

FY 2017 Proposed Operating Budget

May 5th Recap

Finance Committee

May 10, 2016



1

Current Status

BUDGET PROCESS

Date	Draft Adjustments to Budget	FY 2017	Dept	Date	Parking Lot Issues	Amount	Dept	Priority
	Beginning Balance	\$ -		3-May	Office of Sustainability Contingency	250,000	Non-Dept	
3-May	No Changes	0		3-May	2016 Elections Funding	150,000	Non-Dept	
5-May	No Changes	0		3-May	Establish Budget Uncertainty Reserve	2,000,000	Non-Dept	
10-May	TBD			3-May	Transfer from the General Fund: Traffic Signal and Streetlight Electric Costs	2,226,122	Non-Dept	
12-May	TBD			3-May	Reduce Transfer to General Capital Improvement Fund	(1,400,000)	Non-Dept	
17-May	TBD			5-May	Realignment of Development Services Staffing	412,867	Fire	
23-May	TBD			5-May	Fire Station Furniture, Fixtures, and Equipment	125,000	Fire	
		\$ -		5-May	TrackWatch Contract	824,000	Police	
				5-May	HSRAP - Page 221	1,435,508	CSD	
					Total:	\$ 6,023,497		

Date	FY 2017 Council Contingency
5-May	Balance \$250,000



2

FY 2017 Proposed Operating Budget Development Services

Operating Budget pp. 223-238

Finance Committee

May 10, 2016



3

Department Overview

Mission

Purpose

Divisions

- Administration
- Planning
- Building
- Green Building
- Public Works
- Fire Prevention Bureau



4

Accomplishments

- Adopted new Green Building and Energy Reach Code ordinances
- Initiated revision to City policies on seismic retrofitting of soft-story and unreinforced masonry buildings
- Initiated process for electronic plan review
- Launched Performance Dashboard Tool
- Launched Inspect App for customers
- Initiated viability and cost effectiveness study of Electrification/Fuel switching from gas to electric
- Completed phase 1 of cost of services study



5

Fiscal Year 2017 Initiatives

- Continue code adoption process including local amendments effective January 2017
- Complete Seismic Retrofit Study
- Launch New Fee schedule and begin Phase 2 of Cost of Service Study
- Complete Electrification/Fuel Switch Study
- Adopt and implement new building codes and local amendments
- Continue to monitor and streamline permit and plan check activities across DevSer.



6

Significant Budget Proposals

- Planning Tech, \$55,974
 - Add 0.50 FTE Planning Technician to provide front desk support at the Development Services counter
- Staffing Re-alignment, (\$607,922)
 - Reallocate 2.15 FTE to Fire, 0.64 FTE to Public Works, and 0.50 to Planning (Fire staffing reallocation in parking lot per FC May 5th meeting)
- State MWELo Enforcement, \$50,000
 - Consultancy cost to implement and manage a separate landscape permit process, per state mandate



FY 2017 Proposed Operating Budget Retiree Health Benefit Fund

Operating Budget pp. 479-480

Finance Committee

May 10, 2016



CITY OF PALO ALTO RETIREE HEALTHCARE PLAN

BARTEL ASSOCIATES, LLC

June 30, 2015
GASB 45 Actuarial Valuation
Valuation Summary

Presented by **John E. Bartel, President**
Prepared by Mary Beth Redding, Vice President & Actuary
Deanna Van Valer, Assistant Vice President & Actuary
Adam Zimmerer, Actuarial Analyst
Bartel Associates, LLC
May 10, 2016

Agenda

Topic	Page
Benefit Summary	1
Implied Subsidy	3
Participant Statistics	4
Actuarial Methods	6
Actuarial Assumptions Highlights	7
Assets	8
Valuation Results	9
Definition of Terms	15



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BENEFIT SUMMARY

Group	Hired ²	Retired ²	City-Paid Benefit																				
1	< 1/1/04	< 1/1/07	Full premium																				
2	< 1/1/04	≥ 1/1/07 & < 5/1/11	Premium limited to 2nd most expensive Basic (non-Medicare) medical plan in Bay Area																				
3	< 1/1/04	≥ 5/1/11	For Mgmt/Conf and already retired SEIU: Premium limited to flat dollar caps same as active contribution: <table border="1"> <thead> <tr> <th></th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Single</td> <td>708</td> <td>743</td> <td>773</td> <td>804</td> </tr> <tr> <td>2-Party</td> <td>1,415</td> <td>1,485</td> <td>1,544</td> <td>1,606</td> </tr> <tr> <td>Family</td> <td>1,840</td> <td>1,931</td> <td>2,008</td> <td>2,088</td> </tr> </tbody> </table> For everyone else: 90% of premium up to 90% of Group 2 cap (PAPOA gets 100%)		2015	2016	2017	2018	Single	708	743	773	804	2-Party	1,415	1,485	1,544	1,606	Family	1,840	1,931	2,008	2,088
	2015	2016	2017	2018																			
Single	708	743	773	804																			
2-Party	1,415	1,485	1,544	1,606																			
Family	1,840	1,931	2,008	2,088																			

¹ Age 52 for Miscellaneous New Hires under PEPR
² Varies somewhat by bargaining group



BENEFIT SUMMARY

Group	Hired ³	Retired	City-Paid Benefit												
4	≥ 1/1/04		<ul style="list-style-type: none"> ▪ §22893 "Vesting Schedule" (based on all CalPERS Service)⁴. Percentages start at 50% with 10 years, increasing to 100% with at least 20 years of service. ▪ 100% vesting for disability ▪ Vesting % applies to 100/90 formula: <table border="1"> <thead> <tr> <th></th> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Single</td> <td>\$ 655</td> <td>\$ 705</td> </tr> <tr> <td>2-Party</td> <td>1,246</td> <td>1,343</td> </tr> <tr> <td>Family</td> <td>1,605</td> <td>1,727</td> </tr> </tbody> </table> ▪ If 20 years City service, do not need to retire directly from City 		2015	2016	Single	\$ 655	\$ 705	2-Party	1,246	1,343	Family	1,605	1,727
	2015	2016													
Single	\$ 655	\$ 705													
2-Party	1,246	1,343													
Family	1,605	1,727													
			<ul style="list-style-type: none"> ▪ All Active Group 3 PAPOA, PMA, SEIU & IAFF elected Group 4⁵ 												
Surviving Spouse			<ul style="list-style-type: none"> ▪ 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS pension survivor allowance 												

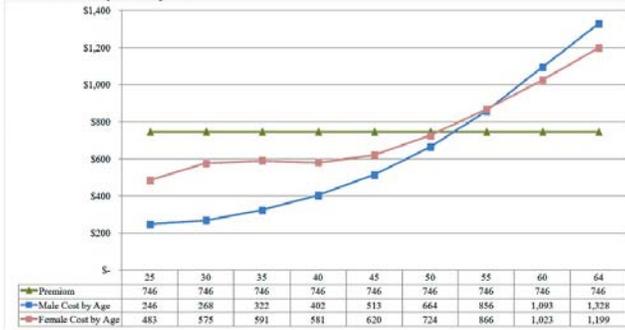
³ Varies somewhat by bargaining group
⁴ Minimum 5 years City Service.

⁵ SEIU and IAFF have not yet held the individual elections, but all members are assumed to elect Group 4.



IMPLIED SUBSIDY

- For PEMHCA, employer cost for allowing retirees to participate at active rates.
- Kaiser Bay Area plan:



- The City included the implied subsidy beginning with the June 30, 2013 valuation.

PARTICIPANT STATISTICS

Participant Statistics

	6/30/2013		6/30/2015		
	Total	Misc.	Police	Fire	Total
Actives					
• Count	948	776	84	95	955
• Average Age	45.2	46.3	39.3	42.4	45.3
• Average City Service	10.8	10.6	10.4	12.5	10.8
• Average PERS Service	11.7	11.8	11.5	13.2	11.9
• Average Salary	\$86,271	\$89,108	\$113,933	\$93,347	\$91,714
• Total Salary (000's)	\$81,785	\$69,148	\$9,570	\$8,868	\$87,586
Retirees:					
• Count	968	722	121	164	1,007
• Average Age	68.2	69.6	64.8	68.5	68.9
• Avg Service Ret. Age	57.8	58.8	51.9	54.3	57.7
• Avg Disab. Ret. Age	45.3	48.2	40.7	47.9	45.6

PARTICIPANT STATISTICS

**Participant Statistics
June 30, 2015**

	Group 1	Group 2	Group 3	Group 4 ⁶	Total
Actives					
• Count	n/a	n/a	107	848	955
• Average Age	n/a	n/a	52.0	44.5	45.3
• Average Entry Age	n/a	n/a	32.6	34.8	34.5
• Average City Service	n/a	n/a	19.4	9.7	10.8
• Average PERS Service	n/a	n/a	20.2	10.9	11.9
• Average Salary	n/a	n/a	\$129,385	\$ 86,960	\$ 91,714
• Total Salary (000's) ⁷	n/a	n/a	\$ 13,844	\$ 73,742	\$ 87,586
Retirees⁸:					
• Count	598	307	92	10	1,007
• Average Age	73.8	63.0	57.5	62.3	68.9
• Avg Service Ret Age	57.8	58.0	56.6	60.0	57.7
• Avg Disability Ret Age	45.4	46.7	44.9	50.0	45.6

⁶ Includes Group 3 PAPOA & PMA (elected Group 4 benefits) and Group 3 IAFF & SEIU (assumed to elect Group 4).

⁷ Actual 2014/15 pay paid for those hired < 7/1/14. New hire pay is annualized.

⁸ Includes retirees who have waived coverage.

ACTUARIAL METHODS

Method	June 30, 2015 Valuation
• Cost Method	• Entry Age Normal Level % of Pay
• Funding Policy	• Full Pre-funding through CalPERS trust (CERBT) asset allocation #1
• Unfunded Liability Amortization	• 28 years closed period • Prior valuation – 30 years closed period
• Asset Value	• Market Value of Assets ⁹
• Future New Entrants	• Closed group – no new participants
• Implied Subsidy	• Implied subsidy valued
• ACA Excise Tax	• Impact valued (2% load on cash subsidy) • Prior valuation – not valued

⁹ Using Market Value of Assets to determine the ARC will result in more volatile future ARCs than if a smoothed Market Value were used.

ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2013 Valuation	June 30, 2015 Valuation
• Valuation Date	• June 30, 2013 2014/15 & 2015/16 ARCs	• June 30, 2015 2016/17 ARC & 2017/18 ADC
• Discount Rate	• 7.61%, net of expenses	• 7.25%, net of expenses
• Demographic Assumptions	• CalPERS 1997-2007 Experience Study • Retirement, Mortality • Scale AA generational improvement for mortality	• CalPERS 1997-2011 Experience Study • Retirement, Mortality • Scale MP-14 generational improvement for mortality
• Medical Trend	• Decreasing from 8.0% non-Medicare and 8.3% Medicare down to 5.0% over 6 years	• Decreasing from 7.0% non-Medicare and 7.2% Medicare down to 5.0% over 4 years
• Increase to Dollar Caps for SEIU Group 3	• ½ of Medical Trend, not less than assumed inflation (3.0%)	• Same • Now also applies to Mgmt/Conf Group 3

ASSETS

Market Value of Plan Assets – CERBT
(Amounts in 000's)

	2010/11	2011/12	2012/13	2013/14	2014/15	Proj. 2015/16 ¹⁰
• MVA (Beg. of Year)	\$ 34,014	\$ 44,774	\$ 49,238	\$ 60,070	\$ 75,363	\$ 78,578
• Contributions	2,447	4,419	5,248	4,295	3,371	3,169
• Benefit Payments ¹¹	-	-	-	-	-	-
• Admin. Expenses	(50)	(52)	(80)	(91)	(76)	(65)
• Investment Return	8,363	97	5,664	11,088	(80)	59
• MVA (End of Year)	44,774	49,238	60,070	75,363	78,578	81,741
• Approx. Annual Return	24.4%	0.1%	11.2%	18.2%	(0.2%)	0.0%

¹⁰ Projected from actual 12/31/2015 balance using assumed rate of return for last half of fiscal year.

¹¹ Benefit Payments made outside of trust by City. Refer to Slide 3 for fiscal year amounts.

RESULTS

Actuarial Obligations

(Amounts in 000's)

	6/30/13 Valuation		6/30/15 Valuation	
	6/30/13	Proj. 6/30/14	6/30/15	Proj. 6/30/16
■ Discount Rate	7.61%		7.25%	
■ Actuarial Accrued Liability				
• Actives	64,264		77,248	
• Retirees	139,378		157,547	
• Total	203,642	\$ 213,458	234,795	\$ 245,908
■ Actuarial Value of Assets(MV)	60,070	73,124	78,578	81,741
■ Unfunded AAL	143,572	140,333	156,217	164,167
■ Funded Ratio	29%	34%	33%	33%
■ Normal Cost		5,674		6,340

RESULTS

Actuarial Gain/Loss

(in millions)

	AAL	(Assets)	UAAL
■ Actual 6/30/13	\$ 203.6	\$ (60.1)	\$ 143.6
■ Expected 6/30/16	233.6	(89.8)	143.8
• Assumption Changes	22.1		22.1
• Assets		8.0	8.0
• Plan Changes	2.5		2.5
• Experience (Gains)/Losses	(12.3)	-	(12.3)
■ Total (Gain)/Loss	12.3	(8.1)	20.3
■ Actual 6/30/16	245.9	(81.7)	164.2

RESULTS

Actuarial Obligations – June 30, 2015

(Amounts in 000's)

	AAL	Assets	UAAL
■ Airport	\$ 209	\$ 4	\$ 205
■ CIP	3,036	1,114	1,923
■ Elec ¹²	28,519	10,014	18,505
■ Gas ¹²	10,628	3,994	6,634
■ GF	155,343	47,751	107,592
■ ISF – Technology	4,382	1,842	2,540
■ ISF – Vehicle	1,840	1,142	698
■ ISF – Printing & Mailing	723	354	369
■ Refuse	6,026	2,589	3,437
■ Storm Drain	1,920	606	1,314
■ Water ¹²	5,546	2,983	2,563
■ WWC ¹²	3,038	1,563	1,474
■ WWT	13,585	4,622	8,963
■ Total	234,795	78,578	156,217

¹² AAL for UTL employees allocated to Elec, Gas, Water, and WWC in proportion to each Fund's AAL.

RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

	6/30/13 Valuation		6/30/15 Valuation	
	2014/15	2015/16	2016/17	2017/18 ¹³
■ Discount Rate	7.61%		7.25%	
■ ARC - \$				
• Normal Cost	\$ 5,674	\$ 5,880	\$ 6,340	\$ 6,587
• UAAL Amortization	8,607	8,887	10,025	10,351
• Total	14,282	14,767	16,365	16,938
■ Projected Payroll	87,187	90,021	93,372	96,406
■ ARC - %Pay				
• Normal Cost	6.5%	6.5%	6.8%	6.8%
• UAAL Amortization	9.9%	9.9%	10.7%	10.7%
• Total	16.4%	16.4%	17.5%	17.5%
■ Pay-As-You-Go Cost (Cash)	8,995	9,638	10,353	11,099
■ Pay-As-You-Go Cost (IS)	1,916	1,960	2,203	2,444

¹³ ADC for 2017/18.

RESULTS

10 Year Projection

(Amounts in 000's)

FYE	ARC / ADC ¹⁴	Pay	ARC / ADC % of Pay	Projected Funded Status
2017	\$16,365	\$ 93,372	17.5%	36%
2018	16,938	96,406	17.5%	38%
2019	17,530	99,539	17.6%	40%
2020	18,138	102,774	17.6%	42%
2021	18,765	106,115	17.7%	44%
2022	19,411	109,563	17.7%	46%
2023	20,076	113,124	17.7%	49%
2024	20,760	116,801	17.8%	51%
2025	21,466	120,597	17.8%	53%
2026	22,192	124,516	17.8%	55%

¹⁴ ARC is defined by GASB 45. Actuarially Determined Contribution (ADC) beginning 2017/18.

DEFINITION OF TERMS

■ **Actuarial Accrued Liability (AAL)**

- Liability for benefits "earned" for past service using actuarial methods and assumptions

■ **Normal Cost (NC)**

- Value of benefits "earned" during the current year

■ **Annual Required Contribution (ARC)**

- Normal Cost, plus
- Amortization of Unfunded AAL (UAAL)

■ **Net OPEB Obligation (NOO)**

- Historical difference between ARC and actual contributions

■ **PayGo**

- Cash payments for retiree benefits

Impacts to FY 2017 Proposed

Funding Source	Adopted FY 2016	Modified FY 2016	Proposed FY 2017	May 9, 2016 Valuation	Change from Proposed FY 2017 to May 9, 2016
General Fund	9,664,600	8,246,207	9,322,699	9,403,256	80,557
Enterprise Funds	4,070,524	3,473,128	3,806,691	4,097,591	290,900
Other Funds	710,064	605,853	678,865	661,153	(17,712)
Employee Health Contributions	321,812	321,812	-	-	-
Implied Subsidy	-	2,120,000	2,291,745	2,203,000	(88,745)
Annual Required Contribution (ARC)	\$ 14,767,000	\$ 14,767,000	\$ 16,100,000	\$ 16,365,000	\$ 265,000

Unfunded Liability as of June 30, 2013 report: \$143.6 million
 Unfunded Liability as of June 30, 2015 report: \$156.2 million
 Citywide Change: \$12.6 million



25

FY 2017 Proposed Operating Budget

Planning and Community Environment

Operating Budget pp. 315-329

Finance Committee

May 10, 2016



26

Department Overview



27

Sample of Accomplishments

- Ground floor retail preservation ordinance
- Annual office/R&D limit
- Comp Plan summit and CAC formation
- 5 bicycle boulevard concept plans
- Comp Plan Vision and Goals
- \$2M traffic signal upgrade
- Downtown Commute Survey and TMA launch
- Major approvals at 2555 Park, 261 Hamilton, 385 Sherman, 430 Forest, Stanford Shopping Center
- Downtown RPP
- Code clean up ordinance
- 2 SSO districts; initiated IR program review



28

FY2017 Initiatives

- Comp Plan Update
- Phase 2 of Downtown RPP & next RPP
- Parking wayfinding implementation
- Paid parking study & recommendations
- Annual commute survey & TMA support
- Bike Plan implementation projects
- Traffic speed survey phase one & safety improvements
- Many more



29

Budget Overview

- No Significant Change from FY 2016
 - General Fund Support of Approx \$8.9M
 - CIP Projects & Special Revenue Funds
- Staffing Requests
- Budget Adjustment Requests
- Unfunded Activities



30

Staffing Requests

- Management Analyst (Administration)
- Program Assistant (Transportation)
- Building/Planning Tech (Current Planning)
- 0.5 FTE Coordinator Transportation Systems Management (Safe Routes)

Total General Fund Impact: 0.52 FTE



31

Other Budget Adjustments

- Continued funding for TMA pilot programs
- Ongoing Shuttle operations
- Adjustment of staff between departments
- California Avenue retail study
- Scanning and storage
- Revenue alignment (adopted fee increases)
- Continued use of “on call” contractors



32

Not Reflected in the Budget

- FY16 Comp Plan Update contract amendment
- FY16 grade separation PM contract
- Shuttle expansion
- Multiple major housing initiatives ahead of the Comp Plan
- Eichler design guidelines
- Establishment & operation of new RPP Districts



33

FY 2017 Proposed Operating Budget

Special Revenue Funds

Operating Budget pp. 115-127

Finance Committee

May 10, 2016



34

Significant Activity By Fund

Special District Funds

- University Ave Parking Permit Fund
 - *Street Sweeping Contractual Increase: \$39,709*
 - *Transfer to Capital: \$682,676*
- California Ave Parking Permit Fund
 - *Street Sweeping Contractual Increase: \$64,638*
- Residential Preferential Parking Fund
 - *Contract Enforcement Costs: \$437,407*
 - *Online Service: \$103,476*
 - *Additional areas discussed at Council 5/9/2016*



35

Significant Activity By Fund

Stanford University Medical Center Fund

- Project Safety Net Collaborative: \$85,000 remaining
- CIP Transfers:
 - Intermodal Transit: \$441,000 (Public right of way)
 - Quarry Road Improvements: \$359,000 (Public right of way)
 - Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing:
 - \$1.6 Million (Charleston/Arastadero Corridor)
 - \$2.8 Million (New Public Safety Building)
 - \$6.0 Million (Replacement of Fire Station #3)
 - Climate Change: \$1.2 Million (Bicycle and Pedestrian Plan)



36

Significant Activity By Fund

Housing In-Lieu Funds

- Revenue is projected to decrease by \$1.7 million based on tracking

Traffic Mitigation and Parking In-Lieu Funds

- University Ave Parking In-Lieu Fund
 - *Downtown Parking Garage*: \$2.7 million in FY 2019

Federal & State Revenue Funds

- Community Development Block Grant (CDBG): \$754,000



Significant Activity By Fund

Street Improvement Fund

No change in activity for FY 2017

Community Development Funds

No change in activity for FY 2017

Public Benefits Funds

No change in activity for FY 2017

Downtown Business Improvement District Fund

No change in activity for FY 2017

Public Art Fund

No change in activity for FY 2017

