

# CITY OF PALO ALTO

# Budget in Brief

Fiscal Year 2015



CITY OF  
**PALO  
ALTO**

# OUR MISSION

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.

# Introduction

Dear Palo Altans,

In June 2014, the City Council adopted the Budget for Fiscal Year 2015 (July 1, 2014 through June 30, 2015) in the amount of \$470.3 million, which includes ongoing funding for the City's public safety, to our roads, facilities, and utility infrastructure. While we are in much better economic times, the City is prudently investing in enhancing service levels while remaining cognizant of the City's long-term fiscal sustainability. The opening of the Rinconada Library and the Mitchell Park Library and Community Center will provide great new experiences for generations of Palo Altans. Additional funding in Planning to better tackle parking and traffic challenges-additional shuttle service routes (scheduled for City Council approval in fall), staffing and consultant support to advance Comprehensive Plan and zoning changes and residential parking, and alternatives to automobile transportation are a dominant focus in FY 2015. Additionally, the City Council approved funding for taking over the Palo Alto Airport from the County of Santa Clara and information technology investments. For a more detailed description of major funding changes, I invite you to read the transmittal letter of the Fiscal Year 2015 Operating Budget by visiting the City of Palo Alto website at [www.cityofpaloalto.org/budget](http://www.cityofpaloalto.org/budget).

As part of this budget, the City Council approved funding of \$53 million to maintain and rehabilitate the City's existing electric, gas, wastewater, and water infrastructure, streets, and sidewalks as well as bicycle lane, parking, and parks improvements. In addition, after approval of the Capital Budget, the City Council approved the City's Infrastructure Plan which will increase our long-term capital investments by \$132 million total and fund a Pedestrian Bicycle Bridge over Highway 101, our ambitious Bicycle and Pedestrian infrastructure improvement plan, new parking garages, replacement of two outdated Fire Stations, and a new public safety building.

The City's Utility continues to provide excellent services in the delivery of electricity, gas, and water as well as wastewater treatment and garbage and recycling collection services at competitive rates. For FY 2015, no rate increases are included in the budget except for the annual increase of the Storm Drainage Fee, as approved by the voters.

This Budget-in-Brief document is intended to provide you with facts about our City; the City's approach to balancing the budget; the major sources of funding (e.g.: taxes, customer charges) which pay for the services the City provides and the infrastructure the City maintains and rebuilds; as well as major changes included in the Fiscal Year 2015 budget. For comments regarding the budget or this document, please send an email to [www.budget@cityofpaloalto.org](mailto:www.budget@cityofpaloalto.org).

Respectfully,



**James Keene**

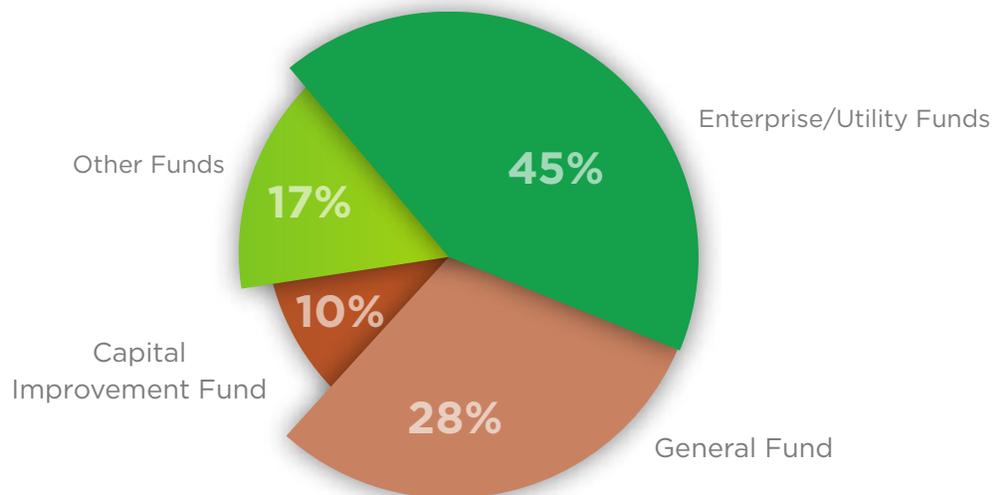
# Citywide Budget

**The Fiscal Year 2015 citywide expenditure budget** amounts to \$470.3 million. As depicted in the pie chart, the majority of the expenditures support the City Utilities, which deliver water, gas, and electricity to residents and businesses and collect and/or treat refuse and wastewater (please refer to pages 6 and 7 for a detailed discussion).

The second largest expenditure is attributable to the General Fund, which primarily funds police, fire, library, planning, transportation, parks and recreation services as well as internal support functions (please refer to pages 3 to 5 for a detailed discussion).

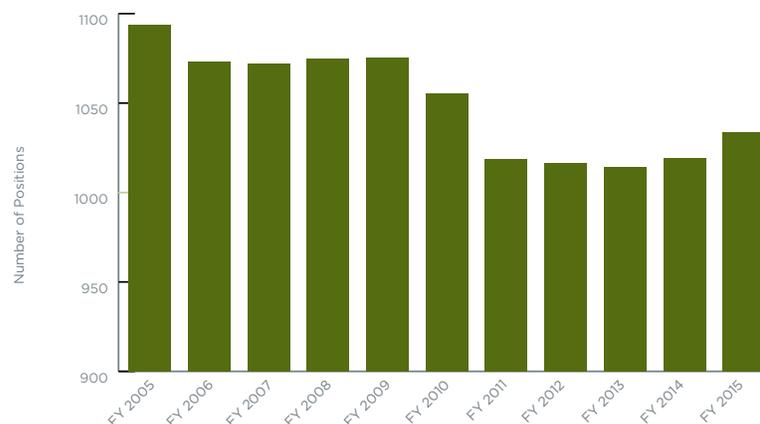
In Fiscal Year 2015, the City is expected to fund approximately \$53 million in capital expenditures to rehabilitate our roads, improve aging utility infrastructure, and replace the Newell Road Bridge/San Francisquito Creek Bridge (please refer to page 6 for a detailed discussion). Other funds include internal services funds such as the Vehicle Fund and Special Revenue Funds such as community development funds, street improvement funds, or housing funds.

## Citywide Fiscal Year 2015/Adopted Budget by Fund Type



In order to deliver services to its residents, the City is staffed with 1,034 full-time positions, representing an increase of 14 positions from the prior fiscal year. With these new positions, the City is able to operate the new larger libraries, address planning and transportation challenges, and take over the operation of the Palo Alto Airport. Looking at the last ten years, while the population of Palo Alto grew by 8%, the City's employee base providing services to Palo Altans was decreased by 5% through streamlining efforts, outsourcing services, and implementation of technology.

## 10 Year Trend—Total Citywide Positions



# Budget Development

The development of the Fiscal Year 2015 Budget development was guided by the City Council's 2014 Top Three Priorities, the City's long-range financial sustainability, legal mandates, and the City Manager service level prioritization.

City Council 2014 Top Three Priorities:

- **Comprehensive planning and action on land use and transportation: the Built Environment, Transportation, Mobility, Parking, and Livability**
- **Infrastructure Strategy and Funding**
- **Technology and the Connected City**



## Major Service Changes

- **Arts, Science, and Sports Classes and Camps, and Summer Concerts (\$146,000):** This budget change, offset with user fees, expands science classes offered by the Junior Museum and Zoo at elementary schools, summer camps at Foothills Park, and classes as part of the Middle School Athletics program. Additionally, the City is increasing the number of summer concerts from six to eight.
- **Mitchell Park Library and Community Center and Rinconada Library Staffing (\$341,000):** The additional staff will support the two new facilities scheduled to open in fall 2014.
- **Our Palo Alto Citizen Engagement Effort (\$325,000):** *Our Palo Alto* is a community conversation about the future of our City. It is intended to create opportunities for dialogue around important ideas and programs while tackling issues our community cares about.
- **Development Services (\$893,000):** As a continued effort to streamline the planning and building processes for residents and businesses, funding for contractual services, technology, and staff is added.
- **Information Technology Investments (\$1,283,000):** As part of upgrading the City's IT infrastructure and systems, funding is allocated for the acquisition of a cloud-based communication and productivity software solution, and information backup and storage solution, a budget system, and a mobile device management security solution.
- **Palo Alto Airport (\$560,000):** In August 2014, the City took over control of the Palo Alto Airport from the County of Santa Clara. This funding will support Airport Operations.
- **Shuttle Service Routes (\$1 million):** In fall the City Council is considering expanding the City's Shuttle Service routes in order to alleviate traffic within the City.

## General Fund Budget

For Fiscal Year 2015, the General Fund budget amounts to over \$171 million. The General Fund pays for various City services such as police, fire, libraries, parks and recreation, which contribute to the quality of life of our community as well as internal support functions such as finance, human resources, and legal services. The following infographic shows how your taxes and fees support City services.

# General Fund Revenues

**WHERE DO YOUR TAX DOLLARS AND FEE PAYMENTS GO?** The City's General Fund revenue portfolio is quite diversified. About 53% of all annual revenues are from taxes such as Property Tax, Sales Tax, or Transient Occupancy Tax. The remaining revenue sources include fees and charges from residents and businesses, charges to other funds for services provided, and rental income.



## Property Tax

For every \$1,000 in property taxes paid by residents and businesses, the City receives \$94. The majority of property taxes support the local schools.

\$26.0

## Sales Tax

For every \$100 in purchases, residents and businesses pay \$8.75 in sales tax. Of this amount the City receives \$1.00. The majority of the \$8.75 in sales tax benefits the State.



\$31.9

## Transient Occupancy Tax

Visitors staying at our local hotels pay a 12% tax applied to the room rate.



\$14.2

## Charges for Services

Services include Fire Services provided to Stanford University and to residents and businesses primarily related to the planning and development of buildings.



## Documentary Transfer Tax

This tax is applied when a property is sold.

\$23.0

\$7.5

## Utility Users Tax

Residents and businesses pay a Utility Users Tax of 5% for electricity, gas, water, and telephone services.



\$11.3

## Other Taxes & Fines

\$2.2

## Miscellaneous Revenues

Includes investment earnings, grants, and contribution from the Budget Stabilization Reserve.

\$5.2

## Equity transfer

Annual payments from the Electric and Gas Fund for the General Fund's initial investment in the utilities.

\$17.1



\$14.3

## Services provided to other funds

## Rental Income

\$10.7

## Permits & Licenses

\$7.8

\*All numbers indicated above are in \$ millions.

**TOTAL \$171.1**

# General Fund Expenses

## COMMUNITY INVESTMENTS = \$24.6

	EXPENSE
Infrastructure	13.7
Cubberley Community Center	9.3
Technology Enhancements	1.0
City Airport Loan	0.6



## SAFETY & INFRASTRUCTURE MAINTENANCE = \$88.4

	EXPENSE
Police	32.5
Fire and Emergency Services	28.0
Building, Plan Check, and Permit Issuance	11.5
Streets, Sidewalks, and Tree Maintenance	5.4
Planning and Transportation	7.0
Public Works and Engineering	2.4
Palo Alto Animal Services	1.6



14%

Community Investments

\$171.1 million

52%

Safety and Infrastructure Maintenance

18%

Services & Programs That Make Palo Alto Unique

16%

Citywide Internal Support Departments

## SERVICES & PROGRAMS THAT MAKE PALO ALTO UNIQUE = \$30.3

	EXPENSE
Five Library Branches	7.5
Parks, Fields, and Open Space	7.3
Recreation Programs	5.9
Arts & Science Programs	3.8
Municipal Golf Course	1.6
City Shuttle Service & Transportation Management Authority	1.4
Junior Museum and Zoo	1.4
Support for Non-Profits	1.4



## CITYWIDE INTERNAL SUPPORT DEPARTMENTS = \$27.8

	EXPENSE
Council Appointed Officials, City Council, Finance, and Human Resources	22.2
Facility Repair and Maintenance	5.6

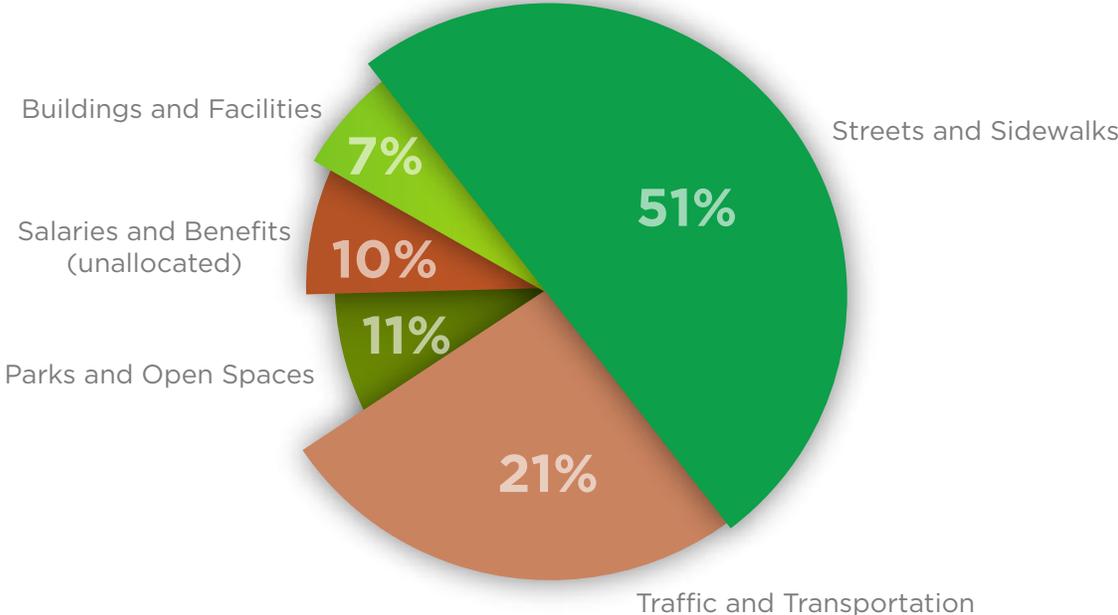


\*All numbers indicated above are in \$ millions.

# Capital Budget

Of the \$53 million in capital funding approved, approximately 51% or \$29 million will be dedicated to maintain and rehabilitate the City’s existing electric, gas, wastewater, and water infrastructure. About 43% of the total funding, or approximately, \$25 million is scheduled to be spent on the rehabilitation of streets and sidewalks as well as improvements and rehabilitation of parks and open space, buildings and facilities, and traffic and transportation. The remaining funding of \$4 million was approved for the replacement of vehicles and information technology infrastructure.

## FY 2015 General Fund Capital Budget \$25.2 Million



# Major Capital Budget Projects

- **Annual Street Rehabilitation:** \$6,443,000
- **Wastewater Collection System Rehabilitation:** \$3,000,000
- **Newell Road Bridge/San Francisquito Creek Bridge Replacement:** \$2,536,000
- **Electric System Improvements:** \$2,450,000
- **Annual Sidewalk Rehabilitation:** \$2,439,000
- **Seismic Water System Upgrades:** \$2,230,000
- **Transportation and Parking Improvements:** \$2,169,000
- **Matadero Creek Storm Water Pump Station and Trunk Lines Improvements:** \$1,912,000
- **Rinconada Park Improvements:** \$1,167,000
- **Baylands Levee Improvements Feasibility Study:** \$500,000

# Utility Funds Budget

The City of Palo Alto delivers electricity, gas, and water to its residents and customers, collects and treats wastewater, collects and properly disposes garbage and recyclable materials, and maintains the City’s Storm Drain system. Throughout the year utility customers pay for these services. For Fiscal Year 2015, the City will receive approximately \$293 million for providing these services (see graph on the following page). The majority of these revenues will be used to purchase commodities from third party providers such as electricity, gas, and water, maintain the utility infrastructure, and administration.

## UTILITY FUNDS EXPENSES = \$292.8



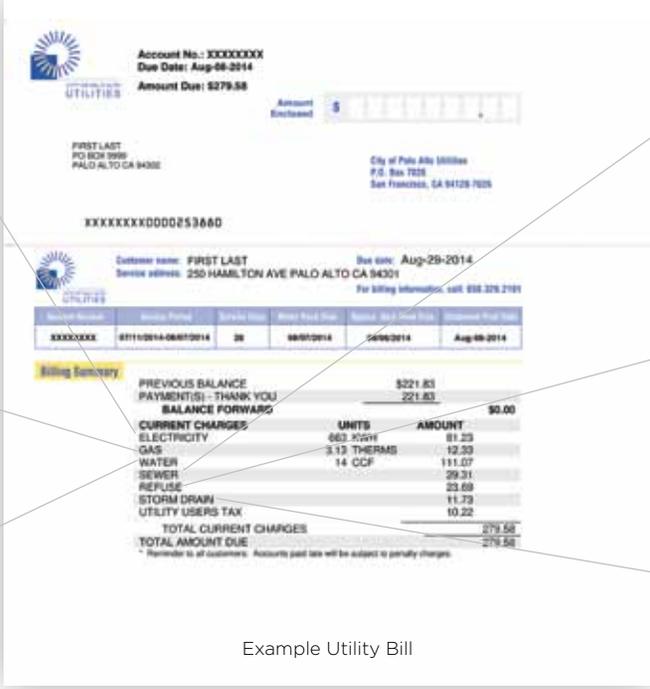
**ELECTRICITY \$138.2**



**GAS \$35.4**



**WATER \$41.9**



Example Utility Bill

Service Number	Service Point	Service Size	Water Read Date	Water Read Value	Customer Read Date
XXXXXXX	01110214-00470214	3/8	08/07/2014	2096/2014	Aug 08-2014

	UNITS	AMOUNT
PREVIOUS BALANCE		\$221.83
PAYMENT(S) - THANK YOU		221.83
BALANCE FORWARD		\$0.00
<b>CURRENT CHARGES</b>		
ELECTRICITY	663 kWh	81.23
GAS	3.13 THERMS	12.33
WATER	14 CCF	111.07
SEWER		29.31
REFUSE		23.68
STORM DRAIN		11.73
UTILITY USERS TAX		10.22
<b>TOTAL CURRENT CHARGES</b>		279.58
<b>TOTAL AMOUNT DUE</b>		279.58



**WASTEWATER \$42.0**



**REFUSE \$28.7**



**STORM DRAIN \$6.6**

## UTILITY FUNDS REVENUES = \$292.8

<b>Utility customer charges</b>	<b>268.9</b>
<b>Other revenues</b>	<b>20.1</b>
<b>Enterprise Fund Reserve Contributions</b>	<b>3.8</b>

\*All numbers indicated above are in \$ millions.

## How to become involved in the annual budget process

### FALL:

- > In preparation for the next year's budget, the City calculates the cost for delivering the same services currently provided to the community with updated cost.
- > The City publishes the 10-year General Fund Long Range Financial Forecast, which projects the revenues and expenditures based on available information and specified assumptions. The Forecast is discussed with the Finance Committee and the City Council during public meetings.

### WINTER:

- > Departments submit budget change requests to reduce or augment budgets for existing services including targeted out comes and performance measures associated with these requests.
- > Internal budget hearings are held with the City Manager to discuss department budget requests.

### SPRING:

- > The City Manager releases and presents his proposed operating and capital budgets to the City Council (late April/early May).
- > The Finance Committee conducts a series of public hearings and recommends the budget with or without amendments to the City Council in May.
- > The Public provides input to the budget as part of the Finance Committee hearings and City Council deliberations.
- > Final adoption by the City Council occurs at a public hearing in June.

### SUMMER:

- > The City publishes the Adopted Budget and Budget-in-Brief documents.





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## Americans with disabilities act statement

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 Avenue  
(650) 329-2496

Visit our website at: [www.CityofPaloAlto.org](http://www.CityofPaloAlto.org)

# Palo Alto at a Glance

**Incorporation:** April 16, 1894

**Government:** Charter City operating under the City Council – City Manager form of government

**Population:** approx. 67,000

**Area:** 25.87 square miles

**Credit Rating:** AAA, highest possible credit rating

**Businesses:** over 7,000

**Principal Employers:**

- Palo Alto Unified School District
- Leland Stanford Jr. University
- Stanford University Medical Center/Hospital
- Lucille Packard Children’s Hospital
- VMWare, Inc.
- Hewlett-Packard Company
- SAP
- Loral
- Space Systems
- IDEO
- Tesla
- Flipboard
- Survey Monkey
- Theranos
- Palantir
- Houzz

**PUBLIC SAFETY:**

**Number of Police Calls for Service:** 55,000

**Number of Fire/Ambulance Calls for Service:** 7,900

**PARKS, RECREATION, & COMMUNITY CENTERS:**

**Open Space:** 4,500 acres

**Parks:** 36

**Playgrounds:** 29

**Community and Youth Centers:** 5

**Gymnasiums and Fitness Rooms:** 6

**Walking/Biking Trails:** 41.2 miles



**INFRASTRUCTURE AND UTILITIES:**

**Streets:** 473 miles

**Water Mains:** 207 miles

**Water Delivered to Customers:** 3.8 million gallons

**Wastewater Mains:** 207 miles

**Wastewater Treated:** 2.9 million gallons

**Gas Mains:** 209 miles

**Overhead Electrical Lines:** 117 miles

**Underground Electrical Lines:** 175 miles

**LIBRARIES:**

**Library Facilities:** 5

**Items Checked Out:** 1.5 million

**Books:** 215,000

**Audio Visual Material:** 50,000

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