Presentations for the
June 22, 2020
City Council Meeting
Current zoning allows a +/- 52,500 sf Office/R&D building.

This pre-application proposes that Council study the alternative consistent with the City’s Housing goals to add Housing units to create a mixed-use opportunity.

The majority of site parking to be accommodated underground.
Option 1
Current Zoning

Option 2
With Zoning Consideration

Underground parking & add +/- 187 Dwelling Units

NOTE: Precise unit count, mix and layout to be refined as the project develops. Landscape, roof & building forms shown at this time are intended to be suggestive of final design. The actual design will be developed during the Architectural Review Process.

3300 El Camino, Palo Alto, CA
City Council Study Session June 22 2020
Context

The image above depicts the scale of the proposed project on El Camino.

The Multi Family parapet height is proposed at 50’. Sloped roof & trellis elements above that height recall the forms of existing neighbor building.

Other than the need to harmonize with it, the neighboring building is not affected by this project.
Nearby 2755 El Camino Real Multi-Family Residential Project 50’ tall

Neighboring Sloped Roof Building
Multi Family:
Top of roof elements vary to 67'
50’ parapet height

Office: 35’ parapet height

Building Heights

3300 El Camino, Palo Alto, CA
City Council Study Session June 22 2020
488 University: Request for Waiver
City Council

June 22, 2020
• Category 2 Historic Structure on local inventory; eligible for individual listing on the California Register of Historic Resources

• Legal non-complying building: FAR, height, and setbacks

• Hotel use until 1968

• Current use and occupancy is residential rental with ground floor retail; residential rental use ceased in 2018 following change in ownership
BACKGROUND: RELEVANT COUNCIL ACTIONS

- September 2018: No-fault renter eviction ordinance
- February 2019: Remove restrictions on non-residential floor area in the downtown area
- April 2019: Changes to non-complying buildings and establishment of waiver process
PROJECT OVERVIEW

- Convert 75 residential units to 100 hotel rooms
- Modifications to the interior and exterior to accommodate hotel use
- Modifications to rooftop open space; request for on-site sale of alcohol
- Parking Adjustment (25% reduction per state regulations; 12 on-site; 25 off-site; 78 in-lieu)
REQUESTED ENTITLEMENTS

• Historic Review and Architectural Review for modifications to a historic structure:
  o Historic structures in downtown referred to HRB
  o HRB confirmed eligibility for California Register and project’s consistency with Secretary of the Interior’s Standards for Treatment of Historic Resources
• Conditional Use Permit for rooftop garden modifications and on-site sale of alcohol
• Waiver from 18.18.120 to allow conversion of the use
PARKING ADJUSTMENT

- 25% reduction per state regulations (California Health and Safety Code)
- 12 on-site (10 spaces with two tandem and 2 additional valet)
- 25 off-site (330 Everett; 25 valet)
- 78 in-lieu (Downtown Assessment District)
POLICY CONSIDERATIONS

• Planning Entitlements

• Treatment of Historic Resources

• Waiver to Allow Conversion of Residential Land Use to a Hotel Use
Staff recommends that Council:

• Find the project exempt from the California Environmental Quality Act

• Approve the associated architectural review, historic review, parking adjustment, and conditional use permit applications subject to the findings and conditions in the RLUA

• Grant a waiver to allow conversion of a downtown residential use to a hotel use subject to the findings in the RLUA

RECOMMENDED MOTION
FY 2020-2021 OPERATING AND CAPITAL BUDGET ADOPTION, FY 2021 MUNICIPAL FEES ADOPTION, MUNICIPAL CODE CHANGE, PROPOSED UTILITY RATES AND FINANCIAL PLANS
OVERVIEW

• Appreciate City Council’s thoughtful approach to the tough budget discussions

• Adopted revenue assumptions reflecting the current public health emergency, resulting in FY 2020-2021 $39 million General Fund deficit

• The City Council has held seven separate discussions on FY 2021 budget deliberations

• Service impacts remain significant; however, essential City services will be maintained and can be restored when economic conditions improve
CONTINUED UNCERTAINTIES

• Estimating over a $20 million impact to current FY 2019-2020 General Fund budget (an estimated draw on the Budget Stabilization Reserve of $11.7 million)

• Tax revenue receipts remain unknown: two-month lag for Transient Occupancy Tax (hotel tax) and 3-month lag for sales tax by quarter

• Shelter in Place orders by Santa Clara County and the State continue to evolve but consumer confidence will continue to be uncertain
FY2021 CITYWIDE REVENUES

$796.7 Million

- Net Sales: 40.9%
- Other Revenue: 20.8%
- Use of Reserves/Fund Balance: 11.1%
- Charges for Services: 3.4%
- Charges to Other Funds: 1.6%
- Documentary Transfer Tax: 0.6%
- From Other Agencies: 3.2%
- Sales Taxes: 2.6%
- Property Taxes: 7.1%
- Rental Income: 2.1%
- Transient Occupancy Tax: 1.9%
- Utility Users Tax: 1.9%
- Return on Investments: 1.2%
- Other Taxes and Fines: 0.3%
- Other Revenue: 20.8%
- Other Taxes and Fines: 0.3%
FY 2021 CITYWIDE EXPENSES

$796.7 Million

- Capital Improvement Program: 33.9%
- Utility Purchase: 19.30%
- Net Transfers: 1.20%
- Allocated Charges: 6.36%
- Contract Services: 5.90%
- Debt Service: 2.56%
- Facilities & Equipment: 0.06%
- General Expense: 2.04%
- Rents & Leases: 1.72%
- Salary & Benefits: 25.97%
- Supplies & Material: 0.98%
HISTORICAL FULL-TIME STAFFING COMPARISON

960 FTE Citywide (less 74 positions)
512 FTE GF (less 62 positions)
GENERAL FUND SOURCES

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 2020 Adopted</th>
<th>FY 2021 Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$48.6 M</td>
<td>$52.0 M</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>34.4 M</td>
<td>20.5 M</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>29.3 M</td>
<td>14.9 M</td>
</tr>
<tr>
<td>Utility User Tax</td>
<td>17.6 M</td>
<td>15.1 M</td>
</tr>
<tr>
<td>Documentary Transfer Tax</td>
<td>8.4 M</td>
<td>4.7 M</td>
</tr>
<tr>
<td>Charges for Services &amp; Licenses &amp; Permits</td>
<td>38.8 M</td>
<td>33.8 M</td>
</tr>
<tr>
<td>All Other Revenues</td>
<td>55.0 M</td>
<td>55.5 M</td>
</tr>
<tr>
<td><strong>Total General Fund Revenue</strong></td>
<td><strong>$232.1 M</strong></td>
<td><strong>$196.5 M</strong></td>
</tr>
</tbody>
</table>

*This excludes recognition of reserved Development Center revenues of $500,000 which are reported on the prior slide.
GENERAL FUND EXPENSES $197.0 MILLION

- Salary & Benefits: 63.2%
- Contract Services: 11.5%
- Supplies & Material: 1.5%
- General Expense: 4.3%
- Rents & Leases: 0.9%
- Facilities & Equipment: 0.2%
- Allocated Charges: 9.3%
- Transfers: 9.0%
# FY 2021 BUDGETS – CMR #11330

## Citywide Proposed FY 2021 Budget, Released April 20, 2020

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>All Funds (w/ Internal Service Funds)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Expenses</td>
</tr>
<tr>
<td>Citywide Proposed FY 2021 Budget, Released April 20, 2020</td>
<td>$241,509</td>
<td>$238,801</td>
</tr>
</tbody>
</table>

## Adjustments to Proposed Budget as released

### Revenue Adjustments

- **City Council Requested Major Tax Revenue**
  - Realignment Scenario C (CC May 4, 2020): (38,794)
  - Other Economically Sensitive Departmental Revenue: (5,000)

### Adjustments by Service Area

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Revenues</th>
<th>Expenses</th>
<th>FT FTEs</th>
<th>PT FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighborhood, Community &amp; Library Services</td>
<td>(299)</td>
<td>(4,861)</td>
<td>(16.10)</td>
<td>(21.02)</td>
</tr>
<tr>
<td>Public Safety</td>
<td>1,684</td>
<td>(7,257)</td>
<td>(32.27)</td>
<td>(2.28)</td>
</tr>
<tr>
<td>Planning &amp; Transportation</td>
<td>(2,127)</td>
<td>(3,267)</td>
<td>(7.30)</td>
<td>(1.44)</td>
</tr>
<tr>
<td>Infrastructure &amp; Environment</td>
<td>-</td>
<td>(571)</td>
<td>(0.20)</td>
<td>-</td>
</tr>
<tr>
<td>Internal Services/Strategic Support</td>
<td>-</td>
<td>(1,397)</td>
<td>(5.90)</td>
<td>(0.96)</td>
</tr>
<tr>
<td>Citywide Balancing Solutions</td>
<td>(24,475)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

## SUBTOTAL CHANGES FROM FY 2021 PROPOSED BUDGET

<table>
<thead>
<tr>
<th></th>
<th>(44,536)</th>
<th>(41,828)</th>
<th>(61.77)</th>
<th>(25.70)</th>
<th>(9,906)</th>
<th>(49,119)</th>
<th>(74.35)</th>
<th>(26.18)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-18.4%</td>
<td>-17.5%</td>
<td>-10.8%</td>
<td>-31.6%</td>
<td>-1.3%</td>
<td>-6.0%</td>
<td>-7.2%</td>
<td>-24.6%</td>
</tr>
</tbody>
</table>

## Citywide Revenue and Expenses (after May 26th CC Discussion)

|                      | $196,973 | $196,973 | 511.91  | 55.61   | $702,146 | $769,750 | 959.50  | 80.14   |

Net Surplus/(Deficit) $0
Adjustments since May 26, 2020

• Management & Professional Unrepresented Group changed to a 10% compensation reduction (savings of $2.3 M GF, $3.5M all funds)
  • Offset by a reduction in the “Implementation Costs Associated with Balancing Strategy” reduced from $2.08M to $1.06M

Remaining items for City Council Action

• Strategy to manage attrition in Police & Fire
• Funding for KZSU
• Reserve for COVID-19 uncertainties to be revisited in the new fiscal year ($744,000)
No draw on the Budget Stabilization Reserve recommended in FY 2021 Budget

- Reserve projected at $33.0 million as of June 30, 2020
  - This is the remaining balance after the $11.7 million draw on the BSR in FY 2020
- BSR is 16.8 percent of the FY 2021 budgeted expenses; within the targeted range of 15 to 20 percent
- BSR remains below the City Council goal of 18.5 percent by $3.5 million
- City Council has established a separate reserve for “COVID-19 Uncertainties” to be revisited within the first six months of FY 2021 of $744,000
OTHER FUNDS

Federal & State Revenue Funds

• Community Development Block Grant Funding of approx. $1.1M ($547,000 for COVID response, including rent relief, food assistance, and testing & equipment)

Parking Funds:

• Residential Preferential Parking (RPP) Permit Program revisions (est. $200,000 GF savings)
• Transportation Management Association (TMA) funding of $453,000 ($297,000 for COVID-19 business support)

Stanford University Medical Center (Development Agreement)

• Significant investments anticipated in FY2021-2025 Capital Improvement Plan
• Reallocation of funds between City Council approved 2014 Infrastructure Plan projects
• Remaining unspent balance ~ $6M
**ENTERPRISE FUNDS – RATE CHANGES**

<table>
<thead>
<tr>
<th>FY 2021 Rate Changes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric</td>
<td>0%</td>
</tr>
<tr>
<td>Gas</td>
<td>2%</td>
</tr>
<tr>
<td>Water</td>
<td>0%</td>
</tr>
<tr>
<td>Wastewater</td>
<td>0%</td>
</tr>
<tr>
<td>Fiber</td>
<td>2.5%</td>
</tr>
<tr>
<td>Refuse</td>
<td>0%</td>
</tr>
<tr>
<td>Storm Drain</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.5%</strong></td>
</tr>
</tbody>
</table>

Total monthly bill is estimated to increase $1.47 per month, or 0.5%, to $320.71 per month.
Note: This excludes the transfer to the Cubberley Infrastructure Fund that began in FY 2015 and is $1.8M annually.
CIP – MAJOR INVESTMENTS

• Public Safety Building construction, Fire Station 4 design, and 101 Bike & Pedestrian Bridge (under construction)
  • Plan Public Safety Building bidding and certificates of participation sales to take advantage of recessionary construction market
• Parks investments such as Boulware Park (including Birch Street) and Byxbee Park
• Train crossings/rail grade separation planning
• Airport Apron Reconstruction prioritized by the FAA grant funding
• 6 of 13 Storm Water Management Fee ballot measure projects planned
• Water Quality Control Plant has $133.3 M of infrastructure investment projects
BUDGET CONVERSATIONS AND COMMUNITY BUDGET PARTICIPATION

Online Budget Priority Input

May 5 - 13
Share your budget priorities through our OpenGov engagement tool.

May 13 - 22
Share your input on specific proposed budget reductions.

Council Review of Service Area Budget Impacts

Tune in and Share your feedback

- **May 11** | 7:30 p.m. – 10:00 p.m.*
- **May 12** | 1:00 p.m. – 10:00 p.m.*
- **May 13** | 1:00 p.m. – 10:00 p.m.*

*tentative end times, subject to change

Council Review of Revised Operating and Capital Budgets

May 26 | 1:00 p.m.
ADDITIONAL ACTIONS

• FY 2021 Municipal Fee Schedule

• Other Post-employment Benefits (OPEB) Actuarial Valuation

• Ordinance: Councilmember Waiver Of Compensation

• Various enterprise rate approvals for FY 2021 (separate staff report on June 22 agenda)

• Salary Schedules & Employment/Union Agreements (separate staff reports on June 22 agenda)
RECOMMENDED ACTION ITEM 31; CMR #11330

1) Adopt the Fiscal Year 2021 Budget Ordinance (Attachment A), which includes:

   a) City Manager’s Fiscal Year 2021 Proposed Operating and Capital Budgets, previously distributed at the April 20th City Council Meeting (Attachment A, Exhibit 1)

   b) Amendments to the City Manager’s Fiscal Year 2021 Proposed Operating Budget (Attachment A, Exhibit 2)

   c) Amendments to the City Manager’s Fiscal Year 2021 Proposed Capital Budget (Attachment A, Exhibit 3)

   d) Allocated Charge Amendments to the City Manager’s Fiscal Year 2021 Proposed Operating and Capital Budgets (Attachment A, Exhibit 4)

   e) Fiscal Year 2021 City Table of Organization (Attachment A, Exhibit 5); and

   f) Fiscal Year 2021 Municipal Fee Changes (Attachment A, Exhibit 6)
RECOMMENDED ACTION ITEM 31; CMR #11330

2) Adopt the Ordinance (Attachment E) Amending Section 2.04.360 of the Palo Alto Municipal Code to Allow Council Members a Salary Waiver Option. A regular majority vote is required to approve this ordinance which becomes effective 30 days after this second reading and final adoption.

3) Accept the Fiscal Year 2021 – 2025 Capital Improvement Plan.

4) As recommended by the Finance Committee at the May 5, 2020 meeting (CMR 11284), accept the June 30, 2019 biennial actuarial valuation of Palo Alto’s Retiree Healthcare Plan and approve full funding of the Actuarial Determined Calculation (ADC) for Fiscal Year 2021 and Fiscal Year 2022 using a 6.25% Discount Rate for the calculation (Attachment B).
RECOMMENDED ACTION ITEM 32; CMR #11341

Recommendation Staff and the Finance Committee recommend that the City Council approve and adopt the following resolutions of the City Council of the City of Palo Alto:

a. Approving the FY 2021 Electric Utility Financial Plan, including reserve transfers, and amending the Electric Utility Reserve Management Practices (Attachments A, B & C);

b. Approving the FY 2021 Gas Utility Financial Plan, including reserve transfers, amending the Gas Utility Reserve Management Practices, and adopting a Gas Rate Increase by Amending Utility Rate Schedules G-1, G-2, G-3 and G-10 (Attachments D, E, F & G);

c. Approving the FY 2021 Water Utility Financial Plan, including reserve transfers, and amending the water Utility Reserve Management Practices (Attachments H, I & J);

d. Amending Utility Rate Schedule D-1 increasing the Storm Water Management Fee by 2.5 percent per month per Equivalent Residential Unit for FY 2021 (Attachments K & L); and

e. Amending Utility Rate Schedules EDF-1 and EDF-2 to increase Dark Fiber Rates 2.5 percent (Attachments M & N); There are no proposed changes to the Wastewater Collection utility rates or Financial Plan at this time.