have been established to fund potential adjustments to labor costs due to rising inflation, new labor agreements, and to realign supplemental contributions to the City's Pension Trust Fund. Consistent with City Council discussion, this budget also establishes a reserve to support the advancement of Project Homekey, contributing annual amounts over the next several years. Lastly, this budget includes a reserve to extend service reinvestments recommended in this report for an additional year in FY 2024.

Discussed in more detail in the Transmittal Letter and other overview sections of this document, the FY 2023 Proposed Budget prioritizes the use of ongoing funding resources to address health, safety, and legal requirements. The use of one-time funding is recommended to return general services to more sustainable levels and support City Council priorities through FY 2024. Ongoing funding of these reinvestments in subsequent years is contingent on recovery levels and voter consideration of a potential ballot measure(s). Proposals that are subject to limited-term funding are identified with "(2-yr limited term)" following the proposal description in the individual sections

NON-DEPARTMENTAL

of the budget document where transactions occur, including the Budget Adjustment sections of the respective departments.

The FY 2023 budget shows an overall recovery of major revenues including increases in Property Tax, Transient Occupancy Tax, and Sales Tax. The revenue increases reflect a continued recovery from the COVID-19 pandemic in FY 2023, though it may take several years to recover to pre-pandemic levels in some instances. The increase in revenues is highlighted by an increased transfer of \$10.0 million to the Capital Improvement Fund, reflecting a return to more normalized City operations. The \$2.7 million reduction in American Rescue Plan Act (ARPA) funding recognizes the second tranche of funding (40 percent of the \$13.7 million) of federal COVID-19 relief funding. Other minor adjustments include inflationary increases to various expenses such as traffic and street maintenance and technology-related expenses.

The FY 2023 budget also reflects a loan to the Residential Parking Permit (RPP) Fund due to suspension of parking enforcement during the pandemic and shortfalls in parking permits revenue. This loan will ensure sufficient staffing and resources to operate and maintain residential parking services in the coming year.

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Dollars by Category						
Cubberley - Lease Payments to PAUSD	\$5,873,856	\$4,092,631	\$3,489,000	\$3,489,000	—	—%
Contingent Accounts & Reserves						
City Manager	—	—	\$200,000	\$200,000	—	—%
City Council	—	—	\$100,000	\$125,000	\$25,000	25.0%
Human Resources	—	—	\$50,000	\$50,000	—	—%
Human Resources Resource Allocation Process (HSRAP)	\$16,700	—	\$50,000	\$50,000	—	—%
Innovations & Special Events	—	—	\$50,000	\$50,000	—	—%
Reserve: Strategic Investments	—	—	\$750,000	—	\$(750,000)	(100)%
Reserve: Administrative Support	—	—	\$300,000	—	\$(300,000)	(100)%
Reserve: Budget Uncertainty	—	—	\$475,000	—	\$(475,000)	(100)%
Reserve: Project Homekey	—	—	—	\$1,000,000	\$1,000,000	—%
Reserve: FY23 Service Reinvestments (Year 2)	—	—	—	\$3,700,000	\$3,700,000	—%
Reserve: Utilities Transfer Litigation	—	—	\$8,400,000	\$8,600,000	\$200,000	2.4%
Salary & Benefits						
Temporary Salaries	—	\$11,731	—	—	—	—%
Reserve: Wage Assumptions	—	—	\$(710,000)	—	\$710,000	(100.0)%
Reserve: Supplemental Pension	—	—	—	\$1,300,000	\$1,300,000	—%
Reserve: Labor/Inflation	—	—	—	\$900,000	\$900,000	—%
Other Expense						
Contract Services	\$3,453,369	\$215,849	\$20,000	\$340,000	\$320,000	1600%
General Expense	\$556,483	\$45,456	\$96,137	\$271,320	\$175,183	182.2%
Operating Transfers-Out	\$8,048,582	\$4,270,890	\$4,296,286	\$4,868,121	\$571,836	13.3%
Rents & Leases	\$177,127	\$200,185	\$208,000	\$213,000	\$5,000	2.4%
Supplies & Material	\$1,580	\$243	—	—	—	—%
Transfer to Infrastructure	\$24,172,378	\$9,294,087	\$10,405,648	\$20,400,000	\$9,994,352	96.0%
Total Expense	\$42,300,075	\$18,131,072	\$28,180,070	\$45,556,441	\$12,066,370	61.7%
Revenues						
Charges for Services	\$250,683	\$1,553	\$(5,000,000)	\$(1,500,000)	\$3,500,000	(70.0)%

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Charges to Other Funds	—	—	\$68,000	\$68,600	\$600	0.9%
Documentary Transfer Tax	\$6,903,057	\$10,627,362	\$7,136,900	\$7,216,839	\$79,939	1.1%
From Other Agencies	\$90,437	\$928,107	\$8,220,000	\$5,480,000	\$(2,740,000)	(33.3)%
Operating Transfers-In	\$20,244,015	\$20,654,417	\$22,171,417	\$22,208,000	\$36,583	0.2%
Other Revenue	\$1,376,633	\$903,284	\$727,703	\$728,423	\$720	0.1%
Other Taxes and Fines	\$54,925	\$54,891	—	—	—	—%
Property Taxes	\$51,089,154	\$56,571,734	\$51,227,800	\$59,770,000	\$8,542,200	16.7%
Rental Income	\$15,073,940	\$12,576,477	\$13,309,742	\$14,172,800	\$863,058	6.5%
Return on Investments	\$1,418,921	\$1,013,632	\$852,200	\$1,066,145	\$213,945	25.1%
Sales Taxes	\$30,563,248	\$29,127,330	\$28,033,600	\$32,430,000	\$4,396,400	15.7%
Transient Occupancy Tax	\$18,553,491	\$5,178,992	\$8,427,700	\$18,199,239	\$9,771,539	115.9%
Utility Users Tax	\$16,140,345	\$14,641,912	\$14,370,000	\$15,578,726	\$1,208,726	8.4%
Total Revenues	\$161,758,848	\$152,279,689	\$149,545,062	\$175,418,772	\$25,873,710	17.3%

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	0.00	28,180,070	149,545,062	(121,364,992)
One-Time Prior Year Budget Adjustments				
Management & Professional (MGMT) and Service Employees International Union (SEIU) Salary and Benefit Assumptions	-	710,000	-	710,000
City Council Contingency	-	25,000	-	25,000
Reserve: Administrative Support	-	(300,000)	-	(300,000)
Reserve: Budget Uncertainty (City Council)	-	(475,000)	-	(475,000)
Reserve: Strategic Investments	-	(750,000)	-	(750,000)
One-Time Prior Year Budget Adjustments	0.00	(790,000)	-	(790,000)
Adjustments to Costs of Ongoing Activities				
Transient Occupancy Taxes	-	-	9,771,539	(9,771,539)
Property Taxes	-	-	8,542,200	(8,542,200)
Reserve: Utilities Transfer Litigation Equity Transfer	-	(4,900,000)	-	(4,900,000)
Sale Taxes	-	-	4,396,400	(4,396,400)
Charges for Services Economically Sensitive Revenue	-	-	3,500,000	(3,500,000)
Utility Users Tax	-	-	1,208,726	(1,208,726)
Rents and Leases	-	-	863,778	(863,778)
Return on Investments	-	-	213,945	(213,945)
Documentary Transfer Tax	-	-	79,939	(79,939)
Equity Transfer from Utilities Funds	-	-	73,000	(73,000)
University Ave Police Patrol (CPI Increase)	-	-	3,000	(3,000)
Transfer to 2018 Golf Course COP Debt Service Fund	-	(1,226)	-	(1,226)
General Fund Cost Allocation Plan	-	-	600	(600)
Transfer to Downtown Parking Improvement Project	-	323	-	323
Property Tax Administration	-	2,500	-	2,500
Adjustment for El Camino Park Lease (CP Increase)	-	5,000	-	5,000
Transfer to Technology Fund (Technology Surcharge)	-	31,078	-	31,078
Transfer to University Avenue Parking Fund (Employee Parking Permits)	-	36,660	-	36,660
Reallocation of Gas Tax Revenues to the Capital Improvement Fund	-	-	(39,417)	39,417
Traffic and Streetlight Electricity Costs Adjustment	-	105,000	-	105,000
Bryant Street Teen Center Rental Revenue	-	172,684	-	172,684
November 2022 Election Costs	-	320,000	-	320,000

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
American Rescue Plan Act of 2021 (ARPA), from \$8.2M to \$5.5M	-	-	(2,740,000)	2,740,000
Transfer to Capital Improvement Fund	-	9,994,352	-	9,994,352
Adjustments to Costs of Ongoing Activities	0.00	5,766,371	25,873,710	(20,107,339)
Total FY 2023 Base Budget	0.00	33,156,441	175,418,772	(142,262,331)
Budget Adjustments				
1. Reserve: Utility Transfer Litigation (Equity Transfer)	-	5,100,000	-	5,100,000
2. Reserve: FY 2023 Service Reinvestments (2-year limited term)	-	3,700,000	-	3,700,000
3. Supplemental Pension Trust Fund Contributions	-	1,300,000	-	1,300,000
4. Project Homekey	-	1,000,000	-	1,000,000
5. Reserve: Labor and Inflation	-	900,000	-	900,000
6. Residential Parking Permit (RPP) Loan	-	400,000	-	400,000
Total Budget Adjustments	0.00	12,400,000	-	12,400,000
Total FY 2023 Proposed Budget	0.00	45,556,441	175,418,772	(129,862,331)

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
1. Reserve: Utility Transfer Litigation (Equity Transfer)	-	5,100,000	-	5,100,000

This action increases the reserve to \$17.5 million 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) that was established as part of the FY 2022 Adopted Budget. This case is a class action lawsuit filed on October 6, 2016, which claimed that the City's gas and electric rates violated Proposition 26, which limits utility rates to the reasonable cost of service, absent voter approval, because the rates fund annual transfers from the utilities to the City's general fund. Judgment entered June 24, 2021, and the trial court found the City's electric rates did not violate Proposition 26, but gas rates imposed from September 2015 to June 2019 did. Both sides appealed, and then entered into mediation facilitated by the Court of Appeal on April 13, 2022. Increasing the reserve to \$17.5 million is expected to sufficiently fund refunds to gas ratepayers for the 2015-2019 period covered by the Green lawsuit, plus the 2019-2022 period that is also subject to challenge, as well as costs and attorney's fees. (Ongoing costs: \$0)

Performance Results



This action proactively plans for potential financial impacts from pending litigation.

2. Reserve: FY 2023 Service Reinvestments (2-year limited term)	-	3,700,000	-	3,700,000

This action establishes a \$3.7 million reserve to extend service reinvestments included in the FY 2023 Proposed Budget for an additional year in FY 2024. These service reinvestments are across the organization and ensure that the community will receive higher levels of customer service across a broad array of services following necessary budget reductions in FY 2021 and FY 2022. As discussed in the Transmittal Letter and overview sections of this document, the City of Palo Alto has a one-time surplus in FY 2023. Although this one-time funding is insufficient to fully fund service reinvestments on an ongoing basis, this portion can be set aside for funding the reinvestments again in FY 2024. The ongoing funding of these reinvestments in subsequent years is contingent on recovery levels and voter consideration of potential ballot measure(s). (Ongoing costs: \$0)

Performance Results



This action will ensure that the community continues to receive a broad array of high-quality services in a timely manner.

3. Supplemental Pension Trust Fund Contributions	-	1,300,000	-	1,300,000

This action establishes a \$1.3 million reserve to fund supplemental contributions to the City's Section 115 Pension Trust Fund at a lower discount rate. In October 2018, the City Council directed staff to budget the normal cost of pension expense at the equivalent of 6.2 percent rate of return and a transfer of the additional ("supplemental") funding beyond CalPERS actuarial determined contribution levels to the Pension Trust Fund (CMR 9740). This practice more closely aligned pension savings with projected market returns at the time. The City Council reinforced this practice in the Pension Funding Policy, adopted in November 2020 (CMR 11722). Every four years, CalPERS completes an Asset Liability Management (ALM) study to review capital market assumptions and the strategic asset allocation and ascertain whether a change in the discount rate and other economic assumptions is warranted. As part of this study, external asset managers and consultants are surveyed to gain expert projections on market returns. In the most recent study completed in November 2021, median expected returns of survey participants were 5.3 percent (10-year) to 6.2 percent (20-year). This action proactively sets aside six months of the anticipated annual costs to shift from a 6.2 discount rate to 5.3 percent (General Fund only), consistent with the intent of this policy. Staff will return to allocate these costs to General Fund departments and Other Fund in a subsequent budget process. (Ongoing costs: \$2.6 million)

Performance Results



Supplemental pension contributions align with the City's Pension Funding Policy (CMR 11722) to proactively plan for long term pension liabilities.

Budget Adjustments

Budget Adjustments	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
4. Reserve: Project Homekey	-	1,000,000	-	1,000,000

This action sets aside \$1,000,000 annually to commit an estimated investment of \$7.0 million in operating expenses for Project Homekey (starting in FY 2023 through FY 2029). On September 27, 2021, the City Council directed staff to apply for Project Homekey funding in conjunction with LifeMoves to build an emergency shelter at the former Los Altos Treatment Plant (LATP) site (CMR 13595). This project will rapidly deploy modular housing to provide interim housing opportunities for homeless individuals and families in the City of Palo Alto. Commitments from other local partners continue to be negotiated, City costs for this project could fluctuate up or down throughout the period. (Ongoing costs: \$1,000,000)

Performance Results



This action supports the advancement of programs that support the unhoused.

5. Reserve: Labor and Inflation	-	900,000	-	900,000

This action establishes a \$900,000 reserve to fund potential adjustments to labor costs due to rising inflation and new labor agreements beginning in January 2023. The City Council approved a 4.0 percent Cost of Living Adjustment (COLA) for all labor groups, effective April 2022, and an additional 3.0 percent market adjustment for IAFF, effective July 2022 (CMR 14069 and CMR 14149). The COLA adjustment is an across-the-board salary adjustment in recognition of rising cost of living indicators (such as the Consumer Price Index) and regional economic factors. As part of these terms, agreements with the MGMT, UMPAPA, and safety groups were extended six months, from June 2022 to December 2022. The agreement with Service Employee International Union (SEIU) expired in Dec 2021 and has been extended to Dec 2022. The impacts from this COLA have been factored into the development of the FY 2023 budget. In the coming year, the City will engage in labor negotiations with the various bargaining units to negotiate new agreements and terms for wages, hours, and other terms and conditions of employment as well as discussions with unrepresented management professionals. As part of the Long Range Financial Forecast (LRFF), the City sets aside a 2.0 percent increase once terms have ended. This practice is intended for financial modeling purposes and not a commitment to future negotiations. Consistent with that practice, this action sets aside funding for future negotiations and contracts. Staff will return to the City Council with recommendations on the use of these funds. (Ongoing costs: \$1,995,000)

Performance Results



This action supports City efforts to recruit and retain a high quality workforce.

6. Residential Parking Permit (RPP) Loan	-	400,000	-	400,000

This action issues a \$400,000 loan from the General Fund to the Residential Parking Permit (RPP) Fund to ensure sufficient staffing and resources to operate and maintain residential parking services. As a result of the pandemic, the City suspended parking enforcement in March 2020 and redirected resources to support the City's emergency response (CMR 13783). During this time, permit sales functionally stopped for all parking programs including employee permits and residential permits; only minimal revenue was received. Parking enforcement resumed in October 2021 and new parking permit fees as approved by the City Council in November 2021 (CMR 11795) have been implemented beginning January 2022. Although public health orders have eased restrictions, parking demand has not recovered and remains below normal trends in all programs as has been noted in the preliminary Q1 Financial Status Report and the FY 2022 Mid-Year Budget Review. The Office of Transportation, in collaboration with all departments that support parking programs continue to manage expenses actively to offset this shortfall in revenues, however, these actions are insufficient to ensure financial solvency of the Residential Parking Permit Program. Therefore, this loan will ensure this fund remains financially solvent with the General Fund assistance. The Office of Transportation will continue to monitor utilization and bring forward further recommendations to review the near and mid-term forecasted revenues and expense of the various parking programs. Should current trends continue, staff expect a need to re-evaluate parking programs as they are not currently projected to sustain themselves independently. Additional information on parking funds is available in the Special Revenue Funds section. (Ongoing costs: \$0)

Performance Results



This action will ensure that RPP Funds have sufficient resources to support operations in the coming fiscal year.



EMPLOYEE INFORMATION





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GENERAL BENEFITS FUND

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 subsequent section of this document.

In FY 2023, expenditures in the General Benefits Fund are increasing by \$8.5 million or 10.7 percent over prior-year levels, from \$78.8 million to \$87.3 million. This increase is primarily attributable to reinvestments in staffing levels during FY 2022 and continuing in this budget, and rising pension costs. 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.

The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget. In total 20.0 full-time and three part-time (0.94 FTE) positions were approved and included in the FY 2023 Base Budget. Additionally, this FY 2023 Proposed Budget recommends a net addition of 38.85 full-time and nearly twenty part-time (6.67 FTE) positions. Overall, actions in this budget increase full-time staffing levels from 956.00 FTE (506.80 FTE in the General Fund) to 1,014.85 FTE (550.81 in the General Fund), a 58.85 FTE or 6.2 percent increase. The corresponding actions in the General Benefits Fund to increase revenue estimates for department allocations and the associated healthcare and pension expense are included in the FY 2023 Proposed Budget.

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)

EMPLOYEE INFORMATION

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 56 percent of the City's employees are either in Tier 2 or Tier 3, which confer a lesser benefit than Tier 1.

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 September 2021 for the valuation period ending June 30, 2020 (CMR 13440). The total ADC for FY 2023 is \$60.4 million (\$39.5 million for the Miscellaneous Plan and \$20.9 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 1.1 percentage points, from an employer contribution rate of 41.8 percent to 42.9 percent (2.6 percent growth).
- Safety plan: Blended cost increase of 1.5 percentage points, from an employer contribution rate of 69.6 percent to 71.1 percent (2.2 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 0.4 percentage points, from 11.0 percent to 10.6 percent, for Miscellaneous and by 0.9 percentage points, from 21.5 percent to 20.6 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 \$510.4 million (\$317.1 million for the Miscellaneous Plan and \$193.3 million for the Safety Plan), a \$33.5 million or 7.0 percent increase over the prior year. The annual UAL payment calculated by CalPERS and assumed in the development of the FY 2023 budget is \$43.1 million (\$28.7 million for the Miscellaneous Plan and \$14.4 million for the Safety Plan). The budget assumes pre-payment of the UAL portion of the annual pension cost which confers \$1.5 million in savings across the organization (approximately \$900,000 realized in the General Fund). These savings are calculated by CalPERS.

The City's current funded status is 65.1 percent for the Miscellaneous Plan and 60.3 percent for the Safety Plan.

The City has taken several proactive steps to address rising pension costs and long-term liabilities, including cost-sharing in labor agreements, establishing an irrevocable Section 115 Pension Trust ("Pension Trust"), and adopting a Pension Funding Policy. In January 2017 the City council authorized the establish-

ment of a Pension Trust Fund with the Public Agency Retirement Service (PARS) (CMR 7553). Contributions were initially made to the Pension Trust on an ad-hoc basis, using one-time savings or excess revenues. In October 2018, the City Council directed staff to include in budget assumptions the NC for pension benefits at an equivalent of 6.2 percent rate of return and a transfer of the additional (“supplemental”) funding beyond CalPERS actuarial determined contribution levels to the Pension Trust Fund (CMR 9740). This practice more closely aligned pension savings with projected market returns. Additional one-time contributions continue to be made each year if excess revenues are received or expense savings are realized, subject to City Council approval. This practice was reinforced in the development of a Pension Funding Policy, adopted by the City Council in November 2020 (CMR 11722). As part of policy goals, the City seeks to reach a 90 percent funded status by FY 2036. This policy is subject to modification at City Council discretion and requires that staff report the status of the funding goal every three years.

This FY 2023 Proposed 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 \$5.9 million (\$3.4 million General Fund) in FY 2023. This action includes a one-time action to add a \$550,000 “catch-up” contribution to the pension trust from Other Funds in FY 2023, consistent with actions in FY 2022 to contribute \$1.0 million from the General Fund Budget Stabilization Reserve (BSR) (CMR 13801). Through FY 2022, a total of \$41.3 million in principal contributions will have been made to the Pension Trust (\$30.4 million, or 65 percent of the total is from the General Fund). Additionally, this budget establishes a \$1.3 million reserve to fund supplemental pensions at a lower 5.3 percent discount rate. Every four years, CalPERS completes an Asset Liability Management (ALM) study to review capital market assumptions and the strategic asset allocation and ascertain whether a change in the discount rate and other economic assumptions is warranted. As part of this study, external asset managers and consultants are surveyed to gain expert projections on market returns. In the most recent study completed in November 2021, median expected returns of survey participants were 5.3 percent (10-year) to 6.2 percent (20-year). This reserve proactively sets aside six months of the anticipated annual costs to shift from a 6.2 discount rate to 5.3 percent, consistent with the intent of this policy. Additional information about this reserve is available in the Non-Departmental section of this document.

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. In the prior year, a total of \$2.9 million (\$1.9 million General Fund) from FY 2020 and FY 2021 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 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 crowd-out.

EMPLOYEE INFORMATION

HEALTHCARE COSTS

The FY 2023 budget for healthcare is based on the health plan choices employees made for Calendar Year 2022. Increases for the various bargaining units' healthcare costs are included in the memoranda of agreements and these costs are modeled throughout the budget per these terms. All bargaining units are on a flat rate medical plan which helps the City's efforts to contain benefit costs as it provides an upper limit to health costs. For the calendar year 2023, the budget models a four percent annual increase in flat rate medical costs.

Consistent with the Government Accounting Standards Board pronouncements that require government agencies to recognize the true cost of medical healthcare by active employees and retirees, an implied subsidy for retiree healthcare was calculated. Healthcare 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' healthcare costs and identified as a retiree medical cost.

In FY 2023, 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, healthcare costs for active employees have been reduced in the General Benefits Fund by \$2.8 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 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Healthcare	\$16,937,135	\$17,765,205	\$20,996,526	\$23,288,613	\$2,292,087	10.9%
Other Benefits	\$844,930	\$664,055	\$1,118,490	\$1,119,247	\$758	0.1%
Pensions	\$40,878,616	\$44,537,126	\$53,831,300	\$59,748,977	\$5,917,677	11.0%
Salary	\$1,899,224	\$1,383,048	\$23,422	\$75,685	\$52,263	223.1%
Total Salary and Benefits	\$60,559,905	\$64,349,435	\$75,969,738	\$84,232,523	\$8,262,784	10.9%
Contract Services	\$129,703	\$95,250	\$220,795	\$220,795	—	—%
General Expense	\$26	\$(1,584)	—	—	—	—%
Operating Transfers-Out	\$2,384,000	\$2,347,000	\$2,619,000	\$2,826,000	\$207,000	7.9%
Total Dollars by Expense Category	\$63,073,634	\$66,790,101	\$78,809,533	\$87,279,318	\$8,469,784	10.7%
Operating Transfers-In	\$5,240,748	—	—	—	—	—%
Other Revenue	\$73,429,649	\$72,224,313	\$79,073,157	\$87,444,089	\$8,370,932	10.6%
Return on Investments	\$199,695	\$162,016	\$362,600	\$274,500	\$(88,100)	(24.3)%
Total Revenues	\$78,870,092	\$72,386,328	\$79,435,757	\$87,718,589	\$8,282,832	10.4%

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	0.48	78,809,533	79,435,757	(626,224)
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	0.00	-	-	-
Adjustments to Costs of Ongoing Activities				
Salary and Benefits Adjustments	-	53,021	-	53,021
Department Charges for General Benefits	-	-	8,370,932	(8,370,932)
Investment Income	-	-	(88,100)	(88,100)
PARs Contributions and Expenses (Normal Cost Calculated at 6.2 Percent Discount Rate)	-	845,275	-	845,275
Citywide Dental Insurance	-	134,913	-	134,913
Citywide Vision Insurance	-	17,753	-	17,753
Citywide Healthcare Insurance	-	2,139,421	-	2,139,421
Citywide Pension	-	5,279,402	-	5,279,402
Adjustments to Costs of Ongoing Activities	0.00	8,469,785	8,282,832	186,953
Total FY 2023 Base Budget	0.48	87,279,318	87,718,589	(439,271)
Budget Adjustments				
1. None	-	-	-	-
Total Budget Adjustments	0.00	-	-	-
Total FY 2023 Proposed Budget	0.48	87,279,318	87,718,589	(439,271)

RETIREE HEALTH BENEFIT FUND

In addition to providing pension benefits, the City participates in the California Public Employees' Medical and Hospital Care Act (PEMHCA) program to provide certain healthcare 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 study was completed in May 2020 to inform the development of the FY 2021 and FY 2022 operating budgets (CMR 11284). Consistent with City Council direction, staff continues to budget the cost for retiree healthcare at a more conservative 6.25 percent discount rate and transmit the amount above the required payment as an additional discretionary payment ("prefunding") to the California Employers' Retiree Benefit Trust (CERBT) Fund.

As of the timing of the FY 2023 Proposed Budget, the City has not yet received a finalized report for use in FY 2023 and FY 2024. Therefore, the FY 2023 Proposed Budget contains the long-range information provided in the most recent study. The current actuarial study is anticipated to be completed before the end of the fiscal year, which will provide an update on the fund's status as of June 30, 2021. Staff anticipates discussing the latest actuarial valuation as part of the public hearing process for the adoption of the FY 2023 Budget.

In FY 2023, the ADC is \$16.9 million, or a 3.0 percent increase from FY 2022 levels of \$16.4 million. Though the ADC assumed for the FY 2023 budget is \$16.9 million, the charges to the City's funds are budgeted at \$14.1 million. The difference of \$2.8 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 healthcare of active employees and retirees. The healthcare 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' healthcare 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 \$2.8 million, and a transfer from the General Benefits Fund of \$2.8 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.

Budget Summary

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change \$	FY 2023 Change %
Other Benefits	\$28,733	\$26,913	\$61,560	\$61,560	—	—%
Retiree Medical	\$16,475,219	\$14,569,810	\$16,418,000	\$16,921,000	\$503,000	3.1%
Total Salary and Benefits	\$16,503,951	\$14,596,723	\$16,479,560	\$16,982,560	\$503,000	3.1%
Total Dollars by Expense Category	\$16,503,951	\$14,596,723	\$16,479,560	\$16,982,560	\$503,000	3.1%
Operating Transfers-In	\$2,384,000	\$2,347,000	\$2,619,000	\$2,826,000	\$207,000	7.9%
Other Revenue	\$14,214,000	\$13,577,000	\$13,799,000	\$14,095,000	\$296,000	2.1%
Return on Investments	\$51,454	\$44,523	\$63,800	\$32,800	\$(31,000)	(48.6)%
Total Revenues	\$16,649,453	\$15,968,523	\$16,481,800	\$16,953,800	\$472,000	2.9%

Budget Reconciliation

	Positions	Expenditures	Revenues	Fund Balance Cost/(Savings)
Prior Year Budget	0.00	16,479,560	16,481,800	(2,240)
One-Time Prior Year Budget Adjustments				
None	-	-	-	-
One-Time Prior Year Budget Adjustments	0.00	-	-	-
Adjustments to Costs of Ongoing Activities				
Citywide Retiree Health Benefits Adjustment	-	503,000	503,000	-
Investment Income	-	-	(31,000)	31,000
Adjustments to Costs of Ongoing Activities	0.00	503,000	472,000	31,000
Total FY 2023 Base Budget	0.00	16,982,560	16,953,800	28,760
Budget Adjustments				
1. None	-	-	-	-
Total Budget Adjustments	0.00	-	-	-
Total FY 2023 Proposed Budget	0.00	16,982,560	16,953,800	28,760



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TABLE OF ORGANIZATION

Table of Organization

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
General Fund						
Administrative Services						
Account Specialist	4.63	4.63	4.13	4.13	—	—%
Account Specialist-Lead	3.45	3.45	3.45	3.45	—	—%
Accountant	3.00	3.00	2.00	2.00	—	—%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	1.00	1.00	0.50	0.50	—	—%
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	2.00	2.00	—	—%
Chief Procurement Officer	1.00	1.00	1.00	1.00	—	—%
Contracts Administrator	2.70	2.70	1.70	2.70	1.00	58.8%
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	—	—%
Management Analyst	2.00	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	—	1.00	—	—	—	—%
Senior Accountant	3.00	3.00	3.00	3.00	—	—%
Senior Buyer	1.00	1.00	1.00	1.00	—	—%
Senior Management Analyst	2.30	2.30	2.30	2.30	—	—%
Storekeeper	1.00	1.00	1.00	2.00	1.00	100.0%
Storekeeper-Lead	0.20	0.20	0.20	0.20	—	—%
Warehouse Supervisor	0.20	0.20	0.20	0.20	—	—%
Total Administrative Services	39.15	40.15	37.15	39.15	2.00	5.4%

TABLE OF ORGANIZATION

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
City Attorney						
Assistant City Attorney*	3.00	3.00	3.00	4.00	1.00	0.33%
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)	(100.0)%
Legal Fellow	1.00	1.00	1.00	1.00	—	—%
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	—	—	—	—%
Performance Auditor II	2.00	—	—	—	—	—%
Senior Performance Auditor	1.00	2.00	—	—	—	—%
Total City Auditor	4.00	3.00	—	—	—	—%
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	2.00	2.00	2.00	2.00	—	—%
Assistant City Manager	1.00	1.00	1.00	1.00	—	—%
Assistant to the City Manager*	2.00	2.00	1.00	3.00	2.00	200.0%
Chief Communications Officer	1.00	1.00	1.00	1.00	—	—%
City Manager	1.00	1.00	1.00	1.00	—	—%
Deputy City Manager	1.00	1.00	1.00	1.00	—	—%
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	—	—%
Management Analyst	0.75	—	—	—	—	—%
Manager Communications	1.00	1.00	1.00	1.00	—	—%
Senior Management Analyst	—	—	—	1.00	1.00	—%
Total City Manager	10.75	10.00	9.00	12.00	3.00	33.3%

Table of Organization

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
Community Services						
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate III	1.00	1.00	—	—	—	—%
Assistant Director Community Services	2.00	2.00	1.00	1.00	—	—%
Building Serviceperson	1.25	1.00	1.00	1.00	—	—%
Building Serviceperson-Lead	0.60	0.60	0.60	0.60	—	—%
Coordinator Recreation Programs	4.00	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	—	—	—	—	—%
Heavy Equipment Operator	0.07	0.07	—	—	—	—%
Inspector, Field Services	2.00	2.00	2.00	2.00	—	—%
Junior Museum & Zoo Educator*	3.60	3.60	3.25	4.10	0.85	26.2%
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	5.00	5.00	—	—%
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	6.00	1.00	20.0%
Parks/Golf Crew-Lead	2.00	2.00	2.00	2.00	—	—%
Producer Arts/Science Program	11.00	12.00	11.00	12.25	1.25	11.4%
Program Assistant I	8.00	7.00	3.00	3.00	—	—%
Program Assistant II	3.00	4.00	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	—	—	—	—%
Theater Specialist	2.00	2.00	2.00	2.00	—	—%
WGW Heavy Equipment Operator	—	—	0.07	0.07	—	—%
Total Community Services	75.62	75.37	67.02	70.12	3.10	4.6%
Fire						
40-Hour Captain**	—	—	—	0.20	0.20	—%

TABLE OF ORGANIZATION

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
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	—	—%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	2.20	2.20	2.20	2.20	—	—%
Administrative Associate III	—	—	—	0.20	0.20	—%
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)	(100.0)%
Deputy Director Technical Services Division*	0.20	0.20	—	0.20	0.20	—%
Deputy Fire Chief	2.00	2.00	1.00	2.00	1.00	100.0%
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	20.00	20.00	—	—%
Fire Chief	1.00	1.00	1.00	1.00	—	—%
Fire Fighter*	34.00	34.00	29.00	34.00	5.00	17.2%
Fire Fighter Trainee**	—	—	—	3.00	3.00	—%
Fire Inspector	0.80	0.80	0.40	0.40	—	—%
Fire Marshal**	—	—	—	0.05	0.05	—%
Geographic Information System Specialist	0.50	0.50	0.50	0.50	—	—%
Hazardous Materials Inspector	0.30	0.30	0.30	0.70	0.40	133.3%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Total Fire	97.85	97.85	90.25	100.25	10.00	11.1%
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	2.00	2.00	—	—%
Human Resources Technician*	4.00	4.00	3.00	4.00	1.00	25.0%
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	14.00	15.00	1.00	7.1%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
Library						
Administrative Associate III	1.00	1.00	—	1.00	1.00	—%
Assistant Director Library Services	1.00	1.00	—	1.00	1.00	—%
Business Analyst	1.00	1.00	1.00	1.00	—	—%
Coordinator Library Programs	1.00	1.00	1.00	2.00	1.00	100.0%
Director Libraries	1.00	1.00	1.00	1.00	—	—%
Division Head Library Services	1.00	1.00	1.00	1.00	—	—%
Librarian	6.00	6.00	6.00	7.00	1.00	16.7%
Library Associate	7.00	7.00	6.00	6.00	—	—%
Library Specialist	11.50	11.50	10.50	12.50	2.00	19.0%
Management Analyst	1.00	1.00	1.00	1.00	—	—%
Manager Library Services	3.00	3.00	3.00	3.00	—	—%
Senior Librarian	8.00	8.00	6.00	6.00	—	—%
Supervising Librarian	4.00	4.00	4.00	4.00	—	—%
Total Library	46.50	46.50	40.50	46.50	6.00	14.8%
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	—	—	—	—%
Total Office of Emergency Services	3.00	3.00	2.00	2.00	—	—%
Office of Transportation						
Administrative Assistant	0.50	0.50	0.60	0.60	—	—%
Associate Engineer	0.30	0.30	0.35	0.35	—	—%
Associate Planner	0.30	0.45	0.40	0.40	—	—%
Chief Transportation Official	0.70	0.70	0.70	0.70	—	—%
Coordinator Transportation Systems Management	1.25	1.25	0.65	0.65	—	—%
Management Analyst	0.50	0.50	0.50	0.50	—	—%
Parking Operations-Lead	—	—	0.05	0.05	—	—%
Project Engineer	0.45	0.45	0.25	0.25	—	—%
Senior Engineer*	0.20	0.20	0.20	0.55	0.35	175.0%
Senior Planner	0.50	0.50	0.15	0.15	—	—%
Traffic Engineering-Lead*	0.35	0.35	0.35	—	(0.35)	100.0%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
Transportation Planning Manager	1.15	1.15	1.00	1.00	—	—%
Total Office of Transportation	6.20	6.35	5.20	5.20	—	—%
Planning and Development Services						
40-Hour Captain**	—	—	—	0.80	0.80	—%
Administrative Assistant	1.00	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*	4.00	4.00	3.00	4.80	1.80	60.0%
Assistant Chief Building Official	1.00	1.00	1.00	2.00	1.00	100.0%
Assistant Director PCE	1.00	1.00	1.00	1.00	—	—%
Associate Engineer	0.22	0.20	—	—	—	—%
Associate Planner	3.15	3.00	3.25	1.25	(2.00)	(61.5)%
Building Inspector Specialist	4.00	6.00	6.00	8.00	2.00	33.3%
Building/Planning Technician	3.00	3.00	2.00	2.00	—	—%
Chief Building Official	1.00	1.00	1.00	1.00	—	—%
Chief Planning Official	1.00	1.00	1.00	1.00	—	—%
Code Enforcement Officer*	2.00	2.00	—	1.00	1.00	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)	(100.0)%
Development Project Coordinator II	2.00	2.00	2.00	2.00	—	—%
Development Project Coordinator III	3.00	3.00	3.00	3.00	—	—%
Director Planning/Community Environment	1.00	1.00	1.00	1.00	—	—%
Engineer	0.64	0.52	0.52	0.52	—	—%
Engineering Technician III	1.78	1.50	1.50	1.50	—	—%
Fire Inspector	3.20	3.20	1.60	1.60	—	—%
Fire Marshal**	—	—	—	0.80	0.80	—%
Hazardous Materials Inspector	1.60	1.60	1.60	3.20	1.60	100.0%
Industrial Waste Inspector	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	0.01	—	—	—	—	—%
Manager Environmental Control Program*	0.10	—	—	—	—	—%
Manager Planning	5.00	4.00	4.00	4.00	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
Manager Urban Forestry	0.04	—	—	—	—	—%
Planner	4.00	4.00	4.00	5.00	1.00	25.0%
Plans Check Engineer	—	—	—	1.00	1.00	—%
Principal Management Analyst	1.00	—	—	—	—	—%
Principal Planner	2.00	2.00	1.00	2.00	1.00	100.0%
Program Assistant	1.00	1.00	—	—	—	—%
Project Engineer	0.13	0.10	—	—	—	—%
Senior Business Analyst	1.00	1.00	1.00	1.00	—	—%
Senior Engineer*	0.46	0.40	0.40	0.45	0.05	12.5%
Senior Industrial Waste Investigator	0.01	—	—	—	—	—%
Senior Management Analyst	2.00	2.00	2.00	2.00	—	—%
Senior Planner	3.60	3.60	3.65	4.65	1.00	27.4%
Supervisor Inspection and Surveying	0.27	0.25	0.25	0.25	—	—%
Traffic Engineering-Lead*	0.10	0.10	0.05	—	(0.05)	100.0%
Transportation Planning Manager	—	—	0.05	0.05	—	—%
Total Planning and Development Services	62.45	61.60	54.00	64.20	10.20	18.9%
Police						
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	3.00	3.00	2.00	2.00	—	—%
Animal Control Officer	3.00	3.00	2.00	2.00	—	—%
Animal Control Officer-Lead	1.00	1.00	1.00	1.00	—	—%
Assistant Police Chief	1.00	1.00	1.00	1.00	—	—%
Business Analyst	1.20	1.20	1.20	2.20	1.00	83.3%
Code Enforcement Officer	1.00	1.00	1.00	1.00	—	—%
Communications Manager	1.00	1.00	—	—	—	—%
Communications Technician	1.00	1.00	—	—	—	—%
Community Service Officer	7.50	7.50	5.63	5.63	—	—%
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	—	0.80	0.80	—%
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	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
Police Lieutenant	5.00	5.00	4.00	4.00	—	—%
Police Officer	50.00	50.00	39.00	43.00	4.00	10.3%
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	—	1.00	1.00	—%
Public Safety Dispatcher	16.00	16.00	12.00	14.00	2.00	16.7%
Public Safety Dispatcher-Lead	4.00	4.00	4.00	4.00	—	—%
Public Safety Program Manager	2.00	2.00	1.00	1.00	—	—%
Senior Management Analyst	1.00	1.00	1.00	1.00	—	—%
Total Police	149.00	149.00	124.33	133.13	8.80	7.1%
Public Works						
Administrative Assistant	1.00	1.00	0.50	0.50	—	—%
Administrative Associate I	0.10	0.10	—	—	—	—%
Administrative Associate II	2.65	2.65	2.65	2.65	—	—%
Administrative Associate III	0.01	0.01	—	—	—	—%
Assistant Director Public Works	0.73	0.73	0.73	0.73	—	—%
Building Serviceperson-Lead	1.00	1.00	1.00	1.00	—	—%
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	0.36	0.48	0.48	0.48	—	—%
Engineering Technician III	1.47	1.75	1.75	1.75	—	—%
Environmental Specialist*	—	—	—	0.33	0.33	—%
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	2.10	2.10	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
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	1.45	1.45	0.70	(0.75)	(0.52)%
Manager Environmental Control Program*	—	—	—	0.33	0.33	—%
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	1.00	1.00	1.00	—	—%
Manager Watershed Protection	0.05	0.05	0.05	0.05	—	—%
Project Manager	2.65	2.65	2.00	2.00	—	—%
Senior Engineer	0.59	0.60	0.60	0.60	—	—%
Senior Management Analyst	1.11	1.11	1.11	1.11	—	—%
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	1.00	1.00	—	—%
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	—	—%
Total Public Works	49.41	50.61	48.35	48.26	(0.09)	(0.02)%
Total General Fund	574.93	574.43	506.80	550.81	44.01	8.7%

Enterprise Fund

Public Works

Account Specialist	0.30	0.30	—	—	—	—%
Accountant	0.40	0.40	0.70	0.70	—	—%
Administrative Associate I	0.10	0.10	—	1.00	1.00	—%
Administrative Associate II	2.15	2.15	2.15	2.15	—	—%
Administrative Associate III	0.10	0.10	0.20	0.20	—	—%
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	3.00	3.00	3.00	—	—%
Chemist	3.00	3.00	2.00	2.00	—	—%
Deputy Chief/Fire Marshal	0.07	0.07	0.07	—	(0.07)	(100.0)%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
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	2.33	0.33	16.5%
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	2.50	1.00	66.7%
Fire Marshal**	—	—	—	0.07	0.07	—%
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	3.00	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	5.00	5.00	5.33	0.33	6.6%
Manager Laboratory Services	1.00	1.00	1.00	1.00	—	—%
Manager Maintenance Operations	1.96	1.96	1.96	1.96	—	—%
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	2.00	2.00	—	—%
Senior Engineer	3.76	3.76	3.76	3.76	—	—%
Senior Industrial Waste Investigator	0.99	1.00	1.00	1.00	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
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	101.32	101.32	103.98	2.66	2.6%
Utilities						
Account Specialist	1.70	1.70	1.00	1.00	—	—%
Accountant	0.60	0.60	1.30	1.30	—	—%
Administrative Assistant	1.00	1.00	1.00	1.00	—	—%
Administrative Associate II	6.00	6.00	6.00	6.00	—	—%
Assistant City Attorney*	—	—	—	1.00	1.00	—%
Assistant Director Administrative Services	0.25	0.25	0.25	0.25	—	—%
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	—	—%
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	—	—%
Associate Sustainability Program Administrator**	—	—	—	1.00	1.00	—%
Business Analyst	6.00	6.00	6.00	6.00	—	—%
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	8.00	2.00	33.3%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
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)	(100.0)%
Deputy City Attorney*	1.00	1.00	1.00	—	(1.00)	(100.0)%
Director Administrative Services/CFO	0.20	0.20	0.20	0.20	—	—%
Electric Heavy Equipment Operator	—	2.00	2.00	1.00	(1.00)	(50.0)%
Electric Project Engineer*	4.00	4.00	4.00	8.00	4.00	100.0%
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	—	—%
Environmental Specialist*	—	—	—	0.34	0.34	—%
Equipment Operator	—	—	—	1.00	1.00	—%
Fire Marshal**	—	—	—	0.08	0.08	—%
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	—	—	—	—	—%
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, Field Services	5.00	5.00	—	—	—	—%
Inspector, WGW Utilities Field Svc	—	—	5.00	5.00	—	—%
Lineperson/Cable Specialist	11.00	10.00	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	—	—%
Management Analyst**	—	—	—	1.00	1.00	—%
Manager Communications	1.00	1.00	1.00	1.00	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
Manager Customer Service	1.00	1.00	1.00	1.00	—	—%
Manager Electric Operations	1.00	1.00	1.00	1.00	—	—%
Manager Environmental Control Program*	—	—	—	0.34	0.34	—%
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	2.00	1.00	100.0%
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	2.00	(1.00)	(33.3)%
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*	1.00	1.00	1.00	—	(1.00)	(100.0)%
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	—	(1.00)	(100.0)%
Project Engineer	5.00	5.00	5.00	5.00	—	—%
Project Manager	0.75	0.75	0.75	0.75	—	—%
Resource Planner	5.00	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)	(100.0)%
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	5.00	5.00	—	—%
Senior Engineer*	5.00	5.00	5.00	6.00	1.00	20.0%
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	—	—	—	—%
Senior Resource Planner	6.50	6.50	6.50	7.00	0.50	7.7%
Senior Utilities Field Service Representative	1.00	1.00	1.00	1.00	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
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	4.00	(1.00)	(20.0)%
Street Light, Traffic Signal & Fiber-Lead	2.00	2.00	2.00	2.00	—	—%
Substation Electrician	6.00	6.00	6.00	6.00	—	—%
Substation Electrician-Lead	2.00	2.00	2.00	2.00	—	—%
Supervising Electric Project Engineer	1.00	1.00	—	—	—	—%
Sustainability Programs Administrator	—	—	4.00	5.00	1.00	25.0%
Tree Maintenance Person	1.00	1.00	1.00	1.00	—	—%
Utilities Chief Operating Officer	1.00	1.00	1.00	1.00	—	—%
Utilities Compliance Technician	2.00	3.00	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	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	3.00	1.00	50.0%
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	4.00	(1.00)	(20.0)%
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	4.00	4.00	—	—	—	—%
Utilities Safety Officer	1.00	1.00	1.00	1.00	—	—%
Utilities Supervisor	12.00	12.00	12.00	12.00	—	—%
Utilities System Analyst**	—	—	—	2.00	2.00	—%
Utilities System Operator	5.00	5.00	5.00	6.00	1.00	20.0%
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	4.70	—	—%
Total Utilities	257.42	257.42	257.42	266.60	9.18	3.6%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
Total Enterprise Fund	358.61	358.74	358.74	370.58	11.84	3.3%
Other Funds						
Capital Project Fund						
Administrative Assistant	0.15	0.15	0.65	0.65	—	—%
Administrative Associate I	0.80	0.80	—	—	—	—%
Administrative Associate III	0.89	0.89	0.80	0.80	—	—%
Assistant Director Public Works	0.72	0.72	0.72	0.72	—	—%
Associate Engineer	2.49	2.50	1.65	1.65	—	—%
Associate Planner	0.30	0.30	0.35	0.35	—	—%
Building Serviceperson	0.75	1.00	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	0.30	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	0.75	0.75	1.35	1.35	—	—%
Engineer	3.10	3.10	2.10	3.10	1.00	47.6%
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	0.94	0.95	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	—	—%
Parking Operations-Lead	0.40	0.40	0.30	0.30	—	—%
Project Engineer	7.59	7.62	7.92	7.92	—	—%
Project Manager	1.15	1.15	0.80	0.80	—	—%
Senior Engineer*	2.99	4.04	4.04	4.64	0.60	14.9%
Senior Management Analyst	0.60	0.60	0.60	0.60	—	—%
Senior Planner	0.50	0.50	0.80	0.80	—	—%
Senior Project Manager	1.00	—	—	—	—	—%
Supervisor Inspection and Surveying	0.63	0.65	0.65	0.65	—	—%
Surveyor, Public Works	0.55	0.55	0.55	0.55	—	—%

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	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
Traffic Engineering-Lead*	0.55	0.55	0.60	—	(0.60)	(100.0)%
Transportation Planning Manager	0.35	0.35	0.45	0.45	—	—%
Total Capital Project Fund	36.40	36.77	35.48	36.48	1.00	2.8%
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-Lead	0.55	0.55	0.55	0.55	—	—%
Administrative Assistant	0.35	0.35	0.25	0.25	—	—%
Administrative Associate II	0.20	0.20	0.20	0.20	—	—%
Associate Planner	0.25	0.25	—	—	—	—%
Community Service Officer	0.50	0.50	0.37	0.37	—	—%
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	0.35	0.35	0.35	0.35	—	—%
Manager Community Services Senior Program	1.00	1.00	1.00	1.00	—	—%
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	0.60	0.60	0.65	0.65	—	—%
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	0.50	0.50	0.50	0.50	—	—%
Total Special Revenue Funds	10.66	10.66	9.73	9.73	—	—%
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	—	—%

Table of Organization

	FY 2020 Actuals	FY 2021 Actuals	FY 2022 Adopted Budget	FY 2023 Proposed Budget	FY 2023 Change FTE	FY 2023 Change %
Director Information Technology/CIO	1.00	1.00	1.00	1.00	—	—%
Manager Information Technology	3.00	3.00	3.00	3.00	—	—%
Manager Information Technology Security	1.00	1.00	—	—	—	—%
Principal Business Analyst	1.00	1.00	—	—	—	—%
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	14.00	16.00	2.00	14.3%
Technologist	1.00	1.00	—	—	—	—%
Total Technology Fund	36.10	36.10	29.10	31.10	2.00	6.9%
Vehicle Replacement and Maintenance Fund						
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	1.00	1.00	—	—%
Fleet Services Coordinator	1.00	1.00	1.00	1.00	—	—%
Management Analyst	0.20	0.20	0.20	0.20	—	—%
Management Assistant	1.00	1.00	1.00	1.00	—	—%
Manager Fleet	1.00	1.00	1.00	1.00	—	—%
Motor Equipment Mechanic II	6.00	6.00	5.00	5.00	—	—%
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	15.53	15.53	13.53	13.53	—	—%
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	101.31	101.68	90.46	93.46	3.00	3.3%
Total Citywide Positions	1,034.85	1,034.85	956.00	1,014.85	58.85	6.2%

*The FY 2022 Adopted Budget does not include City Council actions to amend staffing levels approved in the Preliminary Q1 FY 2022 Financial Status Update (CMR 13439), Staffing for Adequate Fire and Emergency Response (SAFER) Grant Acceptance (CMR 13643), and FY 2022 Mid-Year Budget Review (CMR 13801). These positions appear as a base adjustment in the FY 2023 Proposed Budget.

**The FY 2023 Proposed Budget includes new job classifications that require completion of a meet and confer process with the respective bargaining groups to negotiate terms for wages, hours, and other employment conditions. Proposals in this budget include estimated funding levels for financial planning purposes only and do not reflect the final negotiated terms of the proposed classifications.



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SUPPLEMENTAL INFORMATION





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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 2023 Budget assumes a BSR ending balance of \$45.6 million or 18.5 percent. This is within the targeted range of 15 to 20 percent, and meets the City Council goal of 18.5 percent.

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Adopted	2023 Proposed
Ending BSR Balance (in millions)	\$48.1	\$52.8	\$41.0	\$42.7	\$33.0	\$36.0	\$45.8
% of Total Expenses	22.87%	25.63%	19.16%	18.50%	16.74%	17.19%	18.50%

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 2022, and it is recommended that this reserve be carried forward to Fiscal Year 2023 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 three 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 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.

SUPPLEMENTAL INFORMATION

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.

American Rescue Plan Act (ARPA)

A Federal economic stimulus plan signed into law by the President Biden on March 11, 2021. The stimulus package provided direct, flexible relief funds to cities, counties and states to combat the negative financial impact of the Pandemic.

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

SUPPLEMENTAL INFORMATION

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)

SUPPLEMENTAL INFORMATION

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
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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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