Overview

• Operating Budget
  – Citywide Funds
  – Internal Service Funds
  – General Fund
  – Special Revenue Funds
  – Enterprise Funds

• Capital Budget

• Summary
FY 2020 Sources
$699.2 Million

- Use of Reserves/Fund Balance: 9.6%
- Charges for Services: 4.5%
- Charges to Other Funds: 1.6%
- Documentary Transfer Tax: 1.2%
- Transient Occupancy Tax: 4.2%
- Sales Taxes: 4.9%
- Return on Investments: 1.4%
- Rental Income: 2.5%
- Property Taxes: 7.6%
- Permits and Licenses: 1.6%
- Other Taxes and Fines: 0.3%
- Other Revenue: 8.7%

Net Sales: 48.0%
FY 2019 Citywide Expenses

FY 2020 Expenses
$699.2 Million
## FY 2020 Citywide Full-Time Positions

<table>
<thead>
<tr>
<th></th>
<th>GF</th>
<th>ENT</th>
<th>Other*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2019 Adopted Budget</strong></td>
<td>585.43</td>
<td>357.86</td>
<td>98.06</td>
<td>1,041.5</td>
</tr>
<tr>
<td><strong>FY 2019 Approved adjustments</strong></td>
<td>(3.15)</td>
<td>-</td>
<td>2.15</td>
<td>(1.00)</td>
</tr>
<tr>
<td><strong>FY 2019 Revised Budget</strong></td>
<td>582.28</td>
<td>357.86</td>
<td>100.21</td>
<td>1,040.35</td>
</tr>
<tr>
<td><strong>FY 2020 Changes</strong></td>
<td>(7.89)</td>
<td>0.75</td>
<td>(0.36)</td>
<td>(7.50)</td>
</tr>
<tr>
<td><strong>FY 2020 Reallocations</strong></td>
<td>(2.06)</td>
<td>-</td>
<td>2.06</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>FY 2020 Changes</strong></td>
<td>(9.95)</td>
<td>0.75</td>
<td>1.70</td>
<td>(7.50)</td>
</tr>
<tr>
<td><strong>FY 2020 Proposed Budget</strong></td>
<td>572.33</td>
<td>358.61</td>
<td>101.91</td>
<td>1,032.85</td>
</tr>
</tbody>
</table>

* Other Funds include the Capital Improvement, Internal Service, and Special Revenue Funds.
Salary & Benefit Changes: Base to Proposed

**General Fund**
- Base: 136,491
- Proposed: 134,042

**All Funds**
- Base: 234,569
- Proposed: 231,931
# Salary & Benefit Changes

(compared to FY 2019 Adopted Budget)

<table>
<thead>
<tr>
<th>Expenses Category</th>
<th>GENERAL FUND FY 2020 Proposed</th>
<th>Change</th>
<th>% Change</th>
<th>ALL FUNDS FY 2020 Proposed</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>75,218</td>
<td>524</td>
<td>0.7%</td>
<td>132,625</td>
<td>2,873</td>
<td>2.2%</td>
</tr>
<tr>
<td>Pension</td>
<td>31,358</td>
<td>6,790</td>
<td>27.6%</td>
<td>53,025</td>
<td>13,599</td>
<td>34.5%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>12,445</td>
<td>(98)</td>
<td>-0.8%</td>
<td>22,632</td>
<td>501</td>
<td>2.3%</td>
</tr>
<tr>
<td>Retiree Health</td>
<td>9,054</td>
<td>264</td>
<td>3.0%</td>
<td>14,214</td>
<td>414</td>
<td>3.0%</td>
</tr>
<tr>
<td>Other Benefits</td>
<td>5,967</td>
<td>1,110</td>
<td>22.9%</td>
<td>9,435</td>
<td>1,861</td>
<td>24.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$134,042</strong></td>
<td><strong>$ 8,590</strong></td>
<td><strong>6.8%</strong></td>
<td><strong>$231,931</strong></td>
<td><strong>$19,248</strong></td>
<td><strong>9.1%</strong></td>
</tr>
</tbody>
</table>
Internal Service Funds
## Internal Service Fund Allocated Charges

(-compared to FY 2019
Adopted Budget)

<table>
<thead>
<tr>
<th>Fund</th>
<th>GENERAL FUND FY 2019 Adopted</th>
<th>FY 2020 Proposed</th>
<th>% Change</th>
<th>ALL FUNDS FY 2019 Adopted</th>
<th>FY 2020 Proposed</th>
<th>% Change</th>
<th>GF %</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Benefits Fund</td>
<td>358</td>
<td>408</td>
<td>14.0%</td>
<td>616</td>
<td>686</td>
<td>11.4%</td>
<td>59.5%</td>
</tr>
<tr>
<td>General Liability Fund</td>
<td>1,079</td>
<td>1,356</td>
<td>25.7%</td>
<td>1,977</td>
<td>2,445</td>
<td>23.7%</td>
<td>55.5%</td>
</tr>
<tr>
<td>Print &amp; Mail Fund</td>
<td>1,056</td>
<td>1,199</td>
<td>13.5%</td>
<td>1,566</td>
<td>1,569</td>
<td>0.2%</td>
<td>76.4%</td>
</tr>
<tr>
<td>Retiree Healthcare Fnd</td>
<td>8,790</td>
<td>9,054</td>
<td>3.0%</td>
<td>13,800</td>
<td>14,214</td>
<td>3.0%</td>
<td>63.7%</td>
</tr>
<tr>
<td>Technology Fund</td>
<td>7,145</td>
<td>7,283</td>
<td>1.9%</td>
<td>14,570</td>
<td>14,279</td>
<td>-2.0%</td>
<td>51.0%</td>
</tr>
<tr>
<td>Vehicle Fund</td>
<td>5,085</td>
<td>5,276</td>
<td>3.8%</td>
<td>9,014</td>
<td>9,192</td>
<td>2.0%</td>
<td>57.4%</td>
</tr>
<tr>
<td>Workers' Comp Fund</td>
<td>2,560</td>
<td>3,665</td>
<td>43.2%</td>
<td>3,764</td>
<td>5,399</td>
<td>43.4%</td>
<td>67.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 26,073</strong></td>
<td><strong>$ 28,241</strong></td>
<td><strong>8.3%</strong></td>
<td><strong>$45,307</strong></td>
<td><strong>$47,784</strong></td>
<td><strong>5.5%</strong></td>
<td><strong>59.1%</strong></td>
</tr>
</tbody>
</table>
General Fund
FY 2020 - 2029 General Fund LRFF: Base Case

General Fund Net Operating Margin

Millions

Net One-Time Surplus/(Gap)  Net Operating Margin

2020 2021 2022 2023 2024 2025 2026 2027 2028 2029
## FY 2019-2028 General Fund LRFF: Base Case

<table>
<thead>
<tr>
<th></th>
<th>Adopted 2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$214,497</td>
<td>$227,108</td>
<td>$233,938</td>
<td>$241,315</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5.9%</td>
<td>3.0%</td>
<td>3.2%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$210,706</td>
<td>$229,916</td>
<td>$238,472</td>
<td>$244,508</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9.1%</td>
<td>3.7%</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Net One-Time Surplus/(Gap)</strong></td>
<td>$3,791</td>
<td>($2,807)</td>
<td>($4,534)</td>
<td>($3,193)</td>
</tr>
<tr>
<td><strong>Cumulative Net Operating Margin (One-Time)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Operating Margin</strong></td>
<td>($2,807)</td>
<td>($1,727)</td>
<td>$1,341</td>
<td></td>
</tr>
</tbody>
</table>
FY 2020 General Fund Revenues - $232.1 M

Sales Taxes 14.8%
Property Taxes 21.0%
Transient Occupancy Tax 12.6%
Utility Users Tax 7.6%
Documentary Transfer Tax 3.6%
Other Taxes and Fines 0.9%
Charges for Services 12.8%
Permits and Licenses 3.9%
Rental Income 7.1%
Return on Investments 0.6%
From Other Agencies 0.4%
Charges to Other Funds 4.7%
Operating Transfers-In 9.0%
Other Revenue 1.0%
From Other Agencies 0.4%
Charges to Other Funds 4.7%
Other Revenue 1.0%
Operating Transfers-In 9.0%
Sales Taxes 14.8%
Property Taxes 21.0%
Transient Occupancy Tax 12.6%
Utility Users Tax 7.6%
Documentary Transfer Tax 3.6%
Other Taxes and Fines 0.9%
Charges for Services 12.8%
<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary &amp; Benefits</td>
<td>58.2%</td>
</tr>
<tr>
<td>Transfers</td>
<td>14.7%</td>
</tr>
<tr>
<td>Allocated Charges</td>
<td>9.0%</td>
</tr>
<tr>
<td>Facilities &amp; Equipment</td>
<td>0.3%</td>
</tr>
<tr>
<td>Rents &amp; Leases</td>
<td>0.8%</td>
</tr>
<tr>
<td>General Expense</td>
<td>5.5%</td>
</tr>
<tr>
<td>Supplies &amp; Material</td>
<td>1.5%</td>
</tr>
<tr>
<td>Contract Services</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

FY 2020 General Fund Expenses - $230.8 M
General Fund Trends

REVENUE GROWTH: 8.2%, +$17.7 M
- Over 75% growth due to tax revenue increases, or $13.0 M
  (e.g. 7.3% Property Tax, $3.3M)

EXPENSE GROWTH: 9.5%, +$20.1 M
- Includes restoration of FY 19 one-time actions
- Includes 6.2% DR for Normal Cost
- Includes Labor Agreement Costs

$1.3 M BSR Contribution in FY 2020 to maintain BSR at target 18.5%, or $42.7 M
General Fund - Balancing

• Balances FY 2020, positions the City well for FY 2021
  - Incorporate Council Direction to change pension forecasting ($3.8M increase)
  - Ongoing reductions in expenses; include position eliminations
  - One-time savings while departments evaluate ongoing strategies
• Net reduction of 8.5 full-time equivalent positions from FY 2019 adopted levels
  - Council approved changes (1.0 position)
  - Recommended net reduction of 7.5 additional positions
• Targeted enhancements include: establishing an Office of Transportation, committing funds to workforce stabilization, and continued leadership in public/private partnerships
Special Revenue Funds
Special Revenue Funds - Major Initiatives

Federal & State Revenue Funds
• Community Development Block Grant Funding of approx. $661,000

Street Improvement Funds
• $2.6 M investment in capital projects for transportation and street maintenance; current PCI average is > 85, working towards all streets exceeding PCI score of 60

Parking Funds
• Focus on strategies to address traffic and transportation challenges
  ➢ Establish Office of Transportation (OOT)
  ➢ General Fund subsidy to the Residential Parking Permit (RPP) Fund ($720,000)
  ➢ $1.5 M investment in capital projects, including a comprehensive parking management system ($1.1 M), University Avenue improvements ($0.3 M), and parking wayfinding ($40,000)
Enterprise Funds
# FY 2020 Utility Rate Changes*

<table>
<thead>
<tr>
<th>Utility Service</th>
<th>Proposed Rate Change</th>
<th>$ Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric</td>
<td>5.5%</td>
<td>$2.98</td>
</tr>
<tr>
<td>Gas</td>
<td>8.4%</td>
<td>$4.91</td>
</tr>
<tr>
<td>Wastewater</td>
<td>7.0%</td>
<td>$3.83</td>
</tr>
<tr>
<td>Water Utility</td>
<td>4.4%</td>
<td>$2.71</td>
</tr>
<tr>
<td>Refuse</td>
<td>0.0%</td>
<td>$0</td>
</tr>
<tr>
<td>Storm Drain</td>
<td>4.5%</td>
<td>$0.63</td>
</tr>
<tr>
<td>User Tax</td>
<td>5.9%</td>
<td>$0.59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5.0%</strong></td>
<td><strong>$15.65</strong></td>
</tr>
</tbody>
</table>

*The electric and gas rates are scheduled for review by the Finance Committee later today.

Total residential monthly bill is estimated to increase $15.65 per month, or 5.0%, to $312.15 per month.
Capital Budget
Capital Budget Overview: 2020-2024 CIP

Proposed Projects by Fund Type - 210 Projects
- Capital Project Funds: 101 Projects
- Enterprise Funds: 92 Projects
- Internal Service Funds: 17 Projects

Proposed Funding by Fund Type - $730.6 Million
- Capital Project Funds: $333.1 M
- Enterprise Funds: $367.1 M
- Internal Service Funds: $30.4 M
Capital Budget Overview: 2020-2024 CIP Highlights

• 13 New Projects (9 Capital Project Funds, 3 Enterprise, 1 Internal Service)

• Decrease of $16.4M from 2019-2023 CIP
  – Realignment of Replacement Schedule for Utilities Infrastructure

• Major Capital Initiatives over the five-year CIP
  – Focus on funding the Infrastructure Plan (IP) and maintaining funding for Infrastructure Blue Ribbon Committee “catch-up” and “keep-up”
  – Recognize Operating and Maintenance costs for Capital Projects
  – 6 of 13 Storm Water Management Fee ballot measure projects planned
  – Water Quality Control Plant: $131.7M of infrastructure investment
# Infrastructure Plan Project Expenditures

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Estimated Completion</th>
<th>Through FY 2019</th>
<th>2020-2024 CIP Budget</th>
<th>Total Project Budget*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Station 3 Replacement (PE-15003)</td>
<td>Summer 2019</td>
<td>$9.8M</td>
<td>$0.3M</td>
<td>$10.1M</td>
</tr>
<tr>
<td>Charleston/Arastradero Corridor Project (PE-13011)</td>
<td>Spring 2020</td>
<td>$13.3M</td>
<td>$6.3M</td>
<td>$19.6M</td>
</tr>
<tr>
<td>California Avenue Parking Garage (PE-18000)</td>
<td>Summer 2020</td>
<td>$49.0M</td>
<td>$1.1M</td>
<td>$50.1M</td>
</tr>
<tr>
<td>Highway 101 Pedestrian/Bicycle Overpass (PE-11011)</td>
<td>Fall 2020</td>
<td>$18.4M</td>
<td>$0.3M</td>
<td>$18.7M</td>
</tr>
<tr>
<td>Downtown Automated Parking Guidance Systems (PL-15002)</td>
<td>Spring 2021</td>
<td>$0.3M</td>
<td>$2.5M</td>
<td>$2.8M</td>
</tr>
<tr>
<td>Byxbee Park Completion (PE-18006)</td>
<td>Spring 2021</td>
<td>$0.6M</td>
<td>$3.0M</td>
<td>$3.6M</td>
</tr>
<tr>
<td>Fire Station 4 Replacement (PE-18004)</td>
<td>Fall 2021</td>
<td>$0</td>
<td>$10.2M</td>
<td>$10.2M</td>
</tr>
<tr>
<td>Public Safety Building (PE-15007)</td>
<td>Fall 2022</td>
<td>$7.7M</td>
<td>$107.8M</td>
<td>$115.5M</td>
</tr>
<tr>
<td>Bicycle and Pedestrian Transportation Plan Implementation (PL-04010)</td>
<td>On Hold</td>
<td>$9.7M</td>
<td>$11.1M</td>
<td>$20.8M</td>
</tr>
<tr>
<td>Downtown Parking Garage (PE-15007)</td>
<td>On Hold</td>
<td>$2.5M</td>
<td>$26.6M</td>
<td>$29.1M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$111.4M</strong></td>
<td><strong>$169.2M</strong></td>
<td></td>
<td><strong>$280.6M</strong></td>
</tr>
</tbody>
</table>

*Does not include debt service payments for COP bond proceeds.
## Infrastructure Plan Projects Timeline

<table>
<thead>
<tr>
<th>PROJECTS</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COUNCIL INFRASTRUCTURE PLAN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FIRE STATION 3 REPLACEMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>DESIGN</td>
</tr>
<tr>
<td>CHARLESTON / ARASTRADERO CORRIDOR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CONSTRUCTION</td>
</tr>
<tr>
<td>CALIFORNIA AVENUE PARKING STRUCTURE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIGHWAY 101 PEDESTRIAN / BICYCLE OVERPASS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DOWNTOWN AUTOMATED PARKING GUIDANCE SYSTEMS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BYX BEE PARK COMPLETION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FIRE STATION 4 REPLACEMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUBLIC SAFETY BUILDING</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BICYCLE AND PEDESTRIAN PLAN (PROJECT HALTED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DOWNTOWN PARKING GARAGE (PROJECT HALTED)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[www.infrastructure.cityofpaloalto.org/](http://www.infrastructure.cityofpaloalto.org/)
**Additional Needs**

**Near-Term**

- Capital Infrastructure Plan increased costs
- Master Plans (Parks & Cubberley)
- New CIPs: JMZ Phase II, Animal Shelter, Foothill Park
- Transportation initiatives
- Grade Separation
- Housing
- Unfunded Actuarial Liability for Pension and Retiree Healthcare Trusts
- City owned assets operated by non-profits
- Future labor agreements – competitive workforce
- Potential recession

**Longer-Term**
Conclusion

• The City continues to face competing priorities and strategically significant decisions; will comprehensively review all options to ensure an informed and balanced approach.

• Continue service delivery evolutions to maintain high quality services while containing costs.

• Balance long-term financial implications with our ability to attract and maintain the workforce our community requires.

• Significant investments requiring new revenues to fund strategic initiatives such as grade separation and Cubberley master plan and improvements.

• Capital Improvements – cost escalation continues, compressing our ability to fund anticipated projects.

• Manage expectations of the City Council, community, & staff.
# Budget Hearing Schedule

- **Finance Committee May 2019:**

<table>
<thead>
<tr>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FC @ 1 PM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>FC @ 1 PM</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>28</td>
<td>29</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>HOLIDAY</td>
<td>FC @ 1 PM</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **City Council:**
  - June 17\textsuperscript{th} Rate Adoption @ TBD (Monday)
  - June 17\textsuperscript{th} Budget Adoption @ TBD (Monday)
Budget Hearing Recommended Guidelines

• Budget hearings → budget wrap-up → City Council
• Meeting proceedings:
  - Presentations by departments, grouped by service area, including service inventories
  - Recap of budgetary highlights by OMB
    ❖ This symbol denotes a reduction to address City Council’s direction to proactively address the pension liability
  - Finance Committee discussion
• Recommended Motions:
  - “Tentative Approval of [insert item]”: majority vote
  - Recommend to be placed in the “parking lot”: majority vote
  - Request additional information/staff follow up: majority vote
FY 2020 Proposed Budget
Non-Departmental

Operating Budget pp. 447 - 452
Finance Committee
May 15, 2019
FY 2020 Proposed Budget
Placemaking & Infrastructure
Utilities Department, Operating & Capital Budgets

Finance Committee May 15, 2019 Item #2
Operating Pgs 391-446  Capital Pgs 337-476, 501-532, 557-606
Services Inventory: Utilities

FY 2019 Expenses by Service Area - $316.0 Million

- Commodities 47.8%
- Customer Service 1.3%
- Program Services 3.1%
- Utilities Operations 12.7%
- Business Operations 18.9%
- Capital Improvement Projects 16.2%

Note: Services Inventory data is displayed in FY 2019 Adopted Budget figures.
Note: Services Inventory data is displayed in FY 2019 Adopted Budget figures.
Department Highlights: Utilities

Capital investments over the past year:

- University Avenue Infrastructure Improvements
- Sewer Sanitary Replacement – Junior Museum Zoo
- Underground Districts 46 & 47

Future investments planned include:

- Cross Bore Safety Inspection Phase 2
- Upgrading Online Utilities Customer Account Services
- Colorado Power Station Upgrade
- Corte Madera Reservoir Replacement

Operations Focus

- Control cost to minimize rate changes, ie. Gas Prepay and Western Hydro Contract
- Continue to invest in succession planning for 257 FTEs
Budget Overview for Utilities

Operating Budget Proposals

• Realign Resource Management Division for succession planning and professional development (+$39,000; -0.96 PT, +0.50 FTE)

• Upgrade engineering positions, increases technical expertise (+$23,000)

• Elwell Court facility tenant improvements (+$356,000, one-time)

Capital Infrastructure Investment

• New construction schedule for gas, water, and wastewater infrastructure replacement.
Utilities Advisory Commission (UAC)
Recommendation - Electric (CMR 10217)
Item #2 a. i. CMR 10217 (Electric)

Staff and the UAC recommend that the Finance Committee recommend that the Council:

1. Adopt a resolution approving the fiscal year (FY) 2020 Electric Financial Plan and proposed transfers; and

2. Adopt a resolution amending Rate Schedules E-1 (Residential Electric Service), E-2 (Small Non-Residential Electric Service), E-2-G (Small Non-Residential Green Power Electric Service), E-4 (Medium Non-Residential Electric Service), E-4-G (Medium Non-Residential Green Power Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E 7 (Large Non-Residential Electric Service), E-7-G (Large Non-Residential Green Power Electric Service), E 7 TOU (Large Non-Residential Time of Use Electric Service), E-14 (Street Lights), E-NSE (Net Metering Net Surplus Electricity Compensation), and E-EEC (Export Electricity Compensation).
Electric Utility Cost Structure

Electric Supply: The cost to buy electricity and transport it to Palo Alto, including operational overhead (e.g. energy scheduling)

Electric Distribution: The cost to distribute electricity within Palo Alto, including: maintaining and replacing electric infrastructure, customer service, billing, administration, etc.

Electric Distribution costs (in green): $56 million 38%

Electric Supply costs (in blue): $90 million 62%

- Generation: 7%
- Transmission: 14%
- Supply Overhead: 42%
- Operations: 6%
- Capital Investment: 31%
Electric Rate Change Breakdown

Total Rate Increase: 8%

- Electric Supply Cost Increases: 4.1%
- Operations cost increases: 1.4%
- CIP expense increases: 1.0%
- Existing Revenue Shortfall: 0.8%
- Load loss: 0.4%
Utilities Advisory Commission Recommendation (UAC) - Gas (CMR 10255)
Item #2 c. i. CMR 10255 (Gas)

Staff and the UAC recommend that the Finance Committee recommend that the Council:

1. Adopt a resolution approving the fiscal year (FY) 2020 Gas Financial Plan and proposed transfers; and

2. Adopt a resolution amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service)
Gas Distribution (in green): The cost to distribute gas within Palo Alto, including: maintaining and replacing gas infrastructure, customer service, billing, administration, etc.

* Market-based pass-through costs.
Gas Rate Change Breakdown

Total Rate Increase: 5%

- Load Loss: 0.3%
- CIP Expense increases: 2.8%
- O&M Expense increase: 1.9%
FY 2020 Proposed Budget
Placemaking & Infrastructure
Planning & Community Environment (including Development Services), Office of Transportation, and Special Revenue Funds

Finance Committee May 15, 2019, Item #3

Operating Pg. 91-107, 283-295, 295-312  Capital Pg. 249-287
Note: Services Inventory data is displayed in FY 2019 Adopted Budget figures.
Department Highlights: PCE

What’s Working Well

• Managed a high volume of customers at Development Center
• Advanced the Housing Work Plan
• Processed development applications

Where We Plan to Focus

• Recruitment and organizational management/culture
• Maintain high level of customer service
• Advance City Council policies
Services Inventory: Transportation

Traffic and Transportation Capital Projects 50.9%

- Transportation Impact and In-Lieu Fees 10.6%
- Parking Operations 9.3%
- Transportation operations, maintenance, and planning 2.0%
- Alternative Modes 2.0%
- Bicycle programs - operations 0.9%
- Shuttle 1.7%
- Parking Capital Project 18.7%
- Railroad Grade Separation Capital Project 3.8%
- Parking Operations 9.3%
Department Highlights: Transportation

What’s Working Well

• Enhanced community engagement by conducting over 50 meetings and reducing possible grade separation alternatives to 6
• Increased the number of middle & high school students biking to school through a collaboration with PAUSD and the Palo Alto PTA
• Completed infrastructure changes on Quarry Road and Colorado Avenue/Sandra Place

Where We Plan to Focus

• Implementing the Transportation and Traffic Workplan
• Implementing the Rail Grade Separation Workplan
• Improving data collection and staff capacity
Budget Overview

- Establish Office of Transportation (OOT)
  - Net-zero reallocation of existing 13.48 positions from PCE and City Clerk’s Office ($141,000 revenue, $2.0 M expense)
  - Add 1.0 Parking Manager to oversee parking and shuttle programs (+$253,000)
  - Add 1.0 Senior Engineer to oversee transportation CIP and rail (+$266,000)
  - Funding realignments in various parking funds to reflect this new office staffing

- Merge Development Services Department (DSD) & Planning and Community Environment (PCE)
  - Net-zero reallocation of existing 40 positions from DSD to PCE ($14.5 M revenue, $12.6 M expense)
  - Transfer Business Registry Certificate (BRC) Program from former DSD to ASD (includes 1.0 FTE, $175,000 revenue, $50,000 non-salary expense)

- Recognize an operating subsidy transfer from the General Fund to the Residential Parking Permit (RPP) Fund to cover an operating deficit in FY 2020 ($721,000, one-time)

- Continue Special Revenue Fund investments in various capital projects ($10 M)
FY 2020 Proposed Budget
Internal Service Departments
Administrative Services, Human Resources, & Information Technology

Finance Committee May 15, 2019 Item #4
Operating pgs 173-192, 227-260, 455-463; Capital pgs 609-640
Note: Services Inventory data is displayed in FY 2019 Adopted Budget figures.
Department Highlights: ASD

What’s Working Well

• Contributed additional $4 million to City's Pension 115 Trust account
• Issued $37.4 million in bonds for the California Avenue Parking Garage
• Maintained the City's AAA credit rating resulting in lower debt costs

Where We Plan to Focus

• Continue implementation of the Fiscal Sustainability work plan
• Provide citywide procurement training on best practices
• Evaluate service evolutions in certain business areas such as printing and mailing
Department Highlights: HR

What’s Working Well

• Reached agreements with all bargaining groups (SEIU, SEIU Hourly, IAFF, FCA, PAPOA, PAPMA and UMPAPA)
• Implemented a Leave Management System and launched a comprehensive Parental Leave Program
• Reduced work related injuries by 8%

Where We Plan to Focus

• Emphasize efforts on Retention and Recruitment of workforce
• Implement a Citywide comprehensive training plan to further support the retention and recruitment efforts
• Focus efforts to create a harmonious and collaborative work environment
Department Highlights: IT

What’s Working Well

• Completed Projects: Fire MDC (Mobile Digital Computer) Rollout, Data Center consolidation project, MDM (Mobile Device Management) deployment, Replacement of Fire’s RMS (Record Management System), City Website ADA Compliance

• Adopted 3-Year IT Strategy

Where We Plan to Focus

• Set the foundation for several large, citywide projects:
  • ERP (Enterprise Resource Planning) Upgrade, Council Chambers Upgrade, GIS (Geographic Information System) Modernization, Next Generation City website, Police MDC Replacement

• Continue to implement/refine newly adopted 3-year IT Strategy
  • Goals: Customer Service, Infrastructure, Cybersecurity, Data Governance
Budget Overview

Operating Budget Proposals

- Realizes $280,000 vacancy savings in ASD (equivalent of 2.0 FTE, one-time)
- Reduces IT non-salary expenses in project services, staff training, professional services, and GIS contract expenses, and eliminates the Civic Innovation program (-$350,000)
  - Transfers Business Registry Certificate Program from former DSD to ASD (includes $175,000 revenue, $50,000 non-salary expenses, 1.0 FTE)
  - Adds 0.48 part-time position in Human Resources in workers’ compensation processing (+$30,386, +0.48 FTE, one-time ending June 30, 2020)

Information Technology Capital Investment

- City Council Chambers Upgrade (FY 2020 and 5-Year CIP total: $1,700,000)
- Continuation of existing projects (5-year CIP: $6.8 million, 7 projects)
FY 2020 Proposed Budget
Council Appointed Officers & City Council
Attorney, Clerk, Auditor, Manager, City Council
Finance Committee May 15, 2019, Item #5
Operating pg. 121-172
Services Inventory: City Attorney’s Office

Note: Services Inventory data is displayed in FY 2019 Adopted Budget figures.
Department Highlights: City Attorney’s Office

• What’s Working Well
  • Hiring and onboarding
  • Ordinances supporting Council priorities – e.g. housing
  • Training programs – e.g. construction management

• Where We Plan to Focus
  • Changing state and federal mandates
  • Dispute resolution and advocacy
  • Supporting new managers and staff
Services Inventory: City Auditor’s Office

Note: Services Inventory data is displayed in FY 2019 Adopted Budget figures.

- External Monitoring and Reporting: 26.7%
- Performance Audit Services: 73.3%
Department Highlights: City Auditor’s Office

• What’s Working Well
  • Code Enforcement Audit
  • Enterprise Resource Planning Audits: Data Governance, Data Standardization, Separation of Duties
  • Annual Performance Report and National Citizen Survey

• Where We Plan to Focus
  • Transferable Development Rights Audit
  • Contract Risk and Oversight Audit
  • Supervisory Control and Data Acquisition (SCADA) System Security and Audit
  • Organizational Assessment of the Office of the City Auditor
Note: Services Inventory data is displayed in FY 2019 Adopted Budget figures.
Department Highlights: City Clerk’s Office

• What’s Working Well
  • Maintaining workload even with short staffing
  • Increased Transparency-Older Clerk Records on City Website
  • Cross training staff
  • Administrative staff clerking Council Standing Committee meetings

• Where We Plan to Focus
  • Hiring/training a new Deputy City Clerk
  • Chambers Upgrade
  • Boards and Commission Application Process
Services Inventory: City Manager’s Office

- Facilitate City Council Legislative Actions: 13.3%
- Manage Special Interdepartmental Projects: 25.1%
- Direct and Coordinate Department Operations: 19.8%
- Support a Productive and Healthy Workforce: 17.5%
- Lead Implementation of Sustainability Program: 18.7%
- Coordinate Communications & Community Engagement: 5.6%

Note: Services Inventory data is displayed in FY 2019 Adopted Budget figures.
Department Highlights: City Manager’s Office

• What’s Working Well
  • Developed Rail workplan with new consultants for improved citizen engagement
  • Negotiated large contracts (Stanford Fire, Pets in Need, Baylands Golf Course)
  • Continue to support key business districts
  • Finalized 2018-2020 Sustainability Implementation Plan (SIP)

• Where We Plan to Focus
  • Implement City Council policy priorities
  • Lead City's management team
  • Plan & manage City finances
  • Enhance citizen engagement
Budget Overview

- Reductions in City Clerk’s Office expenses (-$16,000)
  - Recruitment and retention initiatives ($250,000, one-time)
  - S/CAP implementation expenses ($100,000, one-time)
  - City Manager’s Office staffing realignment ($0)